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Turkey and Israel may reconcile after years of tension

Natural Gas Europe, *04.04.2014*

An energy pipeline project under consideration could help Turkey and Israel renew their partnership after years of strain. On March 23, Israeli financial daily Globes announced that more than 10 companies had submitted bids for the tender of a proposed undersea pipeline that would export natural gas from Israel's offshore Leviathan field to southern Turkey.

The statement came shortly before Today's Zaman reported a meeting between Israeli Prime Minister Benjamin Netanyahu's personal envoy for energy and security issues, David Meidan, and the chief of Turkey's National Intelligence Organization, Hakan Fidan.

Israel and Turkey currently find themselves isolated in the region, giving both countries a reason to begin working together again, especially now that Turkey's ruling party has consolidated its power in the recent elections and feels more secure against a domestic backlash. While several technical and political obstacles make it unlikely that the proposed Leviathan pipeline will be constructed anytime soon, the issue could be used as a springboard for normalizing Israeli-Turkish diplomatic relations and opening the door to more bilateral investment and intelligence cooperation. On the surface, relations between Turkish Prime Minister Recep Tayyip Erdogan's Justice and Development Party, or AKP, and Netanyahu's Likud party have been extremely tense since the May 2010 Mavi Marmara incident, highlighted by fiery rhetorical statements, the recalling of ambassadors and a freeze on billions of dollars' worth of defense deals.

During the early stages of the diplomatic break, Turkey found itself attempting to capitalize on the Arab Spring, anticipating that a strong anti-Israel stance would ensure AKP leadership at a time when Islamist political forces in the region were gaining momentum. However, three years later the Islamist parties Turkey courted in Egypt and elsewhere have mostly been sidelined or crushed, and Ankara's overall strategy has largely backfired. Outside the Levant, tensions continue to brew with Baghdad over Erdogan's attempts to strike separate energy deals with the Kurdish Regional Government, and the prospect of U.S.-Iran rapprochement could boost Shiite regional influence.

Most recently, Russia's annexation of Crimea emphasized Ankara's perceived vulnerability to Moscow, given Turkey's overwhelming dependence on Russian energy supplies. And on the domestic front, Erdogan's peace process with the Kurds has ground to a halt, the national economy has grown stagnant thanks in part to the tapering of U.S. Federal Reserve funds, and the ruling AKP has witnessed a series of scandals amid a bitter split with former allies represented by Fethullah Gulen's movement. For the time being, Erdogan's policies have left his country isolated in a rapidly changing regional environment. Despite these setbacks, Ankara is not without options. While Turkey's traditional partnership with Israel had certainly suffered in public perception, trade ties between the two have actually increased over the past few years, roughly doubling in size from 2009 to 2013.

With total trade volume during that period rising from $2.6 billion to $5.1 billion, private trade flourished despite the political rift. The past year has also seen leaks of high-level intelligence meetings as the two sides continue to quietly cooperate on regional issues such as Syrian instability and jihadist activities. Disagreements persist about the final details of a Mavi Marmara compensation deal, though neither side appears to be letting the resolution of that issue stand in the way of other discussions. In fact, according to reports released March 27, Israeli Defense Minister Moshe Yaalon agreed to allow construction materials and electrical equipment into the Gaza Strip to help build a Turkish-sponsored hospital, with unnamed Israeli officials commenting that reconciliation efforts with Turkey played a part in his decision.

It seems clear that both parties never intended to fully sever ties and have merely prolonged the Mavi Marmara dispute for the sake of domestic politics. And with Erdogan relatively secure for the time being following the AKP's electoral victory in late March, Israeli-Turkish relations may normalize in the near future, in part because of the ambitious new pipeline initiative. As a consequence of its lack of relations with both Israel and Greek Cyprus, Turkey found itself sidelined from their joint exploitation of enormous offshore natural gas discoveries in the Eastern Mediterranean. The proposed pipeline system has been hailed as Turkey's entrance into the energy game. The 450-kilometer (280-mile) subsea pipeline would be the Middle East's most ambitious native pipeline, stretching from Israel's offshore Leviathan field, 130 kilometers west of Haifa, to the Turkish port of Ceyhan. The pipeline would run from a floating production, storage and offloading (FPSO) ship before heading northeast at an average depth of 2,000 meters (6,500 feet) along the Cypriot coastline.

With a capacity of 16 billion cubic meters, the initiative has been lauded as a way to enable Turkish (and eventually European) energy diversification away from Moscow. According to energy holding firm Turcas Petrol, one of the companies to place a bid on the project, the total cost would be around $2.25 billion. In essence, the Leviathan pipeline would require an operating depth rivaled only by major international initiatives such as Medgaz, South Stream and Blue Stream, and the cost incurred to produce energy would be among the highest in the world. This in turn would require a highly experienced international energy firm to develop the necessary infrastructure.

Yet the technical obstacles are only compounded by the political constraints; few major corporations will be willing to take on the risks of a project in the politically charged environment of the Eastern Mediterranean. The ideal route for an Israeli-Turkish pipeline would move along the Levantine coastline, either onshore or through the shallower seabed, both of which would significantly reduce operating and construction costs. However, this would require the pipeline to travel through Lebanese and Syrian territory, where political and security risks would lead to frequent disruptions. Damascus and Beirut have also expressed open hostility to this option.

This leaves the only alternative route traveling through Cypriot waters, which requires Nicosia's approval -- and thus, a Turkish-Cypriot diplomatic rapprochement. Greek Cyprus has repeatedly said that it would not sign off on the pipeline until Turkey, which is the sole international backer of the breakaway Turkish Republic of Northern Cyprus, recognized the existence of the Greek Republic of Cyprus and moved to end the island's 40-year division. Resolving one of the region's most intractable and polarizing conflicts will require a good deal of time and energy, leaving the project's 2017 planned operating date doubtful at best. Though obstacles abound, the project has garnered a lot of interest.

Of the more than 10 companies that bid on the natural gas tender for the project, two are reportedly Turkish firms: Zorlu Group and Turcas Petrol (the latter in a joint bid with German electric utility RWE). Zorlu's bid is particularly interesting: Led by billionaire chairman Ahmet Nazif Zorlu, the holding group is one of the largest corporations in Turkey and is known to have close political connections with the AKP, largely to secure preferential business contracts. Soon after the AKP came to power, Zorlu Holding capitalized on the privatization of public land to build the massive $2.5 billion Zorlu Center on the prime real estate of Istanbul's European shore. In fact, Zorlu was among those caught up in the corruption probe on Dec. 17, 2013, and has been accused of violating the law in the process of gaining contracts for his facility.

The company maintains major investment projects in Israel and is heavily involved in the power plant sector. It is notable that tensions between Israel and Turkey did not affect the group's energy operations in Israel, where it continues to expand its presence. In fact, in 2012 Zorlu invested $277 million in the Ashdod and Ramat Negev natural gas facilities, even receiving a large loan from Israeli investors. If Ankara were to push reconciliation through energy cooperation, it would make sense to leverage a corporation known to have close ties with the AKP leadership, especially one with a good deal of influence in Israel.

Turkey and Israel appear ready to act on the opportunity to mend ties. Erdogan has likely judged his grand regional strategy a failure and seems willing to revert back to his traditional alliance structure. Confronted with rival (and in several cases, openly hostile) regimes on nearly all fronts, Ankara is in desperate need of a regional ally. For its part, Israel faces a level of instability on its borders that has not been seen in decades, as well as the threat of a new U.S. balance of power strategy centered on a resurgent Iran. The potential for a U.S.-Iranian rapprochement is pushing regional powers Turkey and Israel to consolidate their relative strength to counterbalance this emerging trend. Both sides have found themselves increasingly isolated, and their shared constraints and security concerns are naturally pressuring them toward reconciliation.

Defense and intelligence cooperation, in addition to more bilateral investment, will allow both sides to better position themselves regarding expanding Iranian influence, growing jihadist activity and the eventual aftermath of the Syrian civil war. Pushing the pipeline initiative provides a useful tool for re-establishing bilateral political cooperation, where each side can claim the necessity of energy diversification without having to face a domestic political backlash for capitulating to the other. The pieces are lining up to the extent that we are likely to see a package deal of sorts, where Israeli compensation for the Mavi Marmara and normalization of ties emerges alongside an agreement on connecting energy infrastructure. Political and technical obstacles will likely place the Leviathan-Turkey pipeline out of reach, barring an unlikely settlement of the Cyprus issue, but the project's short-term significance lies in the political gap it could bridge between the former allies.

Israel in talks with Egypt, Turkey on major gas export deals

Hurriyet Daily News *14.04.2014*

Israel's drive to export its new-found natural gas could help to rebuild strained ties with old regional allies Egypt and Turkey, but could deprive Europe of a precious alternative to Russian gas. Israel has in recent months already signed energy deals with Jordan and the Palestinian Authority, though relations with the Palestinians are at low ebb, and now needs to expand its export horizons to cash in on its huge energy discoveries.

If all goes well, the latest developments could see first pipelines being laid between Israel and Turkey as soon as 2015, and gas cooperation between Israel and Egypt is also emerging, which would allow export access to Asia's major markets.

A growing population and soaring demand have left Egypt's own liquefied natural gas export (LNG) plants in need of new supply, as domestic shortages eat into seaborne exports through the Suez Canal to the world's most lucrative market in Asia. This has put Israel's previous plans to pump its gas reserves into a future export plant in Greek Cyprus on the back burner, dealing a major blow to the indebted Mediterranean island's ambitions to become a global player in the gas market. A Greek Cypriot LNG export plant was due to deliver at least 5 million tons a year to Europe and Asia, allowing Europe to reduce its growing dependency on Russia, which has become of particular concern since the crisis in Ukraine cast a Cold War chill over East-West relations.

Israel's new plans throw Greek Cypriot developments into doubt as investors would require more gas than Greek Cyprus has on offer to make returns on multibillion-dollar investments. "If Israel has really ditched Greek Cyprus as a partner to develop the region's gas resources, then we (Greek Cyprus) really do have to find quite a lot more gas if we want to become a viable exporter, and that would inevitably throw our plans back by several years," said one source involved in developing Greek Cyprus's gas reserves. Once close allies, ties between Israel and Turkey were severely damaged following a deadly raid by Israeli commandos on a Turkish yacht carrying pro-Palestinian activists trying to defy an Israeli blockade on the Gaza Strip in 2010. Poor relations remain a barrier to a deal on gas, though the sides are talking.

"High-level negotiations on resolving political issues, and lower-level negotiations aimed at making progress on energy have always been held," said a senior Turkish energy official. "Normalisation on the relations will pave the way for investment and cooperation on energy." U.S-led reconciliation efforts in recent months could be boosted by the promise of gas. "There is clearly significant potential for turning East Mediterranean's new gas wealth from a potential source of conflict to a catalyst for regional cooperation," said Oxford Research Group analyst Sara Hassan. "Turkey will want at least to be seen as trying to leverage better conditions for Palestinians alongside any potential deal."

Peace talks to resolve the generations-old conflict between Israel and the Palestinians are close to collapse, with the Israeli government beginning to impose new economic sanctions on president Mahmoud Abbas's West Bank Palestinian Authority amid mutual recriminations about the deadlock. Talks between the Leviathan consortium and Turkish counterparts are focusing on building a 10 billion cubic metre (bcm) sub-sea pipeline at an expected cost of $2.2 billion, giving Israel access to a major emerging market and one of Europe's biggest power markets by 2023. "We think construction phase for a pipeline to transport Israeli gas to Turkey could begin in the second half of 2015," a Turkish energy official said.

A separate yet-to-be-built pipeline linking Europe with the Caspian through Turkey in 2019 could eventually also open up a new market for Israeli gas in western Europe. An envisaged 25-year supply deal would steady Turkey-Israel ties and boost economic links, while Turkish sanctions against Israel would be lifted and ambassadors reinstated, he said. "The Turkish market for natural gas is the only growing one (in the region), and the drive to diversify away from Russia will justify Israeli gas to join Azeri, Iranian and Kurdish gas," said Mehmet Ogutcu, chairman of London-based Global Resources Corporation consultancy. "The Turks realize that if this gas project is implemented without their involvement, they will not be a game-player in East Med. Hence, the Turkish private sector could be encouraged to take the lead and politicians follow them at a later stage," according to Ogutcu.

The possibility of sanctions on Russia's energy sector in response to Moscow's annexation of Crimea and troop build-up along Ukraine's eastern border have underscored Europe's acute need to diversify its oil and gas sources. Israel plans to export gas by pipeline and through several floating LNG production plants, which cool gas to liquid form, so they can ship it to the world's largest markets. At stake for Israel is a $150 billion tax takes should export deals be agreed by a consortium operating its gas fields. Its strategic re-alignment effectively places a tantalizingly close new gas province out of Europe's reach. "Ultimately Egypt and Turkey need energy, and the fact that we have it is creating a regional convergence of interests," an Israeli diplomatic source told Reuters.

Egypt offers a way for the U.S.-Israeli group of companies developing Israel's giant Leviathan gas field to reach the Asian market, where LNG fetches about twice the price Europeans pay. "If the companies operating the fields in Israel could reach an agreement with the companies that are operating those facilities, it seems it would benefit Egypt, Israel and all the companies," said Eugen Kandel, head of the national economic council at the Israeli Prime Minister's office. Egypt and Israel have had only limited economic cooperation since signing a landmark peace accord in 1979. Political turmoil in Egypt in recent years has further limited cooperation between the neighbouring countries.

Talks between the Leviathan consortium – Israel's Delek Drilling, Ratio, and Avner Oil, and U.S.-headquartered Noble Energy - and Egyptian authorities are focusing on feeding Israeli gas into the country's idled LNG export facilities. Britain's BG Group, which runs one of Egypt's under-utilized LNG plants and is among the world's top LNG trading firms, is in talks with the Leviathan partners. The favored option is to build a sub-sea pipeline from Leviathan to link up with BG Group's offshore pipeline network in Egyptian waters, allowing Israeli gas to feed directly into its LNG plant at Idku, according to industry sources. If realised, this would not only revive output at Idku but also mean that Israel's first LNG exports would take place from an Egyptian plant.

Previous land-based pipelines between Egypt and Israel were repeatedly bombed by groups opposed to links with Israel, but a subsea pipeline would be much harder to target. Egypt is struggling to meet rising domestic demand for energy, and a fall in domestic output and power blackouts have stirred dissent in the Arab world's most populous state. Israeli gas could help ease domestic shortages, take the sting out of the energy-related unrest that contributed to the overthrow of former president Mohamed Mursi, and lighten Egypt's $6 billion debt burden to energy majors like BG Group. As part of a twin-track export policy, Israel also aims to ship LNG to distant Asian and South American markets through a floating plant to be moored above the Leviathan field. "We definitely want to strengthen the economic ties with our neighbours, but we also don't want to be too exposed to possible upheavals in the region, so Israel has to have outlets that do not limit us to the region," Kandel said.

