Oil & Gas Bulletin

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Yildiz: KRG oil shipment to the world begins

Hurriyet Daily News, *22.05.2014*

Turkish Energy Minister Taner Yildiz has said the long-awaited shipment of Kurdish Regional Government's oil to the international market has begun. "The loading of 1 million barrels of oil belonging to Northern Iraq from the Ceyhan port is continuing. The loading will be complete as of today," Yildiz said to Reuters.

The tanks at the Ceyhan port, located in the southern province of Adana, have a storage capacity of 2.5 million barrels of crude oil, which flows through the Kirkuk-Ceyhan Oil Pipeline and Yildiz had said that the port reached its capacity.

However, exports from the Mediterranean port have been on hold, giving diplomacy a chance since the beginning of April as the Iraqi government has repeatedly said oil sales bypassing Baghdad are illegal and has threatened to sue any company involved in the trade. At the end of April, Kurdish Regional Government (KRG) Prime Minister Nechirvan Barzani had said they will start exporting oil as of May 2 – with or without the central Iraqi government's consent.

Yildiz: Kurdish Iraqi oil to 'probably' go to Germany, Italy

Hurriyet Daily News, *23.05.2014*

Recently started exports of Iraqi Kurdish oil from Turkey's Mediterranean port of Ceyhan will most likely go to Germany and Italy, according to Turkish Energy Minister Taner Yildiz. Turkey was forced to begin exporting the oil on May 22 after its depots in Ceyhan filled to capacity as it waited for Baghdad and Arbil to work out a deal on revenue sharing.

Baghdad claims sole authority over Iraqi crude and declares any independently sold oil as "smuggled." Answering reporters' question at the Justice and Development Party (AKP) headquarters in Ankara on May 23, Yildiz said the first barrels of oil have now been shipped out.

“The sale has been carried out by Iraq itself. It is a crude oil that is sold to the Mediterranean market, which will probably go to Italy and Germany,” Yildiz said, noting the amount of oil is “slightly below 1.05 million barrels.” Noting that Iraq would continue to be the manager of the oil at Ceyhan port, the minister said Turkey would transmit what Iraq produces. Meanwhile, the Kurdish Regional Government (KRG) said in a statement on May 23, revenues from the first sale of oil piped from Iraq Kurdish Regional Government will be deposited in Turkey’s Halkbank.The statement also said exports of Kurdish oil would continue despite opposition from the Iraqi federal government, which considers such sales illegal.

Turkey oil imports rise 4% in first quarter

Natural Gas Europe, *18.05.2014*

Turkey’s crude oil imports have increased by nearly 4% in the Q1 of this year according to a report from the government’s energy market regulator. Turkey imported 3.84 m tons of crude oil in the period between January-March of 2014, an increase of 3.9% over the same period from last year, costing around $14 billion, figures released by the EMRA showed.

Ankara imported a total of 18.5 m tons of crude oil in 2013. Turkey meets around 90 percent of its oil needs from foreign resources and crude oil imports are expected to double over the next decade. The majority of Turkey’s crude oil imports come from Iran, which supplies 35% of the country’s demand.

In March, 477.9 thousand tons of crude oil – out of a total of 1.2 million tons – was from Iran, followed by 290.2 thousand tons from Iraq and 176.5 thousand tons from Nigeria. Turkey consumed 45.2 billion cubic meters of natural gas in 2012 and 47 billion cubic meters in 2013. Turkey’s energy import bill decreased by 7 percent in 2012, falling to $55.9 billion from $60.1 billion the previous year. Turkey mulls feeding major portion of its soaring energy need by weighing on nuclear power plants. Currently, there are two plant plans on the pipeline and a third one is on the cards.

KRG defies Baghdad to load first pipeline oil sale

Reuters, *22.05.2014*

KRG started loading oil from its new pipeline for shipment from a Turkish port on Thursday, defying the Baghdad government, which claims sole authority over Iraqi crude and declares any independently sold oil as ‘smuggled’. The cargo of 1 million barrels of crude oil was being loaded on a tanker in the Mediterranean port of Ceyhan, Turkish Energy Minister Taner Yildiz told Reuters on Thursday.

“Loading will be completed today,” Yildiz said, declining to name the buyer. The sale is likely to infuriate Baghdad, which has been at loggerheads with the autonomous Kurdish region over the sharing of oil revenues.

Baghdad also denounced Turkey’s courtship of the Kurds, warning that steps towards Kurdish economic independence could threaten Iraq’s sovereignty. Baghdad has cut the region’s share of the budget to punish it for building the new pipeline, and oil sales can provide the Kurdish Regional Government (KRG) with desperately needed independent income. Flows through the pipeline started last December, but Ankara had pledged it would wait for Baghdad and Arbil to resolve their differences before allowing independent oil exports. After five months of talks and little progress, however, tanks at Ceyhan are now full with 2.5 million barrels of Kurdish oil, and Turkey decided there was no point in further obstructing exports, sources familiar with the sale said. In late 2013, Iraq’s Oil Ministry instructed a U.S. law firm to pursue legal action against any buyer of Kurdish oil.

Iraq’s State Oil Marketing Organization (SOMO) issued a statement late on Thursday calling the loading of oil from Ceyhan “an illegitimate deed of the Turkish authorities”. It said that both the Oil Ministry and SOMO “reserve the right to take all legal measures against any company or entity” that loaded Iraqi crude from Ceyhan without Baghdad’s approval. Officials in Arbil could not immediately be reached for comment. An official at the GAC shipping agency in Turkey confirmed that a tanker named United Leadership was loading piped Kurdish oil. Reuters AIS Live ship tracking showed the tanker had arrived in Ceyhan around May 20 and was berthed there.

Flows through the KRG oil pipeline have increased since early March while Iraq’s federal oil pipeline, from the northern Kirkuk fields to Ceyhan, has been down, an industry source said. That freed up Turkish capacity to handle the Kurdish flows. “Because the Kirkuk line was not working, KRG was able to pump around 100,000 barrels per day (bpd) at times, which filled up the storage tanks quickly,” the source said. KRG’s new oil pipeline connects to the existing Iraqi federal pipeline on the Turkish border. The industry source said the flow in the KRG pipeline continued as the export cargo was being loaded in Ceyhan. Another source said the payments for the exports were likely to be deposited with Turkey’s Halkbank.

KRG began selling its oil independently of the federal government in 2012, transporting a small trickle of condensate and then, in 2013, small quantities of crude through Turkey by truck. A Turkish company called Powertrans has acted as broker for the Kurdish government, selling the oil via tenders to traders. Last week, Reuters reported that Israeli and U.S. oil refineries had imported small cargoes of crude oil from the region. The sales may have immediate political consequences as Iraq's incumbent prime minister, Nuri al-Maliki, looks for partners to form the next government after preliminary results from the April 30 election were announced last Monday.

The parliament of Iraq endorses the Basra-Aqaba pipeline project

Natural Gas Europe, *09.04.2014*

The Iraqi Parliament endorsed the project of a 1,680 km pipeline from Iraq's southern oil producing region to Jordan's port city of Aqaba. The pipeline, scheduled for 2018, is of extreme importance to the Iraqis keen to diversify their export routes.

It will also tremendously benefit Jordan who is in serious need of energy. The USD 18 bn pipeline will pump 1 mb/d from Basra Aqaba Port, and around 258 mcf of gas. Jordan will use approximately 100 mcf of natural gas and the excess will be exported through Aqaba generating an estimated $3 bn a year in transit fees for Jordan.

Jordan's energy crisis was mainly caused by two energy shocks. The first shock was the US-led invasion of Iraq in 2003. Until then, and since 1985, Jordan was receiving free oil from Iraq through barter agreements. Jordan also had an agreement with Egypt signed in 2001 and according to which Egypt would supply the Kingdom with 3 bcm of natural gas - enough to satisfy 80% of the country's domestic needs - at a price indexed to oil prices, with a floor and a ceiling. Like Israel, Jordan remained highly depended on Egyptian gas until 2011. The Arab Gas Pipeline transporting Egyptian gas to Jordan was attacked several times by acts of sabotage in the aftermath of the Arab Spring exposing the country once again to its energy vulnerability.

