Yildiz: Kurdish oil ready for sale at Ceyhan

Rudaw, *14.05.2014*

Turkish Energy Minister Yildiz said that Kurdish oil piped and stored at the Mediterranean port of Ceyhan is ready for sale to buyers, underscoring a possible breakthrough in a long-running dispute between Erbil and Baghdad.

"Our storage tanks in Ceyhan for northern Iraqi oil are now full," said Yildiz, speaking on the sidelines of a regional energy conference in Istanbul. "There is not any obstacle for the sale. This oil belongs to Iraqis and they are the ones who will sell it," he added. Erbil and Baghdad have been at loggerheads since the start of this year over which side has the right to export and market the oil.

According to the Turkish energy minister, officials from Erbil, Baghdad and Ankara are supervising the sales and the revenue is to be deposited in a Turkish bank. "Officials from Baghdad, Erbil and Turkey supervise the sales and the money from the oil is to be deposited in Turkey's state-owned Halk Bank," said Yildiz. His comments came after a recent announcement by the autonomous Kurdistan Regional Government (KRG), which said that the stored crude at Ceyhan would be sold this month. Kurdistan Region President Massoud Barzani said that, "The political decision has been made that we're going to sell oil independently." The Reuters news agency quoted him as saying that, "We will continue producing the oil, pumping it out and selling it. If they (Baghdad) continue escalating, we will also escalate from our side." Yildiz said that stored Kurdish oil at Ceyhan had reached 2.5 million barrels, the full capacity of the storage tanks. The KRG had said that oil to Ceyhan was being pumped at 100,000 bpd.

In March, the KRG announced it was ready to export 100,000 barrels of oil through the federally controlled Iraq-Turkish Pipeline (ITP) as a sign of "good will," hoping that would lead to a major breakthrough of the dispute between the two sides. However, the successive sabotage of the ITP prevented the Kurds from fulfilling their promise. If the oil sales at Ceyhan go through without Baghdad raising another objection, it could be a sign that Baghdad is coming to terms with the reality that the Kurds are determined to control their own oil resources. The Iraqi government, which the Kurds blame for opposing the oil sales, may be forced to tone down its opposition because Prime Minister Nouri al-Maliki has indicated he may seek a third term, for which he would need Kurdish political support. Earlier this week Maliki's State of Law party, which says it has won more seats than anyone else in last month's parliamentary elections, asked Kurdish leaders to join negotiations to form the next government. In previous elections, the Kurds have played the role of kingmaker. Maliki's second term would have been impossible without Kurdish backing, which came after months of deadlock over forming a government.

TANAP: increasing appeal of the Turkish energy market

Mondaq, *14.05.2014*

The tender processes and construction works on Trans-Anatolian Pipeline (TANAP) Project are in progress and start of the construction of this pipeline is expected within this year. This project has gained importance before its start to operate.

By reason of political issues between Ukraine and Russia, countries in the Europe may be faced with a natural gas problem in this year. Therefore, Europe has been looking for a solution or prevention, in the event that the Europe purchases natural gas from Iran, the transmission of this natural gas through TANAP is topical recently.

In spite of new alternative energy resources, the natural gas has been keeping its place and share between all energy resources since long years. Not only Turkey, but also many other countries in Europe are natural gas import dependent1. According to the statistics, most of natural gas has been imported from Russia. Due to this factor, the political issues between Russia and Ukraine may affect the natural gas supply of Europe in a negative way. Since the natural gas supply may be affected from different factors such as political issues or climate conditions, numerous countries have been working on use and development of other sustainable energy resources such as wind and solar.

TANAP Project, one of the biggest pipeline projects in Turkey, negotiations of which have been started in 2011 intends to provide the natural gas from Azerbaijan to Europe through Turkey. After completion of this project, which is expected in 2018, the natural gas supply of Europe and Turkey will be provided to a large extent. Following the first natural gas flow with this pipeline, the transported natural gas amount will be increased each year. After the natural gas in Israel has been topical in recent years, the option of transport of this natural gas to Europe through TANAP has been brought into question. Accordingly, the natural gas supply of Europe and Turkey may be provided from several countries through this pipeline, in the event that these expectations realize in coming years.

As mentioned above, natural gas supply security plays an essential role especially for continuation of the industry which use the natural gas in their market activities and as a conclusion of this, for continuation and increase of competition of the related country in industry with other countries. With regard to natural gas supply security, the importance of natural gas storage comes into question, which has been developed in several countries years ago. One of the advantages of natural gas is its storability. Especially for above mentioned cases such as supply problems arising from political issues, financial factors or climate, which affect the natural gas supply, the storage of natural gas contributes to security of its supply.

As is known, the natural gas storage activities have been supported in Turkey with laws and regulations under certain conditions. Pursuant to an amendment on the Council of Ministers' Decision of 2012 ("Decision"), the natural gas storage investments over a certain amount have been regulated as privileged investments under the conditions of the Decision. Accordingly, natural gas storage projects will benefit from financial incentives under these conditions. Natural gas storage as a market activity may be implemented under the condition of obtaining the related license. Moreover, natural gas storage license applications have also the priority to license applications in the electricity and oil markets. In conclusion, the supply security of natural gas is very essential as well as its supply or import in order to avoid problems in energy supply. In this regard, the increase of natural gas pipeline projects' number and of the natural gas storage capacity has become important for natural gas import dependent countries.

Government plans to up coal consumption in energy generation

Today's Zaman, *14.05.2014*

Despite international efforts to shift to cleaner and safer fuels, the ruling JDP government wants to almost double the share of domestic coal in energy generation through closer public-private collaboration, with the Turkish Coal Enterprise undertaking a study into increasing the share of coal in overall energy production.

"It's impossible to achieve the vision 2023 goals without coal. Turkey wants 30% of the targeted energy production of 100 bn MWh per year in 2023 to be from coal. If it is considered that present day share of coal is at 13%, then coal's share in the production of energy will be doubled," the Ministry said.

With this regard, the TKI General Directorate has intensified its efforts to transfer publicly owned coal enterprises to the private sector since 2005, with 11 coal fields opened to the private sector via a royalty model. According to a US Energy Information Administration (EIA) statistic, coal consumption in Turkey increased from 80 million tons to 110 million tons over a nine-year period beginning from 2001 parallel to the country's coal production. Energy experts have warned that driven by growing consumption in emerging economies, coal could even surpass oil as the main fuel for the global economy by 2020. In the West, a revolution in shale gas technology in the United States has triggered a switch from coal to cleaner natural gas, but this has also resulted in cheap coal exports to Europe, where its share of the power generation mix has risen despite efforts to use more renewable power sources. Chinese efforts to reduce its pollution from coal range from pushing its natural gas, renewable and nuclear power generation sectors, introducing particle filters and reducing the amount of high sulfur and low-quality coal imports, especially from Indonesia.

Meanwhile, the World Health Organization (WHO) said last month that air pollution, partly caused by burning coal, killed 7 million people worldwide in 2012, making it the world's single biggest environmental health risk, with the body recommending "the movement away from dirtier fuels, such as coal." The share of the private sector in energy generation increased from 38 percent in 2002 to 67 percent in 2013, mostly as a result of the government's aggressive push toward privatization in the energy sector, including coal mines, since 2005 to meet increased energy demands stemming from rapid industrialization and population growth.

A coal mine blast in Soma district on Tuesday which caused the deaths of hundreds of miners and trapped hundreds of others has placed the rapid privatization of the Turkish energy sector under the spotlight, with concerns over work safety continuing to grow. Speaking to Today's Zaman, World Energy Council's Turkish National Committee board member Necdet Pamir said the private sector's share in energy generation significantly increased after the AK Party government accelerated privatization without ensuring adequate safety measures in workplaces. "Privatization occurs with profit maximization in mind and many business areas have been taken over by pro-government firms which do not have enough expertise in those fields," Pamir said.

The private sector share in energy production stood at 38 percent in 2002. Speaking on the share of coal in energy production, Pamir said there has not been a significant increase in coal consumption, with a growth of 2 percent in 2012 compared to 1990. Yet, Pamir maintained new coal discoveries have been made as rapid privatization in the sector has taken place recently. According to a 2013 Energy and Natural Resources Ministry release, as a result of prioritizing domestic resources in energy production and reducing external dependency, efforts to discover new coal fields and improve existing ones have gained impetus.

Coal still backbone of Turkish energy sector

Hurriyet Daily News, *14.05.2014*

The share of coal in Turkey's energy generation is still more than 25 percent as it feeds one-third of the country's energy needs, despite efforts to shift to cleaner and cheaper fuels. Nearly 49,000 people are employed in the 740 registered coal and lignite mining facilities across the country, which generated 61.5 terawatt-hours (TWh) of gross electricity in 2013, according to Social Security Institution figures reported by Anadolu Agency.

The installed capacity of coal-powered power plants in Turkey in 2013 was 12,563 megawatts (MW), equivalent to 20 percent of the total installed power capacity.

