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Turkey and KRG clinch major energy pipeline deals

Reuters, *06.11.2013*

Kurdish Regional Government (KRG) has finalized a comprehensive package of deals with Turkey to build oil and gas pipelines to ship the autonomous region's hydrocarbon reserves to world markets, sources involved in talks said on Wednesday. The deals, which could have important geo-political consequences for the Middle East, could see KRG export some 2 million bpd of oil to world markets and at least 10 billion cubic meters per year of gas to Turkey.

This relationship was not possible a few years ago, when Ankara had strong ties with Baghdad and was deep in a decades-long fight with PKK terrorists on its own soil.

But Turkey imports almost all of its energy needs and growing demand means it faces a ballooning deficit, making the resources over its southeastern border hard to ignore. During a visit to Istanbul last week by KRG Prime Minister Nechirvan Barzani, both sides agreed on the fundamentals of the deals and mapped out technical details for a second oil pipeline and a gas route from Iraq's north to Turkey, sources involved in the talks said. “It is official and it is historic,” a source close to the deal said. “For years, Turkey has deliberately avoided getting involved in northern Iraq but now it is the beginning of a new period. It was a bold but a very necessary move.”

Turkey's courtship of Iraqi Kurds has infuriated Baghdad - which claims sole authority to manage Iraqi oil and says Kurdish efforts towards oil independence could lead to the break-up of Iraq. It has also raised concern in Washington. Under Iraq's constitution, all oil export revenue goes through Baghdad. The autonomous Kurdish region is entitled to 17 percent of the total, a windfall that has helped it flourish as a prosperous oasis safe from the violence that consumed the rest of Iraq in the decade since a U.S.-led invasion. The Kurds say all of Iraq will benefit if they develop their region's own resources. But Baghdad fears that if the Kurds obtain separate export capacity they will seek independence. Turkey has repeatedly said it respects Baghdad's sensitivities and will not take any steps that would further deepen the long-standing dispute between the Arab-led central government and the Kurdish-run enclave.

KRG has struck deals with firms including U.S. oil giant ExxonMobil, Chevron and Total as it seeks to develop its energy industry. Ankara has set up the Turkish Energy Company (TEC), a state-backed entity which has struck partnership deals with Exxon and will be Turkey's counterparty in dealings with KRG. A first KRG-sponsored oil pipeline, which is almost complete, will link up to an existing Iraq-Turkey pipeline and begin carrying KRG's oil to world markets from December, sources familiar with the project say. The existing pipeline from Kirkuk to Turkey's Mediterranean port of Ceyhan is currently carrying only a fraction of its 1.6 million barrels per day (bpd) capacity, and could in theory pump up to 700,000 bpd of KRG's oil.

But as Kurdish output grows, with several new fields coming online this year and next, a second pipeline will be needed. “The second pipeline will be mainly for the heavy oil that will come from the northern fields. Taq Taq and Tawke crude is very high quality and blending the two grades would depreciate the value of both crudes,” the source close to the deal said. Turkish state pipeline company Botas will be instrumental in building the second pipeline, a government source said. A private Turkish company is also interested in the project. The new pipeline will have a capacity of at least 1 million bpd of crude oil, KRG natural resources minister Ashti Hawrami said in Istanbul last week. The exports will be metered independently, he said, inviting all parties including Baghdad to send auditors to observe the process.

Revenues will be paid into KRG accounts, a source familiar with the plans said. Hawrami has repeated the KRG’s readiness to send 83 percent of the income to Baghdad after deducting the autonomous region’s share. Baghdad views such plans as illegal. “The KRG says this oil belongs to all Iraq and they are happy to share it. There is also a bit of a hope that the reality on the ground will force Baghdad to make a deal on this,” the source said.

While oil has been the focus of attention, Turkey’s interest in OPEC member Iraq is also due to its rich gas reserves. Turkey is set to overtake Britain as Europe’s third biggest power consumer in a decade and is hostage to expensive Russian gas. It also buys natural gas from Azerbaijan and Iran and liquefied natural gas from Algeria but is looking to diversify. With the new pipeline from KRG, Turkey will be able to import at least 10 billion cubic meters (bcm) per year of Kurdish gas more cheaply than from current suppliers, sources said, with its total capacity potentially up to double that.

“Turkey’s existing infrastructure is almost ready for this tie-up. Northern Iraq will build its own pipeline, but Turkey could be instrumental here as well and Botas could play a role,” the government source said. A gas purchasing agreement between TEC and KRG is expected to be signed in December, sources familiar with the project said. Construction of the pipeline and gas processing plants, anticipated to cost billions of dollars, could start next year, with the first flow of gas targeted for early 2017. Anglo-Turkish firm Genel Energy, headed by former BP chief executive Tony Hayward, is expected to be the first company to export gas to Turkey from its Miran and Bina Bawi fields, which contain sour gas. Shipping the natural gas to European markets through a link to the Azeri-controlled Trans-Anatolian natural gas pipeline (TANAP) is another option, a second government source said.

