

## TPAO and Shell to drill Turkey's first shale gas wells this month

Upstream Online (Reuters), 09.10.2013



Royal Dutch Shell's Turkey branch and the Turkish Petroleum Corporation (TPAO) are to begin drilling Turkey's first wells for shale gas exploration in the eastern province of Diyarbakir this month, officials from the Ministry of Energy said on Tuesday.

According to sources, Shell will be in charge of operations at the wells, and if shale gas is found, the company plans on opening over 20 wells in the area. Officials are hopeful that petroleum will also be found along with shale gas during the drilling, which will go down 3,000 meters. Shell will initially drill two wells.

Turkey's shale gas potential is centered on the provinces of Erzurum, Diyarbakir as well as the Thrace region, a Ministry of Energy report shows. Energy Minister Taner Yildiz said in June that the shale gas potential of the provinces of Ankara, Konya and Nevsehir as well as the Thrace region would be explored in the near future. The agreement between Shell and TPAO was signed in November 2011 for exploration in Diyarbakir and Batman. In February, TPAO and Shell concluded a deal to explore for gas and oil in the western Black Sea.

## Turkey's first local nuke power plant may be delayed

Hürriyet Daily News, 09.10.2013



Turkey's first nuclear power plant is likely to be delayed by at least a year, a source close to the plans said yesterday, as bureaucratic hurdles hamper the \$20 billion project. Prime Minister Recep Tayyip Erdogan has been an advocate of the country's ambitious nuclear program, meant to help reduce its dependence on costly hydrocarbon imports by providing 10 percent of its electricity needs by 2023.

But its first planned 4,800 megawatt (MW) plant, being built by Russia's Rosatom, is already falling behind schedule, with the first reactor unlikely to be operational by 2019 as project planned.

“Production in 2019 is not possible. 2020 is more likely,” one source close to the project told, noting that a nuclear reactor on this scale would need a test period of at least six to 12 months before it could be fully operational. An environmental report by Rosatom, which requires approval by Turkish authorities, had to be resubmitted to the Environment Ministry in September, months behind the planned schedule. Without approval, Atomstroyexport, the main contractor chosen by Rosatom to build the reactors, cannot launch tenders for an estimated \$7.5-8.0 billion worth of subcontracts. A tender by the Turkish Atomic Energy Authority (TAEK) for a firm to review and assess Rosatom’s reactor plans to ensure the design meets safety standards has been canceled several times after bidders failed to meet the pre-qualification criteria.

## **Erdogan: Kirkuk-Yumurtalik oil pipeline to be connected to Ceyhan terminal**

Trend.az, 08.10.2013



The Kirkuk-Yumurtalik oil pipeline will be connected to the Ceyhan terminal, Turkish Prime Minister Recep Tayyip Erdogan said, the Anadolu agency reported on Monday. According to him, the Baku-Tbilisi-Ceyhan oil pipeline is one of the most important pipelines.

Earlier, Turkish Minister of Energy and Natural Resources Taner Yildiz said that Turkey is ready to buy all the Iraqi oil this country puts out to world markets. Recep Tayyip Erdogan also stressed the Kirkuk-Yumurtalik oil pipeline operates at one-third of its capacity which is detrimental to Iraq's economic interests.

The minister also added that the defective operation of Kirkuk-Yumurtalik oil pipeline leads to excess expense which reduces the incomes from oil sales and Turkey is ready to eliminate the malfunction in the pipeline. Stockholders of BTC Co are BP (30.1 per cent), AzBTC (25 per cent), Chevron (8.9 per cent), Statoil (8.71 per cent), TPAO (6.53 per cent), Eni (5 per cent), Total (5 per cent), Itochu (3.40 per cent), Inpex (2.5 per cent), ConocoPhillips (2.50 per cent) and ONGC (2.36 per cent).

# Turkey needs plan to maintain security of power supply

Today's Zaman, 09.10.2013



Turkey must be prepared to face the risk of energy supply interference in the future if strict measures are not taken to handle the security of the power supply in the country. There may not be a sign of any significant breach in the power supply's security at the moment, but it could pose a great challenge if the country is not fully prepared, said Mark Pollard, head of industry specialization for Europe, the Middle East and Africa for Marsh.

“The security concerns in this matter are too great and many countries have faced difficulties maintaining a sustainable supply of power in their region.

For Turkey, a cyber-terrorist attack could diminish the security of the power industry. Although it may not be at the moment, it could be a potential challenge in the near future,” Pollard said. “It is important to make sure the energy supply is secured and to make sure the price of electricity [makes it] accessible to the public,” he said. “Having a reliable supply of energy is the core for social stabilization and one of the primary drivers of the country's economy. For example, if you don't have electricity, the economy fails, which may lead to unemployment and social instability,” Pollard added.

Speaking to Today's Zaman during the Marsh 2013 Power Forum conference “Security of Supply,” Pollard said that one of the main problems that the energy industry is facing globally is the security of the power supply. “There is no certainty that the reliability we have now is going to continue in the future. There are many reasons for concern and the main objective of this forum is to look at what those reasons are and to discuss how we can try to overcome them,” he said.