Israel, US import disputed oil from KRG

Hurriyet Daily News, *15.05.2014*

Israeli and U.S. oil refineries have joined the growing list of customers for crude from KRG, a region locked in a bitter struggle with the central government in Baghdad that says the sales are illegal. The United States imported its first crude cargo from the region two weeks ago while at least four have gone to Israel since January, ship tracking and industry sources said, after two were shipped there last summer.

The Iraqi government has repeatedly said oil sales by-passing Baghdad are illegal and has threatened to sue any company involved in the trade, yet Kurdish crude and light condensate oil has been sold to several European buyers.

Baghdad refuses to sell oil to Israel, echoing other Arab states. Israel's Energy Ministry declined to comment, saying that it does not discuss the country's sources of oil. A senior Iraqi oil ministry official said Baghdad had no information on the sales but was investigating. "If these reports are correct, then dire consequences will be inevitable," the Iraqi oil official said. "This is a seriously dangerous development. We have always warned the region to stop smuggling Iraqi crude by trucks to Turkey... and now if this is proved true then they are going too far." An official of KRG's Ministry of Natural Resources said from the region's capital Arbil: "The Kurdish Regional Government (KRG) has not sold crude directly or indirectly to such destinations." The stakes are high as KRG's independent oil sales allow it to receive income outside Baghdad's budget, pushing it towards even greater autonomy.

Tensions reached a new pitch this week after KRG's president said Iraq had been led in an authoritarian direction by Prime Minister Nuri al-Maliki and threatened to end the region's participation in the federal government. The deals involve major international commodity traders, including Trafigura, one of the top three oil traders in the world, trading and shipping sources said. A spokeswoman for Trafigura declined to comment. The sales come as the KRG and Baghdad aim to complete long-running negotiations over a pipeline Arbil built to Turkey to circumvent the central government monopoly. Arbil began pumping crude through to the Turkish port of Ceyhan on the Mediterranean in January but stopped short of selling it, under the threat of budget cuts from Baghdad.

Storage tanks are now nearly full with 2.4 million barrels, trading and shipping sources close to the matter said. Exports of this oil could start as early as later this month. KRG began selling its oil independently of the federal government in 2012 with a small trickle of condensate trucked through Turkey, followed by two types of crude oil. Baghdad says only its state oil company is authorised to sell Iraqi crude, but both sides claim the constitution is on their side and with a crucial hydrocarbon law stuck in draft mode, there is room to manoeuvre. A Turkish company called Powertrans is the broker for the Kurdish government, selling the oil via tenders to traders. Much of the crude has gone to Trieste, Italy while the condensate has gone to France, Germany, the Netherlands and even Latin America.

The tanker Marinoula discharged around 265,000 barrels of heavy sour Iraqi Shaikan crude oil at the Oiltanking terminal in Houston on May 1, shipping sources said and Reuters AIS Live ship tracking showed. The identity of the buyer was unclear as the terminal is connected to 23 refining, production and storage facilities scattered between the Gulf Coast and Cushing, Oklahoma. The crude was loaded by trading company Petraco at the Delta Rubis terminal at Dortyol in Turkey, one of two ports that export Kurdish oil, the sources said. The company declined to comment. At least four cargoes laden with Kurdish crude went to Israel since the start of this year. Trading sources said that Israel's Oil Refineries Limited's (ORL) plant at Haifa ran some of it. Paz Oil Company, owner of a refinery near Ashdod, bought at least two cargoes within the last 9 months, traders said. A spokesman for ORL said "ORL purchases its crude oil from different sources in accordance with the refinery's needs and market conditions." A spokeswoman for Paz denied the plant had used Kurdish crude. Some Kurdish oil has also been simply stored, sources said.

Geneva-based trading company Mocoh lifted Shaikan crude from Dortyol in Turkey on the Baltic Commodore, which arrived in Ashkelon in Israel on Jan. 31, market sources and ship-tracking showed. An official at the company said that "Israeli refineries are not necessarily using this crude," but declined to elaborate. Trafigura sent a cargo of Kurdish crude to Israel on the Hope A tanker, which went first to Ashkelon and then to Haifa between Feb 10-15. The Kriti Jade loaded Kurdish crude in Turkey and then sailed to Ashkelon on March 3 and then Haifa a few days later, the sources and ship-tracking showed. The second tanker, Kriti Sea, picked up Kurdish oil around March 5. The vessel then anchored off Limassol, Greek Cyprus but did not discharge crude. Petraco lifted both cargoes. Instead it left still laden and tracking was switched off between May 17-20 near the Israeli coast. When it reappeared, still close to Israel, the tanker was empty.

KRG rejects report on oil sales to Israel, US

Rudaw, *16.05.2014*

Kurdish officials rejected on Thursday a report by Reuters that the KRG had sold oil to Israel and the US. “Those places mentioned in report have not been sold even a drop of oil,” said a source from KRG’s Ministry of Natural Resources. Reuter wrote that Kurdish oil has been sold via the Turkish Powertrans to Israel’s Oil Refineries Ltd’s and that some oil shipments had reached refineries in Houston, Texas.

“The United States imported its first crude cargo from the region two weeks ago while at least four have gone to Israel since January, ship tracking and industry sources said, after two were shipped there last summer.” Reuters reported.

The report also mentioned that Kurdish natural gas condensate has been sold to Italy, France, Germany, the Netherlands and Latin America. “KRG oil has not been sold until now,” KRG spokesperson Safin Dizayee told Rudaw, supporting the denial by the MNR. “But the KRG’s hands are open to sell.” Dizayee added that approximately 2.5 million barrels of Kurdish oil is currently stored in the Turkish port of Ceyhan. According to the Reuters report, different buyers have picked up Kurdish oil from Turkey since January this year. This report comes just days after Turkish Energy Minister Taner Yildiz said that the sale of Kurdish oil had started at Ceyhan and that Iraq was supervising the process. Iraqi officials were quick in their response to the report of KRG’s alleged oil sales to Israel, describing it as “damaging to Iraq’s status.”

“Exporting oil to any country without Baghdad’s authority, in particular to Israel is violation of the constitution and degrades’ Iraq’s prestige,” said Ali Zari, an MP from Prime Minister Nouri al-Maliki’s State of Law coalition. “Diplomatic and economic ties with Israel cannot be accepted at all,” warned Zari, who is also the deputy head of the Iraqi parliamentary oil and gas committee. As Kurdish officials rejected Thursday’s report, “Israel’s Energy Ministry declined to comment, saying that it does not discuss the country’s sources of oil.” Reuters wrote. Dizayee maintained that the KRG has decided unambiguously to export and sell its oil via Turkey, but that no specific date has been chosen and that Erbil would take into account Baghdad’s role in the process.

Dizayee said that oil sales at this stage wouldn’t cover KRG’s expenses, but that it would be a political triumph for Erbil. “If the oil is sold at the world market price now it would be more a political achievement than economic because the volume sold would not cover all the government’s expenditures,” he said. Meanwhile, members of the Kurdish parliament expressed different opinion on the controversial subject that is likely to heighten tensions between Baghdad and Erbil. “The Arab countries themselves have all kinds of relations with Israel,” said Ari Harsin, an MP from the Kurdistan Democratic Party (KDP). “Why is it OK for them to do so and is a taboo for us?”

TAP, TANAP pipelines are low-risk projects – Azerbaijan's SOCAR

Oil and Gas Euroasia, *16.05.2014*

The TAP and TANAP gas pipeline projects fall into the low-risk category, SOCAR Abdullayev has said in his recent interview. "TAP and TANAP are very well positioned due to their strategic importance for Europe's energy security", he said. Therefore, Abdullayev noted, the projects are supported not only by the participating member countries, but also by the European Union (EU) as a whole.

"Being aware of potential risks and challenges, we constantly work with our partners to identify risks and implement effective risk management strategies, which is an ongoing process", he said.

Abdullayev went on to stress that from an international perspective based on that information, TAP and TANAP fall into the low-risk category. "However, we are exposed to the risk of rising steel prices due to the lack of long-term hedging instruments," he added. Another potential risk is the disruption of materials supply at the projects' construction stage, preventing timely execution, Abdullayev said. "We have understood and evaluated the possible impact of these risks on our projects; therefore, we have taken the appropriate pro-active measures to mitigate them," he noted.

Shah Deniz-2 project to have significant impact on economies of many countries

Trend. Az., *15.05.2014*

The investments of the second phase of development of the "Shah Deniz" gas condensate field as well as expansion and creation of gas transport infrastructure in Azerbaijan and Turkey is estimated at $46.5 bn. Azerbaijan's Energy Minister, Aliyev made the remarks in an interview.

In particular, the cost of the second phase of development of the field totals approximately $ 27 bn, the expansion of the Sangachal Terminal Expansion and of the South Caucasus gas pipeline - $ 6.5 bn, and the estimated cost of construction of the Trans-Anatolian gas pipeline about $ 13 bn, the minister said.

The implementation of the second phase of the Shah Deniz 2 will have a major positive impact on the economies of many countries, including Azerbaijan, Turkey, Georgia, Italy, Greece, and Azerbaijan. The final investment decision was made on the second phase of the Azerbaijani Shah Deniz offshore gas and condensate field's development on December 17, 2013. The gas to be produced within the second phase of the field's development will be exported to Turkey and to European markets by means of expanding the South Caucasus Pipeline and construction of the Trans-Anatolian Gas Pipeline (TANAP) and the Trans-Adriatic Pipeline (TAP).

