KRG gives ‘a Turkish entity’ six oil exploration blocks

Reuters, *19.06.2013*

Local authorities have given an unnamed Turkish company licenses to explore for oil in Northern Iraq, according to a report, a move that could anger the central government in Baghdad already worried about the region’s growing independence.

The report, co-published by The Oil & Gas Year and the autonomous government Kurdish Regional Government (KRG), is the first official confirmation of the deal. It said a company described only as “a Turkish entity” was given stakes in the Choman, Hindren, Arbat, Pulkhana, Jabal Kand and Khalakan blocks.

Resource-hungry Turkey and neighboring Northern Iraq have been negotiating on energy since last year. However, the central government insists it has the sole authority to sign energy deals. A Turkish Energy Ministry official declined to comment on the report published by Istanbul-based The Oil & Gas Year. A source at state company Turkiye Petrolleri (TPAO), Turkey’s main oil exploration company, denied his company won the licenses.

The Turkish entity will have 80 percent stakes in the Choman, Hindren and Arbat blocks, the report said. Choman and Hindren are contiguous sections on the border with Iran, and Arbat is in the southeast near the city of Sulaymaniyah and has had some seismic work completed. The entity will hold a 40 percent stake in Pulkhana in the south, where eight wells have been drilled, and Jabal Kand in the west. It is expected to be given a 40 percent stake in the Khalakan block in the east of Northern Iraq, the report said. The ease of extraction and favourable production-sharing terms have attracted majors such ExxonMobil, Chevron and Total to the Kurdish region, despite threats of blacklisting from Baghdad, which considers the KRG contracts illegal.

The central government’s refusal to pay for exports from the north has sharply reduced shipments, which are currently made overland by truck to Turkey. Resolution of the dispute between the regional capital Arbil and Baghdad is essential if the Kurdish region is to reach its export goal of more than 1 million barrels of oil per day in by 2015.

KRG export line to complete in September

Upstream Online, *19.06.2013*

KRG is to complete a new oil pipeline to Turkey by the end of the quarter, according to the Kurdish Regional Government's energy minister. The move is set to provoke further ire from Baghdad as the autonomous region increases its control over oil resources in the northern region.

Ashti Hawrami said that the pipeline, with an initial capacity of 300,000 barrels per day, would be completed by the end of September. Exports are to enter the Kirkuk-Ceyhan pipeline at the Fishkhabur pumping station near the Turkish border, flowing directly to Turkey's southern port of Ceyhan for shipping to international markets.

The plan is being backed by Turkey, and Genel Energy is thought to be planning to send its Taq Taq output through the pipeline. KRG has stopped exporting through the central government-controlled pipeline, trucking only small amounts via tanker to Turkey and leaving most of its oil output stranded.

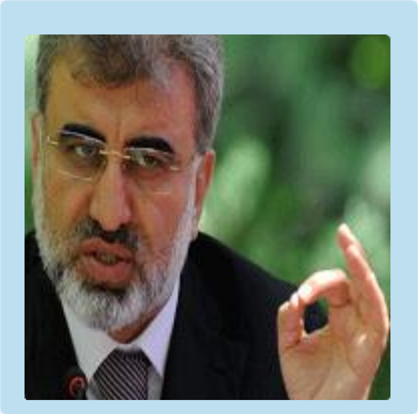
Northern Iraq oil production capacity is now at 300,000 bpd and is rising rapidly to 400,000 bpd by the end of this year, most of it destined for export, Hawrami added. With the further construction of new pumping stations, the pipeline would be able to export more than 1 million bpd by the end of 2015 and 2 million bpd by 2019, Hawrami said.

Sales of Kurdish oil via the central government through Iraq's federal pipeline system also could resume but that will depend on a permanent resolution of the political and constitutional issues, Hawrami said. No agreement has been reached so far between Iraq and KRG on payments to oil companies working in the region, despite a meeting earlier in June between leaders on both sides.

The prime ministers of Iraq and the KRG met last week in Erbil, and agreed to set up committees to focus on Iraq's oil and gas law and revenue-sharing legislation, but made little progress on substantive issues. "There was no discussion about oil payments ... Our dispute is constitutional, we are looking at the big picture," Hawrami said. The KRG will also seek to export natural gas to Turkey and elsewhere in Europe once domestic needs are met, Hawrami said. "By 2016, I believe, we will have first exports of gas for the Turkish grid," he said.

Turkey confirms gas pipeline from Northern Iraq

Today's Zaman, *21.06.2013*



Following a statement on Wednesday by Iraq's Kurdish Regional Government (KRG) that a pipeline to carry oil to the Turkish border is scheduled for completion by October, Ankara says such construction is possible.

