Oil & Gas Bulletin

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Flow of N. Iraqi oil delayed

Hürriyet Daily News, *04.12.2013*

For almost a week, we have been talking about the comprehensive energy agreement that Turkey signed with northern Iraq. When the deal was struck without seeking the approval of Iraq's central administration, moreover signing it after declaring "we have not signed it," things went wrong when it was met with a harsh reaction.

Energy and Natural Resources Minister Taner Yildiz had to rush to Baghdad after the harsh reaction displayed by the Iraqi central government. He said the Iraqi central government's approval will be sought as part of energy cooperation efforts with North Iraq.

On his way back from Baghdad, Yildiz went to Arbil and advised who his contacts were to N. Iraq officials who he had talked to one week ago. When at home, Yildiz said, "Iraqi and N. Iraqi officials should agree." It is not openly said but the truth behind these visits is this: the oil that will flow through the planned pipeline from N. Iraq, the one that N. Iraq Prime Minister Nechirvan Barzani said will begin to flow around the New Year, or 'even sooner," is likely to be delayed at least two or three months. This is a possibility in the case that N. Iraqi and Iraqi administrations agree soon. If they do not agree, then that means oil flow through the pipelines to Turkey will be delayed further. If the administrations of Iraq and N. Iraq never agree on oil exports to Turkey, then things will get even more complicated.

If you ask how we have come to this stage, it is because Turkey, despite all warnings, signed a comprehensive deal with N. Iraq last week without the approval of Iraq's central administration; subsequently then telling the public "we have not signed a deal," and then it was revealed that it had signed it. If the deal had not been signed after agreeing with N. Iraq, but after getting the approval of the Iraqi central government, in other words if business had been done with normal procedures, and if the truth had been told, maybe things would have worked faster. Turkish-Iraqi relations that are the focus of attempts to make them warmer would not have been ruined. Now, the building of confidence would even take a while. Meanwhile, we see that most of the debate focuses on the oil N. Iraq will supply to the existing pipeline and how its payment would be done.

The tripartite mechanism said to be established is expected to discuss the flow of oil to the pipeline and what kind of system is to be set up for payment matters. However, it is being forgotten that the agreement between N.Iraq and Turkey is not limited to this only. Consequently, it will not suffice to reach an agreement solely on this issue with Iraq's central government. It is obvious that the deal on what N. Iraq really wants, the one about building of "a direct pipeline to Turkey," will cause huge objections from the central government. Also, the Iraqi central government will not welcome the agreements about oil and natural gas fields in N. Iraq that Turkey will own directly through the oil company TEC that it has formed and co-owned through other oil companies. In short, there is a long way to go before Turkey benefits from N. Iraqi energy.

Davutoglu: Arbil-Baghdad row temporary but energy deals permanent

Anadolu Agency, *06.12.2013*

Ankara expects tension in Iraq to drop and energy cooperation with Baghdat and KRG expand, Ahmet Davutoglu has said. "Today, Arbil and Baghdad are two leaders who don't get along, but they might get along tomorrow. On the other hand, once it is determined from where the energy will be transferred, it won't be easy to change afterwards.

Therefore, we must focus on what's permanent," Davutoglu said during a live interview. "One wishes for Bagdhad and Arbil to overcome their problems. But Turkey will continue to increase its cooperation on energy and other areas with Northern Iraq," he added.

Two weeks ago, Turkey signed five trade contracts and one protocol - for the exploration of the multi-billion-dollar hydrocarbon resources of northern Iraq - with Iraqi Kurdish Regional Government (KRG) Prime Minister Nechirvan Barzani, stirring Baghdad's ire. The Iraqi government reacted by barring Turkish private planes from entering its airspace. Following Baghdad's move, Energy Minister Taner Yıldız, who was due to participate in a key energy conference in Arbil, traveled first to the Iraqi capital to brief about Ankara's deals with the KRG and to reassure the central government .

The discord comes amid suggestions that a new pipeline, linked to the existing Kirkuk-Ceyhan line, could begin pumping oil exports from KRG as early as next month. "Some want Turkey to just sit and watch as the energy flows. But our eyes are now open; energy will flow but Turkey won't just sit and watch. That energy will flow crossing Turkey," Davutoğlu said. "They will make provocations and acts of terror. They will want the fraternal people in this geography to fight each other, to parcel out the energy resources, or for the prices of energy to increase to benefit some countries.

But our goal is this: The more peace there is, the more energy there will be. That's why we want tension to drop in Iraq and Syria," he added. Davutoğlu also touched on the issue of the border between Turkey and Iraq, saying it should "loosen its meaning" in the same way as the borders separating members of the European Union. "There will be no Turkish-Kurdish conflict in this region. Hopefully, one day you will be able to go to Arbil with your one ID card, in the same way as you can go to Georgia. It will be the same one day for Aleppo and other places, as long as we don't waste our energy and continue with our vision," Davutoglu said.

Turkey bids to solve oil row with Baghdad, KRG

Hürriyet Daily News, *02.12.2013*

Turkey pushes for a tripartite mechanism to be formed with Iraq and the Kurdish Regional Government for the sale of northern Iraqi oil and gas. Turkey is seeking to form a tripartite mechanism between Turkey, Iraq and the Kurdish Regional Government (KRG) for the sale of northern Iraqi oil and gas, thus drawing a skeptical Baghdad into the arrangement.

"We stand by the agreement we made with northern Iraq, but we hope it can be carried out through a three-way mechanism," Taner Yildiz said at the 3rd Kurdish-Iraq Oil and Gas Conference in Arbil, the KRG capital.

"As Turkey, we are trying to move this forward in a careful and courteous way ... We would like to have the consent of the central government of Iraq for the commercial export of oil from the KRG to Turkey and start a trilateral cooperation scheme that will be beneficial to all," Yildiz said. A day before the conference, he met with Iraqi Deputy Prime Minister for Energy Hussain al-Shahristani in Baghdad, to try to mend ties with the central Iraqi government, which says independent Kurdish oil exports would be illegal. Turkey-KRG deals have recently contributed to a souring of relations between Ankara and Baghdad. At the conference, Yildiz also held a meeting with KRG President Masoud Barzani. The two reportedly spoke about a roadmap for oil deals that would include Baghdad, which is currently bypassed by the KRG.

However, as yet they have been unable to reach a final agreement with Baghdad, a source told Anadolu Agency, adding that "problems remained" and the process would have to continue with reciprocal negotiations and meetings. KRG Prime Minister Nechirvan Barzani said oil deals with Turkey did not pose risks to against any sides and nobody should worry, speaking during the opening ceremony of the conference, Cihan News Agency reported. Barzani stressed that they wanted a "common life," particularly with regard to authority over the oil and the income partnership. He also said they had been in talks with neighboring countries, Turkey and Iran, for the last two years, adding that these discussions did not only include oil and energy, but also encompassed political and economic strategy.

Last week, Turkey and Nechirvan Barzani signed five trade contracts and one protocol for exploration of northern Iraq's multi-billion-dollar hydrocarbon resources. As part of the deal, state-backed Turkish Energy Company (TEC), which Ankara set up to work in northern Iraq, has signed a contract to operate in 13 exploration blocks. In about half of those, it will team up with U.S. oil giant ExxonMobil. The move comes amid news that a pipeline, which is linked to the existing Kirkuk-Ceyhan line, could begin pumping oil exports from Iraqi Kurdish as early as next month, infuriating Baghdad, which insists all energy sales should be made via the central government.

In response to Turkey's move on energy contracts with the KRG, Baghdad barred Turkish private planes from flying to Iraq's autonomous Kurdish region on Nov. 30. A Turkish private plane flying to the Kurdish region was turned back late Nov. 29, a Turkish official confirmed. A written statement from spokesperson of the Turkish Foreign Ministry, Levent Gümrükcü, followed the reports of airspace ban. Baghdad says Kurdish efforts towards oil independence could lead to the breakup of Iraq, and the dispute has also raised concern in Washington. Autonomous since 1991, the KRG has often chafed against the central government and even threatened to secede, but still relies on Baghdad for a slice of the OPEC producer's $100-billion-plus budget.

Iraqi and Turkish energy officials to meet amid oil row

Reuters, *01.12.2013*

Iraqi and Turkish energy officials are expected to meet in Baghdad Dec. 1 after Ankara agreed a package of energy deals with KRG that the central government says are illegal. Turkish Energy Minister Taner Yildiz will meet Iraq's deputy prime minister for energy, Hussain al-Shahristani, an official in Shahristani's office said, without giving details.

It will be Yildiz's first visit to Iraq since his plane was denied permission to land by Baghdad late last year when he tried to attend an energy conference in Arbil, KRG. Turkey's courtship of KRG has infuriated the Baghdad, which says it has sole authority to manage Iraqi energy resources.

Shahristani said Nov. 28 any energy deal with Arbil would be "an encroachment on the sovereignty of Iraq." Turkey and KRG signed a multi-billion-dollar energy package last week, sources close to the deal said on Friday, that will help transform the Iraqi region into an oil and gas powerhouse. Turkey's Foreign Ministry said Nov. 30 that Ankara and Arbil had "agreed on some trade deals" but had yet to completely finalize them and said that Turkey would seek Baghdad's cooperation on the issue. Baghdad says Kurdish efforts towards oil independence could lead to the break-up of the country and the dispute has also raised concern in Washington. Turkey, hungry for energy and dependent on imports for almost all of its needs, says Iraqi KRG's resources will help diversify its energy supplies and reduce its ballooning $60 billion annual energy bill.

Yildiz: Turkey to seek Baghdad's consent for Iraqi Kurdish oil

Reuters, *24.11.2013*

Oil exports from anywhere in Iraq to Turkey need Baghdat's approval, both countries energy ministers' agreed on Dec. 1 after a key bilateral meeting in Baghdad, which was aimed at diffusing a row over energy exports from KRG.

Yildiz said Turkey would seek Baghdad's approval for the commercial export of oil from the autonomous Kurdish region following the meeting with Iraqi Deputy Prime Minister for Energy Hussain al-Shahristani. "We agreed to win Baghdat's consent for oil trade from the KRG to Turkey and to start a cooperation plan to serve the interests of all three parties," a joint declaration from both ministers said.

Al-Shahristani also insisted that Baghdad expected to be consulted about any deal involving the parties. "We will discuss the mechanism," he told a news conference, adding that he discussed the issues with Yıldız in a "fraternal and transparent" manner. It was Yildiz's first visit to Iraq since his plane was denied permission to land by Baghdad late last year when he tried to attend an annual energy conference in Arbil. He traveled to Baghdad after Turkish Foreign Minister Ahmet Davutoglu convinced his Iraqi counterpart Hoshyar Zebari of the "benefit of face to face discussions." Davutoglu was keen to clarify if there were any misimpressions on the Iraqi side regarding the energy cooperation, a Turkish diplomat told the Hürriyet Daily News. He also told Zebari that Turkey wanted to "carry and implement these energy projects under a three-party framework," the diplomat added.