The consortium for the development of the Shah Deniz gas condensate field in the Azerbaijani sector of the Caspian Sea, signed long term contracts (25 years) with nine European companies on gas supply in September 2013. The contracts for the purchase of gas from the second phase of development of the Shah Deniz field were signed in Baku with the following companies: Shell, Bulgar Gas, DEPA, Gas Natural Fenosa, EON, Gaz de France, Hera, Enel and Axpo. The first gas will be delivered to Turkey in 2018 and to Europe in 2019. The contract for development of the Shah Deniz offshore field, which has proven reserves of 1.2 trillion cubic meters of gas, was signed on June 4, 1996. Participants in the Shah Deniz field development are the State Oil Company of Azerbaijan (SOCAR) with a share of 16.7 percent, British BP (28.8 percent), Norway's Statoil (15.5 percent), Iran's NICO (10 percent), French Total (10 percent), Russia's Lukoil (10 percent), Turkish TPAO (9 percent).

Iran has sufficient infrastructure to store 8 bcm of gas

Natural Gas Asia, *11.05.2014*

Iran has built up sufficient infrastructure to store eight bcm of natural gas. Managing-Director of Natural Gas Storage Company Masoud Samivand said the infrastructure has been provided with the cooperation of National Iranian Oil Company andNational Iranian Gas Company.

He said that Shourijeh gas storage facility will propel Iran to the fifth position in the world in terms of gas storage capacity. According to Shana, Shourijeh storage facility will supply gas to North Khorasan, Khorasan Razavi, Mazandaran, Guilan and even Ardebil provinces in north, northeast and northwest of Iran.

Over the coming seven months, 5 mcm/d of gas would be stored in Shourijeh. Shourijeh facility, located 25 kilometers southeast of Sarakhs in northwestern Iran, can store up to 4.8 bcm of gas. The storage facility has a refinery with the capacity of 20 mcm/d. Iran officially inaugurated its first gas storage facility near the village of Sarajeh -- located approximately 124 kilometers south of the Iranian capital, Tehran -- in early January. The Sarajeh facility is said to have the capacity to store 1.2 billion cubic meters of gas in its first phase and 3.3 billion cubic meters in the second phase.

Iran's gas output to rise by 100 mcm this year

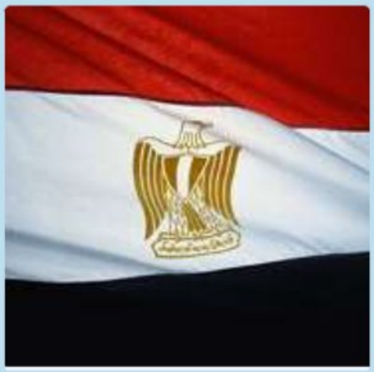
Natural Gas Asia, *14.05.2014*

Iran's natural gas output will increase by 100mcm/d by the end of the current Iranian calendar year (ends March 20, 2015), according to Managing Director of theIranian Offshore Engineering Company (IOEC) Gholam Reza Manouchehri.

Manouchehri said his company will install and launch four offshore platforms in the South Pars gas field which will produce the extra gas, reports Iran's Fars News Agency. Last month, Iranian President Hassan Rouhani announced that all phases of the development of the giant South Pars gas field will be accomplished by the end of his tenure in 2017, adds the news agency.

Egypt to float LNG import tender in July

Natural Gas Asia, *14.05.2014*



Egyptian Natural Gas Holding Company (EGAS) is expected to float an international tender in July to import LNG needed for power generation, company's chairman Khaled Abdel Badie toldDaily News Egypt Tuesday.

Baide added that EGAS will either issue a tender for the provision of gas for the next two years and offer a second one at the end of this period, or issue a tender for five years, in order to continue gas imports from 2015 onwards, says Daily News Egypt. The imports would provide approximately 500 mcf of gas per day for power plants starting from 2015, said Badie.

According to Daily News Egypt, the Ministry of Petroleum is also about to complete an agreement with Russia's Gazprom to supply approximately 12 shipments of LNG. Earlier this week, Höegh LNG signed a deal with Egyptian Natural Gas Holding Company (Egas) for the use of one of its Floating Storage and Regasification Units (FSRU) as an LNG import terminal in the port of Ain Sokhna, located on the Red Sea's Gulf of Suez.

Kuwait inks LNG deal with BP

Natural Gas Asia, *13.05.2014*

Kuwait Petroleum Corporation (KPC) on Tuesday signed a contract with British Petroleum (BP) to buy LNG. As per the deal, BP will supply 6-8 LNG shipments per year over five years, reports Kuwait News Agency (KUNA). With this deal, the KPC marketing sector has managed to secure Kuwait's needs of LNG till the end of November, KPC's International Market Managing Director Nasser Al-Mudhaf said.

On Sunday, KPC signed a $12 billion six year LNG deal with Shell. Last month, Kuwait signed an LNG deal with Qatargas under which the KPC will import LNG till the end of 2014.

Any additional LNG needs, during the summer, would be secured through spot delivery contracts, Al-Mudhaf added, reports KUNA. He explained that KPC negotiates and signs contracts with LNG providers, on behalf of the Ministry of Electricity and Water, to secure its needs of natural gas for power generation and other purposes, adds KUNA.

Kuwait to sign $12 bn LNG deal with Shell

Natural Gas Asia, *12.05.2014*

Kuwait Petroleum Corp on Sunday said it has would sign a $12 billion six year LNG deal with Shell, reports news agency Reuters. It was not immediately clear if the contract was the same as an LNG supply deal between Kuwait Petroleum Corp and Shell reported last month in a Kuwaiti newspaper, says Reuters.

A statement by KPC said Oil Minister Ali al-Omair had received a delegation from Shell to sign the contract but did not provide the volume. Last month, Kuwait signed an LNG deal with Qatargas under which the KPC will import LNG till the end of 2014.

TAP launches pre-qualification for onshore pipeline in Greece, Albania

Natural Gas Europe, *13.05.2014*

Trans Adriatic Pipeline (TAP) launched the second pre-qualification for cross-country onshore pipeline in Greece and Albania. 'Construction of the pipeline is planned to start in 2016 and will be split into five lots – three in Greece and two in Albania,' reads a note released on Monday.

The 870 km long pipeline, which will connect TANAP to Italy, is expected to progress in the coming weeks. 'The next contract notice to be issued by TAP in the coming weeks will be the pre-qualification of companies for the construction of compressor stations.

The pre-qualification of companies for the Italian onshore pipeline section will be announced at a later stage, as part of another contract notice,' Knut Steinar Kvindesland, Procurement Director at TAP, commented. TAP issues the contract notice in the Official Journal of the EU – the EU Gazette. The contract for a major Engineering Procurement Construction (EPC) will also include the construction of 32 block valve stations along the route.

EU & South Stream: compromise unlikely

Natural Gas Europe, *12.05.2014*

Europe is indeed dependent on Russia for its energy supplies especially when natural gas is the case, but so is Russia on Europe as its primary market, especially, again, for natural gas. This co-dependence limits the room for maneuver for each.

In the medium-term Russia may well regret threatening to use energy as a weapon in the struggle over Ukraine, as there are clear signs, that the European Union is increasingly determined to further diversify its gas supplies, complete its internal energy market and eliminate Gazprom's monopoly positions.

Even before Russia's seizing of Crimea and Russian forces' territorial incursions into Ukraine, the realization of the South Stream pipeline seemed problematic, according to Dávid Korányi, Acting Director, Dinu Patriciu Eurasia Center at the Atlantic Council. "It's difficult to foresee how South Stream will evolve," he say9s. "It's a function of the Ukraine-crisis and a possible political showdown with Russia, but also how the EU investigation against Gazprom will turn out in the coming months.
"It depends on the EU-Russian energy relationship as a whole," he continues. "Gazprom's business model in Europe will have to fundamentally change in any case." Mr. Korányi says this should all be seen in the context of the broader deteriorating relationship between Russia and the EU, which is not likely to grant South Stream third party access (TPA) exemptions as offered to Nord Stream earlier or to the Southern Corridor.

"Given the political circumstances, I don't see much flexibility in the Commission or in most member states to negotiate a deal that Russia has created that would provide exemptions in those countries. Russia will have to consent to EU internal market rules applying to itself and Moscow does not seem to be ready to do that. In the context of what is happening in Ukraine, there is an increased political willingness within the European Union to deliberately create a situation where South Stream will eventually be impossible to be built," he offers. Nord Stream, Mr. Korányi says, was seen as both strategic and commercially profitable by key European investors. "South Stream is not; during the building of Nord Stream it was peacetime between the EU and Russia.