“Unless people invest in new power equipment, we may not have power in 10-15 years' time. We really need to be sure that investment is made in this sector. Investors won't invest unless they have some framework to understand the return on their investment. Power security advancement could be a factor to develop a country's technology. For example, in theUS, the Environmental Protection Agency got a power security law put in place a few years ago, and thus the technology has to catch up with it,” Pollard added.

“A forum like this enables us to get a lot of people who specialize in many related fields together to talk about some of the issues concerning the power supply,” Pollard also noted. The 2013 Marsh Power Forum is being held at the Renaissance İstanbul Bosphorus Hotel on Oct. 9 and 10. Marsh is a global leader in insurance broking and risk management. It advises and works with clients to create industry-specific solutions that help them succeed and protect their future.

## Lebanon postpones gas exploration bid deadline again

Natural Gas Europe, 03.10.2013



Lebanon further postponed its offshore gas licensing round by a month to January, after a similar delay announced in September. The bid round was delayed, as the cabinet did not vote on time on the two essential decrees that will launch the licensing round.

The present caretaker administration took office in March with limited powers. It is still called to approve the proposed blocs and the exploration and production contracts. Without the two decrees the licensing round will be postponed over and over. Lebanon's Energy Minister Gebran Bassil put the auction date for exploration blocks to January 10, 2014.

He also asked President Michel Suleiman and caretaker Prime Minister Naib Mikati to approve the required documents to move closer to the licensing round. Prequalification for the first License Round closed on March 28, 2013 and applications were received from 52 companies. Lebanon selected 46 companies to bid for gas exploration. The License Round was originally scheduled to open on May 2, 2013. British geological surveyor Spectrum has estimated that Lebanese waters could hold up to 25 trillion cubic feet of gas and 440 million to 660 million barrels of oil.

## Putin suggests underwater gas pipeline to export natural gas to South Korea

Shalemarkets.com, 08.10.2013



Russian President Vladimir Putin says an underwater pipeline along South Korea's eastern coast could be considered to export natural gas from Russia's Sakhalin to South Korea. Russian media quoted Putin at this week's APEC summit as saying that the pipeline could either run from Sakhalin to Vladivostok and North Korea towards South Korea, or it could go under the ocean.

The underwater pipeline would be up to 9-hundred kilometers long. The Russian leader's comments come as the land pipeline option through North Korea is becoming more unlikely due to the tensions on the Korean peninsula.

# Lebanon – Israel maritime dispute could use US help

Natural Gas Europe, 08.10.2013



‘Lebanon is about to award offshore oil and gas exploration licenses in areas that encroach on Israel’s exclusive economic zone, official Israeli sources told the Globes. Israel claims that the Lebanese block 9 licence violates its EEZ.

This year, caretaker Lebanese energy minister Gebran Bassil announced that Israel could, intentionally, or as a result of its offshore activities, syphon the gas offshore Lebanon. Bassil urged the Lebanese president, the acting prime minister and the speaker of parliament to hold two extraordinary cabinet and parliament sessions to pass two essential decrees that would allow oil and gas contracts to be awarded.

The two decrees meant to demarcate the 10 maritime exploration blocks and to establish a revenue-sharing model have not been issued to date. Bassil’s concern followed the discovery of the Karish reserve offshore Israel located. Karish’s farthest point lies 15 to 17 kilometers from the Lebanese zone, while its closest point is located 4 kilometers from Lebanon’s block 8. Lebanon’s EEZ is an area of 22,000 square kilometers divided into 10 blocks of which blocks 8, 9 and 10 are located adjacent to Israel’s EEZ. Lebanese President Sleiman reiterated last week the importance of the formation of a fully functioning cabinet that would issue the pending pieces of legislation for Lebanon to award contracts, launch its exploration phase and protect its resources.

The maritime border conflict between the two countries is considered one of the main obstacles to the effective development of the hydrocarbon resources in the Eastern Mediterranean. Past efforts to resolve the dispute through intermediaries have failed to achieve results. U.S. Special Coordinator for Regional Affairs Frederic Hof was sent by the US in February 2013 to help find a solution to the problem but to no avail. The Israeli-Lebanese maritime conflict constituted a key point of the discussion between President Obama and Benjamin Netanyahu during their meeting at the white house on 1st October 2013.

Details of the discussion were not disclosed but the outcome is the US willingness to interfere in the demarcation issue between the two Eastern Mediterranean neighbors. Despite previous failed attempts and the fact that the news was received with a certain degree of skepticism, a well-intentioned US mediation aimed at solving the dispute would be highly welcome. Not only are natural resources at stake, but the already unstable region could do without a renewed military confrontation between the two countries.

# Southern Corridor moves ahead without Turkmenistan

Natural Gas Europe, 07.10.2013



Experts at recent conferences in Washington, DC at the Woodrow Wilson International Center for Scholars, Jamestown Foundation and Elliott School of International Affairs focused on the prospects for the Eurasian region following withdrawal of US troops from Afghanistan in 2014 and the decision of the Shah Deniz II consortium to go with the Trans-Adriatic Pipeline (TAP).

They provided a post-mortem for the failed Nabucco project and barely mentioned the Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline in which some hopes for post-war recovery have been invested.