Yildiz will travel on to Arbil for this year's edition of the same conference, which starts on Dec. 2. During the same press conference on Dec. 1, Yildiz said the two sides had also discussed an existing plan to extend a pipeline to take crude oil from Iraq's southern Basra oil fields to Turkey. He had said in a statement earlier this month that such a line would relieve Iraq's central government, adding capacity and volume for oil exports. Yıldız is expected to hold a meeting with the Kurdish Regional Government (KRG) Natural Resources Minister Ashti Hawrami during the third, three-day Iraq - KRG Oil and Natural Gas Conference. Both parties are expected to discuss the details of multi-billion-dollar energy deals. The Turkish energy minister arrived in Arbil early on Dec. 2, where he reiterated that his talks in Baghdad were "positive."

Last week, Turkey signed five trade contracts and one protocol for the exploration of the multi-billion-dollar hydrocarbon resources of northern Iraq, with Iraqi Kurdish Regional Government (KRG) Prime Minister Nechirvan Barzani. As part of the deal, the state-backed Turkish Energy Company (TEC), which Ankara set up to work in northern Iraq, has signed a contract to operate in 13 exploration blocks. In about half of those, it will team up with U.S. oil giant ExxonMobil.

The move comes amid suggestions that a new pipeline, linked to the existing Kirkuk-Ceyhan line, could begin pumping oil exports from KRG as early as next month, infuriating Baghdad, which insists all energy sales should be made via the central government. However, Iraq retaliated by banning Turkish private jets from its airspace on Nov. 30. The Turkish Foreign Ministry responded with a statement that the deals had not been finalized and that it would seek Baghdad's cooperation. Al-Shahristani had warned on Nov. 28 that any energy deal with Arbil would be "an encroachment on the sovereignty of Iraq." Baghdad says Kurdish efforts towards oil independence could lead to the breakup of Iraq, and the dispute has also raised concern in Washington. Autonomous since 1991, the KRG has often chafed against the central government and even threatened to secede, but still relies on Baghdad for a slice of the OPEC producer's $100-billion-plus budget.

Turkey's energy minister visits Baghdad after Turkish FM convinces Zebari

Hürriyet Daily News, *02.12.2013*

After Ahmet Davutoglu convinced Hoshyar Zebari of the "benefit of face to face discussions," Taner Yildiz traveled to Baghdad yesterday to brief his Iraqi counterparts on commercial contracts for energy cooperation recently inked between Ankara and Iraq's autonomous northern region.

Davutoglu was keen to clarify if there were any misimpressions on the Iraqi side regarding the energy cooperation, a Turkish diplomat told the Hürriyet Daily News. He also told Zebari that Turkey wanted to "carry and implement these energy projects under a three-party framework," the diplomat added.

The energy minister met with Iraq's deputy prime minister for energy, Hussain al-Shahristani, in Baghdad yesterday. He was set to brief the Iraqi government on a package of energy deals recently agreed between Turkey and Iraqi Kurds, which the central Baghdad government says are illegal. Last week, Turkey signed five trade contracts and one protocol for the exploration of the multi-billion-dollar hydrocarbon resources of northern Iraq, with Iraqi Kurdish Regional Government (KRG) Prime Minister Nechirvan Barzani. As part of the deal, the state-backed Turkish Energy Company (TEC), which Ankara set up to work in northern Iraq, has signed a contract to operate in 13 exploration blocks. In about half of those, it will team up with U.S. oil giant ExxonMobil.

The move comes amid suggestions that a new pipeline, linked to the existing Kirkuk-Ceyhan line, could begin pumping oil exports from KRG as early as next month, infuriating Baghdad, which insists all energy sales should be made via the central government. In response to Turkey's move on energy contracts with the KRG, Baghdad barred Turkish private planes from flying to Iraq's autonomous Kurdish region on Nov. 30. A Turkish private plane flying to the Kurdish region was turned back late Nov. 29, a Turkish official confirmed.

A written statement from Turkish Foreign Ministry Spokesperson Levent Gümrükcü followed the reports of the airspace ban on Nov. 30. Ankara and Arbil had "agreed on some commercial deals" but had yet to finalize them, Gümrükcü said, adding that Turkey would be seeking Baghdad's cooperation on the issue. A similar move was made by Baghdad last year, when it barred Yildiz's plane from landing in Arbil when he tried to attend an energy conference in KRG. The Turkish energy minister is planning to participate in an energy conference in Arbil today.

Iraq bans private Turkish jets from its airspace ahead of Kurdish oil conference

AFP, *30.11.2013*

Baghdad has barred Turkish private jets from flying to Iraq's autonomous Kurdish region, officials said Nov. 30, and ahead of an upcoming energy conference that Ankara's energy minister was expected to attend.

The move comes amid mounting tensions between Iraq and Turkey over a mooted pipeline that could begin pumping oil exports from the autonomous Kurdish region as early as next month, infuriating Baghdad, which insists all energy sales should be via the central government. "Since yesterday, Baghdad has stopped private planes coming from Turkey," Talar Mustafa, head of Arbil airport.

"Not normal flights, just private jets. It is an order from the ministry of transportation." Mustafa said airport authorities were not informed of the reasoning. Two Turkish officials, speaking on condition of anonymity, confirmed that a Turkish private jet flying to the Kurdish region was turned back late Nov. 30. The decision comes after a similar move by Baghdad a year ago, barring Turkish Energy Minister Taner Yildiz's plane from landing in Arbil, with Iraqi officials saying the flight had not obtained the necessary permits. It comes on the eve of a four-day energy conference due to be held in the regional capital, which Yildiz was again expected to attend, but Kurdish officials said the move would not affect the event.

"We're used to these petty, petulant actions from Baghdad," a Kurdish regional government (KRG) official told AFP, speaking on condition of anonymity. "They really should grow up." "It won't affect the conference." Officials at Iraq's civil aviation authority and transport ministry did not respond to multiple AFP requests for comment. The latest move by Baghdad comes after Kurdish Prime Minister Nechirvan Barzani told reporters in Ankara that oil exports from the region to Turkey could start next month. Kurdish authorities are seeking ways of selling their oil on international markets outside the control of Baghdad, but a lingering dispute with the central government has paralyzed development of new oil and gas projects in the region. Turkish officials have refrained from publicly confirming that any deals have been finalized, saying that negotiations with both Baghdad and Arbil are continuing.

“During the visit of the Iraqi KRG Prime Minister Nechirvan Barzani to Ankara on Nov. 27, we have agreed on some commercial deals on energy in compliance with the Iraqi constitution. But the process on this subject has not finished as yet,” a Foreign Ministry statement said. “Our wish and preference is to undertake this matter within a tripartite framework and to bring it to a conclusion that will benefit our mutual interests and welfare,” the statement added. Ankara is however also keen on repairing ties with Baghdad, which have been strained for several years, and has offered to mediate in the oil dispute between Kurdish authorities and the Iraqi central government. On Nov. 27, simultaneously with Barzani's Ankara visit, Turkey’s Parliamentary Speaker Cemil Cicek visited his counterpart Osama al-Nujaifi at the Iraqi capital. Just weeks ago, Turkish Foreign Minister Ahmet Davutoğlu also visited Baghdad, where he met with the Iraqi Prime Minister Nouri al-Maliki and Foreign Minister Hosyhar Zebari along with other high-level Iraqi officials.

US hopes for positive response from Baghdad to Ankara-Arbil oil deal

Hürriyet Daily News, *03.12.2013*

The United States Ambassador Ricciardone has said it would like to see a positive stance from the Iraqi government on the energy deal between Turkey and the Iraqi Kurdish Regional Government, underlining that maintaining close relations between Ankara-Arbil-Baghdad was very important for their mutual benefit.

“We would love to see the Iraqis have additional means of getting oil and gas out to world markets. We think it’s a god thing,” Francis Ricciardone, the U.S. ambassador to Turkey told reporters late Dec. 2 on the sidelines of the Polish National Day reception.

“We want to see the Iraqi government be happy about the deal with the Kurdish Regional Government and with Turkey,” he added, implying that the Iraqi central government’s consent for the Ankara-Arbil energy deal was also a priority for Washington. Recalling that Turkish Energy Minister Taner Yıldız paid a snap visit to Bagdad on 1 Dec. and held meetings with Iraqi authorities, Ricciardone said he hoped Yıldız had made some progress on this issue. Turkish media reported that Turkey’s proposal of establishing a tripartite mechanism between Ankara-Arbil-Baghdad was received positively by the Iraqi government. When asked about this new mechanism, the U.S. envoy said: “We always say it is important for Ankara and Baghdad and Arbil to stay in close touch with each other for their mutual benefits of the export of Iraqi oil and gas supply.” The ambassador said the U.S. was also in close contact with all three parties on a daily basis.

Turkey among countries qualified for Iran oil sanctions waivers

Today's Zaman, *30.11.2013*

The US State Department extended six-month Iran sanctions waivers to China, India, South Korea and other countries in exchange for their reducing purchases of Iranian crude oil earlier this year. Under a law governing sanctions imposed on Iran's disputed nuclear program by the United States, the State Department is required to determine whether the Iran's oil consumers have reduced their purchases.

The decision comes even after P5+1, agreed in Geneva this month to ease Iran's access to about $4.2 billion in foreign currency reserves for six months in exchange for Tehran's taking steps to curb its nuclear program.

The waivers, which the State Department calls exceptions, mean that banks in the consuming countries will not face being cut off from the US financial system for the next six months. "We will continue to aggressively enforce our sanctions over the next six months, as we work to determine whether there is a comprehensive solution that gives us confidence that the Iranian nuclear program is for exclusively peaceful purposes," Secretary of State John Kerry said in a statement. Since the beginning of the sanctions regime in 2012, all 20 of Iran's oil customers have qualified for the periodic waivers. But despite the Geneva agreement, the United States reserves the right to sanction any oil consuming country should it suddenly increase its purchases. Officials from the Departments of State, Treasury and Commerce have worked with Iran's buyers since 2012 in an effort to find alternative sources of crude, including oil from Saudi Arabia.

Under the Geneva accord, the P5+1 agreed to pause efforts to further reduce Iran's crude oil sales, allowing consuming countries to continue buying their "current average amounts of crude oil." The interim agreement is meant to build confidence for a final agreement on the nuclear program. Under that agreement, Iran's oil exports will be held to about 1 million barrels per day, the level its sales have averaged this year. Iran's oil shipments were about 2.5 million bpd in the beginning of 2012, before US and European sanctions took effect. The US sanctions law could have driven Iran's oil sales even lower if Iran and the P5+1 did not come to agreement in Geneva. The State Department said Turkey and Taiwan also qualified for the waivers. Malaysia, South Africa, Singapore and Sri Lanka, which no longer purchase oil from Iran, also qualified for the exceptions.

