Oil & Gas Bulletin

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Yildiz: Kurdish oil flow continues

Hurriyet Daily News, *29.05.2014*

Kurdish oil from the KRG to the southern Turkish port of Ceyhan continues at 100,000 to 120,000 barrels, Turkish Energy Minister said. Shipments of oil pumped from the autonomous region in northern Iraq and stored in Ceyhan began on the night of May 22, sparking reaction from the central government, which insists it has the sole right to export the crude oil and describes the sales as "smuggling."

Baghdad's Oil Ministry filed a request for arbitration against the Turkish state-owned pipeline operator BOTAS at the Paris-based International Chamber of Commerce after crude from KRG was exported to international markets via Turkey.

Answering reporters' questions in Ankara yesterday, the minister said oil flow is continuing, despite Baghdad's legal move. Yildiz also said they have not received any notices regarding the application. "There have not been any notices conveyed to our side. If there were, we would be able to see them," he said, adding the Economy Ministry is following developments to see if there have been any embargo attempts against Turkish companies, as Iraq has threatened doing. The minister also added oil flow from Baghdad remains at a standstill and has not yet started. The Kurds have sent around 1.5 million barrels of oil through the new pipeline, but both Ankara and Erbil have expressed hopes to double the daily flow amount to 200,000 after setting the conditions.

TPAO Signs $1.5 billion deal to buy Total's stake in Azeri gas project

Rigzone, *30.05.2014*

Turkey's state oil company TPAO signed a $1.5 billion deal on Friday to acquire French energy company Total's 10 percent stake in Azerbaijan's Shah Deniz gas project, at a signing ceremony in Istanbul. The agreement increases TPAO's stake in the project to 19 percent from a previous 9 percent, while Total exits the project. Sources had told Reuters about the sale in February.

The deal is worth $1.5 billion, Total said in a statement, and on completion will bring to $16 billion the assets sold by Total since 2012, in line with its asset-sale target of $15-20 billion by end-2014.

Turkish pipeline firm Botas also signed an agreement at the ceremony with Azeri state oil company SOCAR to raise its stake in the Trans-Anatolian natural gas pipeline project (TANAP) to 30 percent from 20 percent. Azerbaijan's biggest gas field, Shah Deniz is being developed by consortium partners BP, Statoil, SOCAR and others. Shah Deniz I has been pumping gas since 2006 and has an annual production capacity of about 10 billion cubic metres (bcm) of natural gas. The next phase, Shah Deniz II, is important for Europe as an alternative to gas from Russia's Gazprom. It is expected to produce 16 bcm of gas per year from around 2019, with 10 bcm earmarked for Europe and 6 bcm for Turkey. Socar President Rovnag Abdullayev said that this share would not be affected by the change in ownership. The TANAP pipeline will run from the Turkish-Georgian border to Turkey's borders with Bulgaria and Greece. The preliminary cost has been estimated at $20 billion. Turkish Energy Minister Taner Yildiz has said construction is expected to be completed by the end of 2018 in order to start deliveries of gas from Shah Deniz II in 2019.

G-7 needs Turkish support

Natural Gas Europe, *28.05.2014*

The G-7 countries should support Turkey's aspirations to become a land bridge for Caspian Basin and East Mediterranean energy sources, while convincing Ankara to pave the way to Liquefied Natural Gas (LNG) tankers through its straits. This is one of the recommendations inked by Gal Luft, Co-Director of the Institute for the Analysis of Global Security (IAGS).

'The crisis in Ukraine has awoken a new sense of energy insecurity in Europe, triggering calls for a better coordinated multinational approach to energy security,' reads the report released on Tuesday.

In this context, the Institute for the Analysis of Global Security suggests Europe to prioritize diversification of gas transit routes and decrease its dependence on Ukraine, while maintaining its unavoidable relation with Russia. 'It is therefore in the interest of Europe to support – rather than oppose – new corridors for Russian gas such as the South Stream pipeline, which would transport Russian gas through the Black Sea and to Bulgaria, Serbia, Hungary, Slovenia, Austria, Italy and beyond,' Luft said in the report, adding that anti-Moscow rhetoric could backfire on both Europe and the United Statesas it pushes Russia closer to growing Asian countries. The report also recommends to 'strike a better balance between environmental and energy security strategies,' bet on methanol to store gas in liquid form, monetize flared gas and open vehicles to fuel competition.