Now it is anything but. Meanwhile, he says he sees a resurgence of the activity of Russian actors to retain market share to keep and further increase their positions in Eastern Europe. "The monopoly supplier problem, the dependence problem, the higher prices – though the situation has improved in most countries as the EU internal market is slowly being completed - these issues have not been solved. "In case of another cut-off of supplies through Ukraine, the Balkans, but also Central & Eastern Europe, will suffer," he says. "Hence, to speed up supply source diversification is a must, through LNG terminals and through new pipeline routes." LNG is certainly an option even in the short term, he says, though it entails higher prices. He points out there is idle capacity in Western Europe to import LNG from existing suppliers such as Qatar or Nigeria.

"The US cannot directly help Europe with gas supplies in the short term. US LNG won't come online until 2015-16. But in the medium-term the allowing of unrestricted US NG exports to Europe would be a great contribution to overall efforts to diversify away from Russian supplies, even if the EU should be conservative about how much actual US gas will end up in Europe. The price points in Asian markets are currently far more attractive and will likely remain the preferred destination for US gas exports. Yet, simply by increasing liquidity on the global LNG markets, the United States could further improve European energy positions by enhancing the negotiating power of the buyers, especially those in Central Europe and the Baltics."

How much could the Southern Corridor change dependence on Russian gas supplies in CEE? It all depends on the time frame, he says. "Again, it is not a short-term solution," he opines. "But it will help, potentially big time in the medium- and long-term. The 1 BCM that the Bulgarian state-owned company contracted, and the ongoing talks to build the interconnection between Greece and Bulgaria that will enable access to LNG as well, will mean that Bulgaria, one of the most vulnerable of the CEE states, will be in a much better position by 2019-20." Other countries in the region may also benefit from the Southern Gas Corridor beyond 2020. "Down the road, if you look closely at what the Azeris are doing and what SOCAR is doing and how prospective the other offshore Caspian fields are, then by the middle of the next decade Azerbaijan may have significant quantities of natural gas coming online for export, which could total up to 30-35

BCM." Then, Mr. Korányi says, there's the Kurdistan region of Iraq. "Mindful of all the political difficulties that surround that region the Kurdistan Regional Government (KRG) could also add significant quantities of supply into the Southern Gas Corridor. Gas from the Eastern Mediterranean gas could also make it to the Corridor." However, he says one key issue of concern is the Trans Anatolian Pipeline (TANAP). "It is unclear whether in its current form and ownership structure, it will it be an enabler or preventer of additional quantities feeding into the Corridor in addition to Azeri gas. "Since Turkey's not a member of the Energy Community, the EU acquis is not applicable. This means that 3rd party access rules are not applicable. SOCAR will be in a controlling position – they'll be calling the shots. It would certainly make sense from a commercial point of view to allow for transit of Kurdish and/or East Med gas through TANAP a hugely expensive undertaking that could certainly benefit from transit fees. But politics could always complicate things. "Shah Deniz gas will not exactly be cheap either," he adds.

"The price for Shah Deniz gas will be around $400-410/TCM, which is not significantly cheaper than Russian gas – in fact it is more expensive than some existing contracts with Russia. So while the Corridor cannot replace all gas coming from Russia even in an expanded form - and it will be quite expensive - its importance is still massive. Its gas will inject competition into all European gas markets that will blunt Russia's energy weapon." And what about emerging resources for the Southern Corridor like those from Northern Iraq? He says it's a function of TANAP. "In any case, most of the gas from the KRG will end up in Turkey, which will be the main consumer of Iraqi gas. It is onshore gas and will likely be considerably cheaper on the cost side than natural gas from the Caspian, or from the Eastern Mediterranean for that matter." In addition, according to Mr. Korányi, there doesn't seem to be much European activity towards luring Iraqi gas, in contrast to efforts for Caspian gas. "Of course there are the security issues and the political disarray in Iraq, in addition to the huge additional domestic energy needs and the ongoing standoff between Baghdad and Erbil over hydrocarbon revenue sharing and export policy, that will complicate gas exports." he opines.

Still, there are very significant quantities of gas, he says, to the tune of 10-20 BCM. “Even if KRG gas itself doesn’t make it to Europe, then it could actually offset gas from elsewhere that could make it to Europe,” he adds. Iran could also someday export its gas to Europe given that it was included in the original concept as a source for the Southern Corridor project. “It’s not going to happen tomorrow, but I wouldn’t exclude a scenario that a year from now this is something that could be more seriously discussed pending a resolution on the nuclear dossier. Iran certainly has the reserves to become a massive supplier to Europe” Eastern Mediterranean gas, he says, is another prospect for the Southern Gas Corridor, but with many caveats. “The quantities are not huge for a start. Another difficulty there is that those export infrastructure solutions that are commercially the most viable are the most difficult politically.

“Commercially, one ideal solution would be to build a pipeline from Israel’s Leviathan field to Turkey (possibly through Greek Cyprus) and export gas to Turkey and feeding it into TANAP. That is a fast and cheap solution, but that pipeline should either cross the exclusive economic zone of Lebanon and Syria, or that of Greek Cyprus. And if there is no settlement to the Greek Cyprus issue, that’s just not going to happen. Whether gas could be used to entice the parties to come closer on a settlement on the decades-old Greek Cyprus issue is a complex question, but it is an option definitely worth exploring.” Floating LNG, he says, would be the least risky option for East Med gas from a geopolitical perspective, “but it is a largely unproven technology, hence commercially risky. ”As of now, all the options are still on the table, including using the idle LNG export facilities in Egypt, another commercially very attractive option.”

Amendments to the Bulgarian energy act pushed by Gazprom, evidence suggests

Natural Gas Europe, *10.05.2014*

The Reformist Block unveiled evidence from official papers signed between the Bulgarian Energy Holding and Gazprom which suggests that amendments exempting the marine part of South Stream from the 3rd energy package were forged outside Bulgaria.

The Reformist Block, a democratic formation of Bulgarian right-wing politicians, released information to media, suggesting contracts signed between the state-owned Bulgarian Energy Holding and Russia's Gazprom prove that South Stream is envisaged to be built according to Bulgarian legislation, thus evading the 3rd party access rules of the EU.

The political formation said it was granted access to a number of papers, protocols and letters by the court according to the Access to Public Information Act. The term "sea pipeline", referring to the Black Sea stretch of South Stream landing on Bulgarian soil at Varna, which found its way in Bulgarian legislation, was also proposed by South Stream Transport b.v., correspondence obtained by the Reformist Block showed. The formulation "sea pipeline" was then pushed in amendments to the Energy act by Bulgarian Socialist Party MPs Yavor Kuymdzhiev and Tasko Ermenkov in February 2013. This formulation is not present within the European directive on gas markets, so it should not comply with the rules of 3rd party access.

The definition of an interconnector pipeline is modified to describe "a gas transport pipeline which traverses the border or lies on the territories of two EU member-countries with the sole purpose to connect their gas transport systems". If the changes pass second reading, South Stream will have a similar statute as gas interconnectors, exempting it from 3rd party access rules of the EU. These amendments however are yet to pass a second reading and would most likely be a topic of discussion between Bulgaria's energy minister Dragomir Stoinev and energy commissionaire Guenther Oettinger. Stoinev has already been asked to provide crucial information to the EC.

After a meeting between the two of them, the commissionaire's office issued a statement insisting that the Third Energy Package applies to all gas infrastructure on the territory of the EU, including in Bulgarian waters. "The Reformist Block has considerable doubts that the amendments to the Bulgarian Energy Act have been forged outside the country by Russian influence circles. It is clear that they are meant to serve private interests. They will further deepen Bulgaria's dependency on foreign (energy imports) and thus will keep electricity, gas and central heating prices high", the Reformist Block alarmed in its open letter to the media.

Inter-European gas wars: Europe's pursuit of energy-cide

Reuters, *15.05.2014*

There is a gas race in Europe. This rivals the well reported US - Europe gas price difference, due to cheap US shale gas and high European imported gas prices. In an attempt to compete against the US European industry just got handed a price break in the form of lower support payments for the renewable energy sector.

However, European countries also compete against each other over the price of electricity, a race to the bottom, or rather Energy-cide: the destruction of sovereignty in the pursuit of lower energy prices. This price war also forces countries to develop strategies to keep electricity prices low.

An example is Hungary's deal with the Russians for a 'low' cost nuclear power plant. This inter-European energy price war holds significant long-term political and economic costs, which can hobble Europe's competitiveness and political independence. The result of this inter-European price war is Russia captures the Crimean prize by understanding how the game is played. The limp EU financial sanctions to hold Russia in-check are framed as the EU punishing Russia. But this is Europe, the 'unified' EU action mask the inter-country price wars raging between member states. In each region this plays out differently, for those in the west of Europe (old member states) it is the result of the high initial cost of shifting towards renewable energy and the impact on industry; for those in the east (new member states), it is reliance on Russian gas and householders proportionally high utility bills.

The impact of this price war can be seen playing out in Berlin and Brussels in April, 2014. First the German government approved amendments to its renewable energy law, lowering the cost of German industry financing for renewable energy. Second, the European Commission voted to reduce payments energy intensive industry make to fund the renewable energy shift. The pressure is now intense in Western Europe to reign in energy prices and the real and potential threat of industry flight to the United States. The US, and its cheap shale gas, is held up as a magnet sucking European jobs. Europe feels the coming climate change apocalypse, just as much as a faltering economy, Russian tanks in the Crimea are simply less threatening.