16,000 employed in natural gas sector last year

Today's Zaman, *04.09.2013*

The natural gas sector in Turkey provided registered and permanent employment for 16,258 people last year, according to the Human Resources Inventory in Energy Market Report prepared.

Results of the report on current employment rates and the profile of the Turkish energy sector were announced at a press conference on Monday with the participation of Minister of Energy and Natural Resources Taner Yildiz, head of the Energy Market Regulatory Agency (EPDK) Hasan Köktas, private sector representatives and members of energy-related associations.

According to the report, 73 percent of the workers employed last year in the natural gas sector work in technical departments. While 83 percent of the employees were male, 17 percent of the workers hired last year were female. The employment of another 600 people in the sector over the next three years is also forecast in the report. Natural gas distribution companies constitute 73 percent of the employment in the energy sector. Some of the major problems in the sector are the lack of experienced workers as the supply of qualified workers does not meet the need for labor in the sector. Employers believe that current workers in the sector should receive more training to improve the quality of the labor supply for the energy sector.

However, the report says that in 2012 special attention was paid to the education of employees in the sector. In this regard, white collar workers in the natural gas sector received 110 hours of training per person, while 48 hours education per person was provided for blue collar workers last year. It is stated that organizational structures and the working conditions of the companies are the main obstacles for providing educational activities for employees. It is also reported that workers in the energy sector do not think that education and training activities are motivating enough.

Greek Cyprus and Total sign MoU for LNG terminal

Reuters, *07.11.2013*

Greek Cyprus and France's Total signed a memorandum of understanding on Thursday on the feasibility of participating in an LNG project on the island. Total's subsidiary Total Exploration and Production Cyprus received a concession to explore for hydrocarbons in two areas offshore in February.

The MoU recorded the support of Total for the monetization of potential gas reserves in both blocks, through a variety of options, giving priority to liquefaction and LNG export to European and Asian markets, Cypriot authorities said in a statement.

U.S. based Noble reported last month it had found around 5 tcf of gas in one area south of the island. That company is also engaged in talks with Cypriot authorities for the development of the LNG terminal. Greek Cyprus hopes the terminal, which will cost about $6 billion to build, will be used as a hub for exports from the region. Energy officials estimate work could tentatively start in 2016 to facilitate exports by around 2020. In addition to Noble and Total, Greek Cyprus has signed production sharing contracts with Italy's Eni and South Korea's Kogas.

EU expects to finish Gazprom anti-trust probe by early 2014

Natural Gas Europe, *04.11.2013*

The European Commission expects to investigate Gazprom's alleged anti-competitive market practices this winter. The investigation should be concluded by spring 2014. "I would say spring next year. We need some more months for investigation on an expert level," European Energy Commissioner Guenther Oettinger said on Monday.

EU regulators said they were preparing to initiate formal legal proceedings against Gazprom, over allegations that the company abused its dominant position in the gas market. "It's an investigation by our experts and it's an objective investigation and not a political investigation," Oettinger said.

Turkey and Norway agree to step up efforts on energy ties

Hürriyet Daily News, *06.11.2013*

Turkey and Norway have stepped up efforts to boost bilateral ties especially in energy and in cooperation on developments regarding the Middle East as King Harald V of Norway made the first ever head of state visit to Ankara.

"We strongly pay attention to our relations, particularly in the energy sector," President Abdullah Gül said yesterday at a joint press conference with King Harald V. President Gül stressed that there was potential to cooperate in energy with Norway, citing that the country obtained 95 percent of its electricity from hydroelectricity, and that it also possessed the richest gas reserves of the world.

"Turkey and Norway have the same values and ideals since both have been NATO members for years," Gül said. The energy ministers of both states signed a memorandum of understanding on cooperation in energy. The king, for his part, underlined that partnerships in economy with Turkey would make rapprochement easier between the two countries. Norway aims to increase its cooperation and investments in Turkey on the area of marine and his country seeks opportunities in fishing, the king said. Investments of Norwegian companies in Turkey on hydro-energy worth to $1 to 2 million, he added.

Gazprom increases deliveries to Europe in January-October

Oil and Gas Eurasia, *04.11.2013*

According to preliminary estimates, Gazprom Export in January-October increased deliveries to Europe by 15.7% year over year to 131 billion cubic meter (bcm), Gazprom Export has said. In October alone, gas export rose by 17% to 12.6 bcm.