The disruption in the flow of gas forced the country to import expensive fuel products for electricity generation causing the total energy bill to jump by at least 60% according to Alaa Batayneh, previous minister of energy to the Kingdom. The Syrian immigration to Jordan is furthermore aggravating to energy crisis in the Kingdom, leading Jordan to adopt various measures to solve its energy problems by improving energy efficiency, developing indigenous resources and diversifying the sources of supply. The Iraqi-Jordanian pipeline falls within the third category of efforts, the diversification initiative taken by the Hashemite Kingdom. Jordan's strategy to diversify its sources of supply has also led to talks with Noble Energy, the Texas-based company, over the purchase of natural gas from Israel's Tamar field.

Washington concerned over Arbil's oil exports, says spokeswoman

Hurriyet Daily News, *23.05.2014*

Washington is concerned over the export of northern Iraqi Kurdish oil to global markets via Turkey's Mediterranean port of Ceyhan, U.S. State Department spokeswoman Jen Psaki has said. "Our position has long been that we don't support exports without the appropriate approval of the federal Iraqi government, and certainly we do have concerns about the impact of those (exports) continuing," Psaki said during a press briefing May 22.

Earlier in the day, Turkish Energy Minister announced that 1 million barrels of Kurdish Iraqi crude oil was being loaded onto a tanker in Ceyhan, without specifying the buyers.

When asked about the minister's statement, Psaki said, "Our most immediate concern is for Iraq's stability," asserting the country would discuss the implications with "our partners in Turkey and in the Iraqi Kurdish Regional Government." "Iraq is facing a difficult situation. We've been clear that it's important for all sides to take actions to help the country pull together and avoid actions that might further exacerbate divisions and tensions. So we'll be in touch with both sides," she said. The sale is likely to infuriate Baghdad, which has been at loggerheads with the autonomous Kurdish Regional Government (KRG) over the sharing of oil revenues, and denounced Turkey's courtship of the Kurds, warning that steps toward Kurdish economic independence could threaten Iraq's sovereignty.

After five months of talks and little progress, however, tanks at Ceyhan are full with 2.5 million barrels of Kurdish oil, and Turkey decided there was no point in further obstructing exports, sources familiar with the sale told Reuters. Iraq's State Oil Marketing Organization (SOMO) issued a statement late May 22, calling the loading of oil from Ceyhan "an illegitimate deed of the Turkish authorities." It said both the Oil Ministry and SOMO "reserve the right to take all legal measures against any company or entity" that loaded Iraqi crude from Ceyhan without Baghdad's approval. In late 2013, Iraq's Oil Ministry instructed a U.S. law firm to pursue legal action against any buyer of Kurdish oil.

Iran-Russia ties benefit entire region, Rouhani tells Putin

Trend Az., *21.05.2014*

Iranian President Hassan Rouhani and his Russian counterpart Vladimir Putin held a meeting in Chinese city of Shanghai on May 21. During the meeting Iranian president said that cooperation between the two countries will contribute to the establishment of stability and security in the region, Iran's IRIB News Agency reported. "Iran and Russia have historic relations," he said.

Rouhani also underlined the need for the further promotion of bilateral ties between the two countries. "Tehran-Moscow cooperation over the past few months has significantly contributed to regional peace," he added.

Putin, for his part, said that Iran and Russia are two old neighbors and reliable partners, adding that the two countries share similar stances even under critical global conditions. "We need to tap into our vast potentialities to further boost the ties," he added. "Tehran and Moscow shoulder a heavy responsibility to safeguard the stability, security and development of the Caspian Sea region. The meeting was held at the sidelines of the fourth summit of the Conference on Interaction and Confidence Building Measures in Asia (CICA) in Shanghai. CICA is a multi-national forum to enhance cooperation in a bid to promote peace, security and stability in Asia. The forum groups 24 countries, among them Afghanistan, Azerbaijan, China, Egypt, India, Iran, Kazakhstan, Kyrgyzstan, Pakistan, Russia, Turkey and the United Arab Emirates.

Iran consumes 1.6 billion barrels of oil equivalent

Trend Az., *22.05.2014*

Iran's energy consumption level increasingly rises, while the energy productivity are worsening year to year. The head of Iran Energy Efficiency Organization Sajjadi says Iran's annual energy consumption is about 1,600 ml b of oil equivalent.

According to State TV website, Sajjadi said that about 400 ml b of oil equivalent energy was wasted before being consumed, while 1200 ml b of oil equivalent is consumed. Only 300 mlb of oil equivalent of energy are used in the industrial sector. Iran's energy consumption ratio, as well as energy intensity is much higher than the world's average, while its energy productivity is very low.

Energy intensity (EE) is energy consumption relative to Gross domestic product (GDP) and energy productivity (EP) is the ratio of GDP to energy consumption. The International Monetary Fund warned Iran to reduce EE as much as possible during its latest report, released on April 8. According the latest annual report of Iran Energy Efficiency Organization, released last month and covers the statistics of 2012, Iran's final energy consumption was 1058.6 million barrels of oil equivalent. Therefore, during the last two years, the country's energy consumption increased by 141.1 million barrels of oil equivalent.

The report says that natural gas shares 53.45 percent of the country's energy consumption, while the oil production and electricity have 35.75 and 9.93 percent shares in Iran's energy consumption basket. The figures indicate that a huge growth in Iran's energy consumption occurred during the last three decades. According to Sajjadi's statement, making the energy consumption rate and energy intensity in Iran 1.5 times more than the global average. According to official statistics, for every one million dollar gross revenue gain, about 600 to 800 tons of oil equivalent energy is consumed in the country. Regarding the 5.8 percent and 1.5 percent contraction in Iran's economy during 2012 and 2013 respectively, as well as increasing the energy consumption by 141.1 million barrels oil of equivalent during the last two year, the current energy intensity figure should be much higher than 2011's.

The other major problem in Iran is that according Sajjadi's statement, only 300 million barrels of oil equivalent of energy annually is used in the industrial sector, sharing 25 percent and 19 percent of final energy consumption and total energy consumption (including the wasted energy amount) respectively. According to the Iran Energy Efficiency Organization's report, the country's industry sector consumed 303.7 million oil equivalent of energy in 2012 indicates no change compared to 2014's figure. The energy consumption level in industry sector remained unchanged during the last three years, while the country's final energy consumption increased by about 12 percent (from 1058.6 to 1200 million barrels oil equivalent) during this period, mostly in the housing and transport sector.

Gas output at South Pars to hit record in June

Natural Gas Asia, *18.05.2014*

Gas output from Iran's South Pars gas field will see record in late May or June as production at phase 12, the main phase, will rise to 25 mcm/d. The new record of gas output in the phase 12 is expected to happen after a gas desalting unit starts work late in May or early June, says Fars News Agency. At present, phase 12 is producing 12 mcm/d of gas and all wells of this phase are ready to start gas production, adds Fars News.

According to the news agency, phase 12 of South Pars gas field is developed to produce 75 mcm/d of gas for feeding national pipeline and liquefied natural gas production units.

Speaking to Fars News Agency, country's oil minister said, "Phase 12 is one of the important and big phases of the South Pars and its completion is important." The Iranian oil minister noted that the government has invested over $6.9 bln in phase 12. South Pars gas field, divided into 28 phases, is located in the Persian Gulf on the common border between Iran and Qatar. The field is estimated to hold 14 trillion cubic meters of gas as well as 18 billion barrels of condensates.

Woodside terminates Leviathan deal

Natural Gas Asia, *20.05.2014*

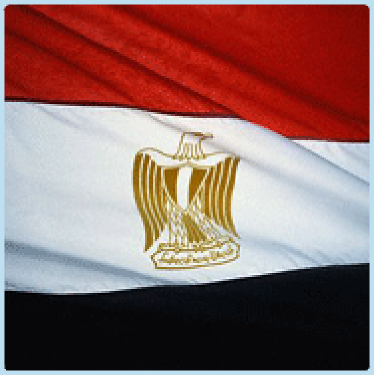
Woodside Petroleum announced Wednesday that it has elected to terminate the memorandum of understanding agreed by the Australian firm and the participants in the Leviathan Joint Venture in February this year. Negotiations between the parties failed to reach a commercially acceptable outcome that would have allowed fully-termed agreements to be executed, Woodside said in a statement.

