

## Gas featured in Cyprus talks with Moscow

Natural Gas Europe, 21.03.2013



Possible deals to harvest gas fields off the troubled Mediterranean country of Cyprus feature in emergency talks with Russia, according to media reports.

The European Central Bank has given the country of 1.1 million people until next Monday to agree a bailout with the EU and International Monetary Fund. Cyprus, the Eurozone's third smallest economy, needs around €15 billion. A plan to raise money by taxing bank deposits of savers large and small has failed amongst public fury and international condemnation. The levy, with estimated proceeds of €5.8 billion, was an EU condition for rescue.

Now Cyprus is asking Russia, which loaned it €2.5 billion in December 2011, to stump up another €5 billion, Russian media reported. As incentive, Cypriot Finance Minister Michael Sarris has suggested shares in potentially lucrative gas fields in waters off his country. Any deal with Moscow should be in Russia's best interests too, Sarris said. Estimates up to €300 billion have been made of the possible returns from fields south-east of the island nation. The head of the new state hydrocarbons company claimed Cyprus could have up to 40 trillion cubic feet (tcf) of gas within its exclusive economic zone.

Observers said gas could be on the table, though Cyprus faces many problems in developing this asset, not least geopolitical concerns about neighbor Turkey. "It might be possible for part of this loan to be convertible over time to equity in Cypriot assets, such as privatized state assets and hydrocarbon rights," Jacob Nell, a Moscow-based economist, told Reuters. "There are precedents in Belarus and Ukraine for similar deals involving Russia," said Nell, referring to deals with Russia's ex-Soviet neighbors in which debts owed to monopoly Gazprom were swapped for assets.

# Turkey may challenge Cypriot use of gas reserves in bailout

Reuters, 21.03.2013



Turkey could challenge any move by Cyprus to speed up offshore natural gas exploration as a way of attracting desperately needed investment to save its teetering economy, senior Turkish officials said.

The European Union has given the island until Monday to raise the billions of euros it needs to clinch an international bailout or face the collapse of its financial system and likely exit from the euro currency zone. Cyprus is in talks with Moscow over possible Russian investments. Cypriot Finance Minister Michael Sarris has identified the divided island's offshore gas riches as one area in which Russia could invest.

“This resource belongs to two communities and the future of this resource can't be subject to the will of southern Cyprus alone. We may act against such initiatives if necessary,” one of the Turkish officials told Reuters. “The exclusive use of this resource ... by Southern Cyprus is out of question ... and unacceptable.”

Cyprus has been divided between the Greek Cypriot south and Turkish north since a Greek coup d'état followed by a Turkish army operation in 1974. Efforts to reunite the island have repeatedly failed and Turkey is the only nation to recognize the self-declared Turkish Republic of Northern Cyprus. Cypriot efforts to monetize as yet undeveloped offshore gas fields and position them as a vital source of energy for Europe have raised tensions with Turkey, which demands a joint approach and a share of the revenue. “We are discussing all legal means ... We could take the case to the European Union but we will use all political and legal channels,” the official said without elaborating.

Moscow would tighten its grip on European supplies if it invested in natural gas fields in the Mediterranean south of Cyprus as part of a deal to solve the island's financial crisis. So far, some 200 billion cubic metres of natural gas worth \$80 billion at current prices have been discovered in the Aphrodite gas field in Cypriot waters, although the figures still have to be audited. That would be enough to cover around 40 percent of the European Union's annual gas consumption.

Cyprus hopes to start exporting in 2018, but energy analysts say extracting the gas will prove costly and slow, and Cypriot supplies may run into a global glut, with shale gas plentiful by then in North America, Russia and even Europe.

## Iraq official fears split as Kurdish-Turkey oil trade grows

Today's Zaman, 18.03.2013



Rising oil trade between Northern Iraq and Turkey threatens to split Iraq in two, a senior Iraqi official said, as the autonomous region ignores Baghdad's threats of tough action against what it terms illegal exports.

Baghdad says it alone has the authority to control exports and sign contracts, while the Kurds say their right to do so is enshrined in Iraq's federal constitution. "If oil from Northern Iraq goes through Turkey directly, that will be like dividing Iraq. This is our big concern," Iraq's Deputy National Security Adviser Safa al-Sheikh Hussein said on the sidelines of an Iraq conference.