Initially, Gazprom expected to increase gas deliveries to Europe by 9.4% to 152 bcm in 2013. However, Gazprom chief Aleksey Miller said in June that the forecast was upped to 160 bcm. Gazprom expects production to rise by 2% to 496 bcm of gas in 2013 and further to 518 bcm in 2014-2015.

Dana Gas posts lower profit, says Kurds try to strip Iraq assets

Bloomberg, *04.11.2013*

Dana Gas forced to restructure debt last year; said third-quarter profit fell amid faster depreciation of assets in Egypt and as Kurdish authorities tried to sell company holdings in Iraq. Net income slipped 2 percent to 102 million dirhams ($28 million), from 104 million dirhams a year earlier, Dana Gas said in a statement today to the Abu Dhabi stock exchange.

The company is owed 2.78 billion dirhams in total trade receivables, mostly in Iraq and Egypt. Dana Gas, based in the United Arab Emirates sheikdom of Sharjah, changed terms on about $1 billion in Islamic bonds, or sukuk, last year after the Egyptian and Iraqi governments delayed payments for fuel.

These receivables and the global financial crisis hampered its efforts to refinance. Ashti Hawrami, natural resources minister of Iraq's semi-autonomous Kurdish Regional Government, approached several outside "parties" about selling Dana Gas's stake in the Chemchemal natural gas field in the north of the country, Chief Executive Officer Patrick Allman-Ward said on a conference call today. He didn't identify any of the parties. "That was in breach of the contract and disregarding the sanctity of that contract and disregarding the rule of law, and we felt that was a significant escalation of the dispute" between Dana Gas and the KRG over oil payments, he said. "We are still ready and willing and hoping for an amicable solution to this situation."

Neither Hawrami's spokesman nor his adviser answered separate calls to their mobile phones seeking comment on the accusation. Dana Gas began arbitration proceedings in London on rights and money owed from the energy development contract it signed with the KRG in 2007, according to an Oct. 22 company statement to the Abu Dhabi bourse. In Iraq, Dana Gas trade receivables grew to 1.65 billion dirhams at the end of September from 1.47 billion dirhams at the end of June, according to the statement. In Egypt, the company was owed 1.09 billion dirhams at the end of September, up from 960 million dirhams at the end of June.

"We are not going to be making any material additional capital expenditures in Egypt of course until we have redressed or addressed the receivables issue," said Allman-Ward. Dana Gas hopes the Egyptian government will sign a contract for exploration at the Block 6 offshore Al Arish area by the end of the year, he said. Outside Iraq, Egypt and the United Arab Emirates, where the company already operates, Dana Gas is looking for investment opportunities in the region, with "a number of possible opportunities that we hope will be coming close to fruition in the very near future," he said.
Dana Gas's production of oil, gas and other fuels increased 17 percent in the third quarter to an average of 66,850 barrels of oil equivalent per day compared with the same three months of 2012, according to the statement. Gross revenue gained 21 percent to 623 million dirhams.

Ukraine signs $10 billion shale gas deal with Chevron

Chicago Tribune, *05.11.2013*

Ukraine signed a $10 billion shale gas production-sharing agreement with U.S. Chevron on Tuesday, another step in a drive for more energy independence from Russia. The deal to develop its western Olesska field followed a similar shale gas agreement with Royal Dutch Shell in January and boosts Ukraine's leadership at a time of fraught relations with Moscow over gas supplies.

"The agreements with Shell and Chevron ... will enable us to have full sufficiency in gas by 2020 and, under an optimistic scenario, even enable us to export energy," President Viktor Yanukovich told investors shortly before the signing.

The highest end of expectations for Olesska's potential reserves would match around three years of European Union gas demand, but similarly sunny hopes for shale reserves in neighboring Poland have been very sharply downsized. Shale development in Europe is far behind the booming U.S. sector and progress is patchy. Chevron pulled out of a shale exploration tender in Lithuania and has suspended work at Romanian shale well after local protests. Ukraine Energy Minister Eduart Stavytsky, who signed the deal with Chevron executive Derek Magness, set it in the context of a high price Ukraine pays Russia for its gas.