Earlier this year, Woodside Petroleum and partners in Leviathan field, offshore Israel signed a deal which will allow the Australian firm to buy stake in the licence for $1.03 bn in cash and future revenues.

As per the deal, each of the existing Leviathan partners, Noble Energy, Delek Drilling, Avner Oil Exploration and Ratio Oil Exploration will sell 25 percent stake in the licence. Woodside CEO Peter Coleman said that this was a difficult decision and one that was not taken lightly. “All parties have worked very hard to secure an outcome which would be commercially acceptable, but after many months of negotiations it is time to acknowledge we will not get there under the current proposal,” Coleman said. The Leviathan project is located on the Rachel and Amit licenses offshore Israel in 5,550 feet of water. It has an estimated 19 Tcf of discovered natural gas resources.

Egypt to buy LNG from Gazprom, France’s EDF

Natural Gas Asia, *20.05.2014*



State owned Egyptian Natural Gas Holding Company (EGAS) will sign an agreement withGazprom and French company EDF to supply 12 shipments of LNG this summer to meet the needs of power plants, Daily News Egypt quotes EGAS president Khaled Abdel Badie as saying.

Abdel Badie said last week that the legal procedures for the agreement with the two companies have been completed. Gazprom will deliver seven shipments of LNG while EDF will supply five shipments, reports Daily News Egypt. Each shipment will carry 170,000 cm of LNG. According to Badie, power plants use an estimated 500 mcf of gas per day.

Qatar Assures Pakistan of Supplying 200 mmcfd of LNG Next Year

Natural Gas Asia, *20.05.2014*

Qatar has assured Pakistan of supplying 200mn cubic feet of LNG per day next year, according to Gulf Times newspaper. Pakistan is keeping three options open for LNG import including a supply agreement with Qatar on a state-to-state basis, floating tenders for import through competitive bidding and spot purchases after the successful bidder completes construction of a terminal in Karachi, Gulf Times adds.

A delegation from Qatar was in Pakistan to discuss the proposed Heads of Agreement a non-binding document outlining the main issues relevant to a partnership agreement.

A senior official told the newspaper that price was the last point that would be taken up after the two sides signed the Heads of Agreement. They had not finalised the agreement, therefore, the price was not quoted, the official said. Last week Pakistani media reported that Qatar has sought a $2 billion sovereign government guarantee from Pakistan for supply of LNG.

Saudi Arabia Gas Reserves Rose Last Year

Reuters, *02.04.2014*

Saudi Arabia's natural gas reserves rose to 288 trillion cubic feet of gas last year from 285 trillion in 2012, Arab News said citing Saudi Aramco's annual report. The country is also actively exploring unconventional hydrocarbons.

Saudi Aramco said that Saudi Arabia will be among the first countries outside North America to use shale gas for domestic power generation. Last year the Saudi state owned oil and gas company announced it was ready to use shale gas to fuel a 1,000-MW power plant. The shale gas drive will help the kingdom free more diesel and crude oil for export, Arab News quoted the company as saying.

Saudi Aramco said it is looking for unconventional gas in the Northwest, the Empty Quarter desert, and near Ghawar, the world's largest oil field. The company increased gas production last year to 11 billion cubic feet a day, compared with 10.72 billion in 2012, it said in the review.

SOCAR plans oil refining by 3.1 percent in 2014

Trend Az., *22.05.2014*

SOCAR plans to increase oil refining by 3.1 percent to 6.7 million tonnes of crude in 2014 on rising domestic fuel demand, reuters reported referring to SOCAR Vice-President Davud Mamedov. "SOCAR will increase volumes of oil procession on its existing refineries because of rising consumption of oil products, especially a petrol," he said.

The State Oil Company of Azerbaijan is the only producer of oil products and has two refineries on its balance sheet. One of them is the Heydar Aliyev Oil Refinery that focuses on the production of light petroleum products, and the second is Azneftyag Refinery that produces dark petroleum products.

The total capacity of these two refineries is 16 million tons of oil per year. Mamedov said both plants had resumed output on May 15 after maintenance. "Repairs at the refineries will allow increased production of petrol to 1.5 million tonnes this year from 1.4 million tonnes in 2013," he said. Both plants were built and commissioned in the Soviet period, and therefore require modernization and renovation. Furthermore, SOCAR plans to build a new complex for oil and gas refining and petrochemical production in order to improve the ecological situation in Baku, as well as to meet growing demand for petroleum products. The complex will be located 60 km away from Baku.

Amending Bulgaria's Energy Act shows the will to build South Stream

Natural Gas Europe, *19.05.2014*

Lawmakers in Bulgaria would like the South Stream pipeline to be built, as evidenced by heir recent amendment to the country's Energy Act, which, would reclassify the offshore marine section of the pipeline in the Black Sea as an interconnector, or an effort to sidestep conditions placed upon the project as stipulated by the European Union's Third Energy Package in regards to 3rd party access.

"It appears that the Energy Law amendment has introduced a new category of 'sea gas pipeline' which appears to be an attempt to make a legal distinction between that type of pipeline and 'transmission' as defined by EU law."

Katja Yafimava, Senior Research Fellow at Oxford Institute for Energy Studies, observed who adds that "sea gas pipeline" would not fall under the scope of the Third Package as all transmission does. "The Third Package does not define a 'sea gas pipeline' but defines an 'upstream pipeline,' and the Third Package does not require third party access to upstream pipelines," she explains. "The Energy Act amendment definition of 'sea gas pipeline' may thus be seen as an attempt to award this section of pipeline a treatment similar to 'upstream' pipeline. This may or may not be OK under EU law but the lack of clarity in the EA amendment definition is bound to raise objections from the Commission." Critics, like the Center for the Study of Democracy, have also pointed out that the Bulgarian government may be circumventing EU rules and introducing a questionable legal norm in its attempts to reclassify South Stream.

But some in Bulgaria, like the Bulgarian Socialist Party's Tasko Ermenkov, a member of the Energy Committee, contend that there is a gap in the existing Bulgarian legislation concerning the difference between off- and on-shore pipelines, something which mandated a change. "It is very important in our situation, when an off-shore pipeline is intended to be built legally to define the difference," he explains. "As a matter of fact, the Third Liberalization Package deals only with on-shore pipelines, though in South Europe there are at least three off-shore gas pipelines, connecting Algeria with Italy and Spain, and these are not obliged to follow the regulations of the Package. As you see there are precedents in Europe and we are just following them."

Moreover, he says, the off-shore part of South Stream would be on the bottom of the Black Sea, which is under international, not EU, jurisdiction. According to Mr. Ermenkov, the legislative amendment has been received positively in Bulgaria, but the opposition parties, he contends, started rumors that South Stream would not be in compliance with European laws. "There is no exemption of any pipeline part, starting from the Bulgarian coast and ending elsewhere in Europe. Anyone who intends to bring natural gas to the receiving compressor station on the Bulgarian coast near Varna will be granted the possibility to transport the gas through the whole on-shore section of the South Stream pipeline, starting from this point to the point of delivery," he says.

Brussels, he explains, has been mislead; Mr. Ermenkov says he's pledged to meet with Energy Commissioner Guenther Oettinger to reassure him of Bulgaria's compliance with the Third Package regarding South Stream. He adds that Bulgaria is no position to reject the natural gas pipeline project. "The reason is that we nowadays have very limited choice for gas supply in considerable volume. The only existing pipeline is crossing Ukraine. "We all remember 2009," he recalls, "when due to the political crisis between Russia and Ukraine the gas supplies to Bulgaria were stopped and the Bulgarian economy suffered losses of about EUR 300 million, not to speak about the risks for the population and environment.