Oil flow Turkey and Iraq halts due to pipeline problems

Hürriyet Daily News, *30.03.2014*

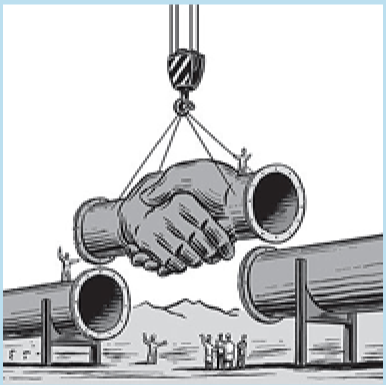
Ongoing repairs to the Kirkuk-Ceyhan export pipeline between Turkey and Iraq have led to delays in the transport of Kurdish oil to Turkey, Arbil has announced. "Due to ongoing repairs to the main Kirkuk-Ceyhan export pipeline, the KRG has been advised by the North Oil Company and Ministry of Oil that they are not yet ready to receive any oil from the Kurdish region," a statement released by the KRG said.

"It has been agreed that as soon as the repairs to the pipeline are finished, the KRG shall begin to export from the region to honor in full the KRG prime minister's commitment," the statement also read.

Negotiations between Iraqi Kurds and the government have been continuing to solve a row over energy exports, in which Baghdad has choked off funds to the northern region. Iraq's autonomous Kurdish region pledged to export 100,000 barrels of oil per day through central government-controlled pipelines in a bid to resolve an impasse with Baghdad ahead of elections.

Erbil and Ankara seek to strengthen trade, energy ties

Rudaw, *11.04.2014*



Kurdish Regional Government (KRG) Prime Minister Nechirvan Barzani held talks in Ankara with his Turkish counterpart Recep Tayyip Erdogan about trade and energy between the two neighbors on Wednesday. Both leaders explored ways of developing relations, and stressed the need to make all efforts to raise and expand commercial ties between the Kurdish Region and Iraq with Turkey.

The meeting was attended by the KRG's Deputy Prime Minister, Natural Resources Minister and government spokesman Safeen Dizayee. The Turkish side comprised of Energy Minister, Foreign Ministry Advisor and other officials.

The two sides discussed several topics of mutual interest, including bilateral relations and the latest regional developments. Their talks coincide with unresolved disputes between the KRG and Baghdad over budget and oil issues. Last week, KRG President Massoud Barzani declared in an interview with Sky News Arabia that "a Kurdish state is coming." Turkey, which has been fearful of any prospect of an independent Kurdish state in northern Iraq, has remained silent over talk in the Kurdish Region of separating from Iraq and setting up a sovereign Kurdish state.

Dizayee, the KRG spokesman, said that Erbil would carry on the talks with Baghdad to resolve issues revolving around KRG's oil and gas. He emphasized that Kurdish oil exported to Turkey via Kurdish independent pipeline continues to be stored and has not been sold. "A large quantity of oil has been stored, but has not been sold yet," he told Rudaw. "The KRG is awaiting an agreement with Baghdad to sell the stored oil," he added. Before going into the meeting with the KRG delegation, Yildiz had said that energy would be one of the main topics of discussion with Barzani.

The KRG spokesman played down any prospect of a deal any time soon due to the Iraqi parliamentary elections on April 30. "Reaching an agreement with the Baghdad government at this time is difficult due to the Iraqi parliamentary elections," he said. He added that despite the difficulty "the KRG will continue its talks with Baghdad. The oil revenues will benefit Iraq as a whole," said Dizayee. "But the agreement must benefit the people of KRG."

Baghdad and Erbil are locked in long-standing disputes over oil, the national budget, status of the Kurdish Peshmarga forces and large tracts of "disputed territories" that are claimed by both sides. The KRG's completed oil pipeline and its close energy cooperation with Turkey has angered Baghdad, which has threatened to sue any company purchasing Kurdish oil pumped to the Turkish port of Ceyhan.

The Ukrainian crisis and Turkish energy leadership

Hürriyet Daily News, *07.04.2014*

Recently, Turkish Energy Minister Taner Yildiz has expressed confidence that the current Ukrainian crisis will not result in a disruption of Russian gas supplies to Turkey. However, the crisis will have long-term and not necessarily positive effects on Turkey's vision of becoming a regional energy leader. How the crisis plays out for Turkey hinges on decisions that are made today.

At first sight, the crisis appears to foster Turkish energy leadership. Whatever the ending to the Ukrainian crisis might be, Europe is almost certainly going to reevaluate its relationship with Russia.

Given Turkey's geostrategic location between European consumers and the resources of Central Asia and the Middle East, it appears as the natural partner for Europe in diversifying energy supplies. Another aspect of the Ukrainian crisis, however, might be much less favorable for Turkish energy leadership: The crisis might become a game changer in the politics of shale gas. In the U.S., gas production has increased substantially over recent years due to the application of fracking techniques that are used to extract gas (and oil) from shale formations. So far, the U.S. shale gas boom has been mostly a domestic phenomenon, and it was unclear whether or not the U.S. would export shale gas as well. In the context of the Ukrainian crisis, however, particularly U.S. Republicans are pushing for shale gas exports to Europe as a means to counteract Russian power over European energy supply.

U.S. gas exports are not a short-term fix. There is currently no infrastructure in place that would allow for shipping U.S. gas to Europe. This would require gas liquefaction facilities and export shipping terminals. In the long run, however, the build-up of U.S. export infrastructure might significantly change European gas trade. A first respective project is scheduled to be operational by late 2015. By 2017 further facilities could be finalized. Moreover, the crisis will impact Europe's post-2020 energy and climate policy that is currently being negotiated. Individual European states such as Poland, finally, are likely to counter dependency on Russia by speeding up shale gas exploration.

In the future, in other words, new gas supplies are likely to open up for Europe. These will not fully substitute current ones. Moreover, for the time being, particularly U.S. gas traders might want to sell their gas not to Europe, but to Asia, where gas prices are substantially higher. Particularly in times of future crisis, however, liquefied natural gas (LNG) cargoes could be re-directed to Europe. While these alternative supplies would come at a price (Europeans would be competing with Asian buyers), they imply a crucial transformation: Crises would at least partially lose their energy security character, in which absolute scarcity is at stake. Instead, they would appear as economic challenges, in which higher prices have to be paid while continuous supply is ensured.

For Turkey, this would result in a loss of geostrategic importance in the European energy equation. This importance has largely been built on concerns over security not price. Another challenge for Turkey is likely to emerge from market transformations that are provoked by increasing shale gas production. Traditionally, European gas has been traded by long-term contracts and priced in relation to the oil price. With increasing volumes of shale gas and more flexible LNG transport, European gas trade might become increasingly short-term, flexible, and independent of oil prices. For Turkey, these new features of European gas trade imply greater economic risks. This is particularly the case with regard to Turkey's ambitions to re-export gas, since the transformations might result in more volatile selling prices and less certain sales volumes.

In sum, the Ukrainian crisis could reinforce Turkey's long-term importance for European gas trade. However, it might also lead to competing supplies and foster the transformation of market structures. To reduce the long-term risks that the crisis poses to Turkish ambitions for energy leadership, the time to act is now: First, Turkey should seriously tackle the issue of natural gas storage to handle increasing price and volume risks. Second, it should work hard to remain a reliable partner for Europe. Only then are Turkish ambitions to become an energy leader in the region realistic.

Turkey intends to offer Russia a new route for laying of "South Stream"

Trend Az, *16.04.2014*

Turkey intends to offer Russia a laying option for the "South Stream" gas pipeline not on the bottom of the Black Sea as expected, but onshore, the Turkish Minister Mr. Yildiz, said. The Turkish side intends to discuss the issue with the Russian "Gazprom" company in the. The crisis in Ukraine will not affect economic relations between Turkey and Russia, as Ankara and Moscow are strategic partners, Yildiz said.

The "South Stream" gas pipeline with the capacity of 63 bcm will pass across the Black Sea to the countries of South and Central Europe, bypassing Ukraine to diversify export routes for natural gas.

The project's main participants are Russia's Gazprom and Italy's ENI. The pipeline is expected to launch in 2015. Its maximum capacity will be 63 billion cubic meters per year. The gas pipeline will operate at full capacity in 2018. The project participants are "Gazprom" - 50 percent, the Italian "Eni" - 20 percent, "Wintershall" and the French EDF - 15 percent each.

Istanbul to host top oil meet in 2017

Hürriyet Daily News, *03.04.2014*

The Petroleum Congress, the world's most prestigious congress on oil, has been agreed to be held in Istanbul in 2017 at a signing ceremony in Ankara yesterday. The World Petroleum Congress is a global meeting hosting the most prominent figures and organizations in the oil industry.

It is organized by the World Petroleum Council, which is headquartered in London and consists of over 65 member countries, representing over 95 percent of global oil and gas production and consumption. This year's 21st congress will be hosted by Moscow between June 15 and 19. The congress is organized once every three years.

Turkish Energy Minister Taner Yıldız and Renota Bertani, the head of the World Petroleum Council, signed the memorandum that authorizes Turkey as the event organizer. The Turkish Petroleum Corporation (TPAO), the main sponsor of the congress in Istanbul, will be responsible for the preparations and organization from the Turkish side.

Iraqi minister sees deal soon with Kurds on oil exports

Trend.Az, *26.03.2014*

Iraqi Oil Minister Abdul Kareem Luaibi said he expected a deal to be reached within days to resolve an oil export dispute between Baghdad and KRG.

The Kurds have sent more than 1 million barrels of oil through a new pipeline into storage tanks at Ceyhan in Turkey. But Baghdad wants to keep the trade under its control, and Ankara is awaiting Iraq's blessing before allowing exports to begin. Talks between Baghdad and the Kurdish government in Arbil have yet to produce a deal, but Luaibi said the Iraqi parliament had set up a high-level delegation several days ago to resolve the problem.

"The task of this delegation is to secure agreement between the two sides, and I believe they will secure this agreement," he said at an oil and gas conference in Ankara. "The parliamentary council will hold talks on this subject within hours, and even if there is no agreement today, I expect an agreement within a couple of days," he said.

Autonomous since 1991, KRG has often chafed against central authority but relies on Baghdad for a slice of the OPEC producer's $100 billion-plus budget. For Turkey, Kurdish oil will help diversify its energy supplies away from Russia and Iran and reduce a ballooning $60 billion energy bill. Meanwhile, the flow of oil from Iraq to Turkey on the Kirkuk-Ceyhan pipeline halted at the start of March. Luaibi said the interruption was due to militant attacks in several places and a technical problem at a facility in Turkey. "We are trying to resolve these problems. I believe flow will resume within one week," he said. Iraq wants to double the oil flow to Ceyhan to more than 1 million barrels per day (bpd) with the construction of a second line.

"We are building a pipeline in Iraq," Luaibi told Reuters on the sidelines of the conference. "I believe the daily oil flow will exceed 1 million barrels a day when that line is completed. I hope it happens this year." He was set to discuss the pipeline and other issues with Turkish Energy Minister Taner Yildiz on Wednesday.Separately, construction of the Trans-Anatolian natural gas pipeline project (TANAP), which will carry Azeri gas to Europe through Turkey, will start in April 2015, TANAP General Manager Saltuk Duzyol told Reuters at the conference. TANAP aims to start carrying 16 billion cubic metres (bcm) of gas per year by 2018 or 2019 from Azerbaijan's Shah Deniz II field in the Caspian Sea, one of the world's largest gas fields.

KOGAS to reduce stake in Iraqi gas field

Reuters, *08.04.2014*

Korea Gas Corp. (KOGAS) is looking to gradually reduce its stake in Iraq's Akkas gas field, which lies in Anbar near the Syrian border, as violence rises in the province, reports news agency Reuters. In a filing submitted to the South Korean stock exchange, the company disclosed its intention to sell part of its share in the project to develop the gas field, which is estimated to have reserves of 5.6 trillion cubic feet, in 2015 or later to pay off debt, notes Reuters.

As per the Reuters report, the company did not say how large a stake it wanted to sell, but added that no sale process had yet started.

The Iraqi-Syrian border has seen heightened violence in recent weeks, especially the western province of Anbar. According to officials, the violence has disrupted the oil and gas development activities in the region. In addition to the rising violence, commercial factors have also prompted KOGAS to go for stake sale, Reuters says. According the news agency, South Korea's state-run energy companies face heavy pressure from a new government to shed assets and pay off debt by 2017.

Georgia's gas reserves: Resource or disadvantage?

Natural Gas Europe, *11.04.2014*

The next months will be decisive for the future of Georgia as a gas producer. The wrangling between Russia and Western countries is indeed of great interest for countries sharing some of Kiev's fears. Ukraine remains under the global spotlight, but the risks do actually go beyond its borders.

Georgia, with its 4.5 million inhabitants, could easily become a gas exporter, given the 8.5 bcf of proven gas reserves and likely large unproven reserves in the Black Sea. What remains to be seen is whether the tensions in the area will impede developments of gas projects or, conversely and more probably.

Located at the crossroads of Western Asia and Eastern Europe, the country is also rolling up its sleeves, taking some active steps to foster a higher degree of independence from Russia. In this context, Tbilisi is also trying to launch an offshore licencing round. "Currently, we are working on the terms and conditions of the tenders of the offshore licensing round," Giorgi Tatishvili, Head of The State Agency of Oil and Gas. "The West, with its strong support for Georgia to integrate the country into EU and NATO, can strengthen trust and build confidence about Georgia," Tatishvili explained to Natural Gas Europe. Tbilisi is striving to achieve NATO membership. Georgia joined the NATO-run Partnership for Peace in 1994, opening the doors to a stronger cooperation with the US-led organization. After the Rose Revolution in 2003, Georgia quickly moved closer to the North Atlantic block.

In 2011, Georgia was called 'aspirant partner' by NATO, along with Bosnia Herzegovina, Macedonia, and Montenegro. Georgian intentions are clear."Georgia's foreign policy priorities are founded on the values established in modern democratic world. This interrelation allows us to ensure international support in accomplishing our priorities. Georgia absolutely welcomes and shares principles and values of democracy and strives to become a member of NATO. This commitment is the foreign and security policy priority, which is based on a multi-ethnic population spectrum support, which is around 75% of population of Georgia," Tatishvili commented. At the same time, European institutions are stepping up their efforts to strengthen their economic ties with the country.

'The assistance measures … will also support the implementation of Association Agreements, including Deep and Comprehensive Free Trade Areas, signed, or shortly to be signed between the EU and Ukraine, Georgia and Moldova. Priority investment projects for the three countries will be based on a mix of funds, subsidies and loans, from a range of different actors,' reads a note recently released by the European Commission. The US Agency for International Development (USAID) has a specific program for Georgia, ranging from gender equality to trade. Recently, the agency also revitalized the East-West gas pipeline project.