Turkey - Azerbaijan pipeline offers alternative for Russian gas

Al-Monitor, *27.05.2014*

Russia's west Europe natural gas pipeline passes through Ukraine. Experience shows that at times of high tension, service through the pipeline can be disrupted, so developing an alternative is of vital importance for Europe.

Alternative natural gas resources are also important for the United States, as natural gas, in addition to being a commercial commodity, has also emerged as an effective instrument of political gamesmanship. Although the Russia-Ukraine tension seems to have eased a bit recently, natural gas-dependent Europe does not want to take any risks and is working on developing new options as quickly as possible.

Russia's response to the European search for new resources is to find new markets for its gas. The 30-year agreement signed May 21 between Russia and China for the sale of 38 billion cubic meters of natural gas has to be seen as a strategic warning to Europe. It has become clear that Russia wants to implement its threat to cut off gas to Europe when necessary, despite the costs it will entail. In this cold war atmosphere between Russia and Europe, the Russian message to Europe is "I don't need you." But to achieve such leverage against Europe, Russia had to agree to the low prices China demanded in the 10-year-long bargaining.

China will pay $350 for 1,000 cubic meters of gas, whereas Europe pays on average $380 and Turkey pays $420. With this price it offered to China, Russia would be forced to lower the price of gas it sells to Europe and Turkey. Turkey has already asked for a 15% reduction. What is needed is to trim the Russian domination of gas-pricing policy while assuring an uninterrupted natural gas supply to Europe. As Europe's natural gas demand increases in the coming decades, new pipelines will be needed. This is why a project that will carry gas to Europe via Turkey is becoming increasingly prominent. The Trans Anatolia Natural Gas Pipeline (TANAP) will transport Azeri natural gas from the Shah Deniz fields to Europe via a 1,800-kilometer (1,118-mile) pipeline that will traverse Turkey. Azerbaijan has proven gas reserves of more than 3 trillion cubic meters.

Once that pipeline becomes operational, Europe and Turkey will be relieved. About $45 billion will be invested in the pipeline, which will extend from Azerbaijan to Italy, traversing 21 Turkish provinces. The project, begun under an agreement signed between Turkey and Azerbaijan in 2012, has reached the construction phase. According to Al-Monitor's sources, SOCAR, the Azeri national oil corporation, has completed the tender specifications for the construction of the Turkish segment of the pipeline. Four local and 11 foreign consortiums found qualified to compete are submitting their bids. Construction will start in 2015, and the project that will cost $7 billion for its Turkey segment will be finished in three years. Azerbaijan owns 80% of TANAP's shares and Turkey has 20%. Azerbaijan has agreed to increase Turkey's share to 30%.

There are also discussions of making Turkey a partner to the Shahdeniz-2 field through its pipeline company BOTAS. Negotiations are ongoing with Shahdeniz-2 partners led by British BP. Reports indicate that BOTAS might be offered a 10% share in that field. Turkey will be both a carrier and a consumer of TANAP, and BOTAS will download natural gas from two points on the pipeline. For every 1,000 cubic meters of gas it will collect at Eskisehir, BOTAS will pay the company that owns the pipeline $80 as a carrier fee. For the gas it will collect in Thrace (west of Istanbul), the carrier fee will be $110. The pipeline will reach Europe at the Greece and Bulgaria borders with Turkey. It is not yet clear whether the gas to be brought to the European border by TANAP Dogalgas Iletim Co. will be carried on to Europe by the Trans Adriatic Pipeline or Nabucco West.