Turkey; an energy and financial hub

Hürriyet Daily News, *01.12.2013*

"Oil will always find its way to the markets." I do not know whether Tony Hayward, the Chief Executive of Genel Energy, is the first to use this sentence or not; I know I first heard it from him. This is a sentence that quite well sums up the situation of KRG.

Founded by Mehmet Sepil, Genel Energy, which was among the first companies to be awarded a production sharing contract by the Kurdish Regional Government (KRG), is about to become the first company to export the KRG's oil to Turkey. The oil is there; the pipeline connecting KRG to Turkey (constructed last year) is there.

The agreement(s) (although not made officially public) is (are) there. What is missing is the Iraqi central government's consent. But the KRG oil will find its way to the Turkish market. The crisis that erupted over the week end by the Iraqi central government's refusal to open its airspace in order to prevent the Turkish Energy Minister Taner Yildiz's participation in an energy conference in Arbil ended with only a 24 hour delay in Yildiz's initial plans. The fact that he made it to Arbil, even after a stopover in Baghdad means that sometime in the very near future, the button to pump oil to Turkey will be pushed and as Arbil and Baghdad will probably go on trying to work out the final disagreements, the oil will start flowing without celebratory statements coming from the interested parties. Securing energy cooperation with the KRG without antagonizing Baghdad is very important since the whole country's energy resources are critical for realizing Turkey's aspiration to become an energy hub.

Qatar still interested in huge coal project in Turkey, says Minister Yildiz

Hürriyet Daily News, *05.12.2013*

Qatar wants to invest in the Afsin-Elbistan coal reserves in the eastern province of Kahramanmaras, Turkish Energy Minister Taner Yildiz said in an interview. "We'll all see some new investment flow to Turkey from Qatar," said Yildiz, adding that one of the main topics of Turkish Prime Minister Erdogan's visit to Qatar Dec. 4 was energy.

Yildiz said Qatar may ink a deal to renew its investment in Afsin-Elbistan in three months. TAQA, the state-owned oil explorer and power supplier, has delayed plans to start the construction of 8,000 MW of coal-fired power plants in Turkey to 2014, citing other spending priorities.

Turkey and the TAQA agreed in January on a project worth up to $12 billion to build several power plants using the lignite coal reserves of Turkey's Afsin-Elbistan region. Following the decision of the TAQA to delay the coal-fired power plant project in Turkey, Yildiz said Turkey had already started talking with other countries about the project.

Ex-Im Bank approves $641 million to finance export of US refinery equipment to Turkey

Hürriyet Daily News, *06.12.2013*

The Export-Import Bank of the United States (Ex-Im Bank) has authorized a $640.7 million in direct loans to Star Refineri A.S. (Star) in Turkey, which will finance the export of American-made oil refinery equipment.

"This important transaction will support the export of cutting-edge American equipment," said Ex-Im Bank Chairman and President Fred P. Hochberg, according to a press release by the U.S. Embassy in Ankara on Dec. 5. "Moreover, the transaction will help a vital industry in Turkey and support 3,000 U.S. jobs across America. The growth we see in the energy sector around the globe bolsters jobs here at home."

The American-made equipment will factor in Star's construction of an oil refinery in Aliaga, western Turkey. Upon completion in 2017, the refinery will produce crude oil in addition to various other petrochemicals, including naphtha, LPG, and xylenes. Ex-Im Bank is an independent federal agency that creates and maintains U.S. jobs by filling gaps in private export financing at no cost to American taxpayers. In the past five years (from Fiscal Year 2008), Ex-Im Bank has earned for U.S. taxpayers nearly $1.6 billion above the cost of operations.

The bank provides a variety of financing mechanisms, including working capital guarantees, export-credit insurance and financing to help foreign buyers purchase U.S. goods and services. Ex-Im Bank approved $35.8 billion in total authorizations in FY 2012 – an all-time Ex-Im record. This total includes more than $6.1 billion directly supporting small-business export sales – also an Ex-Im record. Ex-Im Bank's total authorizations support an estimated $50 billion in U.S. export sales and approximately 255,000 American jobs.

Energy polices, cooperation discussed at Caspian Forum

Hürriyet Daily News, *06.12.2013*

Leaders, ministers, businesspeople and academics from Europe, Turkey and the Caspian region get together in Istanbul for the Caspian Forum, organized by the Istanbul-based think tank HASEN.

The Caspian region's place on the world's energy map in light of recent developments in the region, as well as new and existing structures of the region and directions in foreign policy, were the issues discussed in the two-day Caspian Forum organized in Istanbul Dec. 4-5 by the HASEN. The first Caspian Froum was held in Istanbul last year, while the second one was held in New York.

Speaking at the opening of the forum, HASEN Secretary-General Haldun Yavas expressed his views on how the world economy could develop further and the importance of the Caspian region to the World regarding economy. "If the countries in the region act together in the name of common interests, everybody will win," Yavas said. "This is one of the principles of good citizenship. This principle needs the adoption of a vision that foresees the cooperation of the regional countries for a clear purpose, economic and financial stability." Yavas said the Caspian region countries will decide on their own fates. "We must all be aware that the Caspian region will have to follow its own path," he said. "The World will not determine the future of the region. Let's all choose progress, let's choose cooperation for our own welfare." Other speakers on the first day of the Caspian Forum included Turkish Customs and Trade Minister Hayati Yazıcı, SOFAZ CEO Shahmar Movsumov, the Chairman of EWE Turkey Holding's Board of Directors Dr. Willem Schoeber, Istanbul Ticaret University Economics Department head Prof. Kerem Alkin and Zviad Kvatchantiradze, First Vice Chairman of the Committee on Foreign Relations of the Parliament of Georgia.

The critical importance of the Capian region's energy reserves will be carried to the markets and the regeneration of the historic Silk Road were the issues discussed at the Caspian Forum Kvatchantiradze said Georgia is the shortest route between Western Europe and Central Asia and the geographic location gives the country major advantages. "New energy projects are emerging in the region with the cooperation of Azerbaijan, Turkey and Georgia," he said. "The BTC has been successfully managed for more than 10 years and Georgia is ready to contribute in other alternative projects." Schoeber said his company closely watched Turkey's growth and they want to be the part of a $10 billion investment in the country.

Prof. Alkin noted in his speech that 2.4 billion people, mostly from the eastern countries, will have been added to the "middle class" by 2025. "There will be major problems in the future if we cannot find a solution to the global environmental issues," he said. What are the opportunities for economic cooperation the Caspian region? We must produce new areas of cooperation and work together for increasing values." Speaking on the second day of the forum, Romanian Transportation Minister Nicu Buica expressed the importance of cooperation to link Europe to Asia. "The main target of the Romanian government and Romanian transportation ministry is to improve the cooperation between the countries," he said. "The Caspian region's potential in energy resources should be used more."

SOFAZ to invest more in Turkey

Hürriyet Daily News, *06.12.2013*

SOFAZ CEO Shahmar Movsumov said his country's national oil strategy consisted of three steps. "At the beginning of the 1990s, we did not have the technology or the financial means. The first brave step here was the invitation of international companies. The second step was the use of multiple energy transportation corridors. Baku-Tbilisi-Ceyhan [BTC] pipeline and the Baku-Tbilisi-Kars line were opened.

Azerbaijan started to export its oil to international markets through the BTC," he said. "The third step was the decision to establish the State Oil Fund. Our assets then grew by $35 billion in a short period of time," he added.

The projects financed by SOFAZ were not limited to the Trans Anatolian Natural Gas Pipeline (TANAP), he said, but the best investment to be made was in the education of the Azerbaijani youth. On Turkey-SOFAZ relations, Movmusov noted that they had invested a total of $2 billion in the STAR refinery and banks in Turkey, and they aimed to increase this number.

Socar's investments in Turkey to reach $20 billion

Hürriyet Daily News, *06.12.2013*

Socar's investments in petrochemicals, energy and logistics will also enable Turkey and Azerbaijan to produce oil and natural gas derivative intermediate goods, says Socar Turkey head Kenan Yavuz.

The investment portfolio of Socar, for Turkey will reach around $20 billion with the TANAP, Kenan Yavuz said yesterday, noting that this was the official figure, during a press meeting at the 3rd Caspian Forum in Istanbul. "The new project, TANAP, with the leadership of Turkey and Azerbaijan will enable the two countries to meet energy resources and consumption points," Yavuz said.

He added that the TANAP would transform Turkey into an important energy transfer center. Yavuz added that Socar had an investment portfolio for Turkey of between $17 billion and $20 billion in the 2008-2018 period. As Socar's Refinery Petrochemistry-Energy-Logistic Integration investments worth $9.5 billion in Petkim Peninsula in İzmir, TANAP will increase this amount to around $20 billion, he said. The TANAP is expected to cost between $8 billion and $10 billion, said Yavuz, noting that this was not the official figure.

Socar's investments in petrochemicals, energy and logistics will also enable Turkey and Azerbaijan to produce oil and natural gas derivative intermediate goods, he added. Yavuz recalled that Socar was currently the biggest foreign direct investor in Turkey. Some $475 million was recently transferred to Turkey from Azerbaijan to finance the forthcoming expenditures in the STAR Refinery, the most important part of integration investments in the Petkim Peninsula. This is in addition to some $350 million worth of previous money transfers, which is the largest money transfer to have been spent as foreign direct investment in Turkey. The STAR Refinery is slated to come into operation by the middle of 2017, Yavuz added.

Azeri gas exports to hit 35 billion cubic meters in 2025

Hürriyet Daily News, *06.12.2013*

Azerbaijan's natural gas exports will increase to over 35 billion cubic meters a year by the year 2025, according to Efgan Niftiyev, Strategy and Policy Coordinator at Caspian Strategy Institute (HASEN). Speaking on the sidelines of the Caspian Forum in Istanbul yesterday, Niftiyev said 6 billion cubic meters of gas, to be produced at Shah Deniz Phase II, will be carried to Turkey, while 10 billion cubic meters will be carried to Europe.

When newly-discovered resources such as Alov, Asiman and Babek are added, the total export capacity of Azerbaijan will reach 35 billion cubic meters, he added.

"The TANAP covers the majority of the Azeri gas to be exported to Turkey and Europe, but exports are not limited to the TANAP," Niftiyev said. "In addition, the TANAP may also carry gas from northern Iraq and the Eastern Mediterranean."