These losses were never compensated by anyone. Bulgaria was left alone to deal with this critical situation. We do not want a repetition of such crisis," explains Mr. Ermenkov. Meanwhile, last week, parliamentary opposition leader Boyko Borisov of Citizens for European Development of Bulgaria also pledged his support for South Stream, but within the confines of EU legislation, according to the FOCUS News Agency. There is a consensus in the Bulgarian parliament on proceeding with the project, according to energy analyst Ivaylo Naydenov, presently a PHD Student at Technical University of Sofia, who says even the former government supported South Stream as long as it fit into the Third Energy Package.

He comments, “I believe South Stream could find its place in Bulgarian infrastructure, but only if we have a more connected network with other countries, so we can receive natural gas from different suppliers and negotiate the best price for it. Currently, Bulgaria pays one of the highest prices for Russian gas and don’t have any room for price negotiations as they are our only supplier.” More developments on the Energy Act amendment are likely in June, when Bulgarian Energy Minister Dragomir Stoynev will once again meet with European Energy Commissioner Gunther Oettinger. “Europe needs new gas connections and its legal act must contribute towards them, and not to be an impediment,” says Mr. Todor Dimanov, former energy advisor to Bulgarian Prime Minister H.M. Simeon Saxe-Coburg-Gotha (from 2001-2005).

”In connection with this are the last changes in the Bulgarian Energy act, which is aiming to ensure the necessary supply of Russian gas for Bulgaria.” South Stream is very important for Bulgaria, says Mr. Dimanov, but the issue has become overly politicized. He explains, “Because of the Ukraine crisis we can see political animosity between Russia and the West, and that these disagreements have been transferred over to the construction of South Stream and they are portrayed in the press. “This is not a political project, it’s an economic project, and it has to be understood by everyone. It’s not only an energy project but a classical investment one too, which puts EUR 3.5 billion of direct foreign investments into the Bulgarian economy. This is of an exceptional importance for every Bulgarian citizen, but unfortunately, not all our politicians share this sentiment.” he observes.

“European law, and in particular the Third Package, create regulations to balance the needs and the interests of every country member of the EU in the area of the energy supply. These regulations should not be ends in themselves, but should be in the interest of the needs of European citizens. South Stream obviously is very beneficial for fulfilling the needs of a regular and reliable gas supply, which goes around Ukraine.” When talking about energy independence, he argues, the guaranteeing of the security of possible supplies must be a short-term priority when weighing the various alternatives. “Obviously, the pipeline that goes through Ukraine is unstable and brings instability to European consumers of natural gas,” he continues. “South Stream guarantees regular supplies to Europe, reducing the influence of Ukraine.”

South Stream does not increase Bulgaria’s dependency on Russian gas, argues Mr. Dimanov. “It will just make supplies more certain,” he says. “When speaking of energy independence, we must speak of the alternatives: Nabucco, which resembles South Stream, failed and there is no other realistic project in which we can participate; shale gas is a possibility, but Bulgarian society doesn’t support the production techniques; so Bulgarian economic interests need Russian gas and we need to secure these supplies – South Stream does exactly this.” As for how much private interests are influencing policy decisions like the one to build South Stream, he admits that corruption is a big problem in Bulgaria. “

This pertains to every kind of project, but it’s nonsense to say that one big project will bring more corruption. While we have problems with our laws and legal system, which is well known to the European Commission, the realization of a big project like South Stream could actually provide more transparency as it will draw more attention and will be scrutinized more closely,” he explains. In maintenance of this thesis, he recalls that following action by environmental organizations a more expensive but safer place was chosen for where South Stream lands on-shore in Varna, showing that transparency can take precedence.

Slovakia nurtures special ties to Russia, despite EU sanctions

Euractiv, *23.05.2014*

This week, while the EU's major powers were keeping up the pressure on the Kremlin over its intervention in Ukraine, Lajcak, the foreign minister of EU member Slovakia, headed to Moscow. There, he met Rogozin, Russia's deputy prime minister who days earlier had threatened to fly over a NATO state in a bomber jet and who under EU sanctions is banned from entering any country in the bloc.

The meeting with Rogozin came several weeks after Slovak diplomats in Brussels had tried and failed to have Rogozin's name kept off the EU's sanctions list, EU diplomats told, though the Slovak government has disputed that account.

This special relationship with Rogozin is part of an awkward balancing act by Slovakia: preserving the economic benefits of being close to Russia while also belonging to a European Union set on punishing the Kremlin for annexing Ukrainian territory. Slovakia is not the only country with torn loyalties: EU diplomats say Greek Cyprus, Bulgaria and Hungary are particularly ambivalent about the bloc's tough line on Russia over Ukraine. France, for example, went ahead with a 1.2 billion-euro ($1.7 billion) contract to sell helicopter carriers to Russia because cancelling the deal would do more damage to Paris than to Moscow, sources told Reuters. But Slovakia, a euro zone member and ex-Communist state of 5.4 million people, stands out for two reasons.

First, because about 40 percent of the gas Europe imports from Russia flows via Ukraine and into Slovakia - giving Slovakia a potentially decisive role if Russia goes through with its threat to turn off supplies to Ukraine. And secondly, because Slovakia's prime minister, Robert Fico, has been outspoken in his view that trade ties and imports of Russian gas should come before punishing the Kremlin. "It would be good if Fico would prefer Europe's fundamental security rather than prices of gas for Slovakia," one European diplomat told Reuters in Brussels.

Several European officials who spoke to Reuters said that while some of the pronouncements from Slovak officials on Russia had not been helpful, the country was unlikely to go strongly against the EU consensus or cause major problems. However, a body called the Inter-governmental Commision on Economic, Scientific and Technical Cooperation illustrates the close economic tries between Russia and Slovakia. That organisation is chaired, on the Russian side, by Rogozin, a nationalist and one of the Russian government's most hawkish ministers. When earlier this month his flight was blocked from Romanian airspace, he wrote on Twitter: "Next time I will fly in a Tu-160," a strategic bomber. From the Slovak side, the co-chair is Lajcak, who as well as being foreign minister is also deputy prime minister. Lajcak is a fluent Russian-speaker who studied at the Moscow State Institute of International Relations, alma mater of Russia's brightest diplomats and, before the collapse of the Berlin Wall, the elite of the Communist bloc.

The commission deals with the two main pillars of the Russia-Slovakia economic relationship: gas and weapons. Slovakia depends on Russian gas supplies, while its MiG-29 fighter jets and anti-aircraft systems need Russian spare parts. When, at an EU summit in March, Rogozin's name appeared among others on a draft list of Kremlin-allied people who were to be subject to visa bans and asset freezes, Slovakia tried to have his name removed, according to the three EU diplomats.
Slovakia later dropped its objections and the sanctions list was adopted, with Rogozin's name included. Asked by Reuters about this account, Slovakia's foreign ministry said in an emailed response the information was "not precise".

The relationship was renewed when Rogozin and Lajcak met in Moscow while the Slovak official was on a visit on May 18-19. The Slovak foreign ministry said they met "unofficially," and had decided to postpone the next session of the joint commission scheduled for Slovakia in June, due to the sanctions. In Moscow, Lajcak met Foreign Minister Sergei Lavrov. Since Russia absorbed Ukraine's Crimea region on March 18, the only other EU foreign minister to meet Lavrov in Moscow was from Greek Cyprus, another country with close economic ties to Russia. Lajcak defended his visit, saying he was helping to keep lines of communication open between Russia and the West. "Slovakia is and wants to be a trustworthy member of the EU and NATO. At the same time, it is interested in proper relations with non-members of these ... organisations," he was quoted as saying by Slovak news agency TASR.

On financial issues, Slovakia is a trusted part of the European mainstream. It has supported deeper integration of the euro zone, and the creation of the banking union. The trip to Moscow followed a series of steps and pronouncements by Fico's government which has raised questions in some quarters about how reliable it will be in holding the EU's line on Russia. Fico is a lawyer and former member of the Czechoslovak Communist party. He has attended receptions at the Cuban embassy in Bratislava, and he has in the past spoken of special relations between Slovakia and Russia as Slavic nations. Since the crisis in Ukraine erupted, Slovakia has agreed to help Ukraine by opening a small gas link that will allow shipments of gas from Europe if Russia halts supplies. But Fico said in March he would not be willing to provide cash for Ukraine to "sort out problems Ukraine has caused to itself." He said the EU could provide funds, if it has some.