At a conference panel organized by the Jamestown Foundation on Azerbaijan and the Southern Gas Corridor to Europe: Implications for U.S. and European Energy Security, Deputy Assistant Secretary of State for Energy Amos J. Hochstein declared the Shah Deniz decision in June a “victory for US foreign policy” in supporting the EU, but said it “wasn’t a silver bullet” for energy diversification because it represented only 10 billion cubic meters against the current demand of 500 bcm. Even so, he believed the future of the Southern Corridor was not about multibillion pipelines anymore, but about unconventional gas, renewables, and LNG. Reiterating points made previously at the Wilson Center, Hochstein said that only decisions based on solid economics were viable.

“If we can start looking at the region and the sub regions in an interconnection model of what do we need to do in different key places, that will allow both LNG and nuclear and renewables all to fit in with each other,” he said. “And not [with] every country that has a coastline saying ‘I need an LNG terminal’ -- but where is the most important place to have it, and where it fits in to other interconnectors and spurs that will then be able to take the gas that’s coming into the Southern Corridor, the gas that’s coming in from other sources, from Russia, from Norway under existing infrastructure, with new LNG terminals, with nuclear...so that it makes sense to get real diversification on energy security in Europe,” he elaborated.

At the Wilson Center, Greg Saunders, the Senior Director of Government Affairs for BP, projected demand for energy -- mostly natural gas -- will increase by 40% by 2030, 90% of which will be needed in the non-OECD countries, such as India and China. He projected the Southern Corridor to cost \$45 billion and to supply Europe and Turkey with a combined 16 billion cubic meters annually. “Azerbaijan is the best option to deliver gas to the European markets,” because Azerbaijan “is not a direct rival of Russia in the European market,” said Alexandros Petersen, an advisor to the European Energy Security Initiative (EESI) at the Wilson Center.

Speaking at Jamestown Foundation, Christian Burgsmuller, Counselor Head of the Energy, Transport and Environment Section Delegation of the EU to the US, emphasized the EU's policy of diversification in support for the Southern Corridor and the determination to move Europe to a low-carbon economy and increase renewables in the energy mix. Yet even with a long-term objective of 45% renewables, natural gas would still remain a major part of that mix and Russia would not be bypassed.

"Russia will remain a major part of the European natural gas equation," he said, quoting European Energy Commissioner Gunther Oettinger, "but we are interested in not putting all our eggs in one basket." The 10 bcm currently destined to Europe from Shah Deniz might quickly become 20-25 bcm within 5 years, he added. Amb. Matthew Bryza, director of the International Centre for Defense Studies in Tallinn, said the TAP decision gave Azerbaijan the "oxygen of independence" – but that the bad news for Russia's Gazprom begins with the South Caucasus TANAP across Turkey and then TAP.

While many lamented the demise of the more ambitious Nabucco pipeline and its replacement with the more modest TAP, Bryza cautioned: "But it wasn't ever going to be Nabucco because of the way Nabucco had structured the project. There simply isn't enough gas available at this time to fill Nabucco," i.e. 31 bcm. "It's a shame, it's maybe a setback or a loss that the EU and US were unable to attract Turkmen gas which would have enabled the Nabucco pipeline to be financed but...that simply isn't going to happen until Turkmenistan knows there's a Southern Corridor in place," he said.

Bryza asked why the Turkmen leader would subject himself to Moscow's pressure for defying Russia in order to send Turkmen gas west to Europe, if he did not know how the gas would physically reach a European market. Perhaps there is a chance to return to the prospects of 30-40 bcm, but it was unreasonable to expect this now. "Hopefully, Turkmenistan is going to decide, once the Southern Corridor is in place, that it's ready to export gas westward," concluded Bryza.

## Kazakhstan to expand oil pipeline to China

Energy Global, 08.10.2013



During the Kazenergy Eurasian Forum, the Chairman of the National Chamber of Entrepreneurs of Kazakhstan, Timus Kulibaev, announced that Atasu-Alashankou section of the Kazakhstan-China pipeline will be expanded to meet the country's increasing energy needs.

The Atasu-Alashankou section will be expanded from 12 million tpy to 20 million tpy of oil by the end of 2013. Kazakhstan's energy minister, Uzakbay Karablin, said "We have built two additional pumping stations at the Atasu-Alashankou section, and this section will be able to carry up to 20 million tpy by year-end."

“We need to grow the capacity of the remaining sections... and expect the whole route from Atyrau to Alashankou to reach a 20 million tpy capacity from 2015.” Technology supplies in the west have been awarded contracts to further the pipeline’s potential. The global engineering and construction company, Ergil, will supply its pig handling systems to increase the pipeline’s capacity. British power systems company Rolls-Royce signed a US\$ 175 million contract to provide gas turbine pipeline compressor units for use in the pipeline. Andrew Heath, Rolls-Royce, President – Energy, said: “Rolls-Royce technology is at the heart of China and Central Asia’s growing energy infrastructure. This contract strengthens our relationship with AGP and with Kazakhstan where we have established a strong track-record of reliable delivery.”