3-part system for the transfer of Azeri gas

Hürriyet Daily News, *06.12.2013*

Natural gas transfer from Azerbaijan to Europe requires a three-part system that includes the South Caucus pipelines, TANAP and TAP, said Rövnag Abdullayev.

"We think major part of this gas can be transferred to Europe. Sure, an appropriate gas-transfer infrastructure that has potential of providing safe transport and transit capability," Abdullayev said. He said such a system should be made in three parts. The first part is South Caucus Pipeline that will carry "Shahdeniz-1" gas to Georgia and Turkey, adding it has already proved its efficiency and they had been working on increasing its capacity.

The second part is TANAP, and the third part is Trans Adriatic Pipeline (TAP), he said. The TANAP pipeline will be carrying gas from Azerbaijan through Georgia and Turkey to European markets. The construction of this pipeline will assure Turkey and Azerbaijan's energy security and export potential, he said. TANAP is the joint project of these two countries, he recalled. "The transmission capacity of TANAP will be 16 billion cubic meters in the first phase.

President Gül: Caspian region should be a center of stability

Hürriyet Daily News, *06.12.2013*

Turkish President Abdullah Gül congratulated the participants of the Caspian Forum and noted the importance of the region, in a message read at the forum. “We need to turn the Caspian region into a center of stability, peace and a high level of wellbeing, and to achieve full integration of the region into the world community,” Gül said in his message.

“The Caspian region has historically been an important center of crossing cultural, transport and trade routes. The region today is important in terms of energy security, sustainable economic development, welfare, the search for peaceful solutions to conflicts,” he added.

The message also emphasized that the role of the Caspian region in the future would only increase. “We strongly support steps towards identifying the true potential of the Caspian region, with which we have historical and cultural ties. To do this, there is a need for the most productive use of existing mechanisms for cooperation. It is necessary to develop a large-scale model of partnership, based on mutual benefit,” it read President Gül drew attention to the need for a peaceful settlement to the frozen conflicts in the region. “Measures in the direction of conflict resolution by diplomatic means must be accelerated.

The priority for us is the desire to do everything possible to ensure that countries in the region fully adopt universal values and develop an atmosphere of peace and cooperation,” the message said, adding that a particular focus is on the existing potential for regional cooperation, particularly in trade and transport. “It is time to promote a spirit of partnership in the Caspian region to a step forward. The Trans-Anatolian pipeline project [TANAP], implemented jointly with Azerbaijan, will be the main element of the Southern Gas Corridor,” Gül added. The Turkish president also said that in the first phase this pipeline would transport gas from the Shah Deniz field and later from other fields in Azerbaijan. “At some stage this pipeline may export gas from the other shore of the Caspian Sea,” he said.

Yildiz: Turkey, Azerbaijan to be key in gas transfer

Hürriyet Daily News, *05.12.2013*

Turkey and Azerbaijan will assume important roles regarding their location between energy supply and demand, Turkish Energy Minister Taner Yildiz said at the 3rd Caspian Forum in Istanbul.

Regarding transferring Shah Deniz gas through Turkey to Europe, many studies for the planning and feasibility have been conducted and the project has approached finalization," Yildiz said. He stated that Turkey's location was very important in the TANAP and TAP projects. Turkey, Azerbaijan, Iran, Iraq and some other countries are important parts of these projects as well.

"Europe's natural gas demand is around 500 billion cubic meters. Turkey and Azerbaijan are between the demanders of energy and the suppliers. For this reason, Turkey and Azerbaijan have important roles [in transferring the gas]," Yildiz said. The energy minister also noted that Turkey's natural gas demand would be 46 billion cubic meters by the end of this year, and they predicted between 50-52 billion cubic meters for 2014.

Over 15,000 people to work to build TANAP

Anadolu Agency, *05.12.2013*

Some 30-35 working sites will be created to undertake preparation and construction for the Trans-Anatolian gas pipeline project, shown by the environmental impact analysis documents for the project. The document also shows that approximately 500 people will be employed in each site, in addition to 50 people in each of the eight compressor stations.

The sites will be established on the most logistically suitable areas spanning some 2,000-kilometer-long route. TANAP is planned to be completed in 2018 and will be connected to the Trans-Adriatic pipeline (TAP).

The first 16 billion cubic meters (bcm) of gas is expected in the initial stage in 2019, gradually hitting 23 bcm in 2020 and 31 bcm in 2026. During the first period, 10 bcm of Azeri gas will be sold to Europe and 6 bcm to Turkey. The TANAP project intends to enable the transportation of the gas of the Shah Deniz 2 field and other fields of Azerbaijan (and other possible neighboring countries) through Turkey to Europe. A Memorandum of Understanding was signed between the governments of Turkey and Azerbaijan in December 2011 in the Turkish capital Ankara. SOCAR owned 80 percent share and Turkey 20 percent in the TANAP project in the beginning, but SOCAR later sold 29 percent of its share to BP, Statoil and Total, all of which have shares in the Shah Deniz 2 Consortium.

Azerbaijan stops oil exports via Russia

Reuters, *06.12.2013*

Azeri state-run energy company SOCAR plans to halt its oil exports through Russia and will direct most of this oil to the Baku-Tbilisi-Ceyhan pipeline and use the remainder to meet its domestic demand. "Azerbaijan will stop its oil exports via the Baku-Novorossiisk pipeline by next February," one representative from the marketing department of Socar told.

"We are expecting to reach 1.8 million tons of oil exports via the Baku-Novorossiisk pipeline by the year's end. We then plan to transfer 1.5 million tons of it to the Baku-Tbilisi-Ceyhan pipeline and the remaining 300,000 tons to our domestic market," the source said.

Iranian, Iraqi gas exports reliant on Baku's decision

Today's Zaman, *01.12.2013*

Recent intense diplomatic overtures undertaken by Ankara to turn Turkey into an energy hub in the region by exporting Iranian and northern Iraqi energy resources to Europe will not guarantee positive outcomes because the final say on this route belongs to Azerbaijan, the main investor in the TANAP, experts agree.

"TANAP is a pipeline that pertains to Azerbaijan, the owner of the major part of the project. Paying ample visits to neighboring countries and having talks particularly on energy issues with neighboring authorities is just the next stage of showing off the 'zero problems with neighbors' foreign policy

Of course you can go and have meetings if there are commercial reasons, but this is a question that primarily concerns Azerbaijan. Well, will Azerbaijan want to transport gas resource that competes with its own?" Necdet Pamir, an energy analyst, asked in an interview with Today's Zaman, referencing the Iranian gas that will allegedly be carried to European countries via TANAP -- meaning via Turkey. TANAP, which Ankara and Baku have agreed to build to carry gas from the Caspian shore of Azerbaijan to Europe via Turkey, is set to transport 16 billion cubic meters (bcm) of gas a year from Azerbaijan's Shah Deniz II field in its initial years; this is expected to increase to as high as 31 bcm in the coming years.

Fifty-one percent of TANAP shares belong to the State Oil Company of Azerbaijan (SOCAR) while only 20 percent go to Turkey; the remaining 29 percent are being distributed among the shareholders, including BP and Statoil. In this vein, Pamir said, "Accordingly, as you [Turkey] are not the only actor in the project, the meetings you are holding [with KRG and Iran] will mean only as much as the amount of your share [20 percent]." Emerging as a new image of the already dead Nabucco project, TANAP will run from the Georgian-Turkish border to Turkey's European border, and will thus contribute to the reduction of Europe's energy dependency on Russia and help benignly secure their energy future.

Pamir also says that Turkey was left outside of the landmark deal announced last Sunday by the P5+1 -- five world powers plus Germany -- that would curb Iran's nuclear program and lay the groundwork for a comprehensive agreement, and that's why Turkey is charging ahead to be considered a game player, too, asking the world powers "to count [it] in." Following Iran's nuclear P5+1 deal, which was made to ease EU shipping insurance sanctions, Turkey -- one of the buyers of Iranian oil -- will benefit from the sanctions relief as it, along with other consumers of Iran's crude exports, was obliged to reduce imports of Iranian oil to avoid the threat of US sanctions. Turkey was among the first countries that welcomed the interim agreement made between Iran and Western powers on freezing Iran's nuclear program.

During his two-day visit to the capital city of Tehran, Foreign Minister Ahmet Davutoglu especially underlined that once the interim deal starts to introduce peace and stability, it will also benefit countries that are already affected or likely to be affected by the tension between Iran and Western powers. Turkey -- assertive in being a major energy hub between the world's second-largest natural gas market (continental Europe) and the substantial gas reserves of Russia, the Caspian Basin and the Middle East -- is extending huge efforts to export natural gas both from KRG and Iran to Turkey and then via TANAP to European markets.

On Wednesday, following Davutoglu's trip to Tehran, Prime Minister Recep Tayyip Erdogan received his counterpart from Iraq's KRG, Nechirvan Barzani, who visited Ankara to discuss the construction of a new pipeline from KRG to Turkey -- although a concrete result won't appear until Erdogan's meeting with Nouri al-Maliki, the prime minister of the central Iraqi government, set to be held in Ankara early next year. However, sources close to the deal told Reuters on Friday that Turkey and KRG signed a package of landmark contracts earlier this week that will see the semi-autonomous region's oil and gas exported via pipelines through Turkey.

Echoing Pamir, another energy analyst, Sohbet Karbuz, told Today's Zaman, "Turkey saying 'I will transport Iranian gas via TANAP to Europe' does not matter much, as the final say belongs to Azerbaijan, the biggest investor in the TANAP project." He also underlined that the views of the US and the EU, the main powers that have so far slashed Tehran's crude exports by sanctions, are necessary. He said whether the US and the EU will allow the Iranian natural gas flow to Western countries, via TANAP or another pipeline is under question. Iran, which has long resisted international monitoring efforts, agreed to stop enriching uranium beyond 5 percent, a level sufficient for the Iranian people to produce energy for peaceful purposes. The accord, which is to last six months, will help Iran's energy resources flow to Western markets much easier and with less tension.

Iran readies for big oil production hike

AP, *05.12.2013*

Iran indirectly challenged OPEC kingpin Saudi Arabia on Wednesday, announcing that it plans to pump as much oil as it can once sanctions on its crude exports are lifted, even if its extra output drives prices into the basement.

The comments by Iranian oil minister Bijan Namdar Zanganeh reflected Tehran's determination to regain its global role as an oil power if it is freed of the sanctions under any nuclear deal with six world powers meant to ensure that its atomic activities cannot be used to make weapons. It also raised the prospect of a production war inside the cartel, which is keen to project an image of unity among its 12 members.