The KRG will complete the pipeline by the end of September with an initial capacity of 300,000 barrels per day, its energy minister, Ashti Hawrami, told a conference in London on Wednesday. Turkish Energy Minister Taner Yildiz said on Thursday in Russia's St. Petersburg: "The oil and natural gas, which will flow over Turkey to Europe and to the world markets, is very important for Iraq."

Yildiz's veiled confirmation of Hawrami's words adds to concerns that it will provoke Baghdad after a calm few months following earlier tension. Yildiz added that Turkish companies and developers operated in line with Iraqi laws and that there are a number of new projects to develop in the country's north and south.

Oil is at the heart of the dispute between the Arab-led central government and the ethnic Kurdish-run northern enclave over control of oilfields, territory and crude revenues shared between the two regions. KRG has stopped exporting through the central government-controlled pipeline, which has stranded its oil output. It has been able to truck only small amounts to Turkey on road tankers.

Yildiz met Gazprom's Management Committee Chairman Aleksey Miller in St. Petersburg as Turkey approached its major natural gas provider Russia for a possible discount in prices. Gazprom Chairman Alexander Medvedev was quoted in June that the price of gas per thousand cubic meters would go down -- from 7 to 10 percent -- to a range of $370 and $380 in the rest of Europe. Turkey currently buys gas at prices ranging from $425 to $430 -- meaning once the discount occurs, Turkey will pay the highest price for Russian gas among its buyers. Yildiz said they failed to agree on a discount in prices for Turkey "as market conditions do not allow it."

Turkey looks to realize its huge shale gas potential

Hürriyet Daily News, *20.06.2013*

Turkey, encouraged by the research showing the country might have huge potential particularly around Central and Southeastern Anatolia and Thrace, aims to increase production of shale gas. Turkey has appeared to accelerate its local energy exploration and production activities, specifically in local shale gas.

"Many have said there is huge potential of shale gas reserves in Turkey, specifically in the Central Anatolian cities of Ankara, Konya and Nevsehir, although it is not feasible to give accurate figures about the reserves before the completion of our exploration activities".

We have already undertaken a series of shale gas exploration activities around Turkey, for example we have been drilling below 3,000 meters with Shell in the eastern city of Diyarbakir, and planning such activities in the Thrace Basin," Turkish Energy Minister Taner Yildiz said yesterday during the share and operations transfer ceremony of the 600 megawatt (MW) Seyitömer thermal power plant. Shell and Turkish Petroleum Corporation (TPAO) began exploring for shale gas in the eastern province of Diyarbakir's Saribugday-1 natural gas field in September 2012. The Southeast Anatolia Basin in southern Turkey and the Thrace Basin in western Turkey have active shale oil and gas exploration underway by TPAO and several international companies, according to the latest report by the U.S.-based Energy Information Agency (EIA), as reported by daily Hürriyet. There may also be shale gas resources in the Sivas and Salt Lake basins. However, only limited reservoir data are available for these two lightly explored basins, the report said.

The EIA estimated that the Dadas Shale in the Southeast Anatolian Basin and the Hamitabat Shale in the Thrace Basin contain 163 trillion cubic feet (tcf) (4.6 trillion cubic meters) of risked shale gas in-place, with 24 tcf (651 bcm) as the risked, technically recoverable shale gas resource. In addition, they estimate that these two shale basins also contain 94 billion barrels of risked shale oil in-place, with 4.7 billion barrels as the risked, technically recoverable shale oil resource. Turkey could meet 14 years of its gas demand by using the technically recoverable shale gas resource, 651 bcm, estimated in the report. Natural gas currently provides 21 percent of global energy supplies, according to energy experts. There had been about 50 to 60 years' worth of gas supply globally until a couple of years ago, but now it is believed there is minimum of a 200-year supply arising from discoveries of shale gas. This appears to be great news for the world, which has been increasingly more addicted to energy resources.

"The EIA report indicates a significant potential for international [shale oil and] shale gas, around 7,299 tcf, but extracting shale gas is more costly and complex than extracting conventional gas. Environmental concerns in global shale development are another issue. The drilling technique has already been banned in France and will likely face opposition in other countries due to its negative environmental impacts," a senior energy expert told.

Greece set to seal natural gas deal with SOCAR

Reuters, *18.06.2013*

Greece is set to agree the sale of its natural gas grid operator DESFA to Azeri state energy company SOCAR, a senior official directly involved in the talks said.