This will be decided in June. Natural gas will start to flow through TANAP in 2018. In the first phase, 16 billion cubic meters of gas will flow, and this figure will rise to 23 billion in 2023. The project will reach its full capacity in 2026, when the annual flow hits 31 billion cubic meters. There is also a sentimental aspect to this Turkey-Azerbaijan project. The slogan “one nation, two states” that the leaders of both countries so love to repeat will gain more credibility. Meanwhile, Iran has also indicated TANAP as the most appropriate option to transport gas to Europe. Deputy Oil Minister Ali Majedi has said that to ship natural gas to France, Britain and Germany via TANAP was the least costly option for Iran. In short, TANAP is a rising star project that will carry not only Azeri but also Iranian natural gas to Europe.

SOCAR Turkey signs $3.29 billion financing deal for Star Refinery

Hurriyet Daily News, *30.05.2014*

Azeri state oil company SOCAR has signed a $3.29 billion financing deal with 23 banks and export credit agencies for the construction of a refinery on Turkey’s Aegean coast, SOCAR’s Turkish subsidiary Petkim said on May 30. SOCAR is building the $5.5 billion Star refinery to supply feedstock to petrochemicals maker Petkim, which will help cut Turkey’s dependence on imported refined oil products.

The Star plant in Aliağa on the Aegean coast is expected to have an annual capacity of 10 million tonnes, 1.6 million tons of which would be naphtha which could feed the Petkim plant.

It will also produce diesel, jet fuel and LPG. Around $2.7 billion of the financing has a maturity of 18 years and the remaining $600 million has a maturity of 15 years, Petkim said in a statement to the Istanbul stock exchange. SOCAR said it would use $2 billion of its own equity for the project but has tapped the markets for funding for the rest. It signed a $3.46 billion engineering procurement and construction contract in May last year with a consortium comprising Tecnicas Reunidas, Saipem, GS Engineering & Construction and Itochu Corp. Earlier this week, Petkim said it signed an agreement to buy up to 1.6 million tonnes of naphtha feedstock from the Star refinery.

Turkish Cypriots say gas find could be obstacle in talks

Hurriyet Daily News, *29.05.2014*

Turkish Cypriot chief negotiator played down the prospect of a quick solution in peace talks with his Greek rivals, warning that the discovery of natural gas in the region was possibly more of an obstacle than of help.

“The fact that one community is treated as if they were eligible to do whatever they want about hydrocarbons without getting the consent of the other, it cannot help the Cyprus problem, on the contrary it could be a kind of obstacle,” negotiator Ozersay said. The recent discovery of natural gas under the sea between the Greek Cyprus and Israel has added a new dimension to the issue.

The significance of the find has been amplified by the Ukraine crisis and its possible impact on Russian gas supplies to Europe. Speaking to reporters in Paris, Ozersay said the next phase of talks was uncertain, the first time either side has warned of possible trouble ahead since talks were restarted in February. “We are against the idea of talks just for talks. We don’t want to be the prisoners of that. We don’t know what will be the next stage, there isn’t a roadmap that we have agreed on,” he said.’Not happy’Power sharing, redrawing property boundaries and the claims of thousands of displaced persons are key issues in the conflict. Any agreement must be put to separate referendums in the Island of Cyprus’ two communities, which are both mistrustful after previous failed talks.

“Our counterpart is unwilling to accept fully the convergences that were agreed, [and] they want to change some of these convergences that were [agreed] before,” Ozersay said, declining to give specific details. “This is something disturbing for us and we’re not happy to see this.” He was referring to the position of the present Greek Cypriot leadership that any agreements brokered in previous peace talks between 2008 and 2012 would be reviewed. Those were partial convergences on issues such as competencies of a future Island of Cyprus federal government and on the functioning of the economy.

Ozersay said there had been broad progress on issues ranging from federal legislature to a federal judiciary and a federal police. “So far we achieved certain progress on certain issues. Is it sufficient? No.” He also said both sides had failed to agree on the fate of the northern Cyprus town of Varosha, once a thriving holiday resort that welcomed Hollywood stars like Paul Newman and Elizabeth Taylor, but which has been left deserted since 1974, occupied only by patrolling Turkish soldiers. “We failed [on Varosha I don’t want to going to more details why, but we failed,” he said. U.S. Vice President Joe Biden said in a landmark visit to the Greek Cyprus on May 22 that the rival leaders had agreed to speed up the slow-moving talks, restarted after a two-year hiatus, to patch up one of Europe’s most intractable rifts.