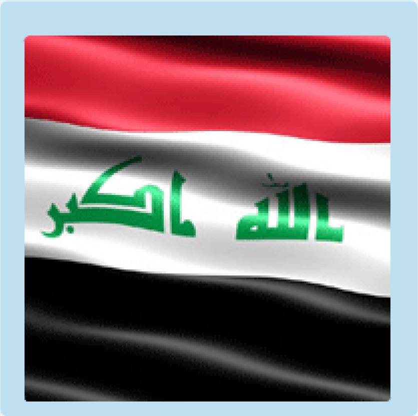
"This is one more step towards achieving full energy independence for the state. This will bring cheaper gas prices and the sort of just prices which exist (elsewhere) in the world," he said. Ukraine pays $400 per thousand cubic meters for Russian gas under a 2009 10-year agreement. Kiev has failed to re-negotiate its terms with Moscow. The agreement with Chevron, to extend for 50 years, foresaw an initial investment of $350 million by the U.S. major in exploratory work over two or three years, Stavytsky said, aimed at establishing the commercial viability of shale reserves in the 5,260 square km (2,000 square miles) Olesska, part of a band of shale which stretches from the Baltic to the Black Sea. Earlier government figures set total investments, including extraction after exploratory drilling, at around $10 billion.

Stavytsky said the Ukrainian side hoped that exploratory work would yield more detailed information about reserves at Olesska in 2015. It was expected that Olesska would produce 5 billion cubic meters per year - and possibly as much as 8-10 billion cubic meters, he said. The deal with Shell, which is at a similar level of investment, is for exploration at Yuzivska in eastern Ukraine. The two shale projects could provide Ukraine with an additional 11 to 16 billion cubic meters (bcm) of gas in five years' time, according to projections by the Kiev government. With Ukraine also a transit route for Russian gas to Europe, rows in the past which have led to disruption for European consumers. The two sides clashed over prices in the winters of 2006 and 2009, with Moscow halting deliveries not only to Ukraine but to the rest of Europe.

With Russia angered over Ukraine’s plans to sign a landmark agreement with the European Union which will mark a shift away from Russia's sphere of influence, the issue has flared again. Late last month, Russia’s gas export monopoly Gazprom demanded Ukraine pay a $882 million overdue gas bill urgently. Stavytsky said on Tuesday that Ukraine had already begun to settle the outstanding bill but gave no details. Gazprom spokesman Sergei Kupriyanov said his company had recently received $9 million in payments from Naftogaz Ukraine. “It’s just a drop in the ocean,” he said. Russian Prime Minister Dmitry Medvedev has since said he sees no reason for Moscow to cut gas supplies to Ukraine over the unpaid bill for now and has played down talk of an imminent “gas war” that might disrupt flows to Europe.

Iraq vows to work with BP on controversial oil field

Hürriyet Daily News (AFP), *06.11.2013*



Iraq said Wednesday it would proceed with work alongside British energy giant BP on a controversial northern oilfield, in a move likely to spark anger in the country’s Kurdish region. The development of the Kirkuk oilfield, which lies amid a swathe of disputed territory in north Iraq, is at the heart of a row over land, oil revenues and the powers that has been raging for years between Baghdad and KRG.

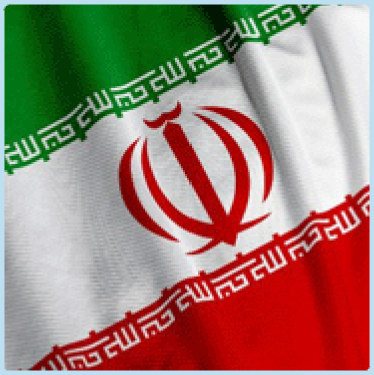
Iraqi Oil Minister Abdelkarim al-Luaybi, Kirkuk provincial Governor Najm al-Din Omar Karim and BP CEO Bob Dudley visited the field after holding talks in the province’s eponymous capital.

“The contract with the British company will be executed by treating the decline in oil production at Kirkuk oilfield, which has reached 230,000 barrels (per day), and the company will work on surveying the fields and sites of Kirkuk oilfield throughout the contract period,” Luaybi told AFP. Current output represents a significant drop off from the field’s peak, and Iraqi officials hope to increase production to 500,000 barrels per day in three years. The visit was the first since the British energy giant and Iraq signed a deal in September which calls for BP to carry out surveys at the oilfield, but which could eventually lead to the company working to increase the field’s output.

At the time the contract was announced, the KRG condemned the deal. A spokesman for the region’s natural resources ministry did not immediately respond to requests for comment. The dispute over oil is one of several between the central government and Kurdish authorities, who want to incorporate a swathe of land into their autonomous region over the central government’s objections. The federal and regional governments also disagree over the apportioning of oil revenues, and Baghdad has been angered by the Kurdish region signing contracts with foreign energy firms without its approval. Diplomats and officials say the dispute over territory in particular is one of the main long-term threats to Iraq’s stability.

Iran to be net gas importer until March 2015

Natural Gas Europe, *17.09.2013*



Iran's Oil Minister Bijan Namdar Zanganeh said Iran will become self-sufficient from gas imports after the Iranian 1394 solar year which will start on March 20, 2015. According to Shana News Agency, Zanganeh said on October 30 that gas shares 70 per cent of Iran's energy consumption basket.
Iran has 33.6 trillion cubic meters of gas reserves.