Fico has also said he will not increase defence spending, despite exhortations from NATO, and said this week that tougher EU sanctions would be "suicidal" and "nonsensical." At a closed-door meeting in Bratislava last week with heads of government from the Czech Republic, Poland and Hungary, Fico said if it came to a new round of EU sanctions, he would defend Slovakia's economic interests "to the last breath," according to two sources with knowledge of the talks. Fico also criticises what he calls hypocrisy in some EU nations: France selling military ships to Russia, and western firms signing a deal on a pipeline from Russia to Austria. "He comes from the idea, and it seems to be finding some resonance in Slovak society, that simply the question of one's own benefit is more important than strategic considerations," said Grigorij Meseznikov, co-founder of the Institute for Public Affairs, an independent Slovak think tank.

EU says progress made in Russia-Ukraine gas dispute

Reuters, *19.05.2014*

Europe's Energy Commissioner said progress had been made in the gas dispute between Russia and Ukraine after talks with Russia's energy minister and Gazprom and said a fresh round of negotiations was scheduled. Putin has urged EU leaders to do more to help Ukraine and resolve the standoff over gas. He has threatened to cut exports if Kiev fails to pay for June deliveries.

"We have in the last few days made progress on a number of issues but we still have no agreement," said the EU's Oettinger, adding further talks between Russia, Ukraine and the EU would take place next Monday.

He added that he expected Kiev to use any forthcoming aid packages from the International Monetary Fund (IMF) and European Union to pay for past and future gas deliveries. "We want to solve the problems before June 1," Oettinger said, adding the EU would do all it could to ensure Ukraine pays its outstanding bills and to safeguard Europe's supplies. Russia supplies around a third of Europe's gas demand and about half of its gas imports from Russia flow through Ukraine. Russian Energy Minister Alexander Novak reiterated that Russia was willing to discuss a lower price for Ukraine if there was a "clear rescue package" and Kiev paid off at least the $2.2 billion it owed as of April 1, adding that Kiev's overall gas debt stood by $3.5 billion.

Ukraine is insisting on a price of $268.50 per 1,000 cubic meters of gas while Russia stands by its demand for $485. "Somewhere in the middle would seem to be a fair result of negotiations," the EU Commissioner told German television earlier. The average gas price paid by European customers to Gazprom lies around $370. Ukraine wants to change the conditions of a 2009 contract that locked Kiev into buying a set volume of gas, 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 $268.50 after then-President Viktor Yanukovich turned his back on a trade and association agreement with the European Union last year, but reinstated the original price after he was ousted in February.

Ukraine, dependent on Russia for more than half of its gas needs, has refused to pay the price Russia is asking, accusing Moscow of using energy supplies to punish the country for trying to break free from its influence. Oettinger said that some agreement had been reached on the delivered volumes and prices for the period from November to March but that the parties were still working on prices for April, May and beyond. Moscow has twice before reduced gas supplies over price disputes, disrupting gas deliveries to Europe. In a further sign of easing tensions in the gas dispute, Russian Foreign Minister Sergei Lavrov said in Moscow that Slovakia's agreement to allow reverse flows of gas to Ukraine from Europe did not violate agreements with Russia.

“We have no complaints over that,” Lavrov told a news conference with his Slovak counterpart when asked about Slovakia’s efforts to send gas to Ukraine. The EU and its member states have made efforts to improve the region’s gas infrastructure to allow greater gas flows from within the EU towards Ukraine, should Russia cut supplies. Sending gas to Ukraine from the EU is a powerful weapon. The Russian state gas export monopoly Gazprom has long protested against the scheme, saying it feared its gas destined for Germany would be re-exported to Ukraine in breach of contracts. After meeting Oettinger in Berlin, Gazprom’s deputy chief executive Alexander Medvedev brushed off the allegation that Russia was using its vast gas reserves as a political weapon. While shareholders were urging the management to act in accordance with existing contracts, Gazprom has offered its “Ukrainian friends” an opportunity to find a solution, he said. “But we haven’t had any money for two months. So who is using gas as a political weapon? It’s the Ukrainians, not the Russians,” Medvedev said.

EU energy ministers discuss energy diversification options

Natural Gas Europe, *18.05.2014*

The events in Crimea have reminded Europe of the need to diversify the sources of supply. The EU net imports of natural gas are expected to remain stable and then slightly increase to reach about 340-350 bcm by 2025-2030, thus its need to find new sources of energy including in the form of LNG and from various markets such as the Caspian region, the Middle East, Norway and the Eastern Mediterranean.

Greek Cyprus’ Minister of Energy George Lakkotrypis met with his peers, the Energy Ministers of the EU, in Athens on 15 and 16 May for an informal meeting to discuss energy efficiency, energy security and energy infrastructures.

The EU’s goal to strengthen energy security has triggered measures to accelerate the completion of the internal market by 2014, end the isolation of Member States from Europe’s continental energy networks by 2015, moderate demand through energy efficiency measures, develop indigenous resources and sustain efforts for diversification. Eastern Mediterranean gas could be, if not a solution at least an option of diversification for Europe. Israel and Greek Cyprus have both made discoveries off their shores in their respective Exclusive Economic Zones while Lebanon is in the process of launching its first offshore licensing round in the hope to encounter substantial amounts of hydrocarbon. In the meeting, Lakkotrypis updated the group on the recent developments in Greek Cyprus‘ natural gas explorations and reaffirmed the island’s national strategy to build an onshore LNG terminal that would allow Greek Cyprus the flexibility to reach future export markets. Greek Cyprus’ Aphrodite field in Block 12 of its EEZ has an estimated gross mean resources of 5 Tcf. More exploratory drilling will be conducted by major oil and gas companies such as Total and ENI/KOGAS in 2014-2015.

Israel's Leviathan and Tamar fields hold respectively 19 and 10 Tcf in gross mean resources. Israel has taken a decision in principle to export approximately 40% of its proven reserves but has not yet formulated its export strategy in terms of the chosen routes to reach potential customers. The Eastern Mediterranean proven reserves could play a role in Europe's quest to diversify its sources of supply. Europe's need to increase its energy security could lead increased investments to achieve this purpose. For Greek Cyprus, the benefits are beyond economic, as they could also translate in improved peace prospects for the divided island. While all peace talks have failed in the path, the gas factor brings new hopes to the island.

EU projects of common interest to change BEMIP Gas Markets

Trend.Az, *20.05.2014*

If implemented, the 15 European Commission's projects in the BEMIP region would 'significantly change the picture of the gas markets in the region,' reads the second Gas Regional Investment Plan (GRIP) of the Baltic Energy Market Interconnection Plan (BEMIP) region released on Monday.

'For the countries in the region that rely, either fully or to a an extent, on a single supplier this would be a major shift, bringing from one side more choices and opportunities for the gas market players, and from another requiring adequate changes in legislation and practices of gas companies to accommodate an increased market complexity.'

According to the report prepared by Transmission System Operators (TSO) of Denmark,Estonia, Finland, Latvia, Lithuania, Poland and Sweden, some of the 'projects of common interest' would interconnect currently separate sub-regions and increase access to LNGmarkets. 'With respect to the role of the gas in energy market, the expected paths differ within the region – despite that the total gas demand is expected to increase by 33% in 2023 compared to 2014 when average daily demand will be at the level of 870 GWh. The increase is mainly driven by expected soaring demand in the biggest market of the region – Poland which forecasts decreasing coal-fired power production.' On the other hand, the seven TSOs see a drop in gas demand from Denmark and Lithuania given the increasing share of renewables in the energy mix.

EU energy security threatened by Russia buying refineries

Reuters, *22.05.2014*

Russia's strategy of buying up oil refineries in Europe could compromise the bloc's energy security, EU officials said in a draft report prepared for the region's leaders. Europe's refining sector has been weakened by a combination of high oil prices, slack demand and poor profit margins, prompting many companies to sell off refining units, which Russia has been buying.

Russia's Lukoil, for instance, owns refining operations in Italy, the Netherlands and Romania. Russian champion Gazprom through its oil arm Gazprom Neft also owns refineries.