But this is a Brussels' view of the world, in the east the people and politicians feel the heat from Russia. The Hungarian government continuously lobbies against sanctions on Russia for the violation of Ukrainian sovereignty. With Hungary dependent on Russia for gas and nuclear power, its current charade of low energy prices can only be maintained by the wishes of Russia. The Hungarian government secretly inked an agreement with Russia to take a 10 billion euro loan to build two new reactors. Despite no social or political debate, the overriding excuse for such a deal by Hungary's Prime Minister was lower energy prices – even if the numbers show a doubling of electricity prices.

He envisions to have Europe's most competitive electricity cost for industry and be more competitive than the Czech Republic or Germany. Hungary will be a manufacturing powerhouse fuelled by cheap Russian nuclear power. In return, the Russian's hold over Hungary a huge mountain of debt which they'll use to manipulate Hungary's foreign and domestic policies. Other countries in Eastern Europe are the same, Bulgaria has been plagued with violent riots over electricity and gas bills. The country's seven member energy and water regulatory commission had 17 different members and six different chairman in 2013. Poland has lost an environmental minister due to bungling the country's shale gas 'revolution' – it still awaits a commercially viable well. Each country in Eastern Europe has the stated aim of having the cheapest gas and electricity and literally being a regional powerhouse. Each country wants to compete and attract industry from Western Europe. Poland wants chemical manufactures from Germany. Hungary wants auto manufacturers to set up shop. It is a continental race to the bottom.

Russia benefits in spades from intra-European conflict over energy prices while the continent as a whole attempts, by any means, to close the price gap with the US. In 2012, the German border price for gas was four times higher than the US Henry Hub price (even if this is a flawed comparison, it is often made as an excuse for needing lower EU energy prices). To close the price gap, somehow the solution is more Russian gas. Russia's South Stream pipeline project will avoid Ukraine and deliver the same gas to Europe, without Ukrainian interference. The pipe will traverses the Black Sea, landing in Bulgaria and connecting Serbia, Hungary and Austria. When the going got tough over a year ago for South Stream's competitor, Nabucco, which would bring non-Russian gas to these same countries, both the United States and the EU failed to step up to ensure its success. The project offered to diversify Eastern Europe's gas supply. Instead the EU accepted another gas pipeline to Italy – a long running ally of Russia and thus acceptable to both those in Brussels and in Moscow.

The evolving gas map keeps the east boxed in: South Stream and Nord Stream. There is almost zero western support for diversification, the result is high prices and Russian dependency with low security of supply. But is this paranoia? Not when the German partner of South Stream remarks over EU blocked talks with Russia, "If anything, the approval procedures should be accelerated, not delayed," said Rainer Seele the Chief Executive of Wintershall. Should the only means of leverage Ukraine holds over Russia be sped up? Just so Ukraine can be eaten faster by Russia? Hungary's Orban signs secret deals with Russians because he knows he needs to compete against the west on price, Berlin or Paris aren't going to send cheaper electricity or gas to the east. The true price masters are the Russians. They see this intra-EU country price competition.

They see political leaders hanging by economic-popularity threads, industry bent over a Russian pipeline – sucking gas, Bulgarians protesting over prices and burning utilities' cars, while Viktor Orban proclaims an energy price war against Brussels while furtively flying off to Moscow. Even the 'green' German consumer demands cheaper electricity. Industry perception of the energy system as a whole matters, even if Russian gas is marginal in Western Europe. The closure of German nuclear was perceived as a blow against German industry, another blow is unwelcomed. The Russians hear from European industrial and political leaders, "take the Crimea, but just help us compete against our European neighbors and America." Energy-cide, the destruction of sovereignty in the pursuit of lower energy prices. Russia is the cat and Europe is the mouse. Russia eats part of Ukraine, while Russia also politically binds the Bulgarians, Hungarians and Germans over gas prices.

EU adds top Putin aide, two Crimea energy firms to sanctions list

Reuters, 12.05.2014

The European Union imposed sanctions on Monday on a top aide to Russian President Vladimir Putin and the commander of Russian paratroopers as well as two confiscated Crimean energy companies, raising pressure on Moscow over its actions in Ukraine.

Putin's first deputy chief of staff, Vyacheslav Volodin, and Vladimir Shamanov, the commander of Russian airborne troops that took part in Russia's occupation of Ukraine's Crimea region in March, were among 13 people added to the EU's sanctions list. Volodin, a wealthy lawyer and veteran political strategist, is already on the U.S. sanctions list.

The latest additions bring to 61 the number of Russians and Ukrainians the EU has targeted with asset freezes and visa bans. For the first time, the EU's latest sanctions list included two companies after EU foreign ministers agreed on Monday to broaden the scope of sanctions, making it easier to freeze the assets of companies involved in the Ukraine crisis. The companies are a Crimea-based gas company, Chernomorneftegaz, and a Crimean oil supply company, Feodosia. The EU said both companies had been effectively confiscated by the new authorities in Crimea following the Russian takeover. The United States had already imposed sanctions on Chernomorneftegaz on April 11, effectively putting it off limits to Russia's state-controlled energy giant Gazprom, which was expected to bid for a stake in the company. U.S. officials said at the time that Washington's move aimed to make it impossible for Gazprom to have dealings with Chernomorneftegaz.

For now, EU sanctions are limited to firms or other organizations linked to Russia's annexation of Crimea, and the EU will not target high-profile firms such as Gazprom. Also on the EU's new list of people facing asset freezes and visa bans were several pro-Russian separatist leaders in eastern Ukraine, including Vyacheslav Ponomaryov, the rebel mayor of Slaviansk who said earlier on Monday his eastern region needed Russian troops to provide stability. Also included were Roman Lyagin, head of the electoral commission in Donetsk region, and Alexander Malykhin, head of a local election committee in Luhansk. Both were involved in organizing self-rule referendums in their areas on Sunday that the EU has called illegal.

"By continuing its faulty, anti-Russian sanctions logic, the European Union undermines trust in itself as a partner and casts doubt on its claim to an objective role in supporting a resolution of Ukraine's internal conflict," the Foreign Ministry said in a statement. Even after the latest additions, the EU sanctions are less far-reaching than those imposed by the United States. The EU's reticence to go further and impose tough economic sanctions on Russia over its support for separatist groups in Ukraine reflects concerns among many of its member states about trade and industrial ties and heavy reliance on Russian energy.

Underscoring such concerns, diplomatic sources said France planned to press ahead with a 1.2 billion euro ($1.66 billion) contract to sell Mistral helicopter carriers to Russia because scrapping it would do more damage to France than to Russia. EU foreign ministers meeting in Brussels on Monday did, however, discuss possible triggers for tougher sanctions, with big EU powers Germany, France and Britain all suggesting that Russia must be punished if it undermined Ukraine's presidential election on May 25. A joint statement after the meeting said the EU would "pay particular attention to all parties' attitude and behavior towards the holding of free and fair presidential elections when deciding about possible future measures". The ministers also held talks with Didier Burkhalter, head of the Organization for Security and Cooperation in Europe, who has drawn up a peace plan for Ukraine. Several ministers denounced the independence referendums held in parts of eastern Ukraine on Sunday as illegal. "These do not have credibility or international acceptance or recognition.

I think the votes in the Eurovision song contest really were more credible," British Foreign Secretary William Hague told reporters. Despite Hague's joke, the separatist region of Donetsk appealed to Moscow on Monday to consider its absorption into the Russian Federation. The EU ministers said they backed "a swift convening" of another ministerial meeting between Ukraine, Russia, the United States and EU to ensure an April agreement aimed at defusing the Ukraine crisis was fully implemented. Ministers also asked EU officials to draw up plans for a possible EU mission to advise Ukraine on rebuilding its police and legal system. Britain, Poland and Sweden have proposed sending hundreds of judicial and police advisers to Ukraine. German Foreign Minister Frank-Walter Steinmeier said he would travel to Kiev on Tuesday and possibly to eastern and southern Ukraine to try to convince people there that building bridges between different sides was the only solution.

Ukraine wants to join EU energy union

Oil and Gas Euroasia, *14.05.2014*

Ukrainian Prime Minister Arseny Yatsenyuk has said his country is ready to join the pan-European energy union which Polish Prime Minister Donald Tusk suggested setting up recently.

Polish Prime Minister Donald Tusk's idea has been backed by European Council President Herman Van Rompuy, French President Francois Hollande and German Chancellor Angel Merkel. They think an energy union would offer a single transparent mechanism for gas price formation in the European Union.

Russia launches ultimatum

Natural Gas Europe, *11.04.2014*

Russia has decided that Ukraine would have to pay for June supplies before June 2nd, with an immediate stop to the gas supplies to Kiev should prepayment not be made.

“Once again, of course, one should be aware that this is not about halting the supplies, it is about supplying Ukraine with gas in strict compliance with the prepayments, i.e. how much gas Ukraine will buy for June,” Alexey Miller, Chairman of the Gazprom Management Committee, told Dmitry Medvedev, Russian Prime Minister. According to the transcript of the conversation, Medvedev suggested that there is room for negotiation in case Ukraine paid at least a part of its debt.