Kazakhstan has also been in talks with Russia for its crude oil to run through the pipeline to supply China’s growing energy needs. Volumes of around 7 million tpy would be supplied to CNPC under the terms of a US\$ 270 billion year deal with Russian firm Rosneft. Supplies are expected reach US\$ 30 million tpy by 2018. The Kazakhstan-China pipeline is part of the 1833 km Central Asia-China gas pipeline, the first pipeline to bring Central Asian natural gas to China. The 2228 km pipeline starts in Atyrau, Kazakhstan, and runs through Alashankou into China’s Xinjiang province. After that, it joins Chinese oil firm CNPC’s pipeline network.

## European Parliament votes for mandatory EIA on shale gas

Natural Gas Europe, 09.10.2013



Members of the European Parliament voted in favour of a mandatory Environmental Impact Assessment (EIA) for all shale gas and other unconventional drilling activities in the European Union. “We are revising this key legislation to align it with Europe’s new priorities, such as soils, resource use and protecting biodiversity.

“We lay down clear criteria to avoid conflicts of interest and involve the public,” said lead MEP Andrea Zanoni in a note released on Wednesday after the vote. With the vote, Zanoni was granted a mandate to negotiate a first-reading agreement with EU ministers.

“This vote to impose a mandatory EIA for all shale gas drilling was a litmus test for the resolve among MEPs to demand an adequate risk-management framework for shale gas activities in Europe,” said Food & Water Europe policy officer Geert De Cock on Wednesday. The vote is part of a revision of the EU’s 28-year-old rules on EIA. Current legislation covers natural gas projects that extract at least 500,000 cubic metres each day. Some shale gas projects are likely to be less extensive, not requiring therefore any EIA. Experts don’t see the law to be passed during the present legislation.



# Ukrainian Deputy PM rules out gas conflict with Russia

RIA Novosti, 07.10.2013



Kiev expects no energy conflicts with Russia during the forthcoming winter season, a Ukrainian deputy premier said in an interview aired on Sunday evening. Ukrainian Deputy Prime Minister Yuriy Boyko told Ukraine's Inter TV that although Kiev is not satisfied with the terms of its 2009 gas deal to Russia, it fulfills its commitments under the treaty signed by the previous government.

Transit obligations are being observed in full so, naturally, there will be no cataclysms," the deputy premier said Ukraine has proclaimed a strategic course of Euro-integration and is set to sign a series of trade agreements with the EU.

Meanwhile the Kremlin is pushing for the former Soviet state to commit to a Moscow-led Customs Union with Russia, Kazakhstan and Belarus. Experts say that ahead of the signing of the EU treaty, Russia might cut gas supplies to Ukraine over the unpaid a \$7 billion bill for gas Ukraine did not use in 2012. Boyko also said that talks with Russia on its proposal to set up a gas transport consortium to manage and modernize Ukraine's dilapidated gas pipeline network have been unsuccessful. He cited disadvantageous terms of the deal, proposed by Russia, as a reason.

Ukraine wants to be an equal partner in the consortium, while Russian gas monopoly Gazprom sees little reason for modernizing it without gaining the possibility of controlling it. Kiev and Moscow have a long history of disputes over natural gas deliveries, in particular over pricing. In the latest Russian-Ukrainian gas row in early 2009, Russia halted all deliveries via Ukraine's pipeline system for two weeks after the two nations failed to agree a price for Russia's gas deliveries to Ukraine. The gas deal eventually signed between Moscow and Kiev in 2009 tied the price for Russian gas to international oil prices, which have risen significantly since 2009, boosting Ukraine's bill. Former Prime Minister Yulia Tymoshenko is currently serving a seven-year jail sentence for exceeding her authority in signing that contract.

# Gazprom works to maintain dominant position in LNG markets

Natural Gas Europe, 08.10.2013



Russia's Gazprom is positioning itself to maintain its margins in the LNG markets, buying a newbuild LNG carrier and seeking price increases under a contract with Korea Gas. At the same time, some recipients of its pipeline-transported gas are asking for price cuts.

The forthcoming reform of LNG legislation in Russia would liberalize exports of LNG, allowing companies other than Gazprom to sell abroad. 'The Gazprom Marketing & Trading's steadily expanding fleet on LNG vessels will be used to support its growing global LNG trading portfolio,' reads a note released on Monday by Gazprom.

At the same time, Gazprom-led Sakhalin Energy is trying to draw a price increase from Korea Gas Corp, in light of the renegotiation of their contract. According to Reuters, 'Sakhalin Energy plans adjustments to the oil-price linked contract after Brent crude prices jumped since the accord was signed eight years ago.' Sakhalin Energy produces natural gas at the Lunskoye field from nine wells. The company recently reported to be in line with the LNG production target of 10.5 million metric tonnes for 2013.

Poland's Deputy Prime Minister and Economy Minister Janusz Piechocinski said on Monday that he hopes for a price cut from Gazprom. "The market is becoming more friendly to recipient than to suppliers," commented Piechocinski. Poland is not the only country interested in price cuts. Ukraine has reputedly voiced its requests. On Tuesday, Russian President Vladimir Putin said that Gazprom "helped Ukraine to inject the desired volumes of gas into underground storage facilities at a discount."



# Chevron quits Lithuania shale gas exploration tender

Reuters, 08.10.2013



U.S. energy major Chevron has pulled out after winning a tender to explore for shale gas in Lithuania, blaming changes to laws which have made it less attractive. Chevron was the only bidder to explore for unconventional hydrocarbons in the 1,800 square km Silute-Taurage prospect. The government picked it as a winner a month ago.