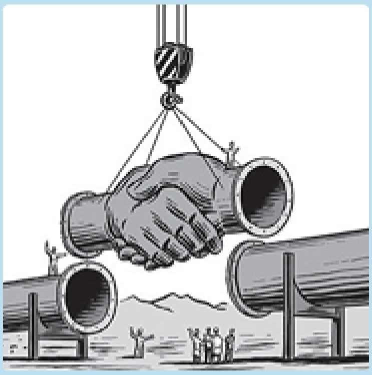
In a report prepared ahead of a summit meeting of EU leaders in June, the European Commission is expected next week to make public its vision of how to improve energy security in response to the crisis in Ukraine, the transit route for roughly half the gas Russia exports to the European Union. Among the many issues it says need to be closely monitored, it cites increased Russian ownership of EU refineries. "Combined with the dependence on Russian crude oil, and the emerging influence of Russian players, the refinery industry is vulnerable to political interference," a draft seen by Reuters of the Commission's strategy on EU energy security says.

The EU relies on Russia for 27 percent of its gas consumption and about a third of its oil, the Commission, the EU executive, says. Europe also receives imports of refined products from the United States, which the International Energy Agency says has overtaken Russia as the EU's leading supplier, although Russia seized back the top spot earlier this year when U.S. refineries were undergoing seasonal maintenance. For the EU, the biggest gas supply threat is a price dispute between Kiev and Moscow that has led Moscow to warn it could cut supplies to Ukraine, with possible knock-on effects for the EU.

There is no immediate threat to oil supplies, as Russia lacks sufficient capacity to refine the oil it produces and relies therefore on EU refineries, the Commission says. But Director General for Energy in the Commission Dominique Ristori said the Commission was assessing "all aspects" of energy security, including refining. "Our main concern will be to increase the preparedness for the next winter," he said on the sidelines of a conference on the EU refining industry on Thursday. The Commission is expected to call on member states to assess their vulnerability to any supply crisis and to build up inventories. Longer term, the Commission is seeking to increase fuel efficiency and increase the use of electric vehicles and alternative fuels, such as biofuels.

Another contract on South Caucasus pipeline expansion signed

Trend Az., *22.05.2014*



The consortium of Azerbaijani Shah Deniz field development signed the line pipe coating contract for the South Caucasus Pipeline Expansion (SCPX) project with Bredero Shaw International BV, BP reported on May 22. The contract for line pipe coating is worth approximately $70 million.

The scope of work includes coating of all pipe to be used for SCPX construction. Bredero Shaw International will coat the pipe externally with three layers of polyethylene material and internally with an epoxy coating. The duration of this contract is 18 months with the first shipment of line pipe planned to arrive in Azerbaijan later this year.

This award adds to the 13 contracts already announced and underlines the overall progress to schedule of Shah Deniz phase 2. With most of the main contracts already awarded work has already commenced at the construction sites in Baku, the report said. 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, which also envisages the expansion of the Sangachal oil terminal and the South Caucasus gas pipeline. The cost of the second phase of "Shah Deniz" development together with the expansion of the South Caucasus gas pipeline which transports gas from the field to Georgia and Turkey, is estimated at $28 billion.

Novak: ExxonMobil, Shell committed to Russia

Reuters, *23.05.2014*

Russian Energy Minister Alexander Novak said on Friday, May 23; that super major oil companies Royal Dutch Shell and Exxon Mobil have confirmed their commitment to their operations in Russia and are eager to continue their work in the country.

"Both ExxonMobil Co. and Royal Dutch Shell are thoroughly eager to continue work on projects in Russia," Novak told the Saint Petersburg International Economic Forum.

Focus on Russia-China gas deal as Putin visits Shanghai

BBC, *19.05.2014*

Russian President Vladimir Putin hopes to sign a multi-billion dollar gas agreement with China during a two-day visit that kicks off on Tuesday, ending more than a decade of false starts and wrangling over a deal seen as vital to both sides.

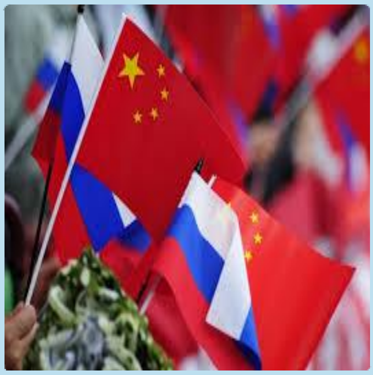
More broadly, the Putin, cold-shouldered in the, can expect a warmer reception in China, itself increasingly assertive in territorial disputes with smaller neighbors in the South China Sea. The crisis in Ukraine, which has left European countries looking at ways to reduce dependency on Russian natural gas supplies, and Beijing's drive to switch from coal use to cleaner fuels, have created a convergence of interests.

Analysts said that will be on display when Putin meets Chinese President Xi Jinping in Shanghai, although the success of his visit will rest in part on whether any energy agreement contains enough detail to take it beyond mere words. Chinese state media on Monday quoted Putin as saying that preparations for a gas deal had entered "the final phase". Negotiations in the past have collapsed over differences on pricing. Russia's state-controlled Gazprom said at the weekend that it was still "one digit" away from a deal. But on Monday, sources close to the company and in the gas industry said it wanted China to pay $25 billion now to secure future gas supplies, whereas China had so far been reticent, concerned that other suppliers would seek similar deals. "We are pinning our hopes on Putin's May visit," a source at Gazprom said. For its part, Beijing has been pushing to secure equity stakes in gas fields in eastern Siberia, which would be the main source of supply. The agreement that could be signed is a 30-year contract for Gazprom to supply China National Petroleum Corp (CNPC) with 38 billion cubic meters (bcm) of natural gas per year. Should the deal be finalized this week, construction of a new pipeline is expected to begin by the end of 2014 and start delivering gas by 2018.

China's Xi has underscored the importance of ties with Russia, and Moscow was the first capital he visited after assuming the presidency last year. Xi also attended the Winter Olympics in Sochi at Putin's invitation. But, while the two see eye-to-eye on many international diplomatic issues, including the conflict in Syria, and generally vote as one on the United Nations Security Council, China has not been so willing to support Russia on Ukraine. "Generally speaking, on the Ukraine issue we have taken an objective and just stance," Liu Guchang, a former Chinese ambassador to Russia and adviser to the foreign ministry, told Reuters. "All peoples and parties have to be respected. But we have seen very clearly the reality of the situation." Beijing has adopted a cautious response to the Ukraine crisis, not wanting to alienate a key ally. It has not commented directly on a referendum in which Crimea voted overwhelmingly to join Russia, lest it set a precedent for its own restive regions including Tibet. While in Shanghai, Putin will also meet U.N. Secretary General Ban Ki-moon to discuss the Ukraine crisis.

Russia clinches gas supply deal with China

Natural Gas Europe, *21.05.2014*



Russia finally clinched a $400-billion deal with China to supply the second world economy with gas via the Eastern Route for 30 years, opening a new market for Moscow in a moment of tensions with the West over Ukraine. Russia's Putin and China's Jinping took part to the signing ceremony. Delegations of the two countries signed two documents, one for the pipeline and one purchase and sale contract.

'Russian Energy Minister Alexander Novak and Director of the China National Energy Administration Wu Xinxiong signed a Memorandum of Understanding on gas supplies via the Eastern Route,' reads a note released on Wednesday.

The intergovernmental memorandum has been negotiated for a decade. Gazprom's Alexei Miller and China National Petroleum Corporation's Zhou Jiping signed the second document. Miller refused to unveil the gas price. Analysts estimate the price at around $350 per 1,000 cubic meters, compared to $350-$380 for most European utilities. On Tuesday, delegations failed to agree on pricing, clearly indicating that it has been the bone of contention. "I am absolutely certain that these prices will be comparable. But clearly, delivering to Europe is one thing and delivering to a new market is another.

Russia says no complaints over Slovakia's reverse gas flows to Ukraine

Kyiv Post, *19.05.2014*

Russian Foreign Minister Sergei Lavrov said on Monday Slovakia's agreement to allow reverse flows of gas to Ukraine from European Union did not violate agreements with Russia.