According to the EIA report, Iran's natural dried gas output was about 153 bcm which is as much as the domestic consumption figures. According to this report, overall, Iran's natural gas consumption is expected to grow around seven per cent annually for the next decade.

Natural gas accounted for about 59 per cent of Iran's total domestic energy consumption in 2010 with oil consumption at 39 per cent of total energy use, according to EIA. Iran's gas import from Turkmenistan has decreased from above 10 bcm in 2010 to 4.5 bcm last year, while Iran has obligation to export annually 10 bcm of gas to Turkey. Zanganeh visited Turkmenistan two months ago to revive the gas import volume, but there is no information on achieving a result. Mehr reported in September 2012, that Iran's debts to Ashgabat reached $1 billion due to Western sanctions over Iran's banking system.

There has not been anything published about paying off Iran's debts to Turkmenistan, as of yet. Gas network Zanganeh went on to say that Iran's gas network is just a combination of equipment including a pipeline constructed from a gas source to consumption points, but this not a real network. “We should have a network to be able to compensate gas shortages in the regions during possible accidents and emergency situations from other regional gas networks. I have already ordered a review of the present national gas network system to be changed,” he said. Iran's total domestic gas pipeline network has extended to 265,000 km, Mehr News Agency quoted former deputy of oil minister Javad Owji in December 2012.

Iran eyes boosting gas production by commencing 12 new phases of the joint South Pars gas field, but Zanganeh said there are only two, Phases 15 and16, until March 2015. Iran needs a $25 billion investment to commence remaining phases of South Pars (phases 11 to 24) to boost gas output by 300 mcbpd in 2.5 years. The South Pars gas field, divided into 24 phases, (Ten phases has been commenced with 242 mcmpd output capacity so far) which is located in the Persian Gulf on the common border between Iran and Qatar. It is estimated that Iranian part of the field contains 14 trillion cubic meters of gas and 18 billion barrels of condensate. CNG output and fuelling power plants Zanganeh also mentioned the necessity of developing the compressed natural gas (CNG) industry, saying replacing each litre of gasoline with one cubic meter of CNG equals a benefit of 55 per cent. Each cubic meter of CNG is sold at 2600 rials, some $0.2 to CNG stations.

Earlier, IRNA quoted National Iranian Oil Products Distribution Company official Shahram Asadpour as saying that Iran plans to establish 314 new CNG stations across the country in order to boost the CNG share in the country's fuel basket by two per cent to reach 25 per cent. Iran has only 16 CNG stations now and the production level of this fuel is 17.74 mcmpd. Iran produces about 62 million litres of gasoline per day and has to import seven million liters of gasoline per day. Zanganeh also said that the liquid fuel (gasoline and mazut) supply towards electricity generation at the power plants will increase instead of decreasing gas supplies to this sector in winter due to gas shortage.
"The liquid fuel share in fuelling power plants was 19 per cent in 2000, while the figure increased to four per cent currently due to delays in Iran's gas production projects," he said.

Eni warns may stop gas exports from Libya to Italy

AFP, *06.11.2013*

Protesters have blocked access to a major gas terminal in Libya, the head of Italian oil and gas giant Eni said Wednesday, warning it may be forced to stop exports to Italy altogether. Eni is the biggest foreign oil company in Libya and runs a pipeline to Sicily from the Mellitah gas terminal in the troubled country.

"What we are worried about at the moment is the Mellitah terminal, which has been attacked by protesters, pushing us to stop exports towards Italy," Italian media quoted chief executive Paolo Scaroni as saying. However, Scaroni said he did not foresee problems with gas supply to Italy.

Contacted by AFP, the Eni press office was unable to say whether the attackers were armed. Last week, protesters from Libya's minority Amazigh Berber ethnic group held a sit-in at the Mellitah terminal to demand greater rights. Berbers make up about 10 percent of Libya's population. They were persecuted under former dictator Moamer Kadhafi and feel marginalized under the new regime even though they played a key role in the 2011 uprising. The company that manages the Mellitah terminal is owned jointly by Eni and Libya's National Oil Corporation (NOC). It supplies Italy with 17 million cubic metres of gas a day.

EU candidates table list of energy infrastructure needs

EurActiv, *03.11.2013*

Meeting in Belgrade, the energy ministers of the Energy Community, an organization of countries seeking closer EU integration or membership, adopted a list of 35 energy projects of regional importance, mirroring a recent EU effort which identified 248 projects of common importance for the Union. EurActiv Serbia contributed to this article.