“Still, they have an opportunity to settle their debts before the end of May, and pay the required amount of money or at least a part of it and start negotiating this matter with Gazprom, that is, express their wish to pay off their debts. Today, we do not see this willingness on the part of Ukrainians,” Medvedev concluded. Gazprom stated that Ukraine’s total debt for Russian gas totalled $3.508 billion, with no payments received by the Russian giant after February. According to Miller, Ukraine hasn’t paid for 9 billion 420 million cubic meters of gas, including last year’s debt. In the while, according to Oil and Gas Information Agency, the Russian government is ready to start an auction on gas deposits in the Yamalo-Nenetsky.

Russia calls on Europe for intervention; Gazprom negotiates with Hungary

Natural Gas Europe, *15.05.2014*

Russia called on European authorities to come up with a proposal to stabilise the Ukrainian economy and to ensure stable transit of Russian gas, while Ukrtransgaz is stepping up its efforts to avoid further disruptions in the Ivano-Frankivsk region.

"Over the past few days, cases of interference have been documented in western Ukraine's pipelines. Interferences were localized and did not affect the gas supply and transportation of natural gas according to existing contracts," Igor Lohman, Chairman of Ukrtansgaz, said in a note released on Thursday.

As written on Monday, Ukrtransgaz reported leaks in Urengoy-Uzhgorod-Pomary Pipeline, claiming that the damage had to do with 'unauthorized people.' The Kremlin said that it is open to discuss how to decrease further risks of gas disruptions. "The Russian Federation is still open to continue consultations and work together with European countries in order to normalise the situation. We also hope that the European Commission will more actively engage in the dialogue in order to work out specific and fair solutions that will help stabilise the Ukrainian economy," Russian President Vladimir Putin commented in a communiqué released on Thursday. But Moscow is not wasting time to find alternatives. Other than holding negotiations with Chinese authorities, Russians are not giving up their European campaign.

On Wednesday, Gazprom's Alexey Miller met Viktor Orban, Prime Minister of the Republic of Hungary. 'Considering the plans of constructing a South Stream section in Austria, the joint decision was made to additionally investigate the new route of the Hungarian section towards Austria,' reads a Gazprom's press release, clearly indicating that the pipeline could soon change route. On April 29, Gazprom and OMV signed a Memorandum of Intent to implement the South Stream project in Austria. 'The Memorandum reflects the parties' intentions to construct the Austrian section of the South Stream gas pipeline with the throughput capacity of up to 32 billion cubic meters a year and the end point in Baumgarten,' reads the note.

Russia, China gas deal expected next week

Natural Gas Asia, *13.05.2014*

Russia and China will most likely sign the much delayed gas supply deal during President Vladimir Putin during his visit to Beijing on May 20, according to RIA Novosti. Russian Deputy Energy Minister Anatoly Yanovsky on Monday said that a contract on delivering gas to China was 98% ready.

The supply agreement between Gazprom and China National Petroleum Corporation has been delayed several times over pricing disagreements. According to RIA Novosti the project envisages the construction of a new Russian pipeline to China, the completion of which has been delayed by Gazprom to 2020.

Russia ready for gas talks with Kiev only if it pays debt

Reuters, *12.05.2014*

Russia will be ready to hold more talks with Ukraineon its natural gas supplies only when Kiev pays its gas debt to Moscow, Deputy Energy Minister Anatoly Yanovsky said on Monday. "We want contract liabilities to be fulfilled... To continue talks, the debt should be paid," Yanovsky told reporters.

Moscow says Kiev owes it $3.51 billion for gas, and has told Ukraine it must pay in advance for its gas from June. Russia's top natural gas producer, Gazprom, supplies about 30 percent of the gas consumed in Europe, and ships about half of that via Ukraine.

Russia's Energy Ministry said last week Gazprom would send a preliminary bill for June before May 16 and deliver gas only in volumes that reflected what payments it had received before May 31. Ukraine wants to change the conditions of a 2009 contract, negotiated by an earlier government. This deal locked Kiev into buying a set volume, whether it needs it or not, at $485 per 1,000 cubic meters - the highest price paid by any client in Europe. Moscow dropped the price to $268.5 after President Viktor Yanukovich turned his back on a trade and association agreement with the European Union last year but reinstated the original price after Yanukovich was ousted in February. On Monday, Gazprom said gas flow to Europe remained stable.

Uzbekistan expects gas output to reach 66 bcm by 2020

Natural Gas Asia, *15.05.2014*

Uzbekistanintends to increase natural gas production to 66 billion cubic meters by 2020, Shokir Faizullaev, the chairman of the Board of Uzbekneftegaz national holding company.

In 2013, the Central Asian nation produced 62.911 billion cubic meters of gas, according to the government, says to Trend News Agency. According to Faizullaev, country's gas exports is expected to rise by 20 per cent by 2020, reportsTrend News Agency. In 2013, country exported about 13 billion cubic meters of natural gas. Gas consumption by the country's economic sectors by 2020 is likely to decline by 7 per cent compared with consumption recorded in 2013.

Tajik section of Turkmenistan-China gas pipeline to start in autumn

Natural Gas Asia, *15.05.2014*

Construction of the Tajik section of a gas pipeline from Turkmenistan to China will start in early autumn this year, Tajikistan's Asia Plus News reports citing Ministry of Energy and Water Resources (MoEWR).

An official source at a MoEWR told Asia Plus News that China National Petroleum Corporation(CNPC), will fund the construction of Line D (a gas pipeline from Turkmenistan through Tajik territory to China) and Tojiktransgaz, Tajik state-run natural gas distributor will be co-participant in the project.

A government-to-government agreement on construction of a gas pipeline from Turkmenistan through Tajik territory to China was signed in Bishkek, Kyrgyzstan in September last year. The 400-kilometer pipeline is expected to carry natural gas from Turkmenistan's Galkynysh gas field through Afghanistan and Tajikistan into China's northeast Xinjiang-Uyghur Autonomous Region.

China targets 65 bcm of Turkmen gas imports by 2016

Natural Gas Asia, *12.05.2014*

China is aiming to import 65 billion cubic meters of natural gas from Turkmenistan by 2016, according to a joint statement by the two countries released Monday. The two parties have mapped out bilateral energy cooperation in a joint declaration during Turkmen President Gurbanguly Berdymukhamedov's state visit, says news agency Xinhua.

Both China and Turkmenistan have agreed to ensure the smooth and stable operation of Line A, B and C and that they meet the designed capacity; kick off construction of Line D as soon as possible and try to put it in operation by 2016, Xinhua quotes from the joint statement.

Line A was launched in December 2009, and Line B in October 2010. They have a combined transport capacity of 30 billion cubic meters per year. The transport capacity of Line C is 25 billion cubic meters per year. Xinhua adds that the two countries will speed up design and construction of the second phase of the Fuxing gas field in Turkmenistan with a capacity of 30 billion cubic meters annually.

Uktransgaz reports damage in Urengoy-Uzhgorod-Pomary pipeline

Natural Gas Europe, *10.05.2014*

Ukraine's Uktransgaz reported leaks in the main gas pipeline Urengoy-Uzhgorod-Pomary in Ivano-Frankivsk region, claiming that the damage has to do with 'unauthorized people.' "Specialized units of PJSC Ukrtransgaz are dealing with the damage," said Igor Burak of Uktransgaz.

According to the note released just in Russian and Ukrainian, the damage will impact on the transportation of natural gas to Europe. Investigative authorities are said to be working on the case. The Kremlin announced it would require Ukraine to pay in advance for gas starting from June, Energy Minister Alexander Novak said on Thursday.

Rosneft meets CNPC to expand partnership

Natural Gas Europe, *14.05.2014*

Russia keeps holding talks with China, seeking for an expansion of their partnership. On Wednesday, Rosneft's Igor Sechin met the Director of China's National Energy Administration to speak about cooperation with China National Petroleum Corporation (CNPC) and Sinopec.

'In negotiations the parties considered the progress in the implementation of Rosneft projects with such Chinese partners as CNPC and Sinopec. The parties noted satisfaction with the cooperation, specifying mutual aspiration for development and expansion of their partnership,' reads the note released by Rosneft.

Recently, Gazprom's Alexey Miller met the Chairman of CNPC to step up the existing cooperation in view of a gas contract to be signed in May. As suggested by several analysts, Moscow is looking east to find a feasible alternative to gas supplies to Europe. In this context, it comes as no surprise that Sechin called authorities in China, Japan, South Korea and Vietnam.

Halliburton's interest in Greek Cyprus

Reuters, *02.04.2014*

Halliburton will be using Greek Cyprus as its base of operations for the Eastern Mediterranean. Halliburton is a giant in oilfield services providing a broad array of services and products to upstream oil and gas customers worldwide.

A deal concluded between the company and the government confirms the latter. Senior company representatives met with the Cypriot President and Greek Cyprus' Minister of Energy Lakkotrypis for this purpose. To Greek Cyprus, the interest of this leader in the oilfield services industry in its offshore natural gas explorations comes as a confirmation of its attractiveness as an energy hub.