Two sections of the gas pipeline, which stretches for a total of 43 kilometres, have been reportedly funded by USAID. They should be completed by October 2014. But that is just one part of the story. In reality, these developments are a drop in the ocean, as the first offshore licencing round would outshine these investments. The licencing round would open the doors to international companies and investors. This would be the achievement that Tbilisi is waiting for; it would also be the stepping-stone Brussels and Washington want to expand their influence in the Black Sea. The Black Sea is indeed the place where the rivalry between Russia and the West will soon materialize, as international stakes in the area cannot be anything but significant. Despite some doubts about the reserves given the lack of exploration activities in the area, technological improvements and diplomatic reasons could indeed push companies to tap these deep-water reserves. OMV Petrom and ExxonMobil discovered 1.5-3 tcf gas in 2012. It is logical that this first deep-water discovery could pave the way to other investment decisions, also in the ‘Georgian’ section of the Black Sea.

On the other hand, it is in Moscow’s interest to hinder developments. Russia’s annexation of Crimea is already threatening ExxonMobil’s offshore drilling plans in the area. The $735 million investment by the group of global energy companies could be scaled down because of the weakness of the Ukrainian government and uncertainties about borders. It comes as no surprise that, on the other side of the pound, Georgia is struggling as well. In this sense, Georgia’s energy assets are closely related to Ukraine’s future. Coherently, the relations between the countries are frequent. Georgia’s former president Mikheil Saakashvili recently went to Independence Square to hold meetings with Yulia Tymoshenko and Vitali Klitschko. This move is perfectly in line with the attempts of the two countries to team up for a common cause. Russia’s neighbours perfectly know that energy projects are not only about economics. The geopolitical dimension is the one that matters the most if your neighbour is a gas supergiant dwarfing your soft and hard powers.

“It is obviously difficult to create a good business environment with Russia occupying 20% of the country. We can do it in two ways. Firstly, we can go through arbitrations within International Bodies. Secondly, we can show that our business environment is better than the one under Russia,” said a Georgian official during the Black Sea and Caspian Energy Conference in London. Georgia is trying to create its future. Tbilisi perfectly knows that its international relations are difficult and unstable. That is why it is asking a Western support that goes beyond Secretary of State John Kerry’s simple declarations of illegitimate Russian military presence in Abkhazia and South Ossetia. Georgia is implicitly asking Washington and Brussels to seriously commit, both on a political and financial level.

In the West, ministers and experts could advocate that the success of energy projects in Georgia would stem from the ability of its government to shed lights on their plans. According to some pundits, the Black Sea offshore operations would gain momentum in case of a clear division of the waters between Georgia, Russia, Ukraine, Moldova, Romania, Bulgaria and Turkey. But this process is not trivial or straightforward. Georgia is definitely aware of the importance of the wider context, which is the one that really matters. Borders in the area are not like in the West. They could change in short time. Crimea is a strong reminder, suggesting that Ukraine and Georgia are more a battlefield than the protagonists of their future. The destiny of Ukraine is tragically intertwined with the future of other countries in the area, equally squeezed between Moscow, Brussels and Washington. Oil and gas assets in the area are consequently dependant on the confrontation between the two blocks. The situation is far more complex than portrayed by some Western politicians, and the outcome is difficult to forecast.

Woodside's withdrawal from the Leviathan deal

Natural Gas Europe, *08.04.2014*

The Woodside-Israeli deal that would allow the company to purchase 25% of the 540 bcm Leviathan field for up to USD 2.7 billion did not close end of March as expected due to a tax dispute between Woodside and the Israeli tax authority.

With its extensive LNG expertise, Woodside would have introduced the possibility for Israel to access the LNG market and flexibility in the choice of customer including the Asian market where gas sells for almost double the price of Europe's. Woodside last-minute withdrawal from the deal threatens the timely development of the field, its investment considered key to bringing the Leviathan to market.

The original calculations suggesting that gas would enter the Israeli market by 2017 and the LNG market by 2020 now depend on how things progress with Israel and Woodside. The development of the Leviathan deal requires billions of dollars and without Woodside's participation, it would be an additional challenge for the Leviathan partners to secure the needed funds. Despite Woodside surprise pull-out of the deal, discussions continue between the Australian company and the Israeli government. The disagreement is not the first one of its kind between the parties. A previous dispute touched upon Woodside's investment return. Delays are common in deals of such magnitude and both parties seem keen to achieve a resolution of the dispute. Israel's reputation is at stake at a time where Israel is trying to position itself as an upcoming energy producer in the Eastern Mediterranean.

Israel will nevertheless have to simultaneously study other options as talks continue with Woodside in case the deal fails to ever close. A pipeline to Turkey has been under consideration. Turkey, with its increasing natural gas demand and its strategic access to a Europe looking to diversify away from Russia could be an option for Israel. The Israeli-Turkish recent reconciliation over the 2010 Mavi Marmara incident is a starting point towards this direction. Diplomatic efforts continue to completely resume ties between the two countries. More than 10 Turkish companies have reportedly submitted bids for the tender of a pipeline from the Leviathan field to Southern Turkey.

After a lengthy national debate, Israel's Supreme Court ratified in October 2013 a June 2013 cabinet decision to export only around 40% of the country's proven reserves to the disappointment of international investors interested in participating in the development of the country's offshore hydrocarbon. The Eastern Mediterranean region has recently become the object of interest in the energy industry for its potential to constitute a new source of natural gas that could potentially contribute in diversifying Europe's energy portfolio.

Israel risks delay in becoming big gas exporter due to tax dispute

Reuters, *02.04.2014*

A tax dispute between Israel and Australia's Woodside threatens to delay gas production from the flagship Leviathan field, while the government is also forcing oil firms to spend more on pipelines than they expected. Israel is preparing to become a supplier of liquefied natural gas (LNG) around the end of the decade, when Qatar, Australia, Russia and North America are also boosting their presence in the market.

By bringing in Woodside, an LNG specialist, to take a quarter stake worth up to $2.7 billion, the U.S.-Israeli group of oil companies developing the project and its 540 billion cubic meters of reserves are looking to access a broader market.

Construction has also started on a six-billion output capacity, CNPC said. In the tax dispute, the government wants to depreciate Woodside's initial $1.2 billion investment over the 30-year lifespan of the Leviathan field, while the company argues for a shorter 10-year term, a source close to the talks said. A shorter depreciation period shields more of Woodside's investment from tax. At stake is a sum of up to $100 million, a source at one of Woodside's partners said, meaning it is unlikely to be a deal-breaker. "The question is how to tax Woodside's initial investment, down payment in the project and what type of tax structure they receive," the source said.

Other points under discussion include the tax treatment of the investment itself. "Treating it as a loan could mean that all of it is tax-free, whereas treating it likes a capital investment removes that tax shield," the first source said. It is only the latest dispute between Woodside and the government. Tensions first arose a month ago, when the finance ministry moved to halve Woodside's previously agreed investment return. Woodside had been banking on 17 to 19 percent of the profits made from Israeli gas sales to Asia, but the government offered just 6 to 8 percent, the first source said. Last week Woodside pulled out of a high-profile signing ceremony for its purchase of the quarter stake, while talks with the government continued. A spokeswoman for the Israel Tax Authority declined to give any details on the issues being discussed, but said both sides had agreed the talks would continue. Officials at the Finance Ministry did not comment. "Most of these outstanding issues have been resolved and agreed upon.

The disagreement is over the taxation of the investment, not the gas exports," the second source said. The industry expects first Israeli LNG output from around 2021. The talks are expected to be concluded in several weeks following the Jewish Passover holiday later this month, the second source said. Others said, however, that a resolution could be further off. All voiced optimism that a compromise could be reached. At the same time that tax issues delay the entry of a critical partner for realizing Leviathan's export potential, the government seized an opportunity last week to pin down infrastructure commitments from the other Leviathan investors.

As part of a 30-year field lease sale to the four existing stakeholders Noble Energy, Delek Drilling, Avner and Ratio Oil - the government secured pledges for the construction of 12 billion cubic metres (bcm) of pipeline capacity from Leviathan to Israel. One clause in the lease may require investors to build pipeline capacity for potential exports to neighbouring Egypt, Turkey and to a proposed gas liquefaction plant offshore. “Noble and Delek of course don’t like this as it implies more investment and could make the project a billion (dollars) or more over budget,” the first source said. The partners also would be required to build the added capacity on an “open access system”, which would open the infrastructure for use by other companies. The lease follows a year of negotiations and debate over how much of its gas Israel should keep at home, a sensitive issue after it suffered an abrupt cut in Egyptian gas supplies in 2012.

Israel’s cabinet last year ruled that only 40 percent of its new gas could be exported, disappointing exploration companies which initially expected a larger share. Another condition of the lease stated, as expected, that exports from Leviathan cannot interfere with flows to Israel of at least 9 bcm. Israel also reserved the right to divert any Leviathan output for domestic uses at times of national emergency. That clause will not apply, however, to gas volumes pre-sold to foreign consumers, protecting would-be exporters such as Woodside. Export pipelines heading out of Israel for Egypt or Turkey will need to be linked back to pipelines carrying gas to Israel as a fail-safe in case the domestic line is bombed or malfunctioning, industry sources said.

Greek Cypriot president says gas find may help resolve Cyprus division

Reuters, *10.04.2014*

Greek Cypriot President Nicos Anastasiades said discovery of natural gas around Cyprus could galvanize international efforts to resolve division of the island and development of an alternative energy supply source to Russia.

But he said it was too early to speak of tangible progress in recently relaunched peace talks on the ethnically split island. Deep differences persisted between rival Greek and Turkish Cypriots that have defied the efforts of diplomats and politicians over four decades. Almost one trillion cubic meters of recoverable natural gas has already been discovered in the eastern Mediterranean Levant Basin.

Anastasiades said the discovery and the potential prosperity it could bring to countries in the region brought the need for peace into sharper focus. “It is important for Europe and the United States,” he told Reuters in an interview on April 9. “Europe will never stop needing Russian gas but there can be alternative supply sources,” Anastasiades said. European states have become wary of heavy dependence on Russian energy since Moscow’s annexation of Ukraine’s Black Sea Crimea peninsula last month. Russia provides around one third of the European Union’s oil and gas.

But division of the island and competing territorial claims could complicate development of the new fields, which extend also towards Israel. Turkey disputes Greek Cyprus's rights to a swathe of sea to the island's south and southeast that are rich in gas reserves. Greek Cyprus says the waters are part of its own offshore area, where it has awarded research concessions to France's Total, U.S. company Noble Energy and South Korea's Kogas. Two senior U.S. State Department officials have visited the island over the past two months, lending support to Anastasiades's call for "bold" confidence building measures. Anastasiades said confidence building measures could go a long way in restoring faith in the process among a public jaded with peace initiatives that have come and gone over the decades. "People are tired, disappointed from a non-solution," said Anastasiades. "At this point the initial positions of the sides are being submitted, so it would not be possible to expect any so-called progress," said Anastasiades.

"Progress is the fact that we are back in a dialogue, with a framework which we must all focus on, so that negotiations do not deviate from that framework." Turkish Cypriot President Dervis Eroglu and Anastasiades agreed in February to relaunch peace talks on the basis of an agreed agenda, calling for the creation of a partnership under a federal umbrella in tune with EU standards. "There is a gap in our positions, a gap in the positions of the Turkish side and even more so from the European acquis," Anastasiades said, referring to EU rules and regulations. He said that any impression given by Turkish Cypriot negotiators that the sides were at a bargaining stage were 'false.' "I'm not saying this to accuse anyone, or to enter a blame game...I wish it were like that, but we are not there."

Cyprus: The new key to European energy security?

Natural Gas Europe, *31.03.2014*

The European Union's dithering response to Russia's invasion of Crimea can be blamed in large part on Europe's overdependence on Russian energy imports. In response, EU leaders met on March 21 to discuss diversifying its energy sources, including seeking natural gas supplies from the United States to supplant Russia's grip over European energy markets.

Yet Europe will also need to search its own backyard for alternate supplies given the significant time and investment it would take to establish a supply route from the United States capable of usurping Russia's supply.

Europe should focus this search on the Eastern Mediterranean for reasons that transcend the immediate benefit of diversifying Europe's energy market. A recently discovered gas field off the coast of Israel may provide Europe with an alternate natural gas supply in its own neighborhood, while simultaneously helping solve a fifty-five-year dispute on the island of Cyprus. Turkey, like the rest of Europe, desperately needs more energy imports from alternate, reliable sources.

According to the US Energy Information Agency, Turkey's energy consumption is expected to double in the next decade. Nearly three-fourths of the Turkey's natural-gas imports come from Russia and the Middle East. Russia has repeatedly shown that it is not afraid to use its energy exports as a tool for political leverage and the unabated civil war in Syria has undermined the Middle East's stature as a stable supply source, neither of which augurs well for the future of energy security in Turkey. Europe, in turn, receives 40 percent of its fuel imports from Russia, which equates to significant political leverage. As one Italian diplomat told the Economist, "What sanctions can you place on a country that can cut off your gas?" In 2010, a massive natural-gas deposit estimated at over 540 billion cubic meters of gas was discovered off the coast of Israel.

Turkey has eyed the so-called Leviathan gas field as a source for energy and revenue as a transit point to the wider European energy market. But current pipeline plans from the Leviathan field to Turkey would have to cross over Cypriot territory to avoid Syrian and Lebanese territory, and potentially include building a liquefied natural gas plant in Vassilikos, Greek Cyprus. Greek Cyprus would never allow this without rapprochement with Turkey helped establish the Turkish Republic of Northern Cyprus, a state only recognized by Turkey. This month marks the fiftieth anniversary of the UN's peacekeeping mission in Cyprus island, highlighting the conflict's complexity and intransigence. In 2004, the majority of Greek Cypriots voted against the unification of the island as a federal state while most Turkish Cypriots voted in favor in simultaneous UN-sponsored referenda.

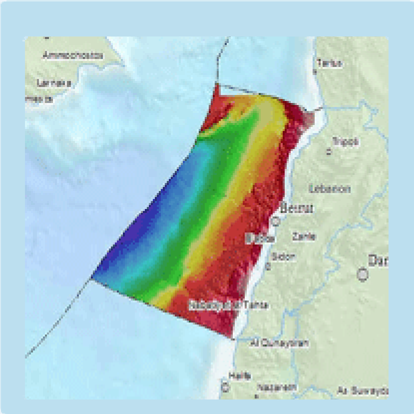
Greek Cyprus entered the EU that year divided. The good news is that Cypriot leaders have linked the Leviathan energy deposit with an avenue toward reconciliation. Turkey, for its part, needs this energy deal as a channel to normalize bilateral relations with Israel after the diplomatically disastrous Mavi Marmara flotilla raid in 2010. The gas deposits in the Eastern Mediterranean alone are too small to supplant Russia's supplies to Europe. Yet energy imports to Europe remain the linchpin of Russia's economy. If the EU or its largest members announced they were seeking alternate energy supplies that bypassed Russia, including deposits in the Eastern Mediterranean, Russian President Vladimir Putin would certainly take notice. This isn't the consequence Putin deserves, but something is better than nothing, and nothing—public reprimands and lackluster targeted sanctions notwithstanding—is what the EU has done so far.