Member countries of the Energy Community had initially intended to table their projects before the European Union published its list. But the European Commission was faster, said Janez Kopac, the head of the Energy Community's secretariat.

The energy projects on the EU executive's list, published on 14 October, may qualify for €5,85 billion of funding. Speaking at the conference 'Energy Arena 2013', held in Belgrade, Kopac, Slovenian national, said countries in his organization had applied for 100 projects and that 35 were nominated for adoption. The members of the Energy Community (see background) are Serbia, Montenegro, Kosovo, Bosnia and Herzegovina, Macedonia, Albania, Moldova and Ukraine. Most of the 35 projects selected concern more than one country, and relate to electricity generation, and electricity, gas and oil infrastructure. Some of the projects also concern neighboring EU member countries, such as Greece, Romania and Italy.

The Energy Community official recognized that this was not the first time that "common solutions" were identified for the region's energy needs, and that "sometimes nothing happened". He said that $39 billion was needed for the development of this sector in the period 2012 to 2020. He said the projects would be financed from domestic and private investments, preferably foreign, and added that it would also be possible to use EU funds. Kopac also said that priority projects should be "streamlined", by receiving fast building permits, and get better terms from national authorities with respect to regulations and tariffs. The director of the Serbian Oil Industry (NIS), Kirill Kravchenko, said at the same event that up to €60 billion in investments was needed in the Balkan region's energy sector up to 2030.

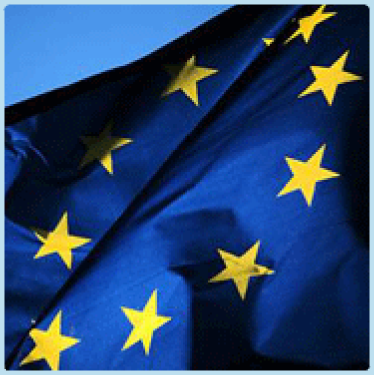
Kravchenko, a Russian, said that if the Balkan region was compared with central Europe, energy efficiency and economic capacities would have to double in the next ten years. NIS is owned at 56% by Russia's gas monopoly Gazprom. Speaking at the conference, Serbian Prime Minister Ivica Dacic said his country should reconsider its borrowing plans in the field of energy and finance only projects that are of national relevance. Among them he included regional projects, such as a gas interconnection with Bulgaria, oil pipeline towards Romania and hydroelectric power plants that will be built in cooperation with neighboring countries. For Serbia it is important to have a stable energy market, to produce sufficient energy, to have acceptable prices and that there is energy connection between countries in the region.

Bulgarian Deputy Prime Minister Daniela Bobeva advised the countries in South Eastern Europe "not to repeat the mistakes of Bulgaria". She said that energy prices should remain affordable, adding that the February protests in Bulgaria after unusually high electricity bills had led to the collapse of the previous government, of Boyko Borissov. The introduction of "green energy" in Bulgaria had put a huge cost burden on citizens, she said, underlining that the country's energy sector was still far from transparent. In response, Fabrizio Barbazo, deputy director general of the Commission's energy directorate, advised leaders of the region to "give full attention to consumers and ordinary people". He said the region needed investments, but also rules to be adopted and applied.

For the investments to come, this implied a stable legal framework, good governance and a level playing field, Barbaso said. The Commission representative also stressed the need to give higher priority to energy efficiency in the region. The Energy Community ministers appointed Jerzy Buzek, the Polish center-right MEP who was the President of the European Parliament between 2009 and 2011, as chair of a High Level Reflection Group. Buzek, who is well known as a promoter of greater coherence in the EU's energy policies, was tasked with preparing by mid-2014 a development and reform strategy of the Energy Community for next ten years.

The tough road to harmonizing Europe's natural gas markets

Platts, *02.11.2013*



The European Commission's aspiration of welding the multilingual European gas market into a single organism was never going to be easy or cheap to achieve. However, where there is to be harmony, there now is mostly discord. For example, newly-introduced rules for bringing gas across national borders are complicated by the fact that different national operators have different understandings of "firm" capacity.

Some take a very flexible approach to it, allowing force majeure at the drop of a hat, while others have the definition laid down in their statutes or license conditions.

Where these diversely-governed pipeline systems meet, typically at national borders, shippers are faced with the dilemma: should one buy "bundled" exit-entry capacity in one go to bring gas across the border and lose money if force majeure arises on one side; or buy exit capacity from one transporter, entry from another, and try to sell out of the position if anything goes wrong? Unsurprisingly, they are going for the latter — although the express purpose of the rules is to take trading away from border points and into hubs, in order to create liquidity. The industry has two years to sort out their differences before the capacity allocation mechanism comes into force.