The island is trying to position itself as a future potential contributor to Europe's energy security. It has adopted an onshore LNG terminal as its strategic project. Once it reaches export phase, the facility would allow the island the flexibility in the choice of the customer. Natural gas can be paramount in improving the Republic of Greek Cyprus' economy, severely hit by the financial crisis.

Eon drive into emerging markets fails to balance declines at home

Reuters, *13.05.2014*

Eon, Germany's biggest utility company by market value, posted a steep decline in core earnings on Tuesday as its strategy of expanding in emerging markets showed little sign of compensating for lower earnings at home.

Earnings before interest, tax, depreciation and amortisation declined by 12 per cent from 3.6billion euros in the first quarter of 2013 to 3.16billion euros in the first three months of this year. The company suggested that negotiations with the German government for payments to cover the cost of maintaining conventional generation capacity could soon bear fruit.

In a letter to shareholders, Johannes Teyssen, chief executive, said: "I'm confident that the German federal government will soon set a course that will enable conventional power plants to provide a continuous, reliable back-up for the intermittent output of renewables." German utilities have been shutting down or mothballing conventional power plants, saying that policies that favour renewables mean they are no longer viable. The German government opposes subsidies for all conventional power plants, but ministers are open to discussing regional solutions to prevent a loss of capacity. Eon's underlying net income, which excludes non-recurring expenses, declined by 13 per cent from €1.4bn to €1.2bn for the first quarter. Earnings per share declined by 65 per cent to €0.40.

Eon's chief admitted that the strategy of expansion overseas "has presented us with challenges". Ebitda for non-EU countries, which includes Eon's operations in Russia, Brazil and Turkey, declined by 46 per cent from €193m to €105m in the first quarter. Mr Teyssen said that while the company's Turkish joint venture was performing well, this operational success had been overshadowed by the Turkish lira's exchange rate. In Brazil, Eon has raised its stake in Eneva, the heavily-indebted energy group it jointly owns with former billionaire Eike Batista. Eon said that Eneva's financial situation "remains difficult".

The company admitted that the Ukraine crisis could have an impact on its Russian activities, but said that at present its business in Russia continues to operate "according to plan". Ebitda for its Russian unit fell from €200m to €131m. Eon said the principal reasons were a reduction in power consumption in conjunction with an increase in generating capacity and output. Germany's utilities are struggling with the consequences of the country's exit from nuclear power and shift to renewable energy. Power companies have discussed the creation of a publicly owned foundation that would take on the risks of the country's nuclear shutdown. But the idea has been rejected by the German government. Eon confirmed its 2014 ebitda forecast of €8bn to €8.6bn and underlying net income of €1.5bn to €1.9bn.

Azerbaijan’s SOCAR to resume gas supply to Russia

Oil and Gas Euroasia, *14.05.2014*

Azerbaijan’s state energy company SOCAR plans to resume gas supply to Russia after completing the restoration work on the pipeline that runs from Azerbaijan to Russia, Trend reported on May 14, citing SOCAR head Rovnag Abdullayev as saying on May 13. He noted SOCAR is not currently exporting gas to Russia due to the ongoing repair and restoration work on the pipeline.

Gas supply has been suspended since January. “Gas supply hasn’t resumed yet. But this doesn’t affect the contract, as its terms allow us to supply gas at any time,” SOCAR head Abdullayevsaid.

Abdullayev went on to say that signing loan agreements within the project on the construction of a new Star refinery in Izmir, Turkey, will take place in Istanbul in late May.

Ukraine ready to pay Gazprom $4 billion

Oil and Gas Euroasia, *16.05.2014*

Naftogaz of Ukraine is ready to pay off its debt to the Russian Federation for the use of natural gas, but only after settling the pricing dispute, Deputy Minister of Energy and Coal Industry Ihor Didenko told a press briefing on May 15, Ukrinform has reported. “Naftogaz of Ukraine is ready to pay JSC Gazprom USD 4 billion for the use of natural gas after the price is documented,” Didenko said.

He also noted that the new price has not been documented between Gazprom and Naftogaz, so the Ukrainian side considers valid the current price of USD 268.5 per 1,000 cubic meters.

Oil gains on Ukrainian tension

Gazprom, *04.04.2014*

Brent futures held above $109 per barrel on Friday as fresh tensions over Ukraine kept them on course for their biggest weekly rise since mid-April, while returning Libyan supply capped gains.

US crude futures were also heading for their best week in more than a month, bolstered by data indicating the US economy could be firming. US Secretary of State John Kerry warned Russia it faced broader economic and industrial sanctions from the US and Europe if it meddled in Ukraine's presidential elections on 25 May.

"The situation with Ukraine is stopping (oil) sellers being too aggressive," CMC Markets chief market analyst Ric Spooner told Reuters. Price differentials between Brent contracts for June and July also helped push prices higher Newedge Japan commodity sales manager Ken Hasegawa told Reuters. "Brent is trying to fill the gap between the June contract, which expired on Thursday and the new contract for July," Hasegawa said. Brent crude for July delivery had risen $0.25 to $109.34 per barrel by Friday morning, up from $109.09 after the new front contract took effect.

"Fewer US jobless claims offset weaker production data and tempered any weakness in the economy," Spooner said. US unemployment claims dropped to a seasonally adjusted 297,000 last week - the lowest since May 2007. But gains in US crude prices could be tempered following the release of housing starts figures at Friday morning, which Spooner said might miss forecasts. Total US crude inventories climbed to 398.5 million barrels in the week to 9 May, although stocks at the key Cushing, Oklahoma delivery hub fell by 592,000 barrels, government data showed. Brent could also face headwinds from the gradual resumption of output from Libya, where the El Feel oilfield has returned to full capacity and the Wafa field is operating after being blocked by protesters.

Libya's oil output is 300,000 barrels per day after the two fields came back on line, the National Oil Corporation said. Investors are also keeping an eye on talks due to end Friday over Tehran's nuclear programme. Iran could be curbing its crude exports within limits agreed in November by Tehran and the six powers as part of the interim pact which partially eased sanctions over the nuclear programme. Iran's oil exports averaged 1.11 million barrels per day in April, the second month in a row exports have fallen, the Paris-based International Energy Agency said.

EIA: China promotes AFVs, fuel efficiency to curb rising oil demand

Oil and Gas Journal, *13.05.2014*

The Chinese government is adopting a broad range of policies, including improvements of fuel efficiency and the promotion of alternative-fuel vehicles (AFVs), to curb the country's escalating oil demand and oil imports, according to an analysis of the US Energy Information Administration.

Driven by unprecedented motorization since the 1990s, consumption of gasoline in China has risen from 900,000 b/d in 2003 to more than 2 million b/d in 2013. Rising oil demand is increasing the country's reliance on oil imports. Since 2009, China has been importing more than half of its petroleum needs.

In response to growing oil usage and imports, the Chinese government released in 2012 the Energy Saving and New Energy Vehicle Plan for 2012 to 2020. Under the plan, average passenger car fuel economy is targeted to increase to 34 mpg by 2015 and 47 mpg by 2020. In its 12th and current 5-Year Plan, the Chinese government also launched a strategy to promote new energy vehicles (NEV, vehicles that are partially or fully powered by electricity) and to support its national automobile industry to mass-produce NEVs. "The government plans to invest an estimated $15 billion in (AFVs) during the next 10 years. The national target for cumulative production and sales of electric and plug-in hybrid vehicles is 500,000 units by 2015. The NEV target for 2020, originally set at 5 million vehicles, was recently scaled back to 1 million vehicles," EIA said.

The Chinese government has offered many financial incentives to meet NEV penetration targets. They include some $4 billion allocated for energy-saving products, primarily NEV and household appliances. In 2012 the Chinese Ministry of Finance announced it would provide annual subsidies up to 2 billion yuan to support NEV manufacturing. In September 2013, the government announced additional subsidies that will support the growth of NEV ownership through 2015. Subsidies from the central government are often matched by local subsidies. "For example, in Beijing, the central government subsidy of 60,000 yuan is matched by a subsidy of equal amount from the city of Beijing. The Shenzhen government offers one of the highest subsidies for electric vehicles in the country—120,000 yuan/passenger vehicle—reducing the price of such vehicles by more than half," EIA said.

In addition to financial incentives, some cities offer other incentives, including free license plates for NEVs and exemptions from vehicle license plate quota systems. "Shanghai (where a license plate can cost as much or more than an entry-level domestically manufactured car) offered free license plates for 20,000 electric vehicles purchased before the end of 2013. Guangzhou offers 12,000 free plates allocated by lottery, and Beijing offers electric vehicles an exemption from the vehicle license lottery, which prospective owners of gasoline-fueled automobiles are required to enter," EIA said.

However, despite many incentives, electric vehicles sales to date have been minimal. NEV sales account for less than 1% of total vehicle sales in China, which in 2013 remained the world's largest vehicle sales market for the fifth consecutive year. According to China Daily, as of March 2013 an estimated 39,800 electric vehicles were on the road, about 80% of which are used for public transport. According to the analysis of EIA, some of the reasons behind low sales of NEVs to date are high vehicle costs despite government subsidies, inadequate charging infrastructure, limited driving range compared with conventional internal combustion engine vehicles, lack of a national industry standard for charging connectors, consumer education and acceptance of the new technology, and vehicle safety issues, among others.