SOCAR has improved its offer to buy a 66 percent stake in the company to 400 million euros ($536 million), a price that Greece's privatization agency HRADF finds satisfying, the official said. "The privatization agency is very pleased, it's basically a done deal," the official told Reuters on condition of anonymity. HRADF may formally approve the sale as soon as on Thursday at its next board meeting. A 35% stake on sale is owned by refiner Hellenic Petroleum, 31% by Greece.

This means that the debt-laden country would get about 188 million euros of the sale's total proceeds. SOCAR was the sole bidder to buy DESFA after Russian energy company Sintez and Greek-Czech group PPF-Terna dropped out of the bidding earlier this month. Athens also expects the DESFA sale to raise the chances of the Trans-Adriatic Pipeline (TAP), one of the two rival natural gas pipeline projects vying to become a conduit for Azeri gas to Western Europe.

Oil sales drop by one third due to high price

Hürriyet Daily News, *21.06.2013*

Sales of oil decreased by 32 percent in the last seven years, according to figures revealed by Turkey's energy watchdog, due to an increase in the use of LPG and number of diesel-power vehicles.

The Energy Market Regulatory Authority (EPDK) data unveiled that despite the increasing number of vehicles entering the traffic over years, the oil sales have dropped invariably. The oil sales in 2006 retreated by 4.1 percent from 2005 and reached 2.6 million tons and it has been continuing to fall every year since then. The biggest plummet in oil sales came in 2008 at 10.6 percent.

That year only 2.2 million tons of oil were used by the vehicles. After the fall of oil sales by 6.6 percent to 1.8 million tons, the drop of seven years totaled more than 903,800 which correspond to 32 percent of the initial amount in 2005. As the drivers continue to seek ways to avoid high fuel expenses, their run away from oil is surging. Meanwhile, in the first four months of this year, the oil sales have slightly moved upwards with a 1.6 percent increase from 533,620 to 542,000 tons.

Gediz Power Distribution Company privatized

Hürriyet Daily News, *15.06.2013*

The privatization of Gediz Elektrik, the power distribution company for the western provinces of Izmir and Manisa, was completed at a signature ceremony on June 14 as private sector's part in the distribution sector has reached 76 percent.

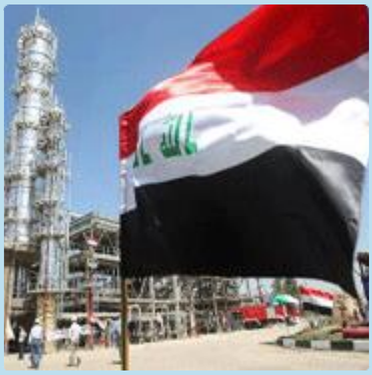
The Elsan-Tümas-Karacay Joint Venture Group, controlled by Bereket Energy, has bought Gediz Elektrik with an offer of $1.23 billion. The Energy Market Regulatory Authority's (EPDK) head, Hasan Köktas, said Bereket Energy would make around $270 million of annual investment in the region, which allows 120,000 immigrants every year.

Köktas also said the company would invest in a smart grid for uninterrupted distribution. The company, which also does distribution in the western provinces of Aydin, Denizli and Mugla, has acquired 9 percent of the distribution in Turkey. Gediz Elektrik has 2.4 million subscribers. Bereket chairman Ceyhan Saldanli said they would need around $2 billion financing, which includes $1.23 billion transfer amount, investment needs for five years and credit for operation. Saldanli said they provided the financing from Turkish banks.

As this is the 13th privatization of a distribution company, Finance Minister Mehmet Simsek said 75 percent of the power distribution companies had been transferred to the private sector. "I am looking forward to reaching 100 percent," he said. However, Simsek said the portfolio had shrunk in the privatization. "We should transform the Privatization Authority into a public-private sector partnership (PPP), which would be an expert unit in the framework of public-private investments." The minister said they were working on the National Lottery (Milli Piyango) and they would complete its privatization this year. "After privatization of some harbors and electricity generation only a secondary public offering of some companies will remain. It means the portfolio is getting smaller. I believe that a restructure of the Privatization Authority will be needed in advance," he said.

Iraq excludes Kurds from ambitious 2014 oil output target

Hürriyet Daily News (Reuters), *18.06.2013*



Iraq aims to ramp up oil production by nearly 45 percent by the end of next year without any input from its autonomous KRG which suggests a lasting compromise in their long-running oil feud may be a way off.