Lithuania called the shale gas exploration tender hoping to become less reliant on gas from Russia. The U.S. Company said in a statement it blamed regulatory and legislative changes that came in after it placed the bid for exploration rights.

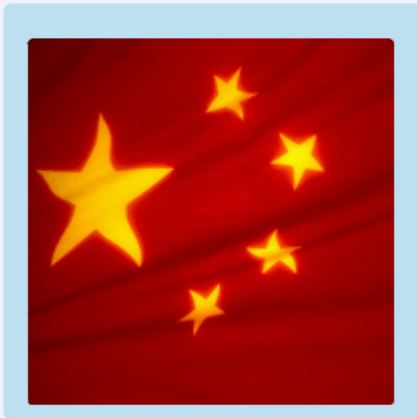
“Significant changes to the fiscal, legislative and regulatory climate in Lithuania have substantially impacted the operational and commercial basis of the investment decision since the company submitted its bid in January 2013,” it said. Lithuania’s Prime Minister Algirdas Butkevicius said in a statement he regretted Chevron’s decision, but admitted there was a lack of regulatory clarity. “The parliament still debates various amendments, which could affect the use of hydrocarbons in our country. That means, that first of all we need to have a legal framework in place,” he said in a statement.

The proposals debated by the parliament include taxing exploration of shale gas and shale oil at 40 percent, up from the current 16 percent on conventional hydrocarbons. “The government will discuss whether to call a new tender for exploration of shale gas and oil,” a government spokeswoman said. Chevron said it will stay in Lithuania, focusing on exploration of conventional hydrocarbons at its existing Rietavas block.

The company also said it remained “committed to exploring and evaluating investment opportunities in Central and Eastern Europe.” Chevron, which has four concessions for shale gas exploration in neighboring Poland, said earlier it wanted more consultation with the Polish government on proposed draft amendments before they are adopted. Exxon Mobil, Talisman and Marathon have pulled out of Polish shale gas, citing difficult geology and short-comings in the regulatory environment.

# Beijing aims to switch from coal to natural gas

UPI, 08.10.2013



Beijing plans to build four natural gas power-generating stations by the end of next year to replace coal-fired plants, the municipal government said. The initiative is expected to cost \$7.8 billion, the state-run Xinhua News Agency reported Monday. The switch to gas, says Beijing's Municipal Commission of Development and Reforms, will reduce sulfur dioxide emissions by 10,000 tons.

The four existing coal-fired power plants now have a total generation capacity of about 2.7 gigawatts and burned 9.2 million tons of coal in 2012, accounting for 40 percent of Beijing's total coal consumption.

The plants will be closed when the gas-fired facilities are operational. Last month, Beijing pledged to reduce the city's coal consumption by 8 million tons a year by 2015 and 13 million tons a year by 2017, in an effort to reduce air pollution. Last year, Beijing's total consumption of coal was 23 million tons. On Sunday, Beijing's air quality index registered higher than 300 -- or "severely polluted," the highest level on Beijing's Municipal Environmental Monitoring Center's six-level scale.

Xinhua reported that early Sunday Beijing traffic police closed six major inter-provincial expressways, amid the peak of travel as China's weeklong "Golden Week" national holiday came to an end. Visibility at Beijing's Capital International Airport was just 820 feet to 1,640 feet, with 44 percent of departing flights delayed or cancels and dozens of incoming flights redirected. Ma Jun, one of China's most well-known environmentalists and director of the Institute of Environmental and Public Affairs, a non-profit group in China that works on environment, pollution control and sustainability issues, said there is a link between smog and climate change.

"Much of these two problems have a similar source, fundamentally it is our energy source that is predominantly dependent on coal," Ma was quoted as saying by The Guardian newspaper Monday. "That is the source of the problem for our local smog problem and also for our climate change contribution. We need to deal with the coal issue." China, the world's biggest consumer of coal, has accounted for 82 percent of the increase in global coal consumption since 2011, says the U.S. Energy Information Administration. The Chinese government last month said it aims to cut total coal consumption to below 65 percent of its total primary energy use by 2017. That compares with about 67 percent last year.

## Majnoon output rises

Upstream Online, 07.10.2013



Production from Iraq's Majnoon oilfield has risen to 175,000 barrels per day, Deputy Prime Minister for Energy Affairs Hussein Shahrستاني said. Majnoon is one of four giant southern fields vital to Iraq's ambition to at least double output that is now around 3 million barrel per day considering whole Iraq.

The 12 billion barrel oilfield was pumping about 45,000 bpd when Shell took over in 2010, but the Anglo-Dutch major later suspended operations to carry out maintenance work. Baghdad sent a letter of complaint to Shell in August for missing start-up dates.

"Production from this field will be 200,000 bpd during the next few days and the production of al-Gharraf field of 100,000 bpd to be added to it, meaning 300,000 bpd will be added to Iraq's crude production and exportation," Reuters quoted Shahrستاني as saying at a ceremony marking the occasion over the weekend. Opec's second-biggest producer expects its output to rise by 400,000 bpd by the end of this year, with Majnoon - which straddles the border with Iran - providing a big part of that. Shell has built a strong position in southern Iraq as operator of Majnoon, junior partner with ExxonMobil at West Qurna-1 and a partner in a natural gas project.