The Kurdish Regional Government (KRG) started on the path towards economic independence by exporting small volumes of crude oil by truck to Turkey. KRG crude used to be shipped to world markets through a Baghdad-controlled pipeline running from Kirkuk to the Turkish port of Ceyhan, but exports via that channel dried up in December due to a payment row with Baghdad. The region is now pushing ahead with plans to build its own oil export pipeline to Turkey. KRG Energy Minister Ashti Hawrami has said a gas pipeline now being laid can be converted to ship up to 300,000 barrels per day of crude by June. "Regional Government is almost independent and they want more gains now," said Hussein, deputy of the National Security Council, created in 2004 as a forum for security decision-making. "They are a little over-confident and overly ambitious."

## SOCAR invests \$17 bln in Turkey

Today's.az, 21.03.2013



SOCAR intends becoming the largest foreign investor in Turkey with an investment volume worth \$17 billion by 2018, is reported with reference to SOCAR head Rovnag Abdullayev.

He said that SOCAR's investments contribute to the strengthening of relations between Azerbaijan and Turkey. "The implementation of such projects as the Baku-Tbilisi-Ceyhan oil pipeline, the Baku-Tbilisi-Erzurum gas pipeline and the Baku-Tbilisi-Kars railway has enhanced relations between the two countries to a strategic partnership level," he said.

# Iraq: Oil the bright spot in an otherwise bleak picture

Platts, 22.03.2013



Ten years after the US invasion, oil production is on the rise but the country is far from stable. Indeed, the rise in oil output is perhaps the only bright spot in an otherwise bleak picture of a nation riven by political infighting, dogged by insecurity and grappling with crumbling public services a decade after the start of Operation Iraqi Freedom on March 19, 2003.

Recent events point to a state in turmoil, mainly due to the near collapse of the Shi'ite-Kurdish power-sharing alliance, rising anger among the former ruling Sunni Muslims and a deepening rift between Baghdad and the semi-autonomous Kurdish region over oil.

The row between the central government and the Kurdish Regional Government came to a head March 7, when parliament voted on a budget despite a Kurdish boycott and failed to include provision for \$3.5 billion the KRG wants to pay foreign oil contractors. As a result, Kurdish oil exports halted since December have yet to resume and some 160,000 b/d of production is shut-in. The threat of secession by the Kurdish province, which is enjoying an oil-fed economic boom, has resurfaced with plans to build an oil pipeline to Turkey seen as an indicator of such intentions should the KRG proceed with an oil export route independent of the federal government. The stalemate comes at a time of mounting disaffection in Sunni provinces with what they see as the authoritarian style of Shi'ite Prime Minister Nuri al-Maliki, their marginalization and the degradation of basic services in their areas.

The Sunnis are also uncomfortable with Maliki's close ties to Tehran, the leading Shi'ite Muslim power in the Persian Gulf. When the US invaded Iraq, its stated goal was to replace Saddam Hussein's Baathist regime with a democratic government that would serve as a template for the rest of the Arab world. But the rebellions of 2011 across the Arab world, partly inspired by the ouster of former Iraqi strongman Saddam's Hussein, have unleashed a period of unprecedented turbulence in the Middle East. Of particular concern to Maliki's government is the threat of spillover from the civil strife in neighboring Syria.

Iraq's energy industry had been in a state of stagnation since 1980, when Iraq invaded Iran. It suffered further damage during the Gulf War of 1991 and years of UN sanctions that all but halted investment in the sector. And now, despite state earnings of \$100 billion last year from oil exports, ordinary Iraqis see little improvement to their quality of life in Baghdad and cities outside Iraqi Kurdistan. Power cuts are frequent, corruption is rampant and security a major concern. In the south, disgruntled farmers have staged protests against foreign oil companies over what they say is damage to farmlands.



In February this year, Iraq exported 2.536 million b/d of crude oil and Platts calculates that it produced 3.050 million b/d, a level that remains below the 3.5 million b/d peak achieved in the late 1970s. Political uncertainty apart, further obstacles may hinder efforts by the oil ministry to attain its revised capacity target of 9 million b/d by 2020. Iraq late last year breached the psychological 3 million b/d production level, achieved with the help of foreign oil companies operating under long-term service contracts awarded in 2009-2010.