Gazprom close to supply gas contract with CNPC

Natural Gas Asia, *13.05.2014*

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.

In September 2013 Gazprom and CNPC inked the Agreement on the major terms and conditions of pipeline gas supply from Russia to China via the eastern route. Russia is looking for alternatives to cut its reliance on Europe, while Brussels and Berlin are equally paying attention to other options like LNG from North America. For instance, Italy's ENEL recently announced a deal with Cheniere Energy. According to a note released by Ukrtransgaz on Wednesday, Ukraine imported 1.9 billion cubic metres of natural gas, registering a 15% year-on-year decrease.

Gazprom not considering gas drilling projects with China

Natural Gas Asia, *13.05.2014*

May 13 Russian energy giant Gazprom hopes to supply China with natural gas, but is not planning to cooperate with Chinese firms in drilling, Gazprom Deputy Executive Director Vitaly Markelov said .

Russian Deputy Energy Minister Anatoly Yanovsky on Monday said that a contract on delivering gas to China was 98 percent ready and should be signed by President Vladimir Putin during his visit to Beijing on May 20. Gazprom head Alexei Miller said at the beginning of March that the company plans on signing a 30-year contract for delivering gas to China. The annual delivery is expected at 38 bcm.

The tentative agreement between Gazprom and China National Petroleum Corporation has been delayed several times over pricing disagreements. The project envisages the construction of a new Russian pipeline to China, the completion of which has been delayed by Gazprom to 2020 from 2018. The two sides have been negotiating the issue for years, and consistently failing to agree on the price issue, while China has gone ahead with signing massive gas supply deals with other supplier nations including Australia, Qatar and Turkmenistan. However, the current standoff between Russia and the EU over Crimea is likely to give an impetus to Moscow's long-awaited deal on exporting up to 60 billion cubic meters of gas per year via the eastern route to China, the major market for Russian gas in the Asia-Pacific region. CNPC also signed an agreement with state-owned Rosneft, the world's largest listed oil producer, on the basic terms of prepaid crude oil supplies to China.

PetroChina to offload stake in pipeline business

Natural Gas Asia, *12.04.2014*

PetroChina on Monday said that it will establish a subsidiary, PetroChina Eastern Pipelines and will subsequently transfer its 100% equity interest in the subsidiary to rope in private investors. Eastern Pipelines will contain assets from the first and second phase of PetroChina's West-East pipeline.

"The company intends to establish a subsidiary, PetroChina Eastern Pipelines Co., Ltd., by making capital contribution with relevant assets and liabilities of the first and the second West-East Gas Pipeline managed by the West-East Gas Pipeline Branch, together with the assets and liabilities of the second West-East Gas Pipeline," PetroChina said.

The new subsidiary will have net assets of either 29 billion yuan ($4.65 billion) or 39 billion yuan, the company said. "The equity transfer will help the company develop the mixed ownership model, optimize the resource allocation and financing structure and diversify the ownership structure of the company," the company statement added.

IEA sees higher demand for OPEC crude this year

Bloomberg, *15.05.2014*

Demand for OPEC's crude will be higher in the second half of the year than previously estimated as inventories in developed economies remain depleted, according to theInternational Energy Agency.

The Organization of Petroleum Exporting Countries will need to provide an average of 30.7 mb/d in the second half, or 800,000 a day more than it pumped last month, the IEA said today. This calls for 140,000 more barrels of OPEC crude than the IEA forecast in April as stronger-than-expected demand has kept stockpile levels "tight" in advanced nations, the agency said. OPEC controls about 40% of global supplies.

"Forecast balances call for a significant rise in OPEC production from current levels for the second half of the year," the Paris-based adviser to oil-consuming nations said in its monthly report. "While OPEC has more than enough capacity to deliver, it remains to be seen whether it will manage to overcome the above-ground hurdles that have plagued some of its member countries lately." Brent crude futures have been steady this year, trading near $110 a barrel in London today, as concern that the crisis in Ukraine may lead to a disruption in Russian energy supplies, and the protracted disruption to Libyan exports, are countered by slowing economic growth in emerging nations.

Production among OPEC's 12 members rebounded from a five-month low in April, by 405,000 daily barrels to 29.9 million, largely because of a recovery in Iraqi output and increases by Saudi Arabia, according to the report. Members are expected to keep their formal target of 30 million barrels unchanged at their next meeting on June 11 in Vienna, according to the IEA. Iraq's production rose by 140,000 barrels a day to 3.34 million as the start of new projects in the south of the country compensated for the prolonged curtailment of exports from the north due to pipeline sabotage, the IEA said. Saudi Arabia, the group's biggest member and de facto leader, bolstered supplies by almost 100,000 barrels a day to 9.66 million. The agency raised forecasts for global oil demand in 2014 "marginally," by 65,000 barrels a day, following stronger-than-expected growth in the first quarter in Japan, the U.S., Germany and the U.K. World fuel consumption will increase by 1.3 million barrels a day, or 1.4 percent, this year to average a record 92.8 million barrels day.

Inventories of crude and refined oils remained "tight" at the end of March in developed nations, at a "wide" deficit of 110 million barrels to their five-year seasonal average, according to the report. Stockpiles in the 34 nations that make up the Organization for Economic Cooperation and Development were at 2.57 billion barrels in March, down 2.5 million from the previous month. Still, preliminary data indicate that stockpiles surged in April by 52.1 million barrels, narrowing their deficit to the five-year average to 79 million barrels, according to the report. The agency trimmed estimates for production growth outside OPEC in 2014 because of lower-than-expected output from Azerbaijan, China, Colombia, Kazakhstan, Mexico and South Sudan.

NOCs need public support to overcome market challenges

Natural Gas Europe, *15.05.2014*

"All about money," sings Meja. Being nice and caring are also about money, claimed experts gathered on Wednesday at the NOC Congress in London. In the backdrop of the on-going decline in output from mature fields on a global scale, the only way to get over difficulties is indeed a sensible cooperation between authorities, companies, investors and locals. Partners are crucial for economic success.

That is particularly the case for National Oil Companies (NOC), which are called to set realistic targets through a collaborative approach with all stakeholders and, eventually, a close relationship with International Oil Companies (IOC).

In this sense, despite forecasts of "two tough years ahead," market consolidation and cooperation among industry participants can mitigate the effects of cost escalation and increased competition for funding, according to the managers of oil and gas companies speaking at the conference on Monday. "We have two tough years ahead of us… The world is moving from the North-South divide to the East-West world, where the West is drilling thousand of shale gas wells and the East has many other interesting challenges. I believe the story in the Eastern side is more exciting," said Steve Wilson, General Manager Business Development at Chevron, adding that the area stretching from Middle East to Sub-Sahara Africa is likely to cooperate with Asian countries and especially China.

At the same time, the panellists sent a clear warning to governments and companies: the rules of the game have to be clear from the beginning in order to allow commercial partners to be considerate and, in this way, earn the "Licence to Operate". That's why companies have to set up fair partnerships in the early phases of the explorations to avoid eventual confrontation. "When the stakes are high, it is not the moment to create a relationship," Wilson commented. Jim Demarest, VP Global Frontier & New Venture Exploration of Noble Energy, agreed with the message. He explained that cooperation has to be defined before eventual discoveries, before high interest might lead to legal fights between companies.

Other panellists confirmed the importance of playing according to the rules. "Terms and conditions are sacred," Manuel Ferreira De Oliveira, CEO of Galp Energia, said during the first day of conference taking place in London on Wednesday and Thursday. But that is not enough to save financial indicators. The changed market conditions do indeed require companies to carefully take into account the needs of local communities. And this is not an act of simple kindness, but rather a rational decision in line with economic and financial reasons. "There are very few places where we can honestly say that nations have been better off because we were there… I think that to have a sustainable industry we have to have a positive impact on the country that we do business in. Our reputation is on the line," said Demarest.

Announcements & Reports

► Assumptions to AOE 2014

Source : Energy Information Administration
Weblink : http://www.eia.gov/forecasts/aeo/assumptions/

► Monthly Energy Review

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

► Oil Market Review

Source : International Energy Agency
Weblink : http://omrpublic.iea.org/

► Monthly Oil Market Report (May. 2014)

Source : Organization of the Petroleum Exporting Countries
Weblink : http://www.opec.org/opec_web/static_files_project/media/downloads/publications/MOMR_May_2014.pdf

► OPEC Bulletin (May. 2014)

Source : Organization of the Petroleum Exporting Countries
Weblink : http://www.opec.org/opec_web/en/76.htm

Upcoming Events

► *Gas to Power Turkey Forum 2014* ***(in Turkey)***

Date : 22 – 23 May 2014
Place : Istanbul – Turkey
Website : http://www.all-energy-turkey.com/?lang=tr

► *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

Supported by PETFORM

► *All Energy Turkey* ***(in Turkey)***

Date : 24 – 25 September 2014
Place : Istanbul – Turkey
Website : http://www.all-energy-turkey.com/?lang=tr