Baghdad's oil revival, which got under way in 2010, has slowed this year due to infrastructure and security problems, keeping output far below projected targets and sometimes even below last year's average of 3 million bpd. Iraq signed a series of service contracts with major oil companies such as Shell, BP, ExxonMobil and Total at the end of 2009 to develop its oilfields, neglected for decades due to wars and sanctions. The development of the neighbouring Rumaila, Zubair and West Qurna-1 oilfields has already added 600,000 bpd, Reuters reported.

Gharraf oilfield in the south, developed by Malaysia's Petronas and Japan Petroleum Exploration, started production of 35,000 bpd earlier this month. Petronas also has a minority interest in Majnoon. Under the terms of the service contract, Shell vowed to raise production from Majnoon to 1.8 million bpd by 2017 for a fee of \$1.39 a barrel. It has been negotiating with Baghdad to reduce the target to around 1 million bpd.

# Anxiety in Moscow as the US may soon overtake Russian oil and gas production

Natural Gas Europe, 10.10.2013



A short story in the Wall Street Journal caused tremendous excitement in the community of analysts in Moscow last week. It was an embarrassing revelation. The edition quoted two sources: the International Energy Agency and the Energy Information Administration of DOE, reporting that the United States would overtake Russia in terms of oil and gas production this year.

US was producing hydrocarbons at the daily rate of 22.2 million barrels of oil equivalent even as Russia was estimated to produce 21.8 million barrels. During the first six months of this year, Russia's oil production averaged 10.8 million bpd,

This amount just 900,000 bpd more than in the US, and the gap is closing rapidly (it was 3 million bpd a few years ago), and last year the US produced more natural gas than Russia for the first time since 1982. It took the US five years to cut down gas imports by 32% and oil imports by 15%, and two years ago the country became a net exporter of refined petroleum products (depressing performance of European refiners along the way). Challenging predictions of an imminent peak, the North American trend looks upward. Oil production in Russia is expected to stay flat, and new Russian gas projects can barely compensate decline of ageing fields discovered in the Soviet era.

Observers ascribe the US success to rapid development of unconventional reserves. While Russian politicians call fracking 'a barbarian method' and warn about 'black water' seeping from kitchen taps in American houses, operators from North Dakota to Texas keep improving their technique—and proving their safety. As the Oil & Gas Journal reports, 'operational efficiency is increasing overall capacity to hydraulically fracture wells in the US without a corresponding increase in equipment.' The technological breakthrough goes on. Can Russia catch up with the US and launch wide-scale development of its vast unconventional reserves, such as the notoriously difficult Bazhenov formation? From a technological perspective this is possible, but there are some huge stumbling blocks on the road to the goal.

Russia's legislation of mineral extraction differs from the American one dramatically, and the contrast creates a great impediment for tapping unconventional reserves. Here is how Leonid Grigoryev, the chief advisor to the governmental Analytical Center, describes it: 'The so-called Anglo-Saxon law does it. In the United States, everything on your land belongs to you right down to the molten magma. Your granny can invite drillers to her backyard and reap a fortune from selling oil or gas they discover'. The US owes its success in the advancement of upstream technologies to small companies that assume risks of experimenting and then sell their inventions to giant operators. And the ease of access to subsoil riches is a colossal advantage. In Russia, the megalomania of state-run companies and the government's grip on subsoil are factors that lead to loss of positions in the global oil and gas industry.

## EIA: US to be biggest global hydrocarbons producer in 2013

Platts, 06.10.2013



The US will surpass Russia and Saudi Arabia as the world's top producer of "petroleum and natural gas hydrocarbons" this year, the Energy Information Administration said Friday. US production, in energy content terms, is expected to be nearly 50 quadrillion Btu in 2013, while Russia's output should be closer to just over 40 quadrillion Btu, the EIA said in its "Today in Energy" note. Saudi Arabia is expected to produce about 25 quadrillion Btu this year, EIA said.

Over the last five years, petroleum production in the US has increased 7 quadrillion Btu, with most a good deal of growth in Texas and North Dakota, the EIA said.

The US has seen a dramatic increase in crude and gas production due to the development of the Eagle Ford Shale in South Texas and the Bakken Shale in North Dakota. During the same time frame, US gas production has increased by 3 quadrillion Btu due to growth in eastern states, the EIA said. In 2011 and 2012, the US and Russia produced about the same amount of petroleum and natural gas hydrocarbons, and were within 1 quadrillion Btu of each other. "In 2013, however, the production estimates widen out, with the United States expected to outproduce Russia by 5 quadrillion Btu," the EIA said.

## Coal increases in Germany as gas wanes in first three quarters

Natural Gas Europe, 09.10.2013



Output from gas-fired power plants in Germany fell by 18% in the first nine months of 2013 compared to the same period of last year, says a report on data collected by the think tank Fraunhofer Institute (ISE). The 6.5 TWh decrease is more than offset by the coal plants production increase (+8.4 TWh).