Baghdad's ambitious 4.5 million barrels per day (bpd) target specifically excludes output from the Kurdish region, senior Iraqi officials said, and relies on new oil pumped from southern oilfields and higher flows from ones already producing. Thamir Ghadhban, energy adviser to Iraq's prime minister, said Baghdad had lost confidence in KRG after it stopped exporting oil through pipeline system.

"The 4.5 million barrels a day is based on the development of the resources within the 15 governorates excluding Kurdish region because of this issue," Ghadhban, a former oil minister of Iraq, said at an energy conference in London on June 18. KRG says it is owed more than 4 trillion Iraqi dinars, or $3.5 billion, by Baghdad to cover the costs accumulated by oil companies operating there, while the central government rejects those contracts as illegal. The northern region used to ship crude through a pipeline network controlled by Baghdad, but exports via that channel stopped last December due to the payments row.

"We are not going to start again and make the same mistakes," said Ashti Hawrami, natural resources minister of the KRG. He confirmed that Kurdish oil is excluded from the 4.5 million bpd target, part of Iraq's blueprint for long-term energy development - launched last week in Baghdad. Hawrami said the strategy document - first seen by him on June 18 - was "for the rest of Iraq, not northern Iraq". "I'm afraid we have never been consulted and we do not have any input into this document," he said. "It excludes the Kurdish region's potential completely."

Reaching the high output level of 4.5 million bpd by the end of 2014 will be a real stretch for OPEC's no. For its part, the northern region is producing just under 200,000 bpd and exporting about 65,000 bpd by truck through Turkey to world markets. It has secured exploration contracts with the likes of Exxon, Chevron and Total. Reaching Iraq's 2014 target will require the start-up of the giant Majnoon oilfield, operated by Shell, and West Qurna-2, run by Russia's Lukoil, along with Garraf and Badra - further north. Under a high-production scenario, production would reach 13.5 million bpd by 2017 and be maintained until 2023. A low-production scenario targets 6 million bpd by 2025.

Baghdad is expected to enforce the medium-production scenario, where output reaches 9 million bpd by 2020. That will require renegotiating service contracts with foreign firms. Lukoil - at West Qurna-2 - and Italy's Eni - at Zubair - have already agreed to reduce production targets. Other companies, such as BP, Exxon and Shell are in similar talks.

Chevron inks Kurdish oil deal

Hürriyet Daily News (AFP), *09.06.2013*

US energy giant Chevron has signed another oil exploration deal in Iraq's autonomous Kurdish region, it said yesterday, one of several contracts between Kurds and foreign energy firms that have enraged Baghdad.

The contract to explore the Qara Dagh field, in the south of the three-province region, is Chevron's third with Kurdish officials, who have signed a swathe of contracts with international oil companies to boost exploration and production of energy. Iraq's central government, however, has slammed the deals as illegal and last year barred Chevron from working in non-Kurdish parts of the country.

"Chevron will acquire an interest in and operatorship of the Qara Dagh block production sharing contract from the Kurdish Regional Government," the company said in a statement issued from the Kurdish regional capital Arbil. The American energy giant was awarded the exploration deal in January, its third in KRG after acquiring two others in July 2012. The spat over oil contracts is one of a string between Baghdad and Arbil.

Gazprom and Armenia discuss natural gas cooperation

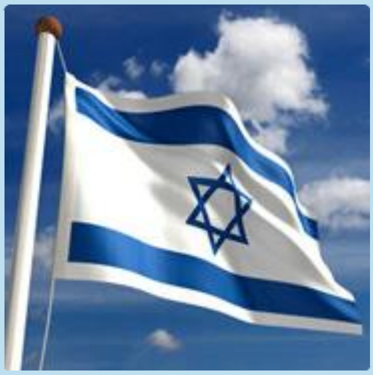
Natural Gas Europe, *18.06.2013*

Gazprom's Chairman Alexey Miller met Armen Movsisyan, Minister of Energy and Natural Resources of the Republic of Armenia, to address the development of cooperation between Russia and Armenia in the natural gas sector.

"The meeting also looked into the possibility of increasing Gazprom's stake in ArmRosgazprom to 100%," reads a note released on Monday. Miller and Movsisyan discussed Russian gas pricing for Armenian consumers and Gazprom's participation in energy project in Armenia. According to Tehran Times, ArmRosgrazprom is also considering opportunities to purchasing Iranian gas.

Israel to keep most of its natural gas for domestic use

Hürriyet Daily News (Reuters), *12.06.2013*



Israel said it will keep most of its newfound natural gas for domestic use but will still allow enough exports to satisfy exploration companies seeking access to the global market.