If Iran does ramp up its output, other OPEC members would have to reduce theirs to keep prices from dropping too much and hurting them all. That potential problem was not on the top of the agenda at Wednesday's meeting, where the oil ministers agreed to extend present output targets of 30 million barrels a day. But the Organization of the Petroleum Exporting Countries may have to focus on the prospect of overproduction as early as their next meeting on June 11. Iran's agreement to limit its nuclear program is still only a preliminary one. Sanctions on its oil exports are likely to stay in place until a final deal is reached, which- if it happens - is unlikely before mid-2014. If and when the sanctions are lifted, Iran says it wants to ramp up production to pre-sanctions levels of 4 million barrels a day.

Iraq also wants to reach that target within a year, while Libya hopes to increase output to 2 million barrels a day once unrest ebbs. In all, that would add close to 4 million barrels to total daily production, meaning some members would likely have to cut back. OPEC has had little success in the past at asking member countries to respect individual targets. But OPEC Secretary-General Abdullah Al-Badry sought to downplay looming problems from any surplus production, saying his organization would deal with it if and when that happened. “We are watching this situation very carefully,” he told reporters. Zanganeh said ahead of Wednesday's meeting that his country was determined to regain its share “under all circumstances.”

“We will produce 4 million even if the price drops to $20,” he told reporters. Benchmark Brent crude on international markets now sells for nearly six times as much, and a drop to anywhere near $20 would spark a crisis among oil exporters by leaving production costs far outstripping sales revenue. The Iranian comments posed a potential challenge for Saudi Arabia, which accounts for about a third of OPEC output and is Tehran's greatest regional rival. Saudi oil minister Ali Naimi sought to ease concerns, telling reporters he did not see a price war on the horizon. “I hope Iran comes back (and) produces all it can,” he said. But he gave no sign that his country was ready to reduce output. Zanganeh on Tuesday suggested oil sanctions may be incrementally relaxed even earlier than mid-2014. In a nod to the Saudis, he said he hoped OPEC members understand that “when a member country comes back ... they should open the doors for him and not fight with him.”

Strong US shale oil production could add to internal OPEC pressures beyond political tensions caused by Sunni Saudi Arabia vying with Shiite-led Iran and Iraq. As in the past meetings, Iran, Iraq, and Saudi Arabia all put forward candidates for the post of OPEC secretary general, who acts as the voice of the organization between meetings. But with their rivalries strong and potentially harmful to OPEC unity, the meeting skirted the issue and extended Libya's Al-Badry for another year in the post.

Iran names 7 Western oil companies it wants to return

Today's Zaman, *30.11.2013*

Iran on Wednesday named seven Western oil companies it wants back in its vast oil and gas fields once international sanctions are lifted and said it would offer contract terms in April next year. Iranian Oil Minister Bijan Zanganeh named the seven in order: Total of France, Royal Dutch Shell, Italy's ENI, Norway's Statoil, Britain's BP and US companies Exxon Mobil and ConocoPhillips.

Iran has the world's fourth-largest proved national reserves of oil - most of it cheap to produce - and is also home to the biggest proved reserves of natural gas, some 18 percent of the global total.

But with nationalization in the Islamic revolution of 1979, the oil companies were thrown out. Iran's share of world oil production fell to below 40 percent by 1997 from 55 percent in the 1970s. Its gas output remained negligible. Oil companies from around the world drifted back in the 1990s, and Zanganeh oversaw their return as minister under the reformist government of 1997-2005. Total returned to onshore fields in 1997 and Shell in 1999, both while Zanganeh was minister and both in defiance of the US sanctions of the time, even though President Bill Clinton had blocked a Conoco project in 1995. But Iran's production stagnated through the 2000s amid growing international tensions over its nuclear programme. The more effective sanctions instituted in 2012 have choked out foreign investment and sent output down to 2.65 million barrels a day in November from an average of 4.3 million in 2011.

Iran last month reached an interim deal with six western powers to limit its nuclear programme, under which sanctions on oil investment and trade with Iran may be lifted next year. Speaking to reporters at an OPEC meeting, Zanganeh said he was already talking with some companies, although so far not those from the United States. "We had no limitations for US companies. Twenty years ago there were limitations against them from their own administration. For doing projects in Iran, we have no limitations," Zanganeh said. He is due to meet senior executives from Western oil companies including Eni and Shell on Thursday, an Iranian oil official said.

Zanganeh made no mention of Russian, Chinese or Japanese companies or those of other nationalities. Asked whether he would like to see Asian, Indian, Chinese companies coming to Iran as well, he said: "Yes, but now we are discussing with European (firms)." He said contract terms would be better than those in post-war Iraq, which limited oil companies to operating fees rather than the share of production deals they prefer. "I cannot say more about the detail," Zanganeh said. Mehdi Hosseini, an Iranian official in charge of revising national investment terms, told Reuters he hoped to be able to introduce the new contract model at a London conference in the second week of April. "The Iranians aren't under any illusions that they can draw anyone in before the sanctions are lifted," said a Western oil executive from a company previously involved in Iran.

"And most international oil companies will be careful not to go one step too far before a final agreement is reached between Iran and the West." A Western oil source from another company that had invested in Iran said, "A removal of sanctions that would allow for tangible progress for international oil companies is still at the minimum 18-24 months away."

ENI & Kogas considered for Greek Cyprus' blocks 5 and 6

Natural Gas Europe, *04.12.2013*

Greek Cyprus is considering the Italian-Korean ENI-KOGAS consortium when it comes to licensing blocks 5 and 6 of its EEZ. Talks will begin by December 2 as reported by Financial Mirror. Earlier in January of this year, the consortium led by ENI (acting as an operator with an 80% interest) signed exploration and production sharing contracts with the government of the Greek Cyprus for Blocks 2, 3 and 9 which encompass around 12,530 square kilometers.

French giant Total SA has also been awarded production-sharing contracts for Blocks 10 and 11 which total 2,572 square kilometers of water.

Eni-Kogas and total plan to commence exploration activities in the island's EEZ sometime between the third quarter of 2014 and the first quarter of 2015. In late 2011, Noble Energy, operating Block 12 of Greek Cyprus' EEZ with a 70% interest (Delek Drilling and Avner Oil Exploration each having 15 percent working interest), announced a discovery offshore Greek Cyprus with estimated gross mean resources of 5 Tcf. The second appraisal well drilled by Noble confirmed high reservoir deliverability. Estimates were updated by Noble last October to a range of 3.6 trillion cubic feet (Tcf) to 6 Tcf, with a mean of approximately 5 Tcf. The Greek Cyprus Aphrodite structure represents the third largest field discovered to date within the Deepwater Levant Basin.

The cash-strapped island suffered a major financial crisis earlier in Spring of this year due to the exposure of its banks to Greek debt haircut. Greek Cyprus is accelerating efforts in a quest to monetize its riches in the shortest delay. Its original plan to enter the gas market as a net natural gas exporter by 2020 has been put in doubt when the quantities of natural gas encountered in the Aphrodite field proved less than expected. The multi-billion dollar LNG facility needed to reach European and potentially Asian customers has to be justified by substantial quantities of hydrocarbon discovered off the Cypriot shores.

Negotiations over the project between the government and the Texan Noble Energy have been put on hold due to the need of the Cypriot authorities to reflect on important matters such as the stake of the Cypriot government in the LNG project. Officials denied that the reflexion period would cause any delay in the construction of the facility. Greek Cyprus is hoping that Israel will use its services to process its own natural gas as this will justify the commercial viability of the project.

The Israeli government has not formulated any preferred export route yet, but opting for a transit route via the LNG plant of Vassilikos would increase Greek Cyprus' chances of finalising the project in a timely manner before major changes in the natural gas market take place. France's Total recently declared that it would also consider participating in the LNG project should its exploration activities in Blocks 10 and 11 prove successful.

Noble Energy announces discovery offshore Israel

Natural Gas Europe, *04.12.2013*

Houston-based Noble Energy announced a discovery at the Tamar Southwest (SW) exploration well offshore Israel. 'The Tamar SW well, testing a new exploration prospect, encountered approximately 355 feet of net natural gas pay within the targeted Miocene intervals. Tamar SW … was drilled to a total depth of 17,420 feet in 5,405 feet of water,' reads a note released on Wednesday.

Tamar SW is the Noble Energy's eighth consecutive discovery in the Levant Basin. "The discovery at Tamar SW further enhances our discovered resources in the Eastern Mediterranean, which now totals nearly 40 tcf of natural gas.

The discovery also underpins our ability to meet the growing market demand in Israel and within the region," commented Mike Putnam, Noble Energy's Vice President, Exploration and Geoscience. Noble Energy is the operator of Tamar SW, with a 36%working interest. The other interest owners are Isramco Negev (28.75%), Delek Drilling (15.625%), Avner Oil Exploration (15.625 %) and Dor Gas Exploration (4%).

Will Egypt purchase gas from Israel via Greek Cyprus?

Natural Gas Europe, *05.12.2013*

An LNG facility in Greek Cyprus would allow the cash-strapped island to tap into a Europe looking to diversify its sources of supply and loosen Russia's grip over it and an Asia that is more lucrative. Converting the natural gas finds in its exclusive economic zone into LNG will offer Greek Cyprus the flexibility it needs to transport its gas.

Noble Energy confirmed last month that is has successfully encountered recoverable natural gas in the Aphrodite field of Greek Cyprus' Block 12. The new estimates with a mean of approximately 5 tcf are less than originally expected and do not justify alone the multi-billion LNG project.

Afterwards, Noble Energy is determined to continue its exploration off Greek Cyprus as it considers the results encouraging further activities. Total and ENI have both expressed interest in joining in the LNG project should their activities turn out successful. Both companies plan to start exploratory drilling off the island's coast sometime in 2014. Greek Cyprus hopes that Israel - who recently approved a 40% export quota - will pool costs and join in the LNG project. Israel could divert the gas of its giant Leviathan field for exports through Greek Cyprus and save itself the cost and hassle of building a local LNG. Greek Cyprus and Lebanon have also been discussing future energy partnerships. The Lebanese neighbor has not launched its bidding round yet but it is believed that the Lebanese waters contain enough natural gas to allow the entry of Lebanon in the energy market as a net gas exporter.

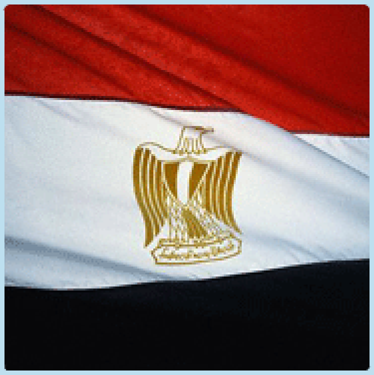
Israel has not yet formulated its export policy. Although export quotas are now determined, the export routes remain uncertain. Noble Energy made a statement last month declaring that Israel will seek as a priority to export its gas to its immediate neighbors before considering further exports to Europe/Asia. The Hashemite Kingdom, Egypt and the Palestinian Authority are all in need of natural gas and in very close vicinity to Israel. Like Israel, Jordan has a history of reliance on Egyptian imports to satisfy its needs in natural gas. The deals were penned under President Mubarak. Things changed in 2011 when the toppling of Mubarak put an end to the sales of natural gas to Israel and substantially reduced the sales to Jordan. Egypt now has its own share of energy problems as it is currently facing an energy crisis with shortfalls in natural gas.