Coal-fired power plants are producing accounting for 45% of the generation mix. Renewables are the second source with 22%, followed by nuclear with 16%. Gas-fired plants produce 11% of the German electricity. The trends in the German market are related to a price plunge of carbon. On the other hand, gas prices remained nearly flat in the period.

# Key test for Brazil as it readies major oil auction

AFP, 06.10.2013



After almost six years of waiting, Brazil's energy giant Petrobras is readying a major auction this month of its deep-water "pre-salt" oil reserves, despite fears of excessive state meddling.

The October 21 Libra oil field auction in Rio de Janeiro -- which experts say could put 12 billion barrels of oil up for grabs -- has been highly anticipated as the start of the sell-off of the total deep-water reserves. The Libra field is part of a vast discovery of reserves announced in 2007. The area is spread over 149,000 square kilometers (57,530 square miles) in the Atlantic Ocean -- the biggest find in two decades.

According to official estimates, the total reserves -- buried beneath several kilometers of ocean, bedrock and hot salt beds -- could hold more than 100 billion barrels of high-quality recoverable crude and could turn Brazil into one of the world's top exporters. Last May, the government oversaw auctions for some 300 non pre-salt blocs, most of them located in hitherto unexplored regions off the country's north and northeast. That attracted unprecedented interest from around the world and another auction of 240 land-based blocs of gas will be held next month.

But experts say the Libra sale -- the first of the pre-salt reserves -- is the big prize. The field in the country's southeast, some 230 kilometers (140 miles) off the coast of Rio, could yield a million barrels of crude per day within five years, experts say. Currently, Brazil produces two million barrels a day. It is looking to boost that output to five million bpd by 2020, thanks in large part to the pre-salt reserves. Eleven oil firms will take part in the auction, but Petrobras will have sole operating rights and is guaranteed at least a 30 percent concessionary stake under the terms of a 2010 law. The law, passed during the tenure of then president Luiz Inacio Lula da Silva, aims to channel a large chunk of Brazil's oil revenue into education and health.

"The scenario has changed with pre-salt and the 2010 law for the sector. But we are optimistic. Today, Brazil has what is most important for the sector -- oil and gas," Ricardo Savini, head of Deloitte/Brazil's Oil and Gas Center of Excellence, told AFP. "There will be three auctions this year, exploration activity is resuming," added Savini. Petrobras' investment plans through 2016 come in at \$236 billion -- 60 percent of that earmarked for oil and gas exploration as well production. Despite the massive international interest in the Libra sale, US players will be conspicuously sitting it out.

"The absence of US giants is due to excessive state intervention" in the sector, said Adriano Pires of Brazil's Infrastructure Center. Pires added that the creation of a new state firm to handle the pre-salt reserves, PPSA, "keeps private investors away." "During those six years without auctions, foreign investors went to look elsewhere," he noted.



Countering the doubters, Alexandre Szklo, energy planning expert from Rio Federal University (COPPE/UFRJ), says: "Libra is a very promising field and the low geological risk means there is a larger than usual state intervention." He believes Libra "will act as a test case" for the future of pre-salt exploration in Brazil. While the Americans are staying on the sidelines, European firms are in on the act, including Anglo-Dutch giant Shell and France's Total.

So is China National Petroleum Corporation (CNPC). For Szklo, investing in a changing energy environment can take many forms, with investment criteria not just based on profit margins. "Private American capital has been diversifying its portfolio: Esso, for example, is making large-scale acquisitions of shale gas producers in the United States and Canada," he said. And "Chinese companies are now going to start having a major role -- these companies are looking above all for energy security, before profitability." Brazil's National Petroleum Agency (ANP) meanwhile said it was satisfied with the 11 firms that will join the Libra auction.

Seven of them are indeed in the top 11 global industry players by market capitalization: CNPC, ranked 2nd; Shell (3rd); Colombia's Ecopetrol (6th); Petrobras (7th); Total (8th); China National Offshore Oil Corporation (CNOOC) (ranked 10th), and Repsol/Sinopec (Sinopec - 11th), according to the ANP. Even so, Friday saw credit rating agency Moody's downgrade Petrobras' long-term debt rating from A3 to Baa1. The company carries net debt of \$36 billion and Moody's indicated it foresaw leverage hitting peak levels beyond those of its industry peers through end 2014.

## Romania plans bid round for onshore and offshore gas fields

Natural Gas Europe, 10.10.2013



Romania is planning to launch a new bid round for more than 30 fields in the attempt to monetize its natural gas deposits. Romania is trying to achieve energy independence and shale gas is one of the main options. The country is currently the fifth producer of hydrocarbons in the EU.

According to the National Agency for Mineral Resources (ANRM), Bucharest is about to launch tenders for 28 onshore and 8 Black Sea offshore fields. No deadlines or schedules were provided by ANRM. Minister Delegate for Energy Constantin Nita met on Wednesday European Commissioner for Energy Gunther Oettinger.

Nita confirmed that natural gas deposits are a strategic option, but did not provide more details about the bid round. US-based Chevron acquired three of the 20 fields auctioned in the 2010 bid round. Romania's top energy company Petrom is another potential player. It said last month that it could be interested in shale gas operations in the country.