The decision to keep 60 percent of the country's estimated reserves, which means about 540 billion cubic meters, ended months of uncertainty during which drilling groups threatened they would not continue developing the offshore wells unless they were allowed significant exports. "The decision balances between the need to ensure a cheap and available source of energy for Israelis." "This amount of gas will meet our energy needs for at least the next 25 years."

Israel will receive $60 billion in taxes and royalties from the sale of gas over the next two decades, he said. Energy Minister Silvan Shalom reassured exploration companies that the export quota "will encourage investors to develop the gas fields that still need to be developed".

Two of the world's largest offshore fields from the past decade were found in Israeli waters. Texas-based Noble Energy led two groups that in 2009 found Tamar, with an estimated 280 bcm, and a year later Leviathan, with an estimated 530 bcm. Australia's Woodside has agreed to purchase a 30 percent stake in Leviathan, but officials have said the deal would only be finalized after Israel sets its export policy. Shares in Israeli exploration companies rose compared to declines in the broader Tel Aviv market. Avner Oil closed up 0.7 percent; Delek Drilling gained 1.7 percent, along with Delek Group 0.5 percent, Isramco 1.1 percent and Ratio Oil 0.8 percent.

Wednesday's decision, which will be voted on by the cabinet next week, was a departure from a recommendation made last year by a government committee to export more than half of Israel's gas. That recommendation sparked a months-long debate in which environmentalists and a number of lawmakers accused the government of giving away too much of Israel's resources.

Exploration companies lobbied strongly for a larger export quota, saying the Israeli market alone was too small to warrant further investment. "The decision is good and balanced," said Yaniv Pagot, chief strategist at the Ayalon Group. The stakeholders in the gas fields will take a hit with the new limitation on exports, he said, but added, "this is no industry-wide earthquake".

Greek Cyprus cabinet approves initial LNG deal

Reuters, *19.06.2013*

Greek Cyprus's cabinet approved on Wednesday a preliminary deal with Noble Energy, Delek Drilling and Avner Oil Exploration to develop a liquefied natural gas terminal to tap the East Mediterranean's vast gas discoveries, according to a report. Greek Cyprus aims to begin LNG exports in 2020 and to process not only its own gas but also supplies from Israel and potentially Lebanon, government and energy officials said, Reuters reported.

The estimated $10 billion needed to build the LNG export terminal and infrastructure would be the largest investment in the history of Greek Cyprus.

Deputy government spokesman Victor Papadopoulos announced the decision but did not give further details. "Delek confirmed strong interest in our plans and that they are very interested to invest in our export facility," Charles Ellinas, chief executive of state-owned Greek Cyprus National Hydrocarbon Company – CNHC, said according to the news wire.

Greek Cyprus has found almost 200 billion cubic metres of gas in its Aphrodite field and has hopes of finding as much as 1 trillion cubic metres in its six exploration areas. That would be worth around $400 billion at current European gas prices and give Greek Cyprus enough gas to cover all of Europe's demand for two years. Ellinas said a delegation from Israel's Delek, which along with US firm Noble is developing Israel's Leviathan and Tamar gas fields, had recently, and visited Greek Cyprus to discuss the project.

"Developing and introducing domestic gas will be critical for our competitiveness," Minister of Energy, Commerce, Industry and Tourism Yiorgos Lakkotrypis said in a phone interview, adding that at least one company was also looking for oil. The government is setting up a fund that would be in charge of spending hydrocarbon revenues with a focus on infrastructure, debt repayment and saving for the future, Lakkotrypis said. Part of the East Mediterranean's gas will likely head to Europe, but its proximity to the Suez Canal also means it could reach Asian customers, such as top LNG buyers South Korea and Japan. "We are committed to sending gas to Europe and are very keen to maintain good relations with Europe," Greek Cyprus National's Ellinas said. "Italy and France are interested in our gas for strategic reasons to supply Europe, he said."(Italian and French energy companies) ENI and Total also have assets in East Africa, where a lot of gas has also been found, but they will send those supplies to Asia and therefore Greek Cyprus gas can be used to supply Europe."

Asian buyers currently pay $15 per million British thermal units (mmBtu) for LNG, versus $9/mmBtu in Europe. Lakkotrypis said Greek Cyprus planned to export its LNG largely through long-term contracts, and would offer its gas as collateral for investors. As well as Israeli gas, an LNG export plant in Greek Cyprus could also involve gas from Lebanon, Ellinas said. Lebanon so far does not have significant known gas reserves, but the examples of Israel and Greek Cyprus have prompted hopes in Beirut for similar drilling success in its waters, which it wants to start soon. Because direct cooperation between Lebanon and Israel could prove politically difficult, officials in Greek Cyprus stress the convenience of a terminal on the island.