Israel's new gas discoveries (with a 9 Tcf Tamar and a 19 Tcf Leviathan) would allow it to sell natural gas to its neighbours in need. With the Arish-Ashkelon pipeline connecting Egypt to Israel, the gas can simply flow in the opposite direction: from Israel to Egypt. Cheaper than liquefied Qatari natural gas, Egypt would be able to buy Israeli gas through the pipeline at competitive prices. A problem remains: new energy collaboration between the two countries is politically sensitive and apprehended by the public. The country's leaders insist that Egypt will not be dealing with 'countries' but with 'companies' instead.

However, earlier last week, Egyptian minister of petroleum, Sharif Ismail, declared that Egypt was considering purchasing natural gas from Greek Cyprus. With Greek Cyprus not being in a position to export its gas before 2020, and with Egypt's pressing natural gas needs, it is questionable whether Egypt will be purchasing Israeli gas with Greek Cyprus acting as a facade. The LNG collaboration between Greek Cyprus and Israel would be paving the way to broader alliances. Such a triangle would involve higher costs than a direct Israel-Egypt deal via the A-A pipeline, but would have the benefit of being politically...acceptable…

Egypt to pay $1.5 billion arrears to foreign oil firms

Reuters, *04.12.2013*



The Egyptian government has approved payment of $1.5 billion of the $6 billion it says it owes foreign oil firms, the prime minister said on Dec. 4, saying the failure to pay off the debt was holding the economy back.

Egypt's economy has been battered by two years of political upheaval that have frightened away tourists and investors, cutting tax revenues and inflows of foreign currency. That has increased pressure on the government to get oil companies investing again in extraction and exploration. Finance Minister Ahmed Galal said the central bank would supply the dollars needed to pay the firms.

"There is approval to pay $1.5 billion," Prime Minister Hazem el-Beblawi told an economic conference designed to lure investment from Gulf states, adding the arrears had prevented companies from investing. He also said the government was targeting economic growth of 3.5 percent in the fiscal year to end-June. Financial disclosures by firms including BP PLC, BG Group, Edison SpA and TransGlobe Energy show Egypt owed them more than $5.2 billion at the end of 2012. Authorities have repeatedly promised to repay arrears since the army toppled Islamist President Mohamed Morsi on July 3 and after oil-producing Gulf Arab states, which fiercely opposed to his Muslim Brotherhood, promised financial support to Egypt. In the week after the army takeover, Saudi Arabia, Kuwait, and the United Arab Emirates pledged a combined $12 billion in grants, interest-free loans, and oil products.

EU allows Gazprom to take over Dutch, German gas companies

AFP, *04.12.2013*

The European Commission cleared Russian gas giant Gazprom on Wednesday to take joint or sole control of four Dutch and German gas companies. Gazprom is taking joint control of WINZ and Wintershall Services of the Netherlands, which are involved in oil and gas exploration and production in the North Sea.

It will take over completely Wingas and WIEH which supply gas mainly in Germany. The Commission said it took the decisions after concluding the transactions "would not raise competition concerns," but said this had no impact on its ongoing anti-trust investigation against Gazprom.

Competition Commissioner Joaquin Almunia said in October that the EU was preparing against Gazprom a statement of objections, the equivalent to be charged as part of an anti-trust probe. Brussels launched in September 2012 its probe into Gazprom's use of long-term contracts tied to the price of oil, a policy that often leaves its supplies far more expensive than those available on the open market. The Commission suspects that conditions on such contracts with EU members including Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland and Slovakia may infringe EU competition rules.

Poland needs four years to know shale gas profitability

Natural Gas Europe, *04.12.2013*

Poland may need to wait for four years to know if the exploitation of shale gas is profitable, said the new Environment minister on Friday. Maciej Grabowski, who formally replaced Marcin Korolec at the helm of the Environment Ministry, is considered the right man to lead Poland toward shale gas production.

"We know that shale gas is there, but we do not know at the moment whether its exploitation is profitable. There are not enough wells, there has to be at least five times more," Grabowski said that draft law on shale gas would be ready by the end of the year to reduce the potential risk for investors.

South Stream bilateral deals breach EU law, Commission says

EurActiv, *05.12.2013*

The bilateral agreements for the construction of the Gazprom-favoured South Stream gas pipeline – concluded between Russia, Bulgaria, Serbia, Hungary, Greece, Slovenia, Croatia and Austria – are all in breach of EU law and need to be renegotiated from scratch, the European Commission said.

Speaking in the European Parliament, Klaus-Dieter Borchardt, director for energy markets at the European Commission, said the deals were in breach of EU law. "The Commission has looked into these intergovernmental agreements and came to the conclusion that none of the agreements is in compliance with EU law," Borchardt said.

"That is the reason why we have told these states that they are under the obligation, either coming from the EU treaties, or from the Energy Community treaty, that they have to ask for re-negotiation with Russia, to bring the intergovernmental agreements in line with EU law," he added. The development comes at a moment of heightened sensitivity in EU-Russia relations. Last week European heads of state were dismayed by the decision of Ukrainian President Viktor Yanukovych to reject the signing of a partnership agreement that would bond relations between the former Soviet state and the EU. Instead, Yanukovych has signalled Ukraine will bind itself closer to Russia, triggering mass protests at home in favour of closer ties with Europe.

The parliament event where Borchardt spoke was attended by high-level representatives, including Russian deputy minister for energy Anatoly Yankovski, Gazprom's director-general for export Alexander Medvedev, and Serbian energy minister Zorana Mihajlović. Borchardt explained that if these negotiations are not successfully conducted, then these countries had to denounce their agreements with Russia. He explained that the EU's Energy Commissioner, Günther Oettinger, had just sent a letter to Russian energy minister Alexander Novak explaining the situation and asking him "to look positively" into the possibility of re-negotiating the deals with the countries concerned.

These include EU members Bulgaria, Hungary, Greece, Slovenia, Croatia and Austria, as well as Serbia, which is a member of the Energy Community, an EU-backed international agreement covering former communist countries of Eastern Europe. "What I can say is the intergovernmental agreements will not be the basis for the construction or the operation of South Stream. Because if the member states or states concerned are not renegotiating, then the Commission has the ways and means to oblige them to do so. And South Stream cannot operate under these agreements," Borchardt insisted. The Commission official highlighted at least three major issues about the deals: First, the EU's so-called network ownership 'unbundling' rules need to be observed, he said. This means that Gazprom, which is both a producer and a supplier of gas, cannot simultaneously own production capacity and its transmission network.

Secondly, non-discriminatory access of third parties to the pipeline needs to be ensured. There cannot be an exclusive right for Gazprom to be the only shipper; and Thirdly, the tariff structure needed to be addressed. “Is it possible to bring in line the construct of South Stream and the operational part of South Stream with these rules? I don’t know. I don’t know yet,” the official repeated. But even if negotiations are successful, work to accommodate South Stream with EU concerns would take time, Borchardt warned. “Not months, maybe two years before we get there," he said. Exemptions from unbundling obligations are not ruled out, the official said. But such a window of opportunity would open up only when gas capacities would start to be allocated to the different segments of the pipeline, he explained, adding that such a moment would take place only in the remote future.

“It will not be an easy task; it needs a lot of mutual understanding, maybe also some new ideas that are not yet discussed. But I have to say in all openness and frankness that the South Stream pipeline will not operate on the territory of the EU if it is not in compliance of our energy law,” Borchardt stressed. Asked by EurActiv to reveal when the Commission had made the announcement to the EU countries concerned, Borchardt said this took place in several steps. First, the EU executive had asked them to send to Brussels their intergovernmental agreements which were subsequently analysed by Oettinger's services. He said he had personally chaired a meeting on 18 October, at which he also invited a Gazprom representative, and that the countries were well aware of the situation since. “They are fully informed of what I said today,” Borchardt assured.

The Commission’s announcement may embarrass at least two South Stream transit countries. Bulgaria, which opened its doors to South Stream in April 2012 under a previous government, hosted a South Stream “first welding” ceremony on 4 November, in the village of Rasovo in the Montana municipality of Bulgaria, near the border with Serbia. And Serbia did the same on 24 November in the village of Šajkaš, in Vojvodina. Both countries reportedly knew that they were promoting a project under agreements seen by Brussels as illegal. Asked about the timeframe to re-negotiate the agreements, the Commission official remained vague. The first step, he said, is for the EU countries concerned to ask for a re-opening of the intergovernmental agreements with Moscow. Borchardt said the EU Executive hoped that Moscow would look at this positively.

But Russia has apparently no intention of re-opening those deals. Speaking at the event, Gazprom’s Medvedev stressed that “nothing could prevent the construction of South Stream”. Borchardt replied by saying: “What the Commission would hardly accept is that you put to us a pipeline that is built, that’s in the landscape, and then handing over the baby to us and say – now it’s up to you, Commission, to find a solution how can we operate it.” Russian deputy minister for energy Anatoly Yankovski, who delivered a prepared speech shortly afterwards, said that Russia does not accept that EU rules should apply to trans-boundary projects such as pipelines, which are not stationed solely on EU territory. He added that EU law could not prevail in EU-Russia relations, which are governed only by international law. In other words, the intergovernmental agreements concluded by Russia over South Stream were prevailing over other legal norms, Yankovski said.

EU countries ask for help to escape from South Stream 'mess'

EurActiv, *06.12.2013*

Six EU countries are in "a mess" over the bilateral deals they signed with Russia on the South Stream gas pipeline, with Bulgaria the most desperate to get EU help. Speaking in Brussels today, a Bulgarian minister said Sofia would seek to bring its bilateral agreement with Russia on the South Stream project in conformity with EU law.

The announcement came amid heightened tensions between the EU executive and Gazprom over gas pipeline contracts. Commission official announced that the bilateral agreements for the construction of the South Stream pipeline were in breach of EU law and needed to be renegotiated from scratch.