A resolution of the Cyprus conflict would also unblock the EU's relationship with NATO at a time when joint EU-NATO actions on Russia's actions in Crimea would send a powerful message to Putin on the sanctity of European security. Turkey is a member of NATO but not the EU, and Grek Cyprus is a member of the EU but not NATO. Both countries use their respective membership statuses to forestall any official bilateral cooperation between the two institutions, which share twenty-two member states. Natural-gas fields in the Eastern Mediterranean can play a pivotal role in catalyzing a final resolution of the Cyprus conflict.

A confluence of other factors is already tipping the scales in favor of a Turkey-Greek Cyprus settlement process, including substantial under-the-radar shuttle diplomacy by US diplomats, Greek Cyprus's dire financial straits, and Turkey's need to redeem itself in the eyes of its European allies after the harsh response to the Gezi Park protests, which elicited widespread international condemnation. British diplomat David Hannay once famously opined, "nobody ever lost money betting against a Cyprus solution." But recent developments, including the cross talks initiated in recent weeks between Cypriot and Turkish Cypriot leaders, the first in over half a century, are fostering a sense of cautious optimism.

Lebanon's first offshore licensing round to close in four months

Natural Gas Europe, *11.04.2014*



Lebanon will close its first offshore licensing round for offshore gas exploration blocks in four months, according to the new Energy and Water Minister Arthur Nazarian. Lebanon has delayed its licensing round several times due to the inability of the caretaker government to issue two essential decrees, one delineating the offshore blocks and the second approving the model exploration and sharing agreement.

Lebanon was operating without a government since the resignation of former Prime Minister Najib Mikati in March 2013 until a new government was formed in February 2014 breaking a 10 months deadlock.

In an interview with Reuters, new minister Arthur Nazarian reassured that the new cabinet should pass the pending pieces of legislation by the end of April. Nazarian sees no obstacle in issuing the two decrees and believes that the process will be smooth. He also added that the government will decide whether to open all the ten blocks at once or progressively. Lebanon's pre-qualification round in Spring 2013 received a significant amount of interest, including from oil and gas giants such as Shell, Chevron, Total, Statoil and Exxon Mobil. Since then, Lebanon has suffered from a political deadlock that prevented it from moving forward. The country had to operate under a caretaker government that did not have the authority to issue the needed decrees. The war in Syria next-door also affected the country's stability, further jeopardizing its path towards energy production.

Azarian does not believe that the pending maritime border conflict with Israel will affect international investors' participation in the country's offshore hydrocarbon exploration, the dispute only affecting 2 of Lebanon's 10 offshore blocks. Lebanon and Israel both claim a maritime area of 850 square kilometers as their own. Efforts to mediate the dispute by Greek Cyprus, the UN and the US all failed in the past. Currently, the US are involved in finding a solution to the conflict. If proven, Lebanon's offshore natural gas could mean a lot for the USD 64 billion debt-crippled country (with a debt to GDP ratio is estimated at 163 per cent). Lebanon also suffers from frequent power outages that date back since the 1975-1990 civil war. Producing its own energy would allow Lebanon to end its electricity problems and eventually become an exporter of natural gas. Lebanon will need to lay out a gas export strategy.

Neighbouring Greek Cyprus and Israel have encountered amounts of natural gas in their respective EEZ and are currently weighing export options. The Eastern Mediterranean suffers from complicated geopolitics that are rending the endeavour complicated to say the least. LNG and pipeline scenarios are both being studied. By choosing the LNG option, Eastern Med players would gain in flexibility but have to endure the high costs involved. Greek Cyprus is currently awaiting additional encounters before it embarks in its multi-billion LNG project in its Vasiliko coastal site.

Gazprom urges Naftogaz to pay $2.2 billion debt

Natural Gas Europe, *03.04.2014*

Russia's Gazprom met a representation of Ukraine's Naftogaz, heaping pressure on Kiev to take immediate action. "The focus of the meeting fell on the necessity for Naftogaz of Ukraine to take the urgent action aimed at settling the accumulated debt for the supplied Russian gas. By now, Naftogaz owes more than USD 2.2 billion including overdue payments for March supplies".

Gazprom revised upwards the estimates of Ukrainian debt. Previous figures indicated a $ 1.7 billion debt. At the same time, the Russian company urged Naftogaz to increase the stored gas in order to maintain a stable transit to Europe.

'Grave concern was expressed regarding a considerable reduction of the working gas capacity in Ukrainian UGS facilities. In this situation they need to be replenished right now to satisfy the domestic demand during the forthcoming winter and, accordingly, to enable Naftogaz fulfill its obligations on uninterrupted Russian gas transit to Europe,' concludes the communiqué. In the meantime, Lukoil announced that 'Lukoil-Ukraine, an enterprise with foreign investments, has sold 13 gas-filling stations and one oil depot, all in the Crimean peninsula, to Lukoil-Yugnefteprodukt.'

Russia's Gazprom announces big gas price rise for Ukraine

Hürriyet Daily News, *01.04.2014*

Russian natural gas producer Gazprom announced a more than 40 percent increase in the price Ukraine must pay for gas on Apr. 1, stepping up economic pressure on Kiev in its political standoff with Moscow. Ukraine will now have to pay $385.5 per 1,000 cubic metres of gas in the second quarter, an increase form $268.5 that was agreed in December, before the ouster of Ukraine's Moscow-backed president and Russia's annexation of Crimea from Ukraine.

Gazprom's Chief Executive Officer, Alexei Miller, said the increase was needed because Ukraine's debt for unpaid gas bills now stood at $1.7 billion.

"The December discount for gas cannot be applied any more," Miller said, adding that the transportation tariff for Gazprom's gas to Europe via Ukraine was increasing by 10 percent, in line with earlier agreements. Russian President Vladimir Putin agreed in December to cut the gas price for Ukraine and provide a financial lifeline to Kiev after its abrupt decision not to sign a trade agreement with the European Union and rebuild economic ties with Moscow instead. The discount was subject to a quarterly review.

After Ukrainian President Viktor Yanukovich was deposed in February following months of anti-government protests, Gazprom and Putin said the gas price discount would be scrapped because of the debt. The price of $385.5 is above the $370 Gazprom charges its clients in the European Union on average, but slightly below the price of $386-$387 which Kiev had said it expected. Ukrainian Prime Minister Arseny Yatseniuk has said the country will need energy from the EU to protect it from the repercussions of its standoff with Moscow, on which it depends for over half its oil and gas.

Ukraine wants to buy European gas to boost energy security

Reuteurs, *11.04.2014*

Ukraine hopes to buy gas from Europe to shore up its energy security, fearful Russia will cut gas supplies over Kiev's refusal to pay Moscow's "political, uneconomic price" for supplies, its energy minister said on Friday. Yuri Prodan told parliament the European Union would stand in solidarity with Ukraine if Russia reduced supplies, making sure Moscow could not increase flows through alternative pipelines to bypass its neighbour.

Russian President Vladimir Putin warned EU leaders on Thursday that gas supplies to EU could be disrupted by Ukraine's non-paid bills.

"Ukraine cannot pay such a political, uneconomic price, so now we are negotiating with the European Union about reverse deliveries into Ukraine," Prodan said. "We will make gas purchases from reverse flows urgently. On the conditions offered by European gas companies. We plan that they will be Germany's RWE and a French gas company," in remarks many in Kiev took as a reference to GDF Suez. Russia has nearly doubled the gas price it charges Ukraine, punishing an economy that for years was mismanaged by pro-Moscow President Viktor Yanukovich and has been in freefall since he was toppled in violent protests. Kiev's new leaders accuse Moscow of using gas as a way of punishing them for pursuing closer ties with the EU.

Ukraine has vowed to look elsewhere for gas, but Russian state gas company Gazprom has questioned the legality of reversing flows so that Europe can export it to Ukraine. Prodan said Ukraine could get small amounts of gas from Poland and Hungary, and a bigger volume from Slovakia, but there were "political questions" to be solved. Slovakia has called for talks with Ukraine, Russia and the European Commission, the EU executive, to ensure it can export gas to Ukraine without violating existing contracts. Russia, Ukraine, the EU and the United States are due to meet in Geneva on Thursday to talk about the Ukraine crisis. Prodan also said Ukraine would turn to an arbitration tribunal in Stockholm to try to cancel a deal struck with Russia in 2009, when Kiev agreed an inflated price

Risk of “gas war” grows as Ukraine halts payments to Russia

Reuters, *12.04.2014*

Ukraine said on April 12 it was suspending payments to Russia for deliveries of gas, ratcheting up the tension in a standoff that has the potential to leave European Union states cut off from the Russian gas supplies on which they depend.

In eastern Ukraine, where groups of pro-Russian activists have been emboldened by the Kremlin’s annexation of the Crimean Peninsula, a band of armed men in mismatched camouflage outfits seized a police station in the town of Slaviansk. Russia and Ukraine have been locked in confrontation since protests in Kiev forced Yanukovich from office, and the Kremlin sent troops into Crimea.

Now, the gas dispute threatens to spread the impact across Europe. A large proportion of the natural gas which EU states buy from Russia is pumped via Ukrainian territory, so if Russia makes good on a threat to cut off Ukraine for non-payment of its bills, customers further west will have supplies disrupted. Andriy Kobolev, chief executive of Ukraine’s state-run energy company Naftogaz, said the increased price Russia was demanding for its gas was unjustified and unacceptable. “Accordingly, we have suspended payments for the period of the price negotiations,” Kobolev was quoted as saying in an interview with Ukraine’s Zerkalo Nedely newspaper. In fact, Ukraine has de facto stopped payments already because it failed to make an installment of over $500 million due earlier this month to Russian state gas giant Gazprom.

But the decision to formally suspend payments shows there is no sign of a compromise with Moscow, and may push the two sides closer to a repeat of past “gas wars”, when Ukraine’s gas was cut off, with a knock-on effect on supplies to EU states. Kiev and Brussels have been scrambling to blunt the impact of any decision by Moscow to cut off gas to Ukraine. In particular, they are working out ways to keep supplies flowing to EU states, and for those countries to then pump the gas to Ukraine by reversing the flow in their pipelines. Moscow says it does not want to turn off Ukraine’s gas if it can be avoided, and that it will honor all commitments to supply its EU customers. Gazprom could not immediately be reached for comment on Saturday.

The dispute over Ukraine, precipitated by the overthrow of Ukrainian president Viktor Yanukovich after he rejected closer ties to the EU, has brought Russia’s relations with the West to their most fraught state since the end of the Cold War in 1991. In Slaviansk, masked men armed with pistols and rifles stood guard near the police station as hundreds of locals gathered around, some building barricades with car tires, according to a Reuters photographer on the scene. They were wearing orange and black ribbons, a symbol of the Soviet victory in World War II that has been adopted by pro-Russian separatists in Ukraine. Slaviansk is in the Donetsk region about 150 km (90 miles) from the Russia-Ukraine border.

Pro-Russian groups have also occupied public buildings in the cities of Donetsk and Luhansk, and are demanding autonomy from Kiev. Officials in Kiev's Western-leaning interim government say Russian forces may be preparing to cross the frontier into Ukraine on the pretext of protecting the pro-Russian activists from persecution, though Moscow denies this. Ukrainian Interior Minister Arsen Avakov said police would deal very firmly with the group in Slaviansk. “There is a difference between protesters and terrorists,” he wrote on his Facebook page. Earlier on Saturday in the nearby city of Donetsk, a group of young people armed with wooden bats briefly took over a floor of the general prosecutor's office. They later left after talks, Donetsk police said in a statement.

Ukrainian Foreign Minister Andrii Deshchytsia said Kiev was ready to listen to the demands of protesters in eastern Ukraine, but if negotiations fail, the police were ready to act. “We do consider that these actions are inspired and prepared in Russia and encouraged by some of the Russia agents in Ukraine,” he told BBC radio. The EU and the United States imposed sanctions on Russian officials and leading business figures in response to Moscow's annexation of Crimea, which is home to Russia's Black Sea fleet and was part of Russia until 1954. Moscow has so far scoffed at the Western measures and warned that, in the long run, the EU and Washington will come off worse by losing out on trade with Russia.

Gennady Timchenko, a billionaire oil and gas trader who is on the U.S. list of people subject to asset freezes and visa bans, joined the chorus of Russian defiance. “The fact that I was included in the list was a little surprising maybe, but it was quite an honor for me,” he said in an interview with the state-run Rossiya television station to be broadcast later on Saturday. He said growing volumes of Russian natural gas would be sold to Asia, as part of a strategy of turning away from a Europe which the Kremlin considers unfriendly. “It seems to me they (the Europeans) just don't understand. The politicians are behaving ... in a very short-sighted way.”

US accuses Russia after Putin warning on gas supplies to Europe

Reuters, *11.04.2014*

President Vladimir Putin warned on April 10 that Russian gas supplies to Europe could be disrupted if Moscow cuts the flow to Ukraine over unpaid bills, drawing a U.S. accusation that it is using energy “as a tool of coercion.”

In a letter to the leaders of 18 European countries, Putin made clear that his patience would run out over Kiev's $2.2 billion gas debt to Russia unless a solution could be brokered urgently. Russia has nearly doubled the gas price it charges Ukraine, whose economy is in crisis, since pro-Moscow President Viktor Yanukovich was overthrown two months ago.

Russia then annexed the Ukrainian region of Crimea, provoking the biggest confrontation with the West since the Cold War. Putin said Russian exporter Gazprom would demand advance payment for gas supplies to Ukraine and “in the event of further violation of the conditions of payment will completely or partially cease gas deliveries.” That could have knock-on effects for European Union countries, much of whose Russian gas flows in pipelines across Ukraine. “We fully realise that this increases the risk of (Ukraine) siphoning off natural gas passing through Ukraine’s territory and heading to European consumers” the letter said. Russia meets 30 percent of Europe’s natural gas demand and half of this goes through Ukraine. The United States accused Moscow of using its vast energy reserves to pressure the former Soviet republic. “We condemn Russia's efforts to use energy as a tool of coercion against Ukraine,” State Department spokeswoman Jen Psaki said.