The oil industry suffered a serious setback when the US-led coalition administration dismantled the leadership of the oil ministry during the early days of occupation, arresting then Minister Amer Rashid and dismissing senior managers whose experience was needed to get the oil industry back on its feet. Oil output fell from an average 2.5 million b/d in January and February 2003 to zero in April and May, rising eventually to 2.3 million b/d in December. Exports, which averaged 2.07 million b/d before the invasion and were suspended for three months after, rose to 1.633 million b/d by December. That year, output averaged 1.57 million b/d, compared with 2.58 million b/d in 2001 while exports averaged 980,000 b/d from 1.98 million b/d in 2001.

Production and exports did not rise above these levels until 2011. Since then, output has risen rapidly as the work of international oil companies awarded technical service contracts brought on additional production from the 11 fields awarded in 2009 and 2010, of which four were producing fields and seven discovered fields. The oil ministry had initially targeted combined production of 11.7 million b/d by 2017 from these fields plus the al-Ahdab field awarded to China's CNPC in 2008, or an increase of 10.1 million b/d. Added to production from fields managed by state oil companies, including Kirkuk in the north, total output capacity would rise to 12.5 million b/d. With Kurdish oil, estimated to be at 500,000 b/d by 2017, Iraq's total production was headed toward an overall target of 13 million b/d by mid-2017.

## TAP chooses Société Générale as Adviser

Natural Gas Europe, 19.03.2013



The Trans Adriatic Pipeline (TAP) and members of the Shah Deniz Consortium have chosen Société Générale as adviser to the project during its preparatory and construction phases.

The Azeri news agency reported that the decision was made by TAP, its shareholders Axpo, Statoil and E.ON Ruhrgas, and Shah Deniz Consortium members SOCAR, BP and Total as potential investors in TAP. Société Générale Corporate & Investment Banking was named Oil & Gas Financial Adviser of the Year for 2010 and 2012 by Infrastructure Journal, and is a leading adviser to cross border pipelines, most recently the Nord Stream €7.4 billion project.



In a statement on its website, TAP said Société Générale will initially assist the management team with structuring the pipeline's project finance strategy, carrying out a bankability review and formulating a funding plan. The pipeline has been designed to synchronize with the Shah Deniz Consortium's delivery timetable and will be ready when the gas comes on stream.

Kjetil Tunglund, TAP managing director, commented: "I am pleased that TAP, its shareholders and members of the Shah Deniz Consortium, have worked together and come to a final decision in selecting a financial advisor. Today's nomination is another step in making the Trans Adriatic Pipeline a reality. TAP's financial strength is well-known - our offer remains the most strategic and compelling commercially, not least because we are the only pipeline that does not require public funds."

## OMV to boost exploration, appraisal spend in 2013

Rigzone, 21.03.2013



OMV said that it will see an increase in its exploration and appraisal expenditure during 2013 compared to 2012.

Reporting its fourth quarter results for 2012, the firm said its plans include high-impact wells this year at Bonna, Wisting and Apollo in the Barents Sea, as well as at Matuku, offshore New Zealand. OMV said it was expecting a final investment decision in 2013 for the North Sea's Rosebank project, offshore the Shetland Islands, in which it has a 20-percent stake. Meanwhile, in Romania it expects further exploration to take place on the Neptun block after an ongoing 3D seismic survey there is completed.

In Libya, the firm expects production to remain at current levels after volumes recovered in 2012. Production in Libya was badly disrupted in 2011 by the revolution in the country. OMV warned that the security situation remains volatile in Yemen, where it has recovered production following the repair of an export pipeline. In the Kurdish region of Iraq, OMV said that extended well test facilities for its Bina Bawi development are under construction and production testing for sale into the local market is expected to start during the first half of this year. For 2013 OMV expects production will be broadly similar to that achieved in 2012. Total hydrocarbon production for the fourth quarter of 2012 came in at 301,000 barrels of oil equivalent per day (4Q 2011: 289,000 boepd).

# Saudi Arabia to drill for shale gas this year

The Wall Street Journal, 18.03.2013



Saudi Arabia signaled that it intends to remain a world energy powerhouse for the foreseeable future, partly by exploiting new technology which has unlocked vast quantities of oil and natural gas in North America.