Ukraine has been trying to increase gas purchases from Europe via Slovakia after Russia almost doubled the price of gas. Moscow had suggested that reverse flows may violate Slovakia's contracts with state-controlled Gazprom. "We have no complaints over that," Lavrov told a news conference with his Slovak counterpart when asked about Slovakia's efforts to send gas to Ukraine.

Russia targets shale oil boom by next decade

Reuters, *22.05.2014*

Russia wants a boom in unconventional oil output by the next decade, and is prepared to look east for technology if its ambitions are hindered by Western sanctions over the Ukraine crisis, Russian oil executives said.

Russia is now pumping near its capacity of around 10.5 mbpd, with the bulk of production coming from depleted western Siberian deposits, highlighting an urgent need to look for new oil resources. Some Western companies are refraining from new investment in Russia because of political tensions, potentially threatening Moscow's goal of keeping oil production at least stable in the coming years.

Moscow has over the last couple of years started to look more closely at unconventional oil prospects in a move to replicate the oil boom in the United States. Last year the authorities introduced tax breaks to encourage investments into unconventional oil, including the Bazhenov formation in western Siberia, hoping the measures would boost the share of unconventional oil to 11 percent of the Russian total by 2020 from 0.2 percent now. "Russia might not be in the middle of delivering a new shale revolution but for sure is at the start of it," Andrei Kuzyaev, Lukoil vice president, told an annual economic forum in St Petersburg, shunned by many global CEOs because of East-West tensions over Ukraine. "Traditional reserves are depleting, there are some forecasts that production will decline... This all creates a stimulus for our country."

The U.S. Energy Information Administration estimates Russian recoverable shale oil resources at 75 billion barrels, more than the 58 billion barrels held by the United States, now the leader in shale oil production. The 'revolution' Kuzyaev refers to could be hampered by Western sanctions on Moscow, limited for now but already preventing some companies from new investments in Russia - which needs advanced technology to explore for unconventional oil. The Financial Times reported this month that the United States and the European Union could ban exports of modern technology and applications for use in the Russian oil sector, which would affect future oil production.

"Though this measure is only a possible option, we think it would affect primarily Arctic shelf projects and hard-to-recover oil projects where foreign technology is required the most," Alfa Bank said in a note at the time. With Russia-West tensions high, Moscow has started to look closer to home for partnerships, and this week secured a $400-billion contract to supply natural gas to China. Gennady Timchenko, President Vladimir Putin's key person for developing business ties with China, told reporters on Thursday that Russia could import technology from Beijing. In recent years, Russian oil companies such as Gazprom Neft, Rosneft and Lukoil have teamed up with international players such as ExxonMobil, Total , Statoil and Royal Dutch Shell to share costs and obtain the technology needed to explore for unconventional oil.

Lukoil’s Kuzyaev estimated the cost of one horizontal well in Russia at $15-20 million, compared to around $3.5 million in the United States - a figure which dropped from around $8 million recently due to the highly competitive environment among drilling companies. “With the help of our partners we are going to learn from all lessons,” Eric Liron, Rosneft first vice-president for upstream, told the forum. Moscow is 5-7 years behind the United States in terms of the technology needed to drill for unconventional oil, Alexander Dyukov, CEO of Russia’s No.4 oil producer Gazprom Neft, said on Thursday. “There is a gap but it is narrowing,” Dyukov said. Gazprom Neft is exploring for shale oil on its own and via two joint ventures with Royal Dutch Shell, including in the Bazhenov formation than extends across 2.3 million square kilometres (890,000 square miles). Echoing Timchenko, Dyukov told reporters that Russia may look to domestic suppliers or those in Asia for drilling rigs, which may allow the pumping of another 1 million bpd by 2020-22 from the Bazhenov formation alone. “To extract these volumes we need an additional 250-300 heavy drilling rigs... It could be domestic and Asian, Chinese drilling rigs,” Dyukov said.

LNG sellers to Chase Japan, South Korea on China-Russia gas deal

Business Week, *23.05.2014*

Liquefied natural gas sellers may face more competitive markets in Japan and South Korea, which together bought more than half of the world’s supply in 2013, after China signed a mega gas deal with Russia.

“A lot of the suppliers have to be more competitive and scramble to find more demand,” Fereidun Fesharaki, chairman of industry consultant Facts Global Energy, said in a phone interview yesterday. “In Japan, the only real opportunity is replacing expired contracts like those from Abu Dhabi or Qatar, but that will not emerge until late this decade or early next decade.”

China National Petroleum Corp. will buy 38 billion cubic meters of piped gas annually over 30 years from OAO Gazprom (GAZP)‘s fields in eastern Siberia at a cost of about $400 billion in an agreement concluded May 21 after 10 years of talks. This supply is equivalent to about 28 million metric tons of LNG, and combined with Sinopec’s purchase of LNG from Petronas’ Canada project, it means 33 million tons of demand has been “taken off the market,” Fesharaki said. China purchased 18.6 million tons as the world’s third largest buyer of LNG in 2013, according to the International Group of LNG Importers. “In South Korea, a lot of the end-users want to buy their own LNG and not go through Korea Gas Corp., so there may not be room for a lot of of long-term contracts,” according to Fesharaki. “Japan’s LNG demand will peak at about 91 million tons, with contract volumes of 25 million tons up for renewal.” LNG sellers will have to be less picky and amend their contract formulas as buyers have more options, said Milo Sjardin, an analyst from Bloomberg New Energy Finance.

“If you want to sign a long-term contract today, the price is in the 13.5 percent oil-link range and it may move down to 13 percent,” said Fesharaki. “I think the oil-link has already moved down from the 14.5 percent level that was seen in the past.” Prices for long-term LNG contracts, generally more than 10 years, are typically linked to the cost of Brent crude or the so-called Japan Crude Cocktail.

OMV completes butadiene plant upgrade at Austrian refinery

Oil and Gas Journal, *19.05.2014*

OMV AG has completed the extension of a butadiene plant at its 203,900-b/d Schwechat refinery in Austria. The completed expansion, which will increase the plant’s butadiene production capacity to 60,000 tonnes/year, began operating on May 2, OMV reported.

The $41 million plant upgrade, which began in September 2013 and ended in late April, was completed on time and below budget, the company said. Upon initially announcing the project in 2013, OMV said it expected Schwechat’s expanded butadiene plant to begin production in June, according to a May 7, 2013, release from the company.

OMV also said it is progressing with construction of a butadiene plant at its 72,000-b/d refinery in Burghausen, Germany. The company expects the Burghausen plant to be commissioned during second-quarter 2015. The investments into butadiene production at OMV’s refineries results from the changing landscape of the global refining business, in which petrochemical derivatives are playing an increasingly important role alongside traditional oil products such as diesel, heating oil, and fuels, according to Manfred Leitner, OMV executive board member responsible for the company’s refining and marketing division. “This is why OMV continues to focus on petrochemicals in its refinery activities and invests in producing materials for strategic growth markets,” Leitner said, adding that the strategic approach is designed to increase the company’s earning potential as well as improve its competitive position. OMV originally planned a total investment of more than $300 million for the Schwechat and Burghausen butadiene projects, which combined, will increase OMV’s overall butadiene production capacity by 140,000 tpy, according to the company’s annual report for 2013.

Gazprom Neft advances revamp of Omsk refinery

Oil and Gas Journal, *22.05.2014*

JSC Gazprom Neft has let a contract for project management consultancy services to KBR for the construction of an advanced oil processing complex at its 286,160 b/cd Omsk refinery in Siberia. The contract is part of a renovation program of the largest operating refinery in Russia.

KBR said it will provide PMC services for three process units and offsites and utilities construction, beginning with the front-end engineering and design phase and continuing through EPC, commissioning, and start-up. The contract will be executed by KBR's London and Russian operating centers.

Gazprom CEO says gas supply deal with China may affect European prices

Reuters, *23.05.2014*

Russia's landmark deal to supply gas to People's Republic of China may affect prices in Europe, the chief executive of Russia's state company Gazprom Alexei Miller said on Friday, May 23.