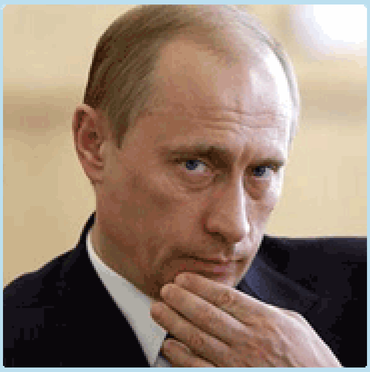
State-controlled Gazprom stopped pumping gas to Ukraine during price disputes in the winters of 2005-2006 and 2008-2009, leading to reduced supplies in European countries. Russian officials say gas dealings with Ukraine are purely commercial and it was forced to move after Kiev failed to meet a deadline on Monday to pay for its March supplies. European Energy Commissioner Guenther Oettinger is working on a plan to help Ukraine pay some of its gas bills to Russia, he told Austria's ORF radio on Friday, saying there was “no reason to panic” about Russian gas supplies to Europe. “We are in close contact with Ukraine and its gas company to ensure that Ukraine remains able to pay and the debts that the gas company has to Gazprom do not rise further,” he said, adding he would meet Ukraine's energy and foreign ministers on Monday.

“I am preparing a solution that is part of the aid package that the IMF, the European Union and the World Bank is giving to Ukraine and from which payment for open bills will be possible.” In Ukraine, pro-Russian separatists occupying two official buildings in the eastern cities of Donetsk and Luhansk rejected a government offer of an amnesty in exchange for laying down their weapons. That raised fears that the authorities could follow through on a threat to use force to clear the buildings which have been occupied since last weekend. Protesters wearing bullet-proof vests and armed with Kalashnikov rifles in a former KGB headquarters in Luhansk said they would lay down their weapons only if Kiev agreed to hold a referendum on the future of the largely Russian-speaking region. Crimea voted last month for union with Russia in a referendum held after Moscow's forces had already taken control of the Black Sea peninsula.

Kiev has rejected holding a similar vote in the east, saying the occupations are part of a Russian-led plan to dismember the country. “We are trying to find a compromise, but the demands put forward by the occupiers are unacceptable. Our aim is to avoid the use of force, but that option remains in place,” Deputy Interior Minister Serhiy Yarovy told journalists. Prime Minister Arseny Yatseniuk is to travel to Donetsk on April 11 to discuss the crisis. NATO raised Moscow’s ire by publishing satellite pictures it said showed a Russian military buildup on the Ukrainian border. Moscow said they had been taken last year. “The alliance is trying to use the crisis in Ukraine to rally its ranks in the face of an imaginary external threat to NATO members and to strengthen demand for the alliance,” the Russian Foreign Ministry said in a statement. NATO Secretary-General Anders Fogh Rasmussen, visiting Prague, said the threat was real. “Russia is stirring up ethnic tensions in eastern Ukraine and provoking unrest,” he told a news conference. “And Russia is using its military might to dictate that Ukraine should become a federal, neutral state. That is a decision which only Ukraine as a sovereign state can make.”

Putin warns EU leaders on Ukraine gas debt, European supplies: Kremlin

AFP, *10.04.2014*



President Vladimir Putin on Thursday sent a letter to European Union leaders, expressing his "extreme concern" over Ukraine's non-paid debt for Russian gas and warning them that supplies to Europe may be affected, his spokesman said.

"Indeed, such a letter signed by Putin was today delivered to heads of state of Eastern and Western Europe through diplomatic channels," Putin's spokesman Dmitry Peskov told the state RIA Novosti news agency. "Putin expresses extreme concern over the critical situation around Ukraine's debt and supplies of Russian gas related to it," Peskov said.

The letter, sent after a government meeting on Wednesday, contains a number of proposals on how to settle the situation, Peskov said. "The proposals are aimed at taking urgent measures, since (a solution to) the situation cannot be delayed," he said, declining to be more specific. The Interfax news agency, citing Peskov, said Putin had proposed "dialogue mechanisms to urgently discuss the situation." "The complicated situation indeed may negatively affect the transit of Russian gas via Ukraine," Peskov was quoted as saying. Putin on Wednesday warned that Russia may begin requiring advance payment for natural gas from Ukraine, which has accrued $2.2 billion in unpaid energy bills, according to Russian natural gas giant Gazprom.

He added that it was "strange" that EU countries, while supporting the new authorities in Kiev "are doing nothing to support Ukraine." "This situation cannot last indefinitely," he has said. Earlier this month, Gazprom announced it was raising the price of gas exports to Ukraine by more than a third, scrapping a previous discount amid soaring political tensions between the two ex-Soviet countries. Ukraine now has to pay $485 dollars for 1,000 cubic metres of gas, the highest price of any of Gazprom's clients in Europe. End-of-the-year haggling over energy prices has become a familiar problem in ties between Russia and Ukraine, with Moscow cutting natural gas to Ukraine and disrupting transit supplies to Europe in the past.

Ukraine maintains that Russia is punishing Ukraine for its Western ambitions and has threatened to take Moscow to court. The letter, sent after a government meeting on Wednesday, contains a number of proposals on how to settle the situation, Peskov said. "The proposals are aimed at taking urgent measures, since (a solution to) the situation cannot be delayed," he said, declining to be more specific. The Interfax news agency, citing Peskov, said Putin had proposed "dialogue mechanisms to urgently discuss the situation." "The complicated situation indeed may negatively affect the transit of Russian gas via Ukraine," Peskov was quoted as saying. Putin on Wednesday warned that Russia may begin requiring advance payment for natural gas from Ukraine, which has accrued $2.2 billion in unpaid energy bills, according to Russian natural gas giant Gazprom.

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Europe speeds up gas storage to prepare for Russian cut

Reuters, *14.04.2014*

European utilities are filling up gas storage sites to prepare for a potential Russian supply cut to Ukraine, an important transit route to Europe, taking advantage of mild weather and healthy flows from alternative sources such as Norway.

Amid a growing crisis between Kiev and Moscow, Ukraine's state-run energy company Naftogaz has suspended gas payments to Russia which says it is now owed more than $2 billion and may have to demand advance payment for any future deliveries. Russian Gazprom has also increased its gas price for Ukraine to $485 per 1,000 cubic meters from $268, saying Kiev is no longer eligible for previous discounts.

Russia supplies around a third of Europe's gas demand, some 40 percent of which currently transits Ukraine, but Moscow has threatened to cut supplies if it continues to fail to pay its bills, and warned there could be a reduction in onward deliveries to Europe. Although the European Commission, the EU executive, has called on Russia to respect its gas commitments and urged Ukraine to respect its transit agreements, there have been several emergency meetings in Brussels to prepare for disruptions. “Utilities are telling us that storage sites are likely to be filled sufficiently in order to deal with a cut this summer, but Ukraine and some southeastern EU countries which rely largely on Russian flows coming through Ukraine may struggle once demand rises again next winter,” he added.

Gazprom stopped pumping gas to Ukraine during price disputes in the winters of 2005-2006 and 2008-2009, leading to reduced supplies in European countries that receive Russian gas via pipelines that cross Ukraine. Several major utilities, such as Germany's RWE and France's GDF Suez have said they are in talks with Ukraine on possible gas deliveries from their storage sites. “In the short run, Europe could survive a complete loss of Ukrainian transit flow until the end of October,” said Mikhail Korchemkin, director of U.S.-based consultancy East European Gas Analysis.

“Flows would likely go on through Yamal-Europe, Nord Stream...and small pipelines through Poland,” he said, referring to Russian pipelines carrying gas into Germany through Belarus and via the Baltic Sea. Traders and analysts say that this spring’s conditions are good to inject gas into storage. Reuters data shows that France, Germany and Italy, the countries with the biggest gas stock capacities, have all stepped up storage injections during the past five days, potentially enabling gas to be pumped to central Europe and Ukraine should a Russian cut happen. These three countries increased their combined gas storage injections to more than 1,100 gigawatt-hours (GWh) per day on Sunday from 597 GWh on April 11, Reuters data show.

A mild winter across most of Europe has left inventories unusually full for this time of year, and a warm beginning to spring has lowered demand further. At the same time, healthy gas supplies from Norway and an increase in liquefied natural gas (LNG) imports have created oversupply, allowing utilities to bolster storage to supply Ukraine as well as member states in the event Moscow turns off the taps. Seasonal gas spreads, or the difference in price between gas for delivery the following day and next season, are currently at around 13 pence ($0.22) per therm in Britain, and in the Netherlands, mainland Europe's most liquid gas market, the spread between the same delivery dates is at almost 4 euros ($5.56) per megawatt-hour. The spread in Britain has widened consistently since the start of the year, when it was at 5 pence, while the Dutch spread has jumped from less than 1 euro in the past two weeks.

The gas curves in Britain and The Netherlands are both in contango, meaning near-term contracts are at a discount to those further out on the curve. This encourages utilities to buy gas to inject it into storage and sell it when prices are higher. On Monday, Britain's imports of Norwegian gas along the 70 million cubic meter (mcm) per day Langeled pipeline were at 66 mcm, roughly three times Friday’ s imports. Oliver Sanderson, an analyst at Thomson Reuters Point Carbon in Norway, attributed the higher imports to British utilities requesting larger flows to boost storage injections.

BP Head says Russian business unaffected by sanctions

Reuters, *15.04.2014*

Western sanctions over Russia's actions in Ukraine have not impacted BP's business in Russia, CEO Bob Dudley said on Tuesday, reiterating the oil major stands by its Russian investments.

Dudley came under pressure at a BP shareholder meeting last week when some questioned the oil's major investments in Russia at a time of the most serious East-West rift since the end of the Cold War due to Russia's annexation of Crimea. Dudley is in Moscow to take part in a meeting of the Russian Geographical Society, where President Vladimir Putin heads the Board of Trustees. Dudley is a member of the board.

"We are rock solid with our investments in Rosneft and (we) will stand by our investments. For us it's business as usual," he told reporters before the meeting. BP owns a 19.75 percent stake in Kremlin-controlled Rosneft , which became the world's top listed oil producer last year after the $55 billion acquisition of Anglo-Russian TNK-BP oil firm, once headed by Dudley. BP's share in Rosneft accounts for about a third of its total oil output.

Gazprom close to supply gas contract with CNPC

Natural Gas Europe, *09.04.2014*

Russia's Gazprom said that it would soon come up with a pipeline gas supply contract with China National Petroleum Corporation (CNPC), reads a note released on Wednesday about a meeting between the Russian giant and the largest integrated energy company in China.

"At this round of talks we approved all the project-related technical matters. We advanced in our talks on the gas price. The parties agreed that the contract would come into force before the end of 2014 and that the next round of talks would take place in Moscow in late April," said Alexey Miller, summarizing the results.

Gazprom buys 100% stake in Kyrgyzgaz

Natural Gas Europe, *11.04.2014*

Russia is opting for a complex strategy, shifting its focus eastwards and sending mixed messages to Brussels and Washington. Meanwhile, Gazprom confirms its clout in some of its neighbour countries and in Russia. On Thursday, Gazprom's management signed a Sales and Purchase Agreement for a 100% stake in KyrgyzgazProm.

"The acquisition of KyrgyzgazProm is a natural follow-up of our long-standing relations with Kyrgyz partners. Gazprom receives a direct access to Kyrgyzstan's market, and the country has guarantees of reliable gas supplies as well as a sound investment in an extensive retrofit.

Gazprom becomes a strategic investor in the Kyrgyz economy," Gazprom Management Committee Chairman Alexey Miller said in a note. The company is the sole importer of natural gas to Kyrgyzstan and owner of the country's gas transmission and distribution systems. Kyrgyzstan's Parliament gave the final green light to the acquisition of Kyrgyzgaz by Russia's Gazprom in December 2013. Gazprom is also trying to cement its position in Russia betting on technology and standardization. Also on Thursday, its management dealt with the issues of introducing a standardized gas compressor unit (GCU). 'Applying a standardized GCU in constructing new gas pipelines will allow Gazprom to cut down the time and costs of developing project documentation for compressor stations, reduce steel consumption, capital expenditures and commissioning deadlines,' reads another communiqué.

Russian Supplies to Europe: Shut-off unlikely

Natural Gas Europe, *10.04.2014*

Russia's annexation of Crimea has shed new light on the prospect of the Kremlin once again using natural gas supplies as a geopolitical tool, whether it be against Ukraine or gas consumers further west. Just days ago in Brussels, US and EU leaders said they would help Ukraine decrease its dependence upon Russian sources of gas and would work together to diversify Europe's sources of energy.

Despite such tensions, there is very little chance that Russia's Gazprom might cut off gas supplies to Europe this time, according to former US Ambassador Keith Smith, Distinguished Fellow in Residence at the CEPA.

He says, "Only if some major thing were happening – if Russia were to invade eastern Ukraine, then Europe would have to take some very strong measures. "Russia shutting off the gas cuts of 50% of the government's revenue. Can Russia afford this at a time when their economy is not in great shape? Are they willing to risk that? I highly doubt it," he opines. Of the previous natural gas shut-offs in 2006 and 2009, he explains, "In 2006 the cutoff didn't really affect Western Europe so much, so they didn't care so much about what happened. It was only after the 2009 cutoff affected western Europe, then the European Union and the European Commission's Directorate-General (DG) for Energy decided to increase energy security by making pipelines two-way, electricity lines and speed up some of the interconnectors that they had in their long term planning."

Ambassador Smith says he believes the tensions surrounding Ukraine are, however, likely to have a similar impact upon European energy security policy. "Some countries will try to keep their investments in Russia and allow Russia to invest in infrastructure, like in Germany, where they're investing in refineries. On the other hand, there is an awakening in many countries as to their vulnerability, and that will probably have a long-term effect but it's going to take a while to change things," he says. Meanwhile, Gazprom has recently hiked the price of the gas it sells to Ukraine from USD 268/TCM to USD 500, and Kiev has a big outstanding balance on it's account, to the tune of USD 2 billion. The Financial Times recently reported that Ukraine's prime minister did not find the new price acceptable.

Ambassador Smith offers, "Obviously the price of gas depends on political measures and not economic measures. Meanwhile, Russia has seized billions in assets in Crimea and that's going to take time to get through the international courts, but at some point Russia will have to pay for that, or there could be canceling of the debts to Ukraine for the natural gas that comes across." Ukraine could create big savings with energy efficiency, he adds, as there is big room to improve there, and hopefully will be able to access its own hydrocarbons resources. He points out that while such investments may have become even higher risk than a few weeks ago, the same thing is happening for investment in Russia.

He reports, “I think we’re about two weeks away from a final announcement by the IMF which will result in USD 14-18 billion in assistance to Ukraine over at least two years.” To do anything with that, however, he concedes that graft and corruption need to be reduced in Ukraine. One thing to keep in mind regarding Europe’s diversification of energy supplies, according to Ambassador Smith, is that DG Energy has taken issue with many aspects of Russia’s South Stream Pipeline project. He comments, “They know it’s a political project designed to bypass Ukraine. It’s going to be delayed several years until Europe gets itself in better shape.” This means, he explains, that Russia can only shut off the gas traversing through Ukraine at a great cost, which gives the EU a bit of leverage.