Saudi Arabia will push ahead this year with exploratory drilling of shale and other unconventional gas reserves which could be twice the size of its conventional gas reserves, Minister of Oil Ali al-Naimi said. Developing unconventional and renewable energy will allow Saudi Arabia to meet rising domestic demand for energy while maintaining crude-oil exports, Mr. al-Naimi said, adding that the kingdom “will not stint” in ensuring that its customers’ oil needs are met.

“We have rough estimates of 600 trillion cubic feet of unconventional shale gas. The potential is very huge and we plan to exploit it,” he said during a Credit Suisse conference. Mr. al-Naimi didn’t say how quickly Saudi Arabia might begin commercial production of shale gas or shale oil, or describe how it will supply the large amounts of water used in hydraulic fracturing, or “fracking”, the process used to extract oil and gas from shale.

In separate comments Mr. al-Naimi said he anticipated that the country’s shale-oil reserves could also be exploited, but added that “we have to find them”. Saudi Arabia’s lead over the U.S. in crude-oil production narrowed sharply in the past year, thanks to rising shale-oil output in the U.S., where crude production in November and December topped 7 million barrels a day for the first time in 20 years. Saudi output eased to 9.2 million barrels a day in December, from 9.6 million the previous month. The U.S. Energy Information Administration recently forecast that U.S. crude output will swell to 7.5 million barrels a day within six months. The International Energy Agency, which represents key oil consumers, has predicted the U.S. will overtake Saudi Arabia as the world’s largest oil producer by 2020. Saudi Arabia is known more for its massive crude-oil exports than its modest gas output, and so far it hasn’t managed to increase gas production enough to replace oil as feedstock in planned petrochemical or electricity-generating projects.

Natural gas output from state giant Saudi Arabian Oil Co., or Aramco, averaged 9.9 billion cubic feet per day in 2011, up from 9.4 billion cubic feet per day in 2010. Aramco Chief Executive Khalid al-Falih said in December that the company plans to drill seven natural gas exploration wells in deep and shallow water in the Red Sea, off the coast of the northwestern city of Tabuk. Mr. al-Naimi said that prospects for global production of shale gas and oil—including in China, Ukraine, Poland and Saudi Arabia—were so promising that the kingdom might not need to continue with its decades-long policy of maintaining an oil-output cushion for use in global supply disruptions. “It is not a question whether Saudi Arabia has spare [oil] capacity. It is a question of whether we need to spend billions maintaining it at all,” Mr. al-Naimi said. “New commercial reserves such as shale oil are good news for the global economy” and “will ensure even greater stability of markets and prices,” he said.

## China's crude imports from Iran up 81 pct

Hürriyet Daily News, 22.03.2013



China has surged its crude oil imports from Iran 81 percent on year, while biggest Chinese refinery announced it will maximize processing of Iranian oil obeying a government requirement.

China's crude oil imports from Iran rebounded last month from a 10-month low hit in January, official data showed, in line with an International Energy Agency (IEA) report that said new U.S. sanctions appeared to have had little impact on shipments. The rebound also came after an official from China's biggest refiner, Sinopec Corp, said his refinery will process more Iranian crude this year than last.

China, Iran's top crude oil customer, bought nearly 2.0 million tonnes of Iranian crude in February, equivalent to about 521,330 barrels per day (bpd), up 68 percent from 309,906 bpd in January, according to data from the General Administration of Customs. February crude imports from Iran rose 81 percent from 288,576 bpd a year earlier.

The IEA said in its March report that new U.S. sanctions on Iran implemented in February, which barred the country from repatriating oil export earnings, appeared not to have had an impact on February shipments. Iranian crude oil exports are expected to hold strong and even exceed 1.4 million bpd in March from 1.28 million bpd in February, said the IEA, which coordinates the energy policies of major consuming nations. The report was contrary to industry expectations that the new U.S. measures would push Iran's exports in March to their lowest since Western sanctions came into effect in 2012.

China - along with other main buyers of Iranian crude, including India, Japan and South Korea - has been under pressure since last year to reduce imports in the face of U.S. and European sanctions. The West has imposed sanctions targeting Iran's vital oil sector as it suspects Tehran wants to develop nuclear weapons, an allegation Iran denies.