Azerbaijan says both pipeline projects valid

Natural Gas Europe, *18.06.2013*

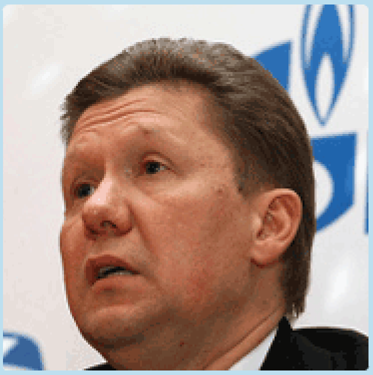
Azerbaijan is confident about the realization of a pipeline to carry gas from the Shah Deniz field to Europe and has not expressed a public preference for one of the two projects. The BP-led consortium will announce its decision by the end of the month, picking the Trans-Adriatic Pipeline or Nabucco West.

"From the point of view of Azerbaijan, the most important thing is that the gas from Shah Deniz II is actually delivered to European markets. Whether it happens through Nabucco West or TAP, that is a decision of the consortium," Azerbaijani Ambassador to the United States said.

Elin Suleymanov added that both the options are valid and valuable, in line with the criteria published by the consortium. "The criteria are technical, legal and commercial. So it has to be commercial, it has to have a stable legal regime and it has to be scalable," explained the Azerbaijani Ambassador to the US. According to the diplomat, Azerbaijan does not intend to compete with Russia through the Southern Corridor. "We are not talking about taking over markets. We are talking about adding an element of diversity and therefore energy security to the market," said Suleymanov referring to the project to export gas to Europe in the next future. The BP-led consortium will transport 10 billion cubic meters of gas annually to the European Union.

Russian gas supplies to China priced without linkage to Henry Hub

Natural Gas Europe, *19.06.2013*



Russia's Gazprom and China National Petroleum Corporation (CNPC) are expected to sign a long-term contract by the end of the year, with the Russian gas sold to China at a price independent of Henry Hub, said Alexey Miller, Chairman of Gazprom's Management Committee.

"The price of gas to be supplied to China won't be linked to the US spot market prices," said Miller after the negotiations with Zhou Jiping, president of CNPC, according to a note released by Gazprom on Wednesday. In March 2013, Gazprom and CNPC signed a memorandum of understanding to cooperate in pipelines gas supplies to China.

CNPC is the largest state-owned petroleum company in China (the Government holds a 100 per cent stake) and is one of the world's leading integrated oil and gas production companies. The Chinese company can alleviate the problems of Gazprom, whose need for long-term deals is becoming a pressing matter following the US shale gas revolution and the rise of LNG projects in Europe. Russia is now gearing up projects to increase its presence in Asia.

Ukraine to become gas self-sufficient in 10 years

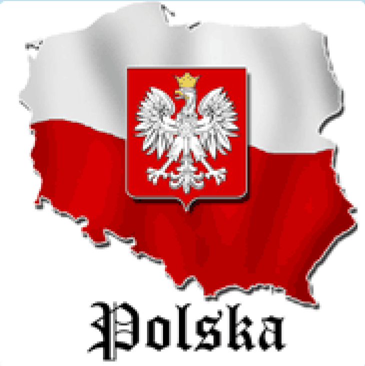
Natural Gas Europe, *16.06.2013*

Ukraine will produce enough gas to become self-sufficient in 10 years, said Prime Minister. "During 5-10 years, Ukraine will manage to extract own 30 billion cubic meters of natural gas. It will fully cover all our needs and in further energy saving, we will be able to export some gas," said Azarov.

The government is keen to produce locally to ease Ukraine's dependence on gas from Russia. Ukraine also continues to make ambitious plans to decrease national energy consumption, switch its power stations from natural gas to coal, build an LNG terminal, and open reverse flows of gas from Europe.

Poland to speed up LNG project

Natural Gas Europe, *10.06.2013*



Poland intends to start receiving shipments from Qatar in two years, meeting the original deadline for Gazoport, the LNG terminal project in Swinoujscie, said the head of terminal operator Polskie LNG.

The terminal is expected to be completed in the second half of 2014, with deliveries beginning in 2015. Poland signed a “take or pay contract” with Qatar – it will begin paying LNG suppliers whether the terminal is ready or not. Therefore, the European country has a strong incentive to conclude the project on time. The facility will have a 5 billion cubic meters annual capacity.