As for German Russian relations in regards to Nord Stream, Ambassador Smith says there may be a delay in approving two more strands of the pipeline due to Russia's actions in Crimea. A former Ambassador in Lithuania, Mr. Smith says that by next year the Baltic states will be a lot less insecure in terms of energy security. “There's an electricity line between Sweden and Lithuania that should be finished by the end of this year; another electricity line goes from Finland down through Estonia, Latvia and Lithuania; also by the end of this year the small LNG input terminal for Lithuania will be finished and will bring at least 5BCM, which will help.”

As for alleviating European energy dependence on Russia going forward, Ambassador Smith says Europe should continue what it’s been doing: “Building interconnectors, building reverse flow pipelines, requiring countries to have storage of oil and gas. “Allowing the South Stream pipeline to go ahead, I think, would be a big mistake because it would really put Europe in an armlock on the part of Gazprom.” He adds, “I don’t things will be the same in Europe. This really has been a wake-up call.” According to him, European states might even reconsider hydraulic fracturing and the pursuit of unconventional gas, given the new realities, possibly lifting some of the hydraulic fracturing bans.

Rosneft completes acquisition of 100% share in Orenburg Drilling

Natural Gas Europe, *28.03.2014*

Russia’s Rosneft is opening the wallet to buy shares in a service company and to invest in Itera, a Cyprus-based group of companies controlled by Igor Makarov. The company led by Igor Sechin completed acquisition of 100% share in Orenburg Drilling Company from VTB-Leasing Group, which is one of the leading universal banks in Russia.

“The Orenburg Drilling Company fleet of drilling units is one of the most modern in terms of technology and average age of the drilling units. Rosneft plans not only to concentrate on domestic drilling needs, but to carry on rendering services to third-party customers”said Eric Liron.

Ukraine eyes coal after Russian gas price hike

Trend.Az, *26.03.2014*

Ukraine's Western-backed leaders scrambled on Friday to find new sources of energy after Russia hiked its gas price by 80 percent in response to the overthrow of Kiev's pro-Kremlin regime. The crisis-hit nation saw the amount it must pay for 1,000 cubic metres of blue fuel soar to $485.50 from $268.50 after Russia imposed two price increases in three days that reflected its deep displeasure.

Yuriy Prodan called Russia's new price "political" and vowed to explore solutions that included a heavier reliance on coal -- a polluting source of energy whose consumption has imperilled the air quality of nations such as China.

"We are now reviewing our electricity and fuel balance for 2014 with a view of using as much domestic coal as possible at the expense of natural gas," Prodan told a cabinet meeting in comments posted on the government website. Ukraine has relied on coal throughout much of the past century despite efforts by global institutions such as the World Bank to help Kiev phase out its use following independence from Moscow. The International Energy Agency estimates that coal accounts for about 30 percent of Ukraine's total energy supply compared to the 40 percent of the balance assumed by natural gas. The nation of 46 million on the EU's eastern frontier is rich in resources but still imports about 30 percent of its needs due to inefficiencies and heavy state subsidies to both households and industries.

Ukraine consumed about 50 billion cubic metres of gas last year and imported 28 billion cubic metres from Russia -- a figure it would like to reduce despite the penalties this might incur under the terms of its contract with Russia's state energy giant Gazprom. "There is a probability of Ukraine reducing gas purchases from Russia," Moscow's VTB Capital investment bank wrote in a research note.The hike in Russia's gas price to what Ukraine believes is now the highest in Europe is unlikely to hit consumers directly because of Kiev's continued state subsidies programme. Ukraine has promised to raise the price households pay for gas by 50 percent in May -- and for heating by 40 percent in July -- under the terms of an IMF-backed austerity programme that could lead to the release of up to $27 billion in global assistance over the coming two years.

But Russia's new rate is certain to put Ukraine's cash-strapped state energy firm Naftogaz into further debt and force the government to use a part of its foreign assistance on meetings payments to Gazprom. Prime Minister Arseniy Yatsenyuk said on Friday that Ukraine could receive $13.5 billion in IMF and other aid this year should it quickly pass and implement the required economic restructuring measures. Prodan for his part said he was also negotiating with energy traders in Poland and Hungary that could use Ukraine's existing pipeline network to ship in limited quantities of natural gas from the west.

Gazprom to maintain strong ties with EU after meeting in Brussels

Natural Gas Europe, *02.04.2014*

Russia's Gazprom and European officials confirmed their interest in maintaining the existing business ties. 'The parties confirmed their interest in maintaining the mutually beneficial relationship built over the decades of successful collaboration,' reads a note released by the top global gas producer on Wednesday.

Chairman of the Gazprom Management Committee Alexey Miller met European Commissioner for Energy Gunter Oettinger and Frank-Walter Steinmeier, German Foreign Minister. The note did not specify when the meetings occurred.

'The meetings addressed a wide range of the bilateral cooperation issues. In particular, it was stressed that Gazprom was not just the major gas supplier to Europe, having proved its outstanding reliability for over forty years, but to date it was the only supplier investing billions in the development of the European gas network,' explains the note. On Monday, Gazprom raised prices for Ukraine by 44% after a discount deal expired, adding pressure on Kiev. According to the Russian company, Ukraine is losing its right to pay less given a $1.7 billion debt accumulated in the last 15 months.

Reverse gas flow from Europe to Ukraine disputable

Einnews, *04.04.2014*

Gazprom CEO Alexei Miller said reverse gas supplies from Europe to Ukraine would be a debatable issue. "If one looks at the map of the Ukrainian gas transportation system, he will easily understand that the system is designed to operate in one direction only and there is no technical possibility to reverse it," Miller told Rossiya 24 television on April 04, Friday.

"If this is some virtual reverse flow, there can be questions about its legality. It's unclear what grounds Ukraine has to use Gazprom's gas in the pipeline on its territory. This may raise legal questions," he said.

Ukraine’s acting Minister of Energy and Coal Industry Yuri Prodan said earlier this week that reverse supplies would allow the country to import 7-10 billion cubic meters of gas from Europe.
Ukraine may get up to 20 billion cubic metres of gas from Europe annually, parliament-appointed Prime Minister Arseny Yatsenyuk said at a government meeting on Saturday. “I have contacted our European and American partners on several issues. One is reverse gas flows. Technically, we can receive up to 20 billion cubic metres [of gas from Europe],” he said. According to Yatsenyuk, it is less costly for Ukraine to buy gas from Europe because it is “100-150 U.S. dollars cheaper than the Russian gas”.

He recalled that Kiev had signed a memorandum with Europe on the mondernisation of the Ukrainian gas transportation system and Ukraine was now considering “joint modernisation and operation” of the system with Europe and American investors. Prodan and Naftogaz Ukrainy’s new CEO Andrei Kobolev will travel to Brussels on April 8 to discuss this and other energy issues. The Visegrad Group (Czech Republic, Hungary, Poland, and Slovakia) countries said in late February 2014 they were ready to resume the reverse flow of natural gas to Ukraine.

“In the field of energy security, the Visegrad countries are ready to resume and develop the reverse flow of natural gas supplies to Ukraine,” the four countries said in a joint statement. In January, Ukraine signed a document on reverse gas supplies through Slovakia and sent it to Bratislava which has not signed it yet. The agreement has to be approved by the European Commission. Ukraine has been pressing for the reverse gas flow through Slovakia for more than a year. Volumes may reach up to ten billion cubic metres a year. The move was prompted by high gas prices charged by Russia’s Gazprom.

Ukraine started buying natural gas in Europe in November 2012 and suggested signing a contract for gas supplies in the amount of seven billion cubic metres a year through Hungary and Slovakia while reducing its purchases from Russia to 20 billion cubic metres. Currently, Ukraine gets gas in reverse mode through Hungary. The European Union has promised assistance to Ukraine in diversifying natural gas supplies. Kiev is planning to buy about 290 million cubic metres of gas in Europe in reverse mode (about 140 million cubic metres will be delivered through Poland and the rest through Hungary). Ukraine has been receiving natural in reverse flows from Europe since November 1, 2012. The gas is supplied across the Ukrainian border with Poland under a contract with from German RWE. The gas is supplied across the Ukrainian border with Poland. RWE planned to supply up to 5 billion cubic metres of gas to Ukraine until May 2013.

Last year Naftogaz Ukrainy imported 55 million cubic metres of gas using the reverse flow scheme. The throughput capacity of the Ukrainian gas transportation is 288 billion cubic metres system at the entrance and 178.5 billion cubic meters at the exit, including 142.5 billion cubic metres to European countries and 3.5 billion cubic metres to Moldova. Natural gas transit through Ukraine to Europe and CIS countries in 2011 increased by 5.7 percent from 2010 to 104,197,067,000 cubic metres, including to Western Europe by 5.9 percent to 101,098,013,000 cubic metres, but decreased by 2.4 percent to 3,099,054,000 cubic metres to CIS countries. Ukraine’s gas transportation system consists of 72 compressor stations, 110 production shops and 1,451 gas distribution stations. The overall length of gas pipelines operated by the company is 38,600 kilometres, including 22,200 kilometres of trunk pipelines and 16,400 kilometres of extensions.

U.S. sanctions Crimea Gas Company, in move aimed at Gazprom

Reuters, *11.04.2014*

The United States on Friday imposed sanctions on a Crimea-based gas company, Chernomorneftegaz, effectively putting it off limits to Russia's state-controlled Gazprom, which was expected to bid for a stake in the company.

The move, along with penalties on six Crimean separatists and a former Ukrainian official, is the third round of U.S. sanctions since the Ukraine crisis erupted and lays down a harder line ahead of talks among U.S., Russian, Ukrainian and EU officials in Geneva on Wednesday. Russian forces took over Crimea last month and Moscow annexed the Ukrainian region on March 18, angering Western powers.

While there is no talk of the West going to war over Ukraine, the Western response has included economic sanctions, efforts to bolster the defenses of other European nations who fear Russia, and strong condemnation of Moscow's actions. In a statement, the U.S. Treasury Department named the individuals placed under sanctions as separatists Pyotr Zima, Aleksei Chaliy, Rustam Temirgaliev, Yuriy Zherebtsov, Mikhail Malyshev, and Valery Medvedev and former Ukrainian , official Sergey Tsekov. U.S. officials said the move aimed to make it impossible for Gazprom to have dealings with Chernomorneftegaz.

On April 1, Russia's energy minister said Gazprom would pay for the construction of an undersea gas pipeline to Crimea and would take part in a tender on the privatization of the local energy company. "We are saying to the world, with some teeth, you are not going to invest in Crimea with impunity," said a U.S. official. The official, who spoke on condition of anonymity because of the sensitivity of the diplomacy on Ukraine, added that if Gazprom were to acquire part of Chernomorneftegaz or to deal with it, the Russian oil company could face sanctions.

Southeast European LNG Projects on the move

Natural Gas Europe, *10.04.2014*

Recent developments regarding the Ukrainian crisis and the overall activation of the Trans-Adriatic Pipeline (TAP) has resulted in a commotion on the Southeast European gas market with regards to the viability of several LNG projects that could facilitate the establishment of a natural gas hub in the region and enchase local energy security.

Greece already operates the Revythousa liquified natural gas (LNG) terminal close to Athens which mainly imports from Algerian Sonatrach and aims to be able to have a flowing capacity of more than 2 billion cubic meters per annum over the coming years

Concurrently, Turkey operates two terminals, one in the Marmara Sea close to Istanbul and another in Izmir, supplied by a variety of companies from Nigeria, Guinea, and Qatar. Furthermore, Turkey is boosting its efforts to build another terminal close to its borders with Greece, likely to be supplied by Qatar. Should this prove successful, it will likely be coupled with the recently signed Turkish-Bulgarian interconnector, providing definite leverage for Turkey to become the preferential supplier of non-Russian gas to Southeast Europe, along with TANAP and TAP's Azeri sourced gas, which forms the Southern Corridor.

Overall, these plans will run in parallel with the rest of the regional interconnectors such as the Interconnector Greece-Bulgaria (IGB), which should be operational by late 2016 and the soon-to-be functioning interconnectors between Bulgaria-Romania and Hungary-Romania. By 2018 the Interconnector Bulgaria-Serbia should also be ready. For the whole project of integration, the Interconnector Greece-Turkey, which brings Azeri gas to Greece via Turkey, is planned to have a reverse flow, since Turkey is by far the largest consumer of gas in the region with estimates it will need more than 80 bcm per year by 2025.

Thus, any plans made to establish a gas trading hub in the region should take this into account, since most gas flow and trade will eventually end up in the Turkish transmission system rather than going up North to supply the central European markets, which are already well supplied by Russia and have also their projects to connect via the Baltic Sea and the Adriatic Sea planned LNG terminals, while they are also indirectly linked with Norwegian gas imports. Taking the above in consideration coupled with the difficulty at present to make a definite assessment on the finances regarding a Southeast European gas hub, it is of interest to note that a Greek private company is forging its own plans to integrate those developments and offer its own alternative. Gastrade, part of the Copelouzos group, has already secured permission by the regulatory authorities for its viability and environmental studies and is close to acquire license by the local administrative bodies regarding its plans for sub-water infrastructure work.

According to media reports the LNG should take its final investment decision by late 2014 and start its realization thereafter with the enactment of operations by late 2016. The terminal will be situated 10 nautical miles South West of the port of Alexandroupolis in a floating installation and would have storage capacity of 170,000 cm of LNG, capable of supplying regional markets with more than 6 bcm of gas per annum. The terminal will be linked to the national transmission system through a reverse flow pipeline and for the time being intense rounds of talks are being held with prospective investors to finance the project.

Although the potential suppliers have not been officially named, certain leaks from corporate sources indicate that the terminal will make use of short term contracts with a variety of suppliers from African and Middle Eastern countries and will also pay close attention regarding the establishment or not of an export corridor of East Mediterranean natural gas. Moreover Gastrade aims to use its terminal also as an export corridor for future pipelines such as TAP and South Stream with eyes for the markets of Egypt and Western Mediterranean. On a political-business level the Copelouzos group enjoys strong bonds not only with Russian corporate circles, but also with US and Italian ones, and has considerable clout in the power elites of Greece, Bulgaria and Serbia.

Albania approves first phase of TAP

Natural Gas Europe, *09.04.2014*

The Albanian National Territory Council (KKT) gave the green light to the first phase of the TAP project. 'The Compound Development Permit - Phase 1 (CDC- Phase 1) is one of the most important permits granted to TAP AG by the Albanian authorities. It represents the permit which will authorise TAP AG to start its construction activities in Albania,' reads a note released on Tuesday.