## Petronas to build \$35 billion LNG plant in Canada

AFP, 06.10.2013



Petronas will embark on a \$35 billion liquid natural gas (LNG) project in Canada following the reversal of Ottawa's decision to block the Malaysian national oil company's purchase of Canadian gas producer Progress Energy Resources.

At a joint press conference Sunday with his Canadian counterpart, Malaysian Prime Minister Najib Razak said this followed from the "approval principally" given for the state energy firm's \$5.5 billion purchase. Najib announced that Petronas will spend CAD\$36 billion to build "all the facilities upstream including investment in a pipeline" which he said was the "largest foreign direct investment in Canada".

"We believe this project will be mutually beneficial because it will open up Canadian energy to new markets, principally East Asia," he added of the "gargantuan investment". Petronas' bid for Progress was initially blocked in October last year, raising questions over Canada's openness to foreign investment, before Canadian Prime Minister Stephen Harper reversed the decision in December. Harper batted away concerns over Canada's foreign investment policy Sunday, saying that total FDI "has continued to increase over the past year and has increased very rapidly. I'm told it's up by almost a third".

"We view the Petronas investments very positively and all the indications I have is that Petronas is looking at further investments. Obviously our policy involves the use of discretion when it comes to state-owned enterprise," he said. Harper added that each investment would be judged on its own merit and whether it serves the interests of Canada's economy, while Najib also pointed out that the pipeline deal in the Petronas LNG project has been awarded to a Canadian firm.

# Announcements & Reports

## ► *Oman Country Analysis Brief*

**Source** : Energy Information Administration  
**Weblink** : <http://www.eia.gov/countries/analysisbriefs/Libya/libya.pdf>

## ► *Libya Country Analysis Brief*

**Source** : Energy Information Administration  
**Weblink** : <http://www.eia.gov/countries/analysisbriefs/Libya/libya.pdf>

## ► *Short Term Energy Outlook*

**Source** : Energy Information Administration  
**Weblink** : [http://www.eia.gov/forecasts/steo/pdf/steo\\_full.pdf](http://www.eia.gov/forecasts/steo/pdf/steo_full.pdf)

## ► *Monthly Oil Market Report (Oct. 2013)*

**Source** : Organization of the Petroleum Exporting Countries  
**Weblink** : [http://www.opec.org/opec\\_web/static\\_files\\_project/media/downloads/publications/MOMR\\_October\\_2013.pdf](http://www.opec.org/opec_web/static_files_project/media/downloads/publications/MOMR_October_2013.pdf)

## ► *Oil Market Report (Sep. 2013)*

**Source** : International Energy Agency  
**Weblink** : <http://omrpublic.iea.org/omrarchive/12sep2013fullpub.pdf>

# Upcoming Events

## ► *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>

**Supported by PETFORM**

## ► *EIF International Energy Congress and Fair (in Turkey)*

**Date** : 24 – 25 October 2013  
**Place** : Ankara – Turkey  
**Website** : <http://www.enerjikongresi.com/en/>





Supported by PETFORM

► *The Economist European Energy Summit* (in Turkey)

**Date** : 30 – 31 October 2013  
**Place** : Istanbul – Turkey  
**Website** : <http://cemea.economistconferences.com/event/european-energy-summit#.UfJAK40vIbF>

The  
Economist

Events

Supported by PETFORM

► *15th CIS Oil and Gas Transportation Annual Meeting* (in Turkey)

**Date** : 30 October – 1 November 2013  
**Place** : Istanbul – Turkey  
**Website** : [www.theenergyexchange.co.uk/cispipes](http://www.theenergyexchange.co.uk/cispipes)



► *Gas to Power Turkey 2013* (in Turkey)

**Date** : November 2013  
**Place** : Istanbul – Turkey  
**Website** : <http://www.biztradeshows.com/trade-events/world-shalegas-exhibition>

► *World Shale Gas Conference & Exhibition*

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

► *Iraq Energy Forum*

**Date** : 11 November 2013  
**Place** : Basrah – Iraq  
**Website** : <http://www.iraqenergy.net/>

► *Abu Dhabi International Petroleum Exhibition and Conference*

**Date** : 10 – 13 November 2013  
**Place** : Abu Dhabi – UAE  
**Website** : <http://www.adipec.com/page.cfm/Link=1/t=m/goSection=1>

► *Shale Gas Europe*

**Date** : 27 – 28 November 2013  
**Place** : Abu Dhabi – UAE  
**Website** : [http://www.terrapinn.com/template/live/documents.aspx?e=6082&d=12251&utm\\_source=NGFE&utm\\_medium=banner&utm\\_campaign=op](http://www.terrapinn.com/template/live/documents.aspx?e=6082&d=12251&utm_source=NGFE&utm_medium=banner&utm_campaign=op)



► *MENA Shale 2013 Unconventional Gas Strategy for the New Era*

**Date** : 10 – 11 December 2013  
**Place** : Abu Dhabi – UAE  
**Website** : <http://www.europetro.com/en/menashale2013>

► *European Unconventional Gas Summit 2014*

**Date** : 28 – 30 January 2014  
**Place** : Vienna – Austria  
**Website** : <http://www.theenergyexchange.co.uk/event/european-unconventional-gas-summit-2014#tab-country1>