“We owe a lot to the foreign contractors. Had it not been for the Italian companies in the consortium, work on the terminal could have been halted due to the troubles of Polish companies,” said Rafal Wardzinski, head of terminal operator Polskie LNG. It is part of the strategy of the EU member Poland to diversify its energy mix and ease its reliance on gas imports from Russia’s Gazprom.

Rosneft to take a 21% stake in Italian refiner Saras

Reuters, *17.06.2013*

Russia’s Rosneft will purchase over 69 million shares of Italy’s Saras for an overall value of €94.9 million (€1.37 per share), said Rosneft in a press release about the partial public tender offer promoted by the Russian company on the ordinary shares of the Italian company.

As a consequence, Rosneft will come to hold 20,99% of the corporate capital of Saras, a leading operator in the European refining sector. The acceptance period of the tender offer has ended on June 14, and the consideration will be paid by Rosneft. Rosneft and Italian refiner Saras could be interested in buying the Italian petrol distribution network.

Royal Dutch Shell is thinking of selling, adding that Rosneft agreed to take a stake of up to 21% back in April. Saras, with marketing activities in Italy and Spain, is controlled by the Moratti family. It represents nearly 15% of Italy's total refining capacity.

Norway opens more Arctic waters to oil exploration

Reuters, *19.06.2013*

Norway's parliament voted on Wednesday to open an offshore Arctic zone bordering Russia to oil and gas exploration, paving the way for the area to be included in the next licensing round.

The area in the eastern Barents Sea, as big as Switzerland, is estimated to hold about 1.9 billion barrels of oil equivalent, of which 15 percent is oil, the Norwegian Petroleum Directorate said earlier. Norway has wanted to explore in the area for years but a four-decade border dispute with the Soviet Union and then Russia kept energy companies out before the two nations hammered out a landmark settlement in 2010.

Norway is expected to start its next oil and gas licensing round later this year. Wednesday's vote virtually assures that the east Barents, highly coveted acreage, would be included in the process. Although no date is set for the round, its conclusion is likely to slip into 2015, experts said. Norway's vast oil sector has been moving further and further into the Arctic as it runs out of prospects in the North Sea and the government this month awarded 24 licenses to energy firms with 20 of them in the Barents Sea.

A potential complication is that some of the potential oil and gas deposits straddle the maritime border between Russia and Norway, the Petroleum Directorate said. "There is an obvious political risk there,"Nordea Markets analyst Thina Saltvedt said. "What could happen is that these fields will be left alone for a longer time while oil firms begin with the other fields."

The risk could be that an oil company working on one side of the border "empties" a reservoir from oil and gas that lie under the other nation's territory. Similar issues have been resolved in the past, however. In the North Sea, Britain and Norway have agreed how much resources they can take out from fields that lie on either side of their maritime border. In addition, Russian oil companies need the technology and experience to drill in challenging offshore areas, something that Norwegian state-controlled firm Statoil already has.

Petrobras and Sinopec in talks to build $20 billion refinery

Reuters, *19.06.2013*

Petroleo Brasileiro SA, Brazil's state-run oil company, and China Petroleum and Chemical Corp are in talks to build a $20 billion, 300,000-barrels-a-day refinery in the South American country, according to a securities filing on Wednesday.

"Petrobras said in the filing that the non-binding accord with Sinopec, as China Petroleum is known, allows both companies to study the feasibility of the project in the northeastern state of Maranhao. The talks could lead to the creation of a joint venture. The refinery, known as Premium I, is one of four that Petrobras hopes to open by 2017.

Petrobras is in an effort to boost refinery capacity 50 percent to 3 million barrels a day by 2020. The project, initially budgeted at $20 billion, is expected to have initial output of 300,000 barrels per day, doubling to 600,000 bpd in 2020.

Petrobras has been facing soaring costs and losses in its refining division due to government controls on gasoline prices. Also, it is trying to develop giant, new offshore oil resources, which are sapping the bulk of its $237 billion five-year investment plan. Brazil's energy minister said in February the government was seeking help from China, which recently became Brazil's top trade partner, to finish building refineries as it tries to cut reliance on imported fuels.

Despite running at record levels, Petrobras' 12 existing refineries have been unable to keep up with demand for gasoline, diesel, cooking gas and jet fuel. Gasoline consumption alone rose more than 12 percent. Last week Petrobras announced a similar accord with Korea's GSS Holdings Corp to study a joint venture to build a 300,000-bpd refinery, known as Premium II, near Fortaleza, also in the northeast. Petrobras preferred shares fell 1 percent to 17.65 reams in Sao Paulo trading.