KKT is the highest authority in the country for territorial planning. The permit refers to the entire TAP pipeline system. The Ministry of Energy and Industry will be then called to issue permits for different sections and phases.

"The construction activities will start with the upgrade and construction of access roads and bridges in Albania in 2015 and this will be followed by the pipeline laying and construction of other facilities associated with this gas transportation infrastructure,' reads the press release. The construction cost for the Albanian section is forecasted to be around 1 billion Euros. "We are honoured to receive today the approval of the highest Albanian authority on territorial planning, the National Territorial Council. This permit clears the way for the start of the construction activity for TAP in Albania," Shkelqim Bozgo, Country Manager of TAP Albania, said in the communiqué. The current shareholders in TAP AG are BP (20%), SOCAR (20%), Statoil (20%), Fluxys (16%), Total (10%), E.ON (9%) and Axpo (5%). Last year, the consortium clinched gas sales agreements with European buyers for some $100 billion. The nine buyers, mainly from Italy, committed to a 25-year gas supply.

Competition the key for European energy security

Natural Gas Europe, *11.04.2014*

Fresh from the US-EU Energy Council meeting in Brussels the day prior, US Department of State Special Envoy and Coordinator for International Energy Affairs Carlos Pascual shared his perspectives and prospective energy policies to a distinguished audience of industry leaders, policy makers, and media at the Atlantic Council.

The Ukraine Crisis has brought European energy security back into the spotlight, and he stressed a theme through his speech for Europe to capitalize: competition. Pascual's address focused on natural gas, noting that natural gas is a critical commodity in Europe's energy equation.

According to Pascual, competition is paramount, to give consumers choice and strength when evaluating a source of supply. US LNG exports to Europe has been popular in the Washington DC policy community, but Pascual noted that greater American gas production has already aided European energy security in the long term, by increasing the liquidity in gas markets. The United States has helped encourage a global trading system of competition that will enhance European energy security as a whole. Pascual laid out a series of policy options for Europe. Through existing reverse-flow capabilities with Poland and Hungary, Ukraine can import around 3 bcm of natural gas.

If Slovakia can transit gas to Ukraine through a bypass for another 7 bcm, Ukraine can take in 10 bcm, or 20 percent of their energy demand, from non-Russian sources. The increased competition changes the dynamics in the Ukraine-Russia relationship and further integrates Ukraine into European energy networks. However, Ukraine needs to be able to purchase the gas, and Pascual stressed the importance of the role of the IMF until structural changes are made. Pascual stressed that Europe wants Russian gas, just competitively. Russia can use the Ukraine crisis to look at their own dependence on European money with around 170 bcm exported to Europe compared to 15 bcm to Asia. Pascual insists that the reality of interdependence between Europe and Russia can be used to build up and reinforce competition.

Understanding the long-term context of these options, Pascual discussed the prospects of Ukrainian domestic shale production that could increase their 20 bcm per year production by 30 percent. While domestically sensitive, eliminating general gas subsidies to specific subsidies towards the low-income will allow Ukraine to generate a cash flow and improve energy efficiency. Ambassador Pascual concluded that efficiency measures could save 5 bcm, reverse-flow could bring in 10 bcm, and increased domestic production of another 5 bcm, bringing the total of increased natural gas to Ukraine from non-Russian sources to 20 bcm per year. Pascual concluded that by 2020, Ukraine could be in a position to decide whether or not to import gas from Russia due to short-term policy steps and the overarching context of encouraging competition.

Pascual's address laid out a series of policy options and understands that not one single policy will improve European energy security and reduce Ukrainian dependency. Ukraine has systemic problems to address domestically in their energy industry that only Ukraine can implement. Pascual's policy options still have their roadblocks. Commerciality often rules over the political, as evidenced by the selection of the Trans Adriatic pipeline, especially during the slow recovery of the European economy. A stagnant European demand for natural gas could make the overarching policy goal of increasing competition difficult. Nonetheless, Pascual's presentation displayed the ambition of American and European energy leaders alike to improve European energy security in light of Ukraine and develop policies that will best serve the transatlantic community in whole.

Not many alternatives to Russian gas, says Germany

Bloomberg, *29.03.2014*

German Economy Minister said that there are "no sensible alternatives" to Russian gas, a few hours before Hungary voiced its opposition to economic sanctions against Russia. Germany's Minister Sigmar Gabriel did say that Russia is a reliable gas supplier, which "even in the darkest hours of the Cold War … respected its contracts." Gabriel's declaration to Neue Osnabruecker Zeitung hints that Germany is at most planning minor adjustments.

Europe's natural gas prices would have to double if the Old Continent wanted to lure LNG to replace Russian supplies, wrote Bloomberg on Friday.

This price issue would be a high hurdle for a radical change of strategy, implicitly confirming Gabriel's statement. Meanwhile, Ukraine remains in the backdrop with its problems. The country is on the brink of the bankruptcy, with a current account shortfall of over 9%. Kiev agreed with the International Monetary Fund a $14-18 billion bailout package. The parts are discussing disbursement of $3 billion in the first tranche, after Ukrainian Parliament passed the some reforms required in the IMF's financial package.

Gazprom assures Europe on gas supplies reliability

Reuters, *11.04.2014*

Alexei Miller, The head of Gazprom told European Union Energy Commissioner Guenther Oettinger on Tuesday that the Russian company “is a reliable supplier of gas to the European market and will remain one going forward,” Gazprom said in a statement.

Amid a tense political dispute with Kiev and the West, Russia has threatened to decrease gas supplies to transit nation Ukraine if it continues to fail to pay its debts, but Moscow has also sought to reassure European consumers it will abide by all contracts. Gazprom said Ukraine now owes $2.2 billion.

Russia, Europe diversify assets

Natural Gas Europe, *24.03.2014*

The diversification theory well depicts some recent market movements and indications from both Europe and Russia.

On Monday, Moscow-based Rosneft bought assets in Brazil for $96 million, while Milan-based Eni met the new Libyan Prime Minister Abdullah al Thani to strengthen cooperation in the energy sector. ‘Rosneft announces that its subsidiary Rosneft Brazil today signed final agreements with HRT subsidiary HRT O&G to acquire additional 6% in the Solimoes project. This will lead to Rosneft Brazil receiving 51% control and taking over the operatorship in the joint venture in the Solimoes basin.

Crimea's standoff great help for Cameron's shale plans

The Telegraph, *29.03.2014*

Shale gas will hardly be the silver bullet that will solve European energy security problems, but the unconventional hydrocarbon industry could still be a major winner of the Crimea's standoff. An increased interest in fracking could be indeed motivated by difficult relations with Russia and by widespread scepticism about Ukraine's politicians.

"It's a wake-up call to Europe of the need to develop more energy sources of all kinds. We can't be more and more dependent on imports from unstable regions," Britain's energy minister Michael Fallon said recently to the Daily Telegraph.

In the actual context, shale gas arguments can be easily put forward in countries that already voiced their intention to go all the way to exploration and production. Along with Poland, the United Kingdom is clearly the main proponent of shale gas in Europe. And Downing Street seems well intentioned to take advantage of the tensions between Russia and the West. "I think something positive should come out of this for Europe, which is to take a long hard look at its energy resilience," UK Prime Minister David Cameron recently echoed Fallon's words on the sidelines of the Nuclear Security Summit in The Hague. The British government spoke about Europe, but it is quite clear that its statements have the clear intention of influencing the domestic debate.

"While Brussels will have an important role in helping to optimise supplies at a European level, ultimate responsibility for energy supply remains with Member States. A European shale gas (and oil) strategy might facilitate the development of national efforts but is unlikely to be the key driver," John Loughhead, Executive Director at UK Energy Research Centre, told Natural Gas Europe on Thursday. In this context, tensions in Ukraine are a real manna. As often happens, the British messages to Europe are mainly a way to increase domestic cohesion around issues high in the political agenda. The tensions in Ukraine are indeed are a tremendous kick for an open national debate about shale gas, but not a real cry of alarm for the already endangered UK's energy security.

According to an answer by the Department of Energy and Climate Change (DECC) to a request for information under the Freedom of Information Act 2000, 'some Russian gas could end up in the UK's National Transmission System, however this is less than 1% of our gas imports.' As a document published by the British government referred to 2011, Norway provides 58% of the British gas imports and Qatar ships another 18%. The remaining was mainly sourced from Belgium and the Netherlands. 'Given that the Netherlands has its own indigenous production and imports gas from Norway and the UK, it is unlikely that the Netherlands exports many Russian gas molecules to the UK.

Although Belgium does not have its own indigenous production, IEA data indicates that only approximately 2% of Belgium's gas imports in 2011 originated from Russia,' explains the answer by DECC. If gas supply would not be affected by escalations with Russia, it is not possible to say the same about coal. According to an overview published by the Energy Information Administration in May 2013, Russia did indeed account for 38% of the UK coal imports in 2011. Despite the reliance, however, this dependence appears not to be a real threat for London. That is for two reasons. Firstly, coal represented just 15% of total primary energy consumption in 2011. Secondly, the UK can easily import coal from other countries, mainly from United States. If it is clear that the UK's reliance on Russia is negligible, why is Cameron voicing the importance for Europe to bet on shale gas? Is he trying to save Europe, sorting out its energy problems? In light of what already said, the answer cannot be anything but 'no'.

It would be like a patient in his deathbed standing up and saving another injured person. It is simply unrealistic. The reality is that the standoff in Crimea could help London to solve its long-lasting energy problems, and the government's communication campaign is efficient and coherent with the purpose. "The current position will lead inevitably to an increased level of political concern about security of energy supplies. It is therefore likely that there will be increased interest in possible additional indigenous production, especially of gas for which distribution systems make it more difficult to switch to alternative supply sources at short notice," said Loughhead.

Downing Street is playing its cards to speak about energy security, without taking any responsibilities for the current problems. In this sense, the standoff in Crimea and Ukraine is a gift to convince British shale sceptics. Cameron perfectly learnt Churchill's lesson: "A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty." What remains to be seen now is whether he is just a simple optimist or a realist interested in solving the British infrastructural problems due to lack of investments in the last decades.

South Stream strengthens ties with Siemens

Gazprom, *04.04.2014*

South Stream Transport clinched a new deal with Siemens to supply electrical systems for the offshore section of the South Stream project. 'The document stipulates that Siemens will supply telecommunication equipment and automatic process control systems for the Russian and Bulgarian landfalls along with the equipment for the Central and Backup Control Rooms of South Stream Transport,' reads the document.

Alexey Miller, Chairman of the company's Management Committee, met Siemens' President last week in order to finalize the agreement.

Bulgarian Energy Minister: South Stream should not be stopped

publics.bg, *04.04.2014*

Dragomir Stoinev stated all countries along the planned route of South Stream gas pipeline project have united around the idea that work on the pipeline should go uninterrupted because of its strategic importance for the whole of European Union.

South Stream gas pipeline project should not be stopped, Bulgarian minister of economy and energy Dragomir Stoinev said yesterday during statement before the Parliamentary energy commission. Stoinev was asked to outline Bulgaria's position on this matter in the light of the ongoing Russian – Ukrainian crisis.

"All ministers of the countries along the planned route of South Stream have united around the idea that work on the pipeline should go uninterrupted because of its strategic importance for the whole of Europe", minister Stoinev said. He highlighted that Bulgaria has requested that the European Commission leads the 'negotiations with Russia, so that all European countries along the South Stream route could receive simultaneously an approval, instead of leading negotiations by themselves. "Italy, Austria, Hungary, Slovenia, Greece and Croatia – these countries insist on security of natural gas supply.

Enel close to 20-year LNG supply deal with Cheniere Energy

Natural Gas Europe, *03.04.2014*

Italy's Enel is reportedly close to clinching a 20-year supply deal with US LNG producer Cheniere Energy. The deal could be extended for a further 10-year term, according to Enel CFO Luigi Ferraris as reported by Reuters.

Spain's Endesa signed a similar deal for 1.5 million tonnes of LNG on Wednesday. Enel Group owns 92.06% of Endesa's share capital. As the Ukraine crisis has spurred Eastern European countries to seek ways of shaking off reliance on Russian Gazprom, once the Eastern-bloc states are increasingly turning to the US and its liquefied natural gas resources.

Norway to increase gas production in coming years

Natural Gas Europe, *03.04.2014*

Norway sees an increase in gas production in the coming years, with the Norwegian Petroleum Directorate (NPD) saying that nearly 40% of the remaining resources have not yet been discovered. 'Future developments will gradually contribute an ever-increasing share of the production,' reads a note released on Thursday.

At the moment, the discovery portfolio consists of small discoveries. Johan Sverdrup and Johan Castberg are the only two exceptions. "Cost trends in the petroleum industry pose a challenge, both for developing discoveries and for project commitments that can increase recovery from a field".

Oil tanker starts loading first crude from East Libya in months

Bloomberg, *16.04.2014*

An oil tanker started loading crude at Libya's eastern port of Hariga as the region exports oil for the first time since July after civil unrest decimated the North African country's production and shipments. The shipment is for Italy, according to a statement from NOC subsidiary Arabian Gulf Oil.

"This is the first loading in months from any of the rebel-controlled ports in the east and the first concrete positive from the deals announced just over a week ago," Richard Mallinson, Energy Aspects analyst in London, said. "But it is worth remembering that the market is only taking this as a limited positive development" because other terminals remain shut.

Libya, the holder of Africa's largest crude reserves, has dropped to the smallest producer among the Organization of Petroleum Exporting Countries as unrest deepened since the ouster of Muammar Qaddafi three years ago. The nation, which pumped close to 1.6 million barrels a day until the start of 2011, is now producing 200,000 barrels a day, Elharari said April 14. Rebels seeking a share in oil revenue for their region took control of four of Libya's nine oil ports in July. The central government reached an agreement with some rebels earlier this month to open Hariga and Zueitina oil terminals, which have combined capacity of 180,000 barrels a day.

Es Sider, Libya's largest terminal, and Ras Lanuf are still shut. State-run National Oil is in the process of lifting force majeure on Zueitina, Oil Ministry Measurement Director Ibrahim Al Awami said April 10, referring to the legal step that protects companies from liability when operations are disrupted for reasons beyond their control. Vienna-based oil company OMV AG (OMV) booked the Aegean Dignity tanker to load a cargo of Sarir crude from Hariga between April 15 and 16, two traders said on April 11, asking not to be identified because the matter isn't public.

Qatar produced 7 tcf of gas in 2013

Natural Gas Asia, *02.04.2014*

Qatar produced in excess of 7 Tcf of natural gas in 2013, said country's Minister of Energy and Industry, Mohamed bin Saleh al-Sada. The Gulf state also exported 77mn tonnes of LNG to 25 countries, al-Sada said at the Brookings Doha Energy Forum 2014 on Wednesday, reports Gulf Times.