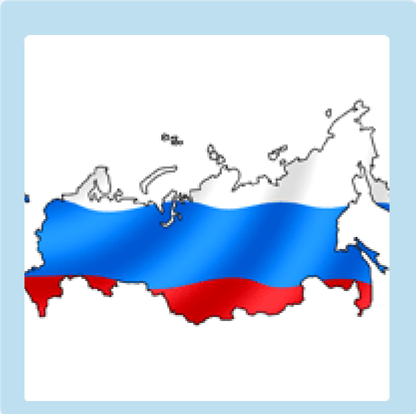
Gazprom and Russian officials made it immediately clear that Moscow had no intention of halting the construction of the pipeline. Russia considers the inter-governmental agreements valid under international law, which in its view has supremacy over EU law. Six EU countries have signed inter-governmental agreements with Russia over South Stream - Austria, Bulgaria, Croatia, Greece, Hungary and Slovenia. Serbia, which is part of the EU-backed Energy Community, also signed a similar bilateral deal. The dispute took another turn today (6 December) when Gazprom accused the Commission of reacting too late, after the construction of South Stream had begun.

"We are not a signatory to these agreements, but their contents have been public for years," Gazprom said in a written statement. "This is why we are surprised and disappointed that the Commission voices its concerns only now, after construction works have begun. This unfortunate timing is even less comprehensible given that South Stream has been granted national priority status in several EU member states," it said. The Russian gas monopoly was careful to leave a door open to solve the dispute, suggesting that it could reach a compromise with the EU based on the experience of the OPAL pipeline, an offshore leg of Nord Stream.

Meanwhile, the countries that signed the deals with Russia now appear entangled in a legal jumble. Zinaida Zlatanova, Bulgaria's vice-prime minister, responsible for EU affairs, told the Bulgarian press in Brussels today that Sofia would get in conformity with EU law regarding South Stream. But she did not say whether Sofia would ask to re-negotiate its inter-governmental agreement with Russia. She refused speculating over what would happen if Russia decided to sue Bulgaria for not delivering on the inter-governmental agreement.

Russia leverages its gas, cash supremacy in Ukraine

EurActiv, *05.12.2013*



Ukraine's struggling Gas Company Naftogaz said yesterday (3 December) that it had agreed with Russia's Gazprom to defer payments for gas deliveries to spring next year, RIA Novosti reported.

Naftogaz head Yevgeny Bakulin said his company had secured an agreement to delay settling debts for gas imported from October to December to give it more time to resolve unspecified "problems and issues in the regions". Bakulin said that €564 million owed by Naftogaz for gas delivered in August would be paid soon, but that the government's work had been held up by the protests in Kyiv.

The issue of the August debt had previously been due to be settled by 7 December, he said, appealing Gazprom to take the current situation into consideration. In October, Gazprom complained that Ukraine had not settled an $882 million (€649m) bill for natural gas for August and warned that it could in future begin demanding advance payment for the fuel. That prompted Ukraine to announce that it would stop buying Russian gas until the end of the year, raising the specter of a possible halt of deliveries to Western Europe, only for Kyiv to back down a few days later. The dispute has raised concerns of a new "gas war" over prices between the two neighbors, similar to those which erupted in the winter of 2009, leaving parts of Europe in the cold.

The apparent concession on payments from Russia's state-owned Gazprom takes place against the backdrop of political unrest in Ukraine, where thousands of people took to the streets asking for the government and the president to step down. The protests came in the wake of the Ukrainian government's decision to put its move for closer integration with the EU on hold in favor of talks to revive economic relations with Russia, one week before the country was expected to sign a landmark association agreement with the 28-country bloc in Vilnius. The decision came after months of intimidation by Russia, which made it clear it would close its borders to goods coming from Ukraine if the association agreement was signed.

Ukraine has been offered cheaper gas if it joins the Russia-led Customs Union, the only members of which are Belarus and Kazakhstan. Russia sells its gas to Belarus at about $170 (€120) per thousand cubic meters, about 40% of the price that Ukraine pays. Russia vehemently denies using trade embargoes and gas deliveries as a form of intimidation against Ukraine and says it is only taking measures to protect its own economy. The press reported rumors that Ukraine was to leave the EU-sponsored Energy Community, a project designed to import EU energy policies into non-EU countries. The exit of Ukraine from this organization has been considered as the main condition so that Gazprom would buy the Ukrainian gas transportation system (GTS).

Asked by EurActiv to comment the rumors that Ukraine would abandon the Energy Community, a Commission spokesperson only said the EU executive was aware of the press reports. The Ukrainian GTS badly needs modernization and heavy investment. The EU is offering that a tripartite consortium involving the Union, Ukraine and Russia manages this effort. Russia insists that the consortium should involve only Moscow and Kyiv. EurActiv asked Oleksii Leshchenko, Vice-President of the Gorshenin Institute to comment on the latest energy developments in Ukraine. According to Leschenko, Russia does not give up its attempts to gain control over Ukrainian GTS. He reminded that on 29 November, Gazprom's CEO Aleksey Miller stated that to continue talks on creating the consortium, Ukraine needs to amend its legislation and allow the privatisation of its gas pipelines. Gazprom also insists to obtain access to the domestic gas market of Ukraine and to internal gas production.

"The present Ukrainian government has more urgent issues in its agenda and is struggling to close financial gap to finish the year," Leschenko said. The analyst reminded that Russia was on a shopping spree in Ukraine. Indeed, according to information leaked to the media, the government decided to sell some strategic state enterprises, including some which are part of its military-industrial complex. Thus, on 2 December, Ukrainian vice Prime Minister Yury Boyko organised a roadshow for his Russian colleague, vice Prime Minister Dmitry Rogozin, to present Ukrainian strategic enterprises in Nikolayev, Dnepropetrovsk and Kyiv. In particular, potential buyers visited the Zoria-Mashproject, the 'Black Sea shipyard', the '61 communards' Shipyard, and the enterprises Yuzhmash and Antonov.

Concerning the Energy Community (EC), Leschenko said the Ukrainian membership had not been a deterrent for Russia in its attempts to gain control over Ukrainian gas pipeline. Ukraine is member of the Energy Community from February 2011, while Russian attempts to get hold of the pipelines began in late 90-s, he reminds. "Ukrainian president Viktor Yanukovich states that Ukrainian membership [in the Energy Community] lost sense as five European countries signed agreement on South Stream construction. But leaving EC will release Ukraine from many obligations and thus make it more vulnerable to Russian attacks," Leschenko said.

Indeed, Ukraine's leadership is furious about EU energy policies and in particular the door-opening by EU members Bulgaria, Hungary, Slovenia and Italy to South Stream, a Gazprom-favoured pipeline project aimed at bringing gas to the EU and to the Western Balkans bypassing Ukraine. Leschenko also minimised the importance of reverse gas flows from Western Europe to Ukraine. "Ukraine has not secured gas supply to meet its demand without Russian gas. The country is still importing about 60% of consumed gas from Russia (about 32 billion cubic metres per year (bcm/y)", he said. He added that reverse volumes were at about 2-5 bcm/y, and domestic production at the level of 21 bcm/y. "An LNG terminal will be started only in 3-5 years and shale gas production is also a long time perspective. Thus in the nearest 5-10 years Ukraine will strongly depend on Russian natural gas," the expert said.

TAP receives Italian Parliamentary ratification

Natural Gas Europe, *06.12.2013*

The Italian Parliament has approved the ratification law on the tri-lateral Intergovernmental Agreement (IGA) on Trans Adriatic Pipeline (TAP). TAP commented that the IGA solidifies a range of key commitments by Italy, Greece and Albania to the forward development, construction and operation of the TAP pipeline.

Within the framework of the Community Treaties and the Energy Community Treaty, the IGA will ensure that the states cooperate on the timely delivery and efficient operation of the TAP pipeline. Michael Hoffmann, TAP's External Affairs Director, stated as follows.

"The approval of the ratification law on the IGA further reinforces the host governments' support for TAP from a legal and regulatory perspective. For TAP, this puts in place the final high level international political agreement, and provides Shah Deniz with further reassurance prior to its final investment decision, expected at the end of this year. The ratification is an important milestone for the pipeline project in advance of the Shah Deniz Final Investment Decision later this year.

TAP will transport natural gas from the giant Shah Deniz II field in Azerbaijan to Europe. The approximately 870 km long pipeline will connect with the Trans Anatolian Pipeline (TANAP) near the Turkish-Greek border at Kipoi, cross Greece and Albania and the Adriatic Sea, before coming ashore in Southern Italy. TAP's shareholding is comprised of BP (20%), SOCAR (20%), Statoil (20%), Fluxys (16%), Total (10%), E.ON (9%) and Axpo (5%).

Trans Adriatic Pipeline Receives Greek Parliamentary Approval

Natural Gas Europe, *04.12.2013*

The Greek Parliament has ratified the Host Government Agreement with the Trans Adriatic Pipeline, which outlines the framework by which the project will be realized and operated on Greek territory. The Agreement includes processes related to land easement and acquisition, the implementation of technical, safety, environmental and social standards and permitting.

The Greek section of the pipeline, the longest of the project, estimated to cost approximately Euro 1.5 billion and will be one of the largest sources of foreign direct investment in Greece.

During construction, TAP is anticipated to create some 2,000 direct, and up to 10,000 indirect, new jobs across a number of industries including manufacturing and utilities, transport, communications and financial and business services. The Greek section of the TAP pipeline will start at Kipoi at the Turkish-Greek border, and will cover some 550km entering Albania northwest of Dipotamia. TAP states that the project will support Greece's ambition of becoming an important 'Energy Highway' Furthermore, the planned interconnection points and reverse flow capability of TAP will also support security of supply for other countries in the region.

Kjetil Tungland, TAP's Managing Director, stated: "I am delighted that the Host Government Agreement has been ratified. I would like to thank the Greek Parliament and Government and all those involved for their dedication, hard work and support, which has resulted in this final milestone being achieved ahead of the Shah Deniz Consortium's final investment decision later this month. This is a significant step forward in delivering a project that will have notable positive impact on Greece, the region as well as European energy objectives."

Rikard Scoufias, TAP's Country Manager for Greece, added: "I would like to thank all those involved for their support and commitment in achieving Greece's victory for the Southern Gas Corridor and ratification of this important agreement. We are pleased with our collaboration with the Hellenic Republic, through hundreds of meetings in Athens, in the regions as well as in local communities. As we are now moving towards construction in the coming years, we look forward to continue that cooperation in the same spirit of open dialogue and joint efforts to secure the benefits this project can bring for Greece and her citizens."

Chevron resumes shale program in Romania

Natural Gas Europe, *02.12.2013*

Despite on-going protests, US major Chevron confirmed it resumed its shale gas program in eastern Romania. 'Chevron can confirm that it has resumed operations… Our priority is to conduct these activities in a safe and environmentally responsible manner consistent with the permits under which we operate,' reads a note released by the company.

Over the last few months, local governmental authorities have been bickering over shale gas permits in Pungesti, a small town in the eastern county of Vaslui. At the same time, local population showed a strong resistance to Chevron's program.