Turkey interested in Russia's new gas pipeline project

World Bulletin, *29.05.2014*

Turkey finds it feasible and possible to participate in Russia's South Stream pipeline project, if Moscow makes official offer, said Turkish Energy Minister Taner Yildiz on Thursday.

If Russia makes an official offer, we find it feasible and possible, said Yildiz at the fourth Annual Congress of Caucasus Universities Association titled "Role of Energy in Caucasia's Future" in Ankara. Russian President Vladimir Putin recently announced that Moscow would choose a country not belonging to the European Union for passage of the South Stream pipeline, following the EU's reactions to the annexation of Crimea by Russia.

The South Stream project, which is expected to be operational by 2018, was designed to ship Russia's natural gas to Europe through Bulgaria, Greece, Italy and Austria. However, Brussels has put the project on hold as the EU seeks to decrease its reliance on Russian gas. Asked about the identity of the buyers of northern Iraqi oil, which has started to be exported from the southeastern Turkish port of Ceyhan last week, Yildiz said, "We don't know who buys the oil since the oil belongs to Iraq, and Turkey only manages the transportation part, not the sale." Yildiz mentioned that 100,000 to 120,000 barrels of northern Iraqi oil per day were continuing to flow into Ceyhan before being transferred to the Mediterranean market.

The oil had been stored in Ceyhan for the last six months in line with an agreement signed between Turkey and the Kurdish Regional Government in northern Iraq as the central government in Baghdad opposed its sale, claiming that would violate the country's constitution. While negotiations on a deal between the Irbil and Baghdad authorities were taking place, almost 2.5 million barrels of oil accumulated in Ceyhan. Last Thursday, Yildiz announced that the one million barrels of the Ceyhan oil had begun to be sold to Mediterranean market. It remains unclear whether an agreement was actually reached between Irbil and Baghdad.

Georgia with Azerbaijan, Turkey contribute Europe's energy security

Trend Az., *29.05.2014*

Georgia in partnership with Azerbaijan and Turkey can greatly contribute in ensuring Europe's energy security, Georgian Defense Minister Irakli Alasania said at a recent conference on energy security in Germany.

"Georgia holds a geopolitical position that contributes to its joint contribution, together with Azerbaijan and Turkey, to Europe's energy security," the Georgian minister added.
During his speech Alasania discussed security issues in the region. He stressed the importance of ensuring stability and security in the region and developing the country's transit potential.

"We talked about Georgia's recent achievements, the rapid reform of state organizations, the judiciary, Georgia's readiness to sign an association agreement with the EU, which will give more opportunities to get closer to Europe," Alasania said. The Southern Gas Corridor is a project that will allow Europe to diversify its sources of hydrocarbon supply and strengthen energy security and enable Azerbaijan to get a new market in Europe. The final investment decision was made on the second phase of the Azerbaijani Shah Deniz offshore gas and condensate field development on December 17, 2013. Some 10 billion cubic meters of gas from the field will be supplied to the European market. 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. The Southern Gas Corridor project is planned to pass through Azerbaijan, Georgia and Turkey in 2019. Afterwards, it will stretch in Greece, Albania and Italy.

Island of Cyprus' export options

Natural Gas Europe, *26.05.2014*

The construction of an onshore liquefied natural gas terminal in the Vassilikos coastal side of Greek Cyprus remains the Cypriot government's top priority. The island was found hydrocarbon fertile when Noble Energy discovered the Aphrodite field in the Block 12 of the island's Exclusive Economic Zone.

Original expectations in terms of quantities contained in the field led to the planning of an onshore LNG facility that would ensure deliverability of the natural gas to lucrative geographical markets regardless of their distance from the island.