Russia and China signed a 30-year gas supply contract, worth a total of more than $400 billion, earlier this week during President Vladimir Putin's visit to the country. Neither side disclosed the price, but industry sources said it was between $350-$380 per thousand cubic meters, similar to what most European utilities pay under discounted long-term contracts signed in the last two years.

Putin said this week the formula was similar to the European price tied to the market value of oil and oil products. Gazprom has yet to build a pipeline to bring 38 billion cubic meters of gas to China from 2018. Russia and China have agreed on a $25 billion prepayment under a supply deal, Alexander Medvedev, chief executive of Gazprom Export, said on Friday.

EIA: Norway supplied 21% of Europe's natural gas in 2013

Oil and Gas Journal, *16.05.2014*

Norway, the world's third-largest natural gas exporter after Russia and Qatar, supplied 21% of total European gas needs in 2013, according to data from the US Energy Information Administration. EIA estimates that Norway produced 3.97 tcf of dry gas in 2013, a decline of 0.18 tcf from 2012. As a result of its modest domestic demand, Norway's net exports for 2013 were 3.8 tcf of gas, representing 96% of its production.

"Norway's natural gas reaches the Continent mainly via its extensive export pipeline infrastructure. The largest recipients of Norway's natural gas exports in 2013 were the UK, Germany, France and Belgium" EIA said.

Norway's single largest gas field, Troll, produced 1 tcf in 2013, according to estimates from the Norwegian Petroleum Directorate, which accounted for 27% of Norway's total gas production that year. Three other major producing fields in 2013 were Ormen Lange (0.76 tcf), Asgard (0.34 tcf), and Kvitebjorn (0.24 tcf). These four fields produced over 60% of Norway's total dry gas in 2013.

Total says Tripoli staff reduced to minimum on security concerns

Natural Gas Europe, *19.05.2014*

Total has cut its presence in Tripoli to a minimum over security concerns, although it is not evacuating staff and offshore operations are continuing. "We are monitoring the situation, we have reduced our presence in Tripoli, which was already limited, to the minimum, even though we're not evacuating from Libya and offshore activities are continuing."

She would not say how many people were working in Libya and how the company was organizing itself in the face of increasing violence in the North African country. The Algerian state energy firm Sonatrach has ordered its workers back from Libya, a source at the company said on Monday.

IEA: Energy efficiency a necessary measure

Natural Gas Europe, *20.53.2014*

The International Energy Agency (IEA) suggests the path for energy efficiency measures, calling on countries and sectors to take an active role.

“If the world wants to avoid a temperature increase of 5 or 6 degrees Celsius by the end of the century, then ambitious programmes of energy efficiency have to be launched in all sectors and in all countries,” IEA Executive Director Maria van der Hoeven commented in a note released on Tuesday. The international body released on Monday two manuals, one for policy makers and one for statisticians, aiming at defining shared practices to support energy efficiency policies.

“The IEA’s new manuals on energy efficiency indicators will help countries design and implement dynamic, viable energy efficiency programmes,” van der Hoeven said. According to the Energy Technology Perspectives 2014 published earlier this month, if governments want to meet their 2 degrees Celsius in this century, energy efficiency will need to contributing between one-third and one-half of all the required future energy and emissions savings.

API: US petroleum demand hits 4-year high in April

Oil and Gas Journal, *22.05.2014*

Total US petroleum deliveries, a measure of demand, increased 2.3% from April 2013 to average 19 million b/d this April, the highest April deliveries in 4 years, the American Petroleum Institute said in its monthly statistical report.

"April brought strong year-over-year growth in both the production and refining sectors," said John Felmy, API chief economist. "The oil and natural gas industry continues to provide a solid base for growth in the larger economy." At nearly 8.3 million b/d, US crude oil production increased 12.6% from April 2013 to the highest level for the month since 1988.

According to the latest reports from Baker Hughes Inc., the number of oil and gas rigs in the US in April was 1,835, up 32 units from March and was up 80 units from April 2013. This was the highest count since September 2012. Total imports in April averaged 10.1 million b/d, 0.6% higher than last year and the second lowest level in 17 years. Crude oil imports averaged 8 million b/d, up 3.7% from last year, while imports of refined products fell 9.4% from April 2013 to 2.1 million b/d, the second lowest level for the month in 16 years.

Demand for gasoline gained 2.7% and distillate deliveries gained 8.8% from April 2013 to average 9 million b/d and 4.2 million b/d, respectively. Jet fuel demand dropped to the second lowest April level in 19 years while residual fuel deliveries were the lowest on record for the month. Deliveries of other oils for April showed a slight drop over year-ago levels. Production of gasoline set a new all-time record last month, gaining 9.2% from April 2013's output to 9.8 million b/d. Distillate production rose 12.1% from last year to 5 million b/d, the highest April level on record, API reported.

New April records were also set for refinery gross inputs and exports of refined products. Compared with last year, refinery gross inputs grew 5.1% to 16.1 million b/d, and exports of refined petroleum products gained 16% to average 3.7 million b/d. The refinery capacity utilization rate averaged 89.7% in April. API's latest refinery operable capacity was 17.922 million b/d. Crude oil stocks ended at 390 million bbl, down 1.5% from last year but still the second highest April inventory level in 31 years. Stocks of motor gasoline were down by 2.3% from last year to 216 million bbl. Distillate, jet fuel, and other oils stocks were all down from year ago levels, API said.

Crude oil prices mixed on global geopolitical concerns

Oil & Gas Journal, *20.05.2014*

Crude oil futures prices rose on the New York market May 19 while benchmark Brent crude oil prices declined on the London market. Analysts said the market was getting mixed signals based on robust US oil supplies and also on geopolitical uncertainty in Ukraine and Libya.

Germany's government officials suggested Russia would face additional sanctions if Moscow disrupts Ukraine's upcoming presidential election scheduled for May 25. In Libya, a dispute intensified between various militias. Islamist-led militias were deployed to Tripoli, Libya on last Tuesday, May 20.

Barclays Capital Inc. analyst Miswin Mahesh said the Organization of Petroleum Exporting Countries might be required to produce about 600,000 b/d more of crude oil during this year's second half vs. the first half. But about 2.5 million b/d of OPEC crude oil supply from countries like Libya, Iran, and Iraq is shut and if any of this oil output restarts, other OPEC members would have to cut their oil exports, Mahesh said. "The method with which members discuss this openly and show resolve will also provide a good litmus test for how the group will together deal with accommodating non-OPEC supply growth in the coming years," he said. The New York Mercantile Exchange June crude oil contract price gained 59¢ on May 19, closing at $102.61/bbl.

The July contract rose 53¢ to $102.11/bbl. The June natural gas contract was up 5.7¢ to $4.47/MMbtu. Analysts noted that updated weather forecasts called for mild temperatures across much of the Midwest and Northeast, which would likely mean lower heating demand. Heating oil for June delivery lost 1.27¢ to settle at a rounded $2.94/gal. Reformulated gasoline stock for oxygenate blending for June delivery edged down just shy of a penny to a rounded $2.96/gal. In London, the July ICE contract for Brent crude delivery was down 38¢, closing at $109.37/bbl. The August contract declined 35¢ to settle at $108.59/bbl. The ICE gas oil contract for June relinquished $4 to $912.25/tonne. The Organization of Petroleum Exporting Countries' basket of 12 benchmark crudes on May 19 was $106.43/bbl, rising 48¢.

Announcements & Reports

► *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

► *Monthly Energy Review*

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

► *China's Growing Energy Demand – Some International Implications*

Source : The Oxford Institute for Energy Studies
Weblink : http://www.oxfordenergy.org/2013/12/chinas-growing-energy-demand-some-internationsl-implications/

► *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

► *Costs, Competitiveness and Climate Policy – Distortions Across Europe*

Source : The Oxford Institute for Energy Studies
Weblink : http://www.oxfordenergy.org/2014/04/costs-competitiveness-and-climate-policy-distortions-across-europe/

Upcoming Events

► 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 Greek Cyprus
Website : http://www.eastmed-og.com/Home.aspx

► *All Energy Turkey- 2014* ***(in Turkey)***

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