Other definitions are even more problematic, for example, agreeing on the timing of the Gas Day. The UK has been working on the 0600-05.59 gas day since its own network code came into force over 15 years ago. But the UK is not an island, where gas is concerned. It is connected by two pipelines to the continent, one running to Belgium and the other to the Netherlands. So what happens there can impact the UK. The continent works to the same nominal gas day but the continent is an hour ahead of the UK as it uses Central European Time, not Greenwich Mean Time. Nevertheless, the network codes being developed assume the same gas day will be in place across Europe, which is naturally enough the CET variant.

The UK offshore had not considered this change of day as a possibility when work on the capacity codes began two years ago. The interconnection points with the continent are at Zeebrugge and Balgzand, which means that theoretically bundling can happen there, and the hour could be gained in the transport system before the gas reaches the National Balancing Point, using linepack. Not being involved with the flanges, and anyway regulated by the energy ministry not the energy regulator, the offshore focused on the Balancing Code. The offshore now is fighting to reopen talks on the capacity allocation code, to keep the gas day as it is. Its lobby group, Oil & Gas UK, declined to comment on the situation. But Platts understands it has been in talks with the Department of Energy and Climate Change, arguing that otherwise perhaps hundreds of millions of pounds will be spent for no benefit to the UK.

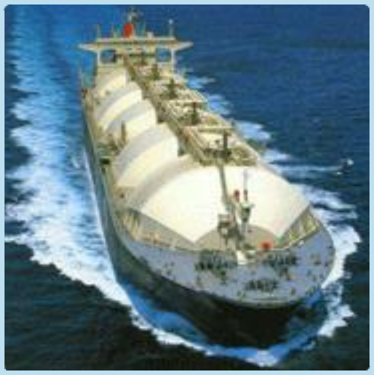
One big North Sea producer told Platts that his industry was looking at three options: for both onshore and offshore change; for neither to change; or for onshore changes only. The first poses an IT resource issue as several other major projects are also due to come onstream, such as National Grid's Project Nexus information platform. So there is a possible delay in implementation. There is also a huge logistical problem of reprogramming the chips in the fiscal meters, booking helicopters to allow engineers to install them offshore, and then having government officials flown out to check the installation work.

The second needs more legal input by company lawyers working more closely with the OGUK legal group. If a practical approach can be found to operations and capacity services bundling, then a legal mechanism will need to be found to allow the government not to apply the gas day change. The third needs less work , but even there there are issues, such as the claims validation process. However, according to industry sources, National Grid is keen to move to the same system as everyone else. Not doing so creates the risk of a mismatch, said a trader; and while it might be possible to work around it, such as using interconnectors, there is no real alternative to a full change everywhere if an efficient market is to emerge.

“You could fudge it, where two different days meet at a border; or you could change one of them. But imagine having bundled capacity with a different day on either side of the border,” a trading source said. Ireland, which imports gas from the UK, is planning to change to the CET system, and so is National Grid, he said, adding that at the moment he was “95% certain” that the Department of Energy and Climate Change would not support a derogation for the UK. There is a slight risk though that the change could threaten liquidity in the UK, the most liquid continental market, which was contrary to the aim of implementing network codes. While Ofgem can use license conditions to move National Grid and shippers to the new Gas Day, the offshore is regulated by DECC.

Russia invests in LNG project to diversify from Europe

Euractiv, *02.11.2013*



Russian President Vladimir Putin has ordered the government to expand tax breaks to more deposits that will supply gas for the Novatek-led liquefied natural gas project in Russi's Yamal peninsula, according to the Kremlin's website. Putin has urged domestic companies to develop seaborne liquefied natural gas (LNG) and diversify away from cash-strapped Europe where demand for gas has weakened.

The $20 billion (€14.6 Billion) Yamal LNG project, where France's Total and China National Petroleum Corp (CNPC) also have stakes, enjoys some tax breaks, such as zero mineral extraction tax and export duty from the Yamal fields.

Putin has ordered tax breaks for the fields from the neighboring Gydan peninsula in the Arctic, where Novatek also has exploration licenses, according to documents posted at the Kremlin web site. "The news of the potential extension of the tax incentives is welcome," Sberbank CIB analysts said in a note. "Novatek's Salmanovsky and Geofizichesky fields in Gydan, right across the narrow Ob Bay from (Yamal's) South Tambey, have resources to be producing up to 30 billion cubic meters of gas and 1.2 million tons of condensate as soon as 2020, with output potentially starting in 2017."