The field, discovered in late 2011, has estimated gross mean resources of 5 Tcf. The quantities do not justify at present the multi-billion dollar project, but the survival of the terminal depends on various factors. For the LNG terminal to be commercially viable, sufficient quantities of natural gas need to be encountered in Cypriot waters. The quantity of gas needed depends on the price of natural gas in the market. Unlike oil, the price of natural gas is not uniform across the globe and depends on the geographical market where it is sold. The discrepancy in the price of natural gas is attributed to the complexity of its transportation (Asian markets are known to be the most lucrative). Reaching Asian markets from the Eastern Mediterranean requires the costly process of liquefaction the natural gas. Pipelines are less costly and require less funds and less time to be completed. However, while LNG offers the flexibility in the choice of the customer, pipelines are more vulnerable to regional political obstacles and have a limited reach.

If a wide range of number has been given in regards to the quantities of gas needed for the completion of the project, it is because the answer is not straightforward. The reason for that is that once the construction of the LNG terminal begins, it will take some time to complete, as much as 10 years according to experts in the field. It is difficult to predict where natural gas prices will be at that time given the constantly changing market and the entry of new players that could affect competition. Based on current Asian prices, experts estimate that as much as 7 Tcf is needed for the LNG project to be commercially viable.

Fiona Mullen1, director of Sapienta Economics, argues that in the event of a 10% price drop in Asia, 8 Tcf will be needed, whereas if prices in Asia were to drop by 20%, as much as 10 Tcf will be required. If the European market were to be targeted instead, the quantities needed to fund the LNG terminal and make it commercially viable would be much higher given that natural gas would be sold for cheaper and hence more gas will have to be sold to make the same kind of income, adds Mullen. Noble Energy plans to conduct further drilling in Block 12 of the island's EEZ. The ENI-KOGAS consortium, holder of licenses for blocks 2, 3 and 9 will also commence exploration activities later this year. Total, licensed to drill in Blocks 10 and 11, is expected to begin in 2015. It will take a couple of years before results are revealed and confirmed by appraisal drilling and before the fate of the LNG project becomes clearer.

Experts believe that in the scenario where numbers encourage a final investment decision, and when all other conditions are favorable, its completion is to be expected anywhere between 2026 and 2028. Originally, Israel was thought to be interested in pooling costs with the island and participating in the LNG project. Israel's participation would have eliminated the need to wait for additional successful encounters and hastened the start of the construction. However, if Israel has taken, after a lengthy national debate, a decision in principle to export around 40% of its discovered reserves, it has not decided on its export routes, neither via Greek Cyprus nor elsewhere. At the moment, Israel has expressed its intention to export to its immediate neighbours - Jordan, Egypt and the Palestinian Authority - and has entertained the possibility to use Egypt's unused LNG export terminals to process Israeli gas.

As mentioned previously, exporting gas via LNG is not the only possible option. If pipelines have to obey to the peculiar geopolitics of the Eastern Mediterranean, and be limited in terms of flexibility, they sometimes win on the grounds of commercial viability. A pipeline from the island to Greece was studied and considered costly because of its depth and length. A pipeline to Turkey has a prerequisite: the resolution of the division of the island. Reunification talks are being conducted in tandem. The outcome is difficult to predict given the failure of previous attempts. Whether the hydrocarbon element will alter the equation is yet to be seen.

The various obstacles exposed do not indicate that the island's transition into a net natural gas exporter will not happen, nor that the island will not realise its ambition to become an energy hub. Its Eastern Mediterranean neighbours also have hurdles on their own: Lebanon has been slowed down by domestic political rivalries and has not been able so far to launch its first licensing round, now expected to be opened in August 2014; Israel has made substantial discoveries but has not been able to find the ideal export route yet. Despite the current complications, Island of Cyprus' ambition to become an energy hub remains alive, and for good reasons. Halliburton, a leader in oilfield servicing, has recently announced it had elected the Island as its Eastern Mediterranean base. The latter is a good example that the island's pacific relations with its neighbours offers a great advantage for major oil and gas companies looking to have a presence in the region. The hydrocarbon riches will no doubt reshape the regional landscape and allow for the entry of new players in the natural gas market. A lot will depend on the results of the activities taking place in the next two years.