Russia passed LNG export liberalization law

Natural Gas Europe, *02.12.2013*

Russia has liberalized LNG exports. President Vladimir Putin signed into law the changes to rules on gas exports and foreign trade, paving the way for higher competition. The measure put an end to Gazprom's monopoly, allowing Novatek and Rosneft to export liquefied natural gas. The law, which took effect from December 1, was passed by the Parliament on November 21.

The measure, intended to promote the development of LNG projects from Gazprom's competitors, is strongly backed by President Vladimir Putin to avoid future competition from US, Australia and Africa.

Chevron's $6.4 billion China gas project faces new delays

Reuters, *06.12.2013*

US energy giant Chevron's $6.4 billion gas project in China may be delayed again, due to a disagreement between the company and its partner Petrochina over the process of developing the fields, the latest of a series in setbacks.

A $6.4 billion gas project being built by Chevron in China is a facing further delay due to disagreements with partner PetroChina over how to develop the technically tricky fields. The Chuandongbei project, Chevron's largest investment in China, is now not expected to deliver first gas until the second half of 2014, nearly 7 years after the firms clinched a 30-year deal to produce 7.6 billion cubic meters of gas a year.

The latest setback follows a series of delays for Chuandongbei, which Chevron has described as one of its larger capital projects for 2013. PetroChina initially expected first gas to be delivered in 2010, while its parent CNPC forecast just four months ago that production would start by end-2013. China, the world's top energy user, but the fourth-largest consumer of gas, is racing to unlock supplies of the cleaner-burning fuel by boosting imports and domestic exploration. "There are some discrepancies over how to develop the fields between PetroChina and Chevron," said a Beijing-based industry official with knowledge of the project, a 2,000 square-kilometer block in Sichuan basin in southwest China.

Chevron is the operator of the project and holds a 49 percent stake. PetroChina holds the rest.The Chinese government had now suspended its approval for the development plan for the second stage of the three-stage Chuandongbei project, to encourage the companies to focus on delivering the first phase, the sources said. Chuandongbei is a sour gas development. The natural gas contains a high level of hydrogen sulphide. "The complexity of the project, being a high-pressure, high sulphur development that means higher operational risk and higher standards for technical processes, also contributed to the delays," said a second industry official.

As the only international oil firm developing high-sulphur gas in China, Chevron has imposed stringent safety standards, sources said, especially after a deadly disaster in 2003 in the same region that forced the then-head of CNPC to quit. A blowout in 2003 at a gas well in Chongqing municipality owned by CNPC turned 25 sq km of farmland into a lethal zone, killing 243 people and poisoning thousands as they slept or scrambled to escape a toxic cloud of hydrogen sulphide. However, a similar sour gas development in the same geological area, the $10 billion Puguang project developed by PetroChina's domestic rival Sinopec Corp, took 32 months from start of construction to first gas in 2010. It has a designed annual capacity of 12 bcm. "Sinopec being the sole owner of the project had a much stronger sense of execution," said a third industry official involved in the Puguang development. "It had top attention from Sinopec management, which pooled the best design and construction teams to build it."

Mexico energy reform eyes big opening for private capital

Natural Gas Europe, *25.11.2013*

Mexican lawmakers unveiled a draft energy bill on Saturday that includes contracts ranging from profit or production-sharing to licenses to lure private investment, in what would be the biggest opening in the world's No. 10 oil producer.

Approval of the bill presented in the Senate would mark the end of the decades-long oil and gas monopoly held by state-run giant Pemex, which is struggling to reverse a sharp slide in oil output due to years of chronic under-investment. The bill, which would keep ownership of oil in state hands, is at the center of a package of economic reforms that President Enrique Pena Nieto hopes reenergize investments.

Nevertheless, major street protests against the changes are likely in a country whose modern identity has been deeply intertwined with oil since the industry was nationalized 75 years ago. The reform would allow private investors to drill for the country's crude but stops short of full-blown concessions that oil majors had been hoping for. Furthermore, companies will not be allowed to book oil reserves on their balance sheets. But it is a big step from the service contracts now on offer, under which companies are paid a fee and can recover costs. It also goes well beyond the proposal made by Pena Nieto in August, which was limited to profit-sharing contracts. "That's the most aggressive, forward-looking concept that they have ever put forward," George Baker, publisher of industry newsletter Mexico Energy Intelligence, said of the inclusion of licenses. "That's basically like a concession, meaning you have the rights to produce the oil and commercialize it."

"They don't want to use the term concession, because it's just a politically loaded term in Mexican history," he added. Created in 1938 when President Lazaro Cardenas expropriated foreign oil companies' assets, Pemex is both a symbol of pride and the source of one third of the federal budget. But crude output at the company has fallen by a quarter since peaking at 3.4 million barrels a day in 2004, and its management says it needs a huge injection of capital. Still, many Mexicans think the plan is a covert bid to sell off Pemex. The government hopes that shaking up both the local oil industry and Pemex will serve as an engine for growth.

"If there is no watering down in the complementary laws, it could well generate a 50 bps to 100 bps addition (to GDP) and more importantly it may get the rating agencies to give at least a positive outlook to the sovereign," said Pedro Tuesta, an economist at 4Cast. He said that the reform, which Pena Nieto wants to pass before Christmas, would likely have an impact from 2015. Senators from Pena Nieto's Institutional Revolutionary Party (PRI) and the conservative National Action Party (PAN) who unveiled the bill, are due to start debating it on Sunday. The draft says the contracts on offer include "services, profit- or production-sharing, or licenses," and an option to pay companies with a percentage of output obtained under production-sharing contracts.

In August, the PRI proposed offering contracts that would give private companies a share in profits from oil extraction, which was viewed by companies and analysts as too tame. The PAN argued that concessions were needed to bring in big investors. This week, the two sides converged on a middle ground. The reform does not allow companies to count the reserves as assests, but would allow them to register their projected income. It stipulates they can report contracts that have been agreed upon and expected benefits for accounting purposes, but that oil below ground – Mexico's oil reserves - remains the property of the nation. "You cannot book reserves, because they belong to the nation," said Salvador Vega, the senior PAN member on the Senate's energy committee. "What they can report, like any other company, is the profit and benefits expected from exploitation."

It means they are not allowed to add the reserves under the ground to their existing reserves. (a key metric for oil companies is reserves, i.e. amount of oil estimated to be under the ground where they are operating). Many oil majors have signaled interest in investing in Mexico's oil patch provided they can share and market the crude they produce and reflect the economic value of long-term contracts on their books. The reform aims to allow this. In October, Nils Andersen, chief executive of A.P. Moller-Maersk, the Danish oil and shipping group, said his company was interested in deepwater Gulf of Mexico projects. But he told Reuters the company preferred projects where the company can trade and commercialize the crude.

The reform plans to allow the government to pay companies in oil, whereby the investor would buy the crude from Mexico after extraction in the form of charges such as royalties and taxes. "In this case the only difference is that payment takes place 100 meters beforehand at the mouth of the well and not at the end of the pipeline," PAN's Vega said. An official at a major international oil company declined to comment on the bill after it was presented on Saturday, saying discussions were still at a "premature stage." The proposal would create a new sovereign oil fund, overseen by the country's central bank, which would be charged with administering the proceeds of oil and gas development, with the exception of taxes paid to the government.

On electricity, the proposal would end the state-run national power utility CFE's monopoly on "planning and control" of the industry by in part opening up power generation. But the bill explicitly forbids concessions and maintains government control over electricity transmission and distribution. The government does not have a majority in Congress, and needs PAN votes to pass the bill in the face of opposition from the main leftist party, the Party of the Democratic Revolution.

The PRD is likely to help mobilize big demonstrations against the reform, and the Senate has been surrounded by police and heavily barricaded during talks to keep out protesters. Photos of dozens of senators alongside the words "traitor" and "corrupt" plastered some of the metal barriers, and protesters outside said the government was selling Mexico out. "They want to privatize the industry so that Exxon, Shell and BP will come," said former Pemex worker Raul Gutierrez, 64, who had come to the Senate from the Gulf of Mexico port Tampico to take a stand against the reform. "But we're losing our sovereignty, because these companies can pick and choose governments as they please," he added

Announcements & Reports

► OPEC Bulletin (Nov. 2013)

Source : Organization of the Petroleum Exporting Countries
Weblink : http://www.opec.org/opec_web/static_files_project/media/downloads/publications/OB10112013.pdf

► United Arab Emirates Country Analysis Brief

Source : Energy Information Administration
Weblink : http://www.eia.gov/countries/analysisbriefs/UAE/uae.pdf

► Future World Energy Demand Brief

Source : Energy Information Administration
Weblink : http://www.eia.gov/todayinenergy/detail.cfm?id=14011

► Petroleum Marketing Monthly (Dec. 2013)

Source : Energy Information Administration
Weblink : http://www.eia.gov/petroleum/marketing/monthly/pdf/pmmall.pdf

► Monthly Natural Gas Gross Production Report

Source : Energy Information Administration
Weblink : http://www.eia.gov/oil_gas/natural_gas/data_publications/eia914/eia914.html

Upcoming Events

► *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

► *Basra Oil and Gas International Conference & Exhibition*

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

► *International Petroleum Technology Conference*

Date : 19 – 22 January 2014
Place : Doha – Qatar
Website : http://www.iptcnet.org/2014/doha/index.php

► *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/

► *Unconventional Gas Aberdeen 2014*

Date : 25 – 26 March 2014
Place : Aberdeen – UK
Website : http://www.unconventionalgasaberdeen.com/

► *8th Atyrau Regional Petroleum Technology Conference*

Date : 1 – 2 April 2014
Place : Atyrau – Kazakhstan
Website : http://www.oiltech-atyrau.com/

► *TUROGE 2014*

Date : 9 – 10 April 2014
Place : Ankara – Turkey
Website : http://www.turoge.com/

► *13th Uzbekistan International Oil & Gas Exhibition*

Date : 13 – 15 May 2014
Place : Tashkent – Uzbekistan
Website : http://www.oguzbekistan.com/

► *5th Turkmenistan Gas Conference*

Date : 21 – 22 May 2014
Place : Ashgabat – Turkmenistan
Website : http://www.turkmenistangascongress.com/

► *21st Caspian International Oil & Gas Exhibition*

Date : 3 – 6 June 2014
Place : Baku – Azerbaijan
Website : http://www.caspianoil-gas.com/

► *4th Erbil Oil & Gas International Exhibition*

Date : 1 – 4 September 2014
Place : Erbil – Iraq
Website : http://www.erbiloilgas.com/

► *South Russia Oil & Gas Exhibition*

Date : 2 – 4 September 2014
Place : Krasnodar – Russia
Website : http://oilgas-expo.su/

► *2nd East Mediterranean Oil & Gas Conference*

Date : 9 – 10 September 2014
Place : Paphos – Greek Cyprus
Website : http://www.eastmed-og.com/Home.aspx