Russia's only LNG plant, with annual capacity of 10 million tons, is located in the Russian far eastern island of Sakhalin and is operated by a Gazprom-led consortium, which includes Anglo-Dutch major Royal Dutch Shell. The government is working on amendments to the law to liberalize LNG exports - so far exclusively handled by state-controlled Gazprom - with a view to implementing the new regulations from 1 January 2014. The exports liberalization is crucial for Yamal LNG, which is slated to produce 16.5 million tons of the frozen seaborne gas in 2018.

Bulgaria warns of new gas crisis

EurActiv, *07.11.2013*

Bulgarian Economy and Energy Minister Dragomir Stoynev warned yesterday of a possible repeat of the 2009 gas crisis as a result of the intensified conflict between Russia and Ukraine. Stoynev said that the pretext for a new gas crisis was Kiev's outstanding debt of some $900 million (€666 million) to Russian gas exporters Gazprom.

The Bulgarian minister added that the real reason there could be a gas crisis was Ukraine's plan to sign an association agreement with the EU at the 28-29 November Vilnius summit. "I am concerned about the development of the talks between the two countries."

"I strongly hope the nightmare in the winter of 2009 will not be repeated. Such a risk exists at this stage," the minister said after the regular meeting of the Council of ministers, as quoted by the news website Kapital. In the winter of 2009, a payment dispute between Russia and Ukraine left part of Europe without gas, showing the vulnerability of several EU countries as they depend on only one gas supplier. In late October, Moscow accused Kiev of holding debts of $882 million and warned that it may halt gas supplies. Ukrainian Energy Minister Eduard Stavitsky admitted that his country was late in paying for the gas, but said he hoped that the problem would soon be solved.

But despite Russia's assurances that the conflict was not political, this week Kapital reported that the pressure from Moscow may have been due to Ukraine's plans to sign an association agreement with the EU. The news website referred a warning from Russian Prime Minister Dmitry Medvedev that Kiev would no longer be able to rely on loans from Moscow if it signed the deal. Kapital, a reputed economic media, also said that Stoynev may have had a hidden motivation for voicing fears about Ukraine's handling of the gas controversy. His warnings may be interpreted as an argument in favor of Bulgaria's surprising decision to symbolically start the construction of the South Stream gas pipeline, a Gazprom-favored project intended to bring gas to Europe bypassing Ukraine.

On 4 November, the village of Rasovo in the Montana municipality of Bulgaria, near the border with Serbia, hosted a ceremony for the welding of the first joint of the South Stream pipeline. Gazprom's CEO, Alexey Miller, was in Bulgaria for the occasion, watching the event from Sofia via video together with Bulgarian Prime Minister Plamen Oresharski. "With the South Stream transit risks are gone forever," Miller was quoted as saying.

The Russian gas will arrive in Bulgaria via an offshore pipeline to Galata, near the city of Varna. The South Stream pipeline will stretch 2400 km and by 2019 could have a 64 billion cubic meter annual capacity (bcm/y), delivering natural gas to Bulgaria, Serbia, Hungary, Slovenia, and Austria and Italy in one direction and Croatia, Macedonia, Greece and Turkey in a second. According to observers, the ceremony of the first welding was a public relations stunt, intended to impress Kyiv. Many uncertainties over the project remain and the Commission says it has not seen any blueprints of the project yet.

Some Bulgarian opposition centre-right forces claim that the South Stream project will further increase Bulgaria's energy dependence from Russia, and that by staging the ceremony the government of Oresharski has taken the side of Russia ahead of the Vilnius summit. Ukraine has in the meantime signed a landmark deal with US major Chevron to develop shale oil and gas in western Ukraine. The government said that Chevron would spend $350 million on the exploratory phase of the project and that the total investment could reach $10 billion over the 50-year agreement.

Announcements & Reports

► *Investment in Mongolia*

Source : Energy Charter
Weblink : http://www.encharter.org/fileadmin/user_upload/Publications/Mongolia_ICMS_2013_ENG.pdf

► *Limiting State Intervention in Europe's Electricity Markets*

Source : Oxford Energy Institute
Weblink : http://www.oxfordenergy.org/wpcms/wp-content/uploads/2013/11/Limiting-state-intervention-in-Europes-electricty-market.pdf

► *IEA Energy Efficiency Market Report*

Source : International Energy Agency
Weblink : http://www.iea.org/W/bookshop/add.aspx?id=460

Upcoming Events

► SAOGE 2013

Date : 25 – 27 November 2013
Place : Dammam – Saudi Arabia
Website : http://www.saoge.org/

► 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

► 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

► 4th Basra Oil and Gas International Conference & Exhibition

Date : 5 – 8 December 2013
Place : Basra – Iraq
Website : http://www.basraoilgas.com/

► 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

► CIPPE 2014

Date : 19 – 21 March 2014
Place : Beijing – China
Website : http://www.cippe.com.cn/2014/en/