China is Iran's top trading partner and has repeatedly voiced its opposition to unilateral sanctions outside those sanctioned by the United Nations, such as those imposed by the United States. A Sinopec official told that the refiner will process more Iranian crude at its second-largest plant in 2013 than it did in 2012. Yu Xizhi, president of Sinopec, said that the plan for his refinery to process more Iranian crude "followed the government's requirement to maximize our import volume from Iran this year." Still, the year-on-year gain in February imports is coming off a low base. In the first quarter of 2012, China's crude imports from Iran fell a third from a year earlier, as China and Iran wrangled over contract terms. China's total crude imports in February fell nearly 9 percent from a year earlier on a daily basis, customs data showed earlier in the month.



## Announcements & Reports

### ► *Electricity in a Climate-Constrained World*

**Source** : International Energy Agency  
**Weblink** : <http://www.iea.org/W/bookshop/add.aspx?id=445>

### ► *Energy Charter Annual Report (2012)*

**Source** : Energy Charter  
**Weblink** : [http://www.encharter.org/fileadmin/user\\_upload/Publications/AR\\_2012\\_ENG.pdf](http://www.encharter.org/fileadmin/user_upload/Publications/AR_2012_ENG.pdf)

## Upcoming Events

*Supported by PETFORM*

### ► *TUROGE 2013 (in Turkey)*

**Date** : 10 – 11 April 2013  
**Place** : Ankara – Turkey  
**Website** : <http://www.turoge.com/2013/>



### ► *North Caspian Regional Atyrau Oil & Gas Exhibition*

**Date** : 16 – 18 April 2013  
**Place** : Atyrau – Kazakhstan  
**Website** : <http://www.atyrauoilgas.com/2013/>

### ► *LNG17 – International Conference and Exhibition on Liquefied Natural Gas*

**Date** : 16 – 19 April 2013  
**Place** : Houston – USA  
**Website** : <http://conferencehound.com/conference/lng17-international-conference-and-exhibition-on-liquefied-natural-gas/53874>

### ► *Offshore Technology Conference*

**Date** : 6 – 9 May 2013  
**Place** : Texas – USA  
**Website** : <http://www.gshtx.org/en/cev/908>



### ► *Uzbekistan International Oil & Gas Exhibition*

**Date** : 14 – 16 May 2013  
**Place** : Tashkent – Uzbekistan  
**Website** : <http://www.oguzbekistan.com/2013/>

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### ► *Tight and Shale Gas Summit 2013* (in Turkey)

**Date** : 15 – 16 May 2013  
**Place** : Istanbul – Turkey  
**Website** : <http://www.wplgroup.com/aci/conferences/eu-eug2.asp>



### ► *Turkmenistan Gas Congress*

**Date** : 21 – 22 May 2013  
**Place** : Ashgabat – Turkmenistan  
**Website** : <http://www.turkmenistangascongress.com/>

### ► *Caspian Oil & Gas*

**Date** : 4 – 7 June 2013  
**Place** : Baku – Azerbaijan  
**Website** : <http://www.caspianoil-gas.com/2013/index.html>

### ► *12th Moscow International Oil & Gas Exhibition*

**Date** : 25 – 28 June 2013  
**Place** : Moscow – Russia  
**Website** : <http://mioge.com/about/upstream.aspx>

### ► *Oil and Gas Conference and Exhibition 2013*

**Date** : 3 – 6 September 2013  
**Place** : Aberdeen – UK  
**Website** : <http://www.offshore-europe.co.uk/page.cfm/Link=1/t=m/goSection=1>

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### ► *All Energy Turkey* (in Turkey)

**Date** : 11 – 12 September 2013  
**Place** : Istanbul – Turkey  
**Website** : <http://www.all-energy-turkey.com/?lang=tr>





► *21st Kazakhstan International Oil & Gas Exhibition and Conference*

**Date** : 1 – 4 October 2013  
**Place** : Almaty – Kazakhstan  
**Website** : <http://www.kioge.com/2013/upstream2013.html>

► *Deep Offshore Technology International Conference & Exhibition*

**Date** : 22 – 24 October 2013  
**Place** : Texas – USA  
**Website** : <http://www.biztradeshows.com/trade-events/deep-offshore-technology.html>

► *World Shale Gas Conference & Exhibition*

**Date** : 4 – 7 November 2013  
**Place** : Texas – USA  
**Website** : <http://www.biztradeshows.com/trade-events/world-shalegas-exhibition.html>