As the world's largest LNG supplier, representing a quarter of global LNG supplies, Qatar's prominent position in the global energy market is set to remain for years to come, al-Sada said. Commenting on the shale gas revolution in the US, he said that it was a milestone development.

ExxonMobil doubts new policies will disrupt oil and gas market

Natural Gas Europe, *02.04.2014*

Exxon Mobil Corporation believes climate policy is "highly unlikely" to keep its oil and gas reserves from selling in the next three decades. In a report to investors yesterday, the firm said it can't rule out the chance that governments will aggressively combat climate change. But it's much more likely, Exxon Mobil Corporation said, that governments will expand the use of fossil fuels alongside renewable energy and efficiency.

It reaffirmed what Exxon Mobil, the world's largest public energy company, said in its last "Outlook for Energy," which extended to 2040.

“The Outlook demonstrates that the world will require all the carbon-based energy that ExxonMobil plans to produce during the Outlook period,” the report said. “We do not anticipate society being able to supplant traditional carbon-based forms of energy with other energy forms, such as renewables, to the extent needed to meet this carbon budget during the Outlook period.” The paper is the first public effort by a fossil fuel company to tackle the “carbon bubble,” the warning that most oil, gas and coal reserves have to stay underground in order to contain climate change. Exxon Mobil published the report after reaching an agreement with shareholder activists (EnergyWire, March 12).

The company said it plans exhaustively for different economic and price conditions, building in a safety margin to its investments. Even under this analysis, Exxon Mobil said, its oil and gas still make the grade. “We do not believe a scenario consistent with reducing GHG emissions by 80 percent by 2050, as suggested by the ‘low carbon scenario,’ lies within the ‘reasonably likely to occur’ range of planning assumptions,” the report said. The company sketched out its most likely scenario: World population increases, economies grow and energy demand grows, mainly in developing countries. Governments will cut carbon emissions, but they will limit these cuts in view of economic growth and rising living standards.

Renewable energy will grow the fastest at a clip of nearly 6 percent a year, but fossil fuels will remain the dominant sources of energy, it said. Coal remains flat. Exxon Mobil said its variety of reserves -- conventional and unconventional, oil and gas, onshore and offshore, around the world -- prepare it for the most likely outcomes. It added that given rising demand for energy, expanding these reserves was not a risk. Shareholder advocates Arjuna Capital and As You Sow, which pressed Exxon Mobil to write the report, said they were disappointed with it. “Investors now know that Exxon Mobil is not considering a low-carbon scenario in its planning, which places shareowner capital at risk,” Natasha Lamb, Arjuna's director of equity research and shareholder engagement, said in a release.

“While Exxon asserts that we will face social upheaval if carbon-based fuels are limited, we believe the greatest social disruption will come from climate change itself in the form of physical displacement and food scarcity -- as outlined in today’s release of the IPCC report,” she said. The release pushed for more transparency by Exxon Mobil and asked the firm to cut back on risky fossil investments while investing in low-carbon alternatives. The groups said they would continue to push Exxon Mobil to consider carbon risk in its planning. Bill McKibben, co-founder of 350.org, said the report proved the case for his movement: stigmatizing the fossil-fuel industry so that investors bolt. “Here’s the shorter version of Exxon’s announcement: We are happy to overheat the planet and we dare anyone to stop us,” he said in a release. “Now you know why we need divestment now.”

Sinopec pays $1.2 billion for Lukoil stake in Kazakhstan assets

Bloomberg, *16.04.2014*

China Petroleum & Chemical Corp., Asia's biggest refiner, agreed to pay Russia's OAO Lukoil about $1.2 b to take control of assets in Kazakhstan. Sinopec agreed to buy Lukoil's 50 % of Caspian Investment Resources Ltd., which holds stakes in four projects in Kazakhstan. Sinopec and its parent already own the other half of the company via a joint venture.

The deal will give Sinopec additional production of 10.2 m barrels of oil equivalent, as of 2013. The purchase highlights the push by China, the world's biggest energy consumer, to secure diverse energy assets abroad to meet rising demand at home.

"While there has been speculation of reduced interest in M&A by Chinese oil majors given a more uncertain commodity price outlook, this acquisition confirms China's interest in acquiring producing assets at attractive valuation levels," Neil Beveridge, a Hong Kong-based analyst at Sanford C. Bernstein & Co., said yesterday by phone. Sinopec gained 1.2 percent to HK$6.97 in Hong Kong trading as at 9:36 a.m. local time, compared with the 0.5 percent gain in the benchmark Hang Seng Index. State-owned Sinopec said in March last year it would form a $3 billion joint venture with its parent China Petrochemical Corp. to replace dwindling overseas reserves with oil and gas assets in Kazakhstan, Colombia and Russia.

The deal is subject to regulatory approval by Kazakh authorities and is expected to be completed before the end of the year, Lukoil said. "Most Caspian Investment assets are in a period of falling production, while the costs have been growing quickly," Ildar Davletshin, an oil and gas analyst at Renaissance Capital in Moscow, said yesterday by e-mail. "It was good for Lukoil to sell the stake to its partner Sinopec, which could offer a more attractive price being a strategic investor." Lukoil sold 50 percent of Caspian Investments to a company controlled by India's Lakshmi Mittal and Oil & Natural Gas Corp. for $980 million in 2007. The Chinese joint venture then bought that stake in 2010, after Lukoil waived its right of first refusal.

IEA bucks trend, cuts forecast for 2014 world oil demand growth

Reuters, *11.04.2014*

The agency, which advises industrial countries on oil policy, also reduced its forecast for non-OPEC supply this year, which will increase the need for crude from the Organization of the Petroleum Exporting Countries. Global demand growth will average 1.29 million barrels per day (bpd) in 2014, the IEA said in its monthly Oil Market Report. That is 60,000 bpd lower than its previous forecast.

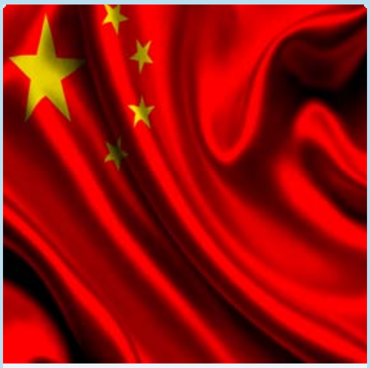
“Downward adjustments to the forecast of Russian oil demand for 2014 helped trim the global demand growth estimate,” the report said. “Developments in Crimea have weakened Russia's macroeconomic outlook.”

The Paris-based IEA is the only one of the three main government oil forecasters to trim its 2014 demand growth projection in reports this week. Its view follows lowered Russian economic growth outlooks from the International Monetary Fund and World Bank. Brent crude edged down after the report's release and as of 0845 GMT was off 31 cents at $107.15 a barrel. The IEA lowered its view on 2014 supply from non-OPEC countries, which pump about three in every five barrels. The agency now expects supply outside OPEC to rise by 1.5 million bpd this year, 250,000 bpd less than it projected last month.

Accelerated rates of decline at older Russian oilfields accounted for part of the reduced supply forecast as did a lower estimate for Kazakhstan, where the giant Kashagan oilfield may fail to restart this year. “While non-OPEC supply growth is still forecast to be the highest in decades, expectations are being toned down somewhat,” the report said. Supply from OPEC declined by 890,000 bpd in March to 29.62 million bpd, according to the IEA, which said the group would have to pump more in the second half of the year. “OPEC, far from facing a supply glut, will have to raise production from March levels,” the IEA said. In reports issued this week, OPEC left its 2014 demand growth projection unchanged at 1.14 million bpd, while the U.S. government's Energy Information Administration raised its forecast by 10,000 bpd to 1.23 million bpd.

China oil demand sluggish as slowing economy curbs energy use

Reuters, *16.04.2014*



China's implied oil demand fell 0.6 percent in the first quarter as a slowing economy dampened energy use, forcing refiners to scale back crude runs and raise exports to trim high fuel stocks.

China's economy grew at its slowest pace in 18 months in the first quarter of 2014, official data showed on Wednesday, with signs of waning momentum already prompting limited government action to steady the world's second-largest economy. China consumed roughly 9.79 m bpd of oil last month, according to Reuters' calculations based on preliminary government data, up just 0.7 % from 9.72 m bpd a year earlier.

And for the first quarter of this year, oil demand fell from a year earlier to 9.96 million bpd, the calculations showed. Reuters calculates implied oil demand using official data on refinery crude throughput plus net imports of main refined products, but excluding changes in fuel stocks which China rarely reports. The International Energy Agency last forecast that China's total oil demand would log an increase of 348,000 bpd, or 3.4 percent, for the whole of 2014, according to the agency's monthly report released last week. "A slowdown in Chinese oil demand growth, that emerged mid-2013, has continued in line with the underlying macroeconomic trend.

Demand for industrial fuels has been particularly soft," IEA said in its April report. China's daily crude throughput rose 2.6 percent from a year ago to 9.87 million bpd in March, data from the National Statistics Bureau showed. Daily crude runs, however, fell 5.7 percent from 10.47 million bpd in February, as refineries scaled back production amid high product stocks. China also turned a net oil product exporter in March for the first time since January 2010, with net fuel exports of 370,000 tonnes, customs data have showed.

Total discovers oil in deep offshore Ivory Coast

TOTAL Press Release, *17.04.2014*

The Total-operated Saphir-1XB exploration well on Block CI-514 proved the presence of liquid hydrocarbons in the deep offshore west of Ivory Coast. 'Drilled in an abrupt margin play, this first well is the first discovery in the San Pedro Basin, a frontier exploration area in Ivory Coast,' commented, the Senior Vice President. "Having confirmed the presence of petroleum, we will next evaluate this very promising find and focus on its extension to the north and east."

Lying in 2,300m of water, Saphir-1XB is the first well in Block CI-514. It was drilled to a total depth of 4,655m, encountering around 40m of net pay containing light 34° API oil.

The data acquired during drilling are being analyzed and will be used to determine the area's potential and design the delineation program. Total is pursuing its intensive exploration program in the area, with plans to drill two wells in Blocks CI-515 and CI-516 by year-end. Total E&P Côte d'Ivoire operates Block CI-514 with a 54% interest, alongside CNR International (36%) and PETROCI Holding (10%)

Brent crude oil rises to nearly $110 on Ukraine tensions

CNBC, *17.04.2014*

Brent crude rose to nearly $110 a barrel on Thursday, trading just below a six-week high hit in the previous session, with rising tensions in Ukraine heightening concerns over Russian supplies, and robust U.S. and Chinese demand supporting prices.

With Russian troops massing on the border with Ukraine and three separatists killed overnight in eastern Ukraine, the prospects of defusing the crisis at talks in Geneva appear slim. Brent crude for June delivery was up 17 cents at $109.77 a barrel by 0717 GMT, building on gains made on Wednesday when it hit $110.36, the highest since March 4.

U.S. oil for delivery in May rose 51 cents to $104.27 per barrel. The contract had also touched a six-week high of $104.99 in the previous session. U.S. industrial production rose at a faster-than-expected clip in March, the latest sign the economy of the world's largest oil consumer is gaining momentum. China's economy grew 7.4 percent in the first quarter, the lowest in six quarters but ahead of market expectations. The data, released on Wednesday, was a relief for investors anticipating the worst in the world's No. 2 economy and oil consumer, helping boost gains in riskier assets. A softer dollar also supported gains in dollar-priced commodities after U.S. Federal Reserve Chair Janet Yellen stressed the need for accommodative policy, citing persistently low inflation and economic slack. “Yellen's comments in terms of keeping interest rates at ultra-low levels for quite some time should feed through to fundamentally stronger demand for oil,” said Le Brun.

U.S. oil prices rose despite a sharp spike in crude stockpiles in the United States last week, with traders focusing on falling supplies at the benchmark contract's delivery point in Cushing, Oklahoma. Crude oil stocks nationally climbed 10 million barrels to 394 million barrels in the week ending April 11, according to the U.S. Energy Information Administration (EIA), but fell at Cushing by 770,000 barrels to the lowest level since 2009. New pipeline infrastructure increasing Cushing's connection to the Gulf Coast refining centre has drained stocks by 36 percent since late January to stand at 26.8 million barrels, narrowing U.S. crude's discount to Brent. U.S. crude for June delivery was trading $6.41 below Brent on Thursday.

Announcements & Reports

► *New Energy, New Geopolitics*

Source : Center for Strategic & International Studies
Weblink : https://csis.org/publication/new-energy-new-geopolitics

► *Oil Market Report*

Source : International Energy Agency
Weblink :http://www.iea.org/publications/oilmarketreport/

► *Energy Technology Perspectives 2014 - Harnessing Electricity's Potential*

Source : International Energy Agency
Weblink : http://www.iea.org/w/bookshop/add.aspx?id=472

► *The Power of Transformation*

Source : International Energy Agency
Weblink : http://www.iea.org/W/bookshop/add.aspx?id=465

► *Transition to Sustainable Buildings*

Source : International Energy Agency
Weblink : http://www.iea.org/W/bookshop/add.aspx?id=457

► *Prime Supplier Report*

Source : Energy Information Administration
Weblink : http://www.eia.gov/pub/oil_gas/petroleum/data_publications/prime_supplier_report/current/pdf/c007.pdf

►*The New German Energy Policy – What Role for Gas in a De-carbonization Policy?*

Source : The Oxford Institute for Energy Studies
Weblink : http://www.oxfordenergy.org/wpcms/wp-content/uploads/2014/03/NG-85.pdf

► *Monthly Energy Review*

Source : Energy Information Administration
Weblink : http://www.eia.gov/totalenergy/data/monthly/pdf/mer.pdf

Upcoming Events

► *International Conference on Energy and Management*

Date : 5 - 7 May 2014
Place : Istanbul - Turkey
Website : http://icem.bilgi.edu.tr/

► *Global Energy Security Conference*

Date : 12 May 2014
Place : London - United Kingdom
Website : http://www.gdforum.org/Events-Upcomingevents-Energy%20conference.html

► *Decentralised Energy '14 Forum*

Date : 13 May 2014
Place : London – United Kingdom
Website : http://decentralisedenergy.co.uk

► *2014 3rd International Conference on Petroleum Industry and Energy (ICPIE 2014)*

Date : 14 May 2014
Place : Gdansk, Poland
Website : http://www.icpie.org/

► *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/

► International Conference of Energy and Management 2014

Date : 5 – 7 June 2014
Place : Istanbul – Turkey
Website : http://www.bilgi.edu.tr/en/news-and-events/news/3189/call-for-international-energy-and-management-conference/

► Iran Oil & Gas 2014 Summit

Date : 23-25 June 2014
Place : Dubai
Website : http://www.iransummit.com/

► 2014 EIA Energy Conference

Date : 14-15 July 2014
Place : Washington – USA
Website : http://www.fbcinc.com/e/eia/?src=home-b1

► 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