Serbian monopoly facing restructuring

Rigzone, *11.06.2013*

State-owned gas company Srbijagas, the monopolist in Serbia's natural gas market, has debts totaling around a billion euros, which makes its further operation conspicuously more difficult. However, its transformation into a functional company has become a matter of political dispute within the Serbian government, as well as a matter of relations with Russia, because Srbijagas is one of the carriers of the South Stream pipeline project in Serbia.

After years of bad business, the takeover of Serbian loss-making companies and an uneconomical price of gas, the state monopolist reached about a billion euros debt in 2013.

That was a signal to the government to urgently start reorganizing the company and two plans have been made for that purpose so far. One was made by a team headed by Srbijagas director Dusan Bajatovic, while the other was put together by Energy, Development and Environmental Protection Minister Zorana Mihajlovic's team.The plan of Srbijagas' transformation has become a source of political conflict in the government, because Zorana Mihajlovic is the vice president of the Serbian Progressive Party, the strongest member of the ruling coalition, whereas Bajatovic is the vice president of second strongest ruling coalition member, the Socialist Party of Serbia.

According to the Ministry's plan, Srbijagas would by the end of this year be split into two state-owned companies – for gas supplies and for transport, which would save up to 30 percent of money, while the company management is proposing rearrangement into a holding structure. Speculation regarding relations within the ruling coalition over Srbijagas has gone so far that Prime Minister Ivica Dacic on May 20 denied allegations that the cabinet would collapse over the matter.

"This issue is being politicized and artificial conflict is being created over it," Dacic told the Serbian media at the time. But that did not put a stop to the dispute. Minister Zorana Mihajlovic said on May 29 that Srbijagas "should be reformed as soon as possible, because that is in the interest of the state, citizens and the economy." "All these years, Srbijagas has been a fortress and a state within a state, and all information has been unavailable. As soon as we finish reforming the company, we will analyze the management's work and present our findings to the public," she said. The Russians, who have a partner in Srbijagas in the construction of a section of the South Stream pipeline in Serbia, have also gotten involved in the Srbijagas case. Bajatovic said that, according to the Energy Ministry's plan, "the tutelage of the European Bank for Reconstruction and Development is introduced in all Srbijagas affairs, which also envisages certain political conditions." "EBRD money is usually accompanied by political conditions. Some of those conditions could potentially jeopardize the South Stream. I am not sure the Russian partner Gazprom will look kindly upon such conditions," Bajatovic said.

In Serbia, Gazprom is also the majority owner of insurance company Sogaz Serbia, the company for the construction of South Stream's Serbian section – South Stream Serbia, and the Banatski Dvor subterranean gas storage facility. Srbijagas is the minority partner in those companies, with a 49 percent stake.

Some Belgrade dailies have reported that the Russians see Bajatovic as a guarantor of the matters agreed in the South Stream project, the construction of which in Serbia is to kick off late this year, having already been postponed in December 2012 for technical reasons. Moscow, according to those sources, allegedly does not trust Minister Mihajlovic, because of her earlier criticism of the agreement with Russia, when she said it could have been more favorable for Serbia. However, the minister denied all of that. She said the reform of Srbijagas certainly would not affect the South Stream, adding that such an important project does not depend on one person alone. "South Stream is not a national project and no laws and changes happening within a state can affect this project," she said, adding that it is also in the Russian partner's interest to cooperate with a stable company that can pay its dues.

Although, for the time being, the government has not made a decision on Srbijagas, Finance Minister Mladjan Dinkic said that the current situation was unsustainable and that Srbijagas was not repaying its debts to numerous companies, including the Serbian Oil Industry (NIS), majority owned by Russian Gazprom. "Srbijagas has not paid NIS a single dinar for oil deliveries since Jan. 1, 2012. They are not paying for anything. Russian Prime Minister (Dmitry) Medvedev also addressed me and Prime Minister Dacic in Moscow, with the request that the problem be solved. Such a policy is unsustainable," said Dinkic and added that Srbijagas was practically the biggest loss maker in Serbia, which is why its operations need to be changed completely. But it seems that this know cannot be cut so easily..

Announcements & Reports

► *IEA Medium Term Gas Market Report (2013)*

Source : International Energy Agency
Weblink : http://www.iea.org/w/bookshop/add.aspx?id=446

► *EMRA Petroleum Market Report (2012)*

Source : Energy Markets Regulatory Authority
Weblink : http://epdk.gov.tr//documents/petrol/rapor_yayin/Ppd_Rapor_Yayin_Sektor_Raporu_2012.pdf

Upcoming Events

► *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

Supported by PETFORM

► *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