Iraqi Kurds slam Baghdad legal action over oil shipment

Natural Gas Europe, *26.05.2014*

Iraq's Kurdish region slammed legal action filed by the central government at Baghdad against Turkey, saying Sunday it was illegitimate and likely to fail, the latest in worsening ties between Baghdad and the Kurdish Regional Government.

The Kurdish Ministry of Natural Resources statement came just days after Baghdad's Oil Ministry filed a request for arbitration against Ankara at the Paris-based International Chamber of Commerce after crude from Kurdish Regional Government was exported to international markets via a Turkish port.

Relations between Iraq and its Kurdish region, and between Baghdad and Ankara, were already fragile and are likely to chill further over the row, with the latest shipments flying in the face of the Iraqi government's insistence that it has the sole right to sell its prized natural resources. "The MOO (Ministry of Oil) is, with its behavior, isolating itself ... (and) potentially damaging Iraq's petroleum industry and Iraq's petroleum reserves," the ministry statement said "The MOO is also ... now prepared to damage Iraq's relations with Turkey and other friends of Iraq." The statement labelled the arbitration request "self-defeating" and "illegitimate", saying it would "not allow hollow threats from the MOO to interfere with the KRG's (Kurdish Regional Government's) oil export regime."

The dispute between Baghdad and Kurdish authorities in Arbil centers around interpretations of Iraq's constitution, with both sides insisting they are behaving legally. The central government insists it has the sole right to export Iraqi crude, describes Kurdish sales as "smuggling" and also says contracts between Arbil and foreign energy firms without its expressed consent are illegal. But the row took on a new dimension after Turkey confirmed shipments of oil pumped from the autonomous northern Iraqi region and stored in Turkey's Mediterranean port of Ceyhan began on Thursday. Iraq responded by filing the arbitration request on Friday, asking the ICC to order Turkey and its state-owned pipeline company to "cease all unauthorized transport, storage and loading of crude oil," and added it was seeking financial damages of more than $250 million (180 million euros).

Washington has warned that the oil export move could destabilize Iraq, with State Department spokeswoman Jen Psaki saying the US does not "support exports without the appropriate approval of the federal Iraqi government, and certainly we do have concerns about the impact of those continuing." The tensions come as Prime Minister Nuri al-Maliki looks to secure a third term in power after April 30 elections in which his bloc emerged with by far the most seats in parliament, though well short of a majority. Maliki is likely to need some Kurdish support if he is to secure the seats necessary to win re-election, but the latest row threatens to further complicate any potential talks for government formation.

BP readies for Azeri gas deliveries

UPI, *27.05.2014*

Most of the contracts for a natural gas pipeline from Azerbaijan to Europe have now been awarded, BP regional President Gordon Birrell said. BP and the South Caucasus Pipeline Co. awarded $735 million in contracts for the construction of more than 300 miles of pipelines and associated infrastructure in Azerbaijan and Georgia to a group led by a joint venture between Italian company Saipem and Azerbaijan's Azfen.

"We have now awarded most of the contracts for South Caucasus pipeline Expansion project and associated expansion facilities in Azerbaijan and Georgia," Birrell said.

The pipeline project is part of an effort by the BP-led consortium to develop Phase II of the Shah Deniz natural gas field off the coast of Azerbaijan. The gas field is expected to help diversify a European energy sector that depends heavily on Russia.

Azerbaijan's SOCAR to fix gas exports to Iran at 400mcm in 2014

Tehran Times, *26.05.2014*

The State Oil Company of Azerbaijan Republic (SOCAR) has announced that it will export 400 million cubic meters (mcm) of gas to Iran in 2014. Kamal Abbasov, SOCAR's gas export department's deputy head, told Reuters that the volume of gas exports to Iran will be the same as last year. SOCAR exported 151 mcm of gas to Iran in the first four months of 2014 versus 149 mcm in the same period a year earlier.

Iranian Deputy Oil Minister for International and Trade Affairs Ali Majedi said on May 9 that the Islamic Republic was prepared to export natural gas to European countries seeking to diversify their energy sources and gas supplies.

He described a pipeline meant to transfer natural gas from Iran to Europe through Turkish soil as the most viable option, adding that the second pipeline project could be a route that crosses several countries, including Iraq, Syria and Lebanon, to transport Iran's gas to Europe. Majedi also stated that the third route would be a pipeline that runs through Armenia, Georgia and under the Black Sea.

Eastern Libya oil rebel rejects new government

Business Insider, *27.05.2014*

The leader of the protesters occupying Libyan oil ports said on Monday, he did not recognize Prime Minister Ahmed Maiteeq's new government and suggested a previously agreed deal to end his blockade could be in jeopardy.

Jathran, who wants more autonomy from Tripoli for his eastern region, had agreed with Maiteeq's predecessor to steadily end the protests. Jathran's statement added to the opposition to Maiteeq, a businessman backed by the Muslim Brotherhood, who was appointed two weeks ago in a chaotic, parliamentary vote that prompted anti-Islamist factions to challenge his legitimacy.

Libya's parliament, the General National Congress, has been paralyzed by infighting among pro- and anti-Islamist, tribal and regional factions vying for influence in the chaos that followed the 2011 uprising against Muammar Gaddafi. "All options are on the table," Jathran said, without a direct reference to the oil accord. "If the parliament keeps with its decision on the new government, then we will take a different position than we have before." Keeping ports closed will be a blow to Maiteeq's new government, with the country's oil production down to 160,000 barrels per day (bpd) compared with 1.4 million bpd because of the Jathran blockade and other pipeline protests.

In a further complication, a deputy parliamentary president sent a letter on Monday to Maiteeq's predecessor, Abdullah al-Thinni, asking him to stay on because a justice ministry body had ruled Maiteeq's initial election by parliament was illegal. It was not clear how Thinni would respond to the request, which his spokesman said he had received. He asked to step down from the prime minister's post after gunmen attacked his family. His predecessor was ousted by parliament in March. Three years after Gaddafi's demise, rival brigades of former fighters allied with competing political factions are the real power brokers, often challenging the weak central government to make their own demands.

A renegade former army general, Khalifa Haftar, has also challenged Maiteeq's appointment as the third premier since March, reflecting deeper political turmoil. A week ago, gunmen claiming loyalty to Haftar attacked parliament as part of his campaign against Islamists, and he demanded lawmakers hand over power to a panel of judges. Haftar, a former Gaddafi ally who broke with the autocrat in the 1980s and spent years in U.S. exile, claims his irregular forces are fighting to purge the country of Islamist militants because the government and parliament failed. Libya has proposed an early election in June to vote in a new parliament as a way to ease the crisis, though Maiteeq said on Monday he expected his government would stay on past the vote for the new legislature.

Stroytransgaz Consortium to build South Stream Gas pipeline in Bulgaria

Natural Gas Europe, *26.05.2014*

A consortium of Russia's Stroytransgaz and five Bulgarian energy companies united under the name of "Gasproekt Yug" will be building the Bulgarian part of South Stream gas pipeline.

The Bulgarian companies under "Gasproekt Yug" are "Industrial Construction Holding", "Technoexportstroy", "Glavbolgarstroy", "Ponsstroy Engineering" and "PST Holding". The pipeline is expected to boost the security of supply of Bulgaria which currently relies on just one route bringing Russian gas via Ukraine and Romania which will bring Russian gas to Europe

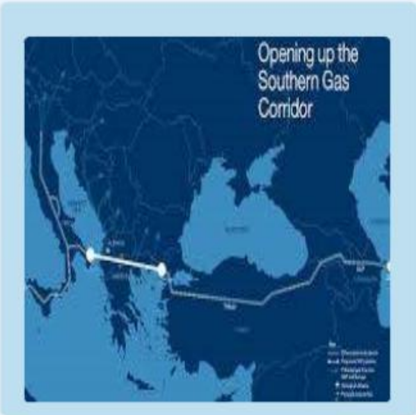
The winning Bulgarian-Russian Stroytransgas Consortium DZZD in the much scrutinized tender procedure was announced Tuesday by representatives of South Stream Bulgaria AD, a Bulgarian-Russian equal participation joint-venture managing the project in Bulgaria. Launched in the day of the formal start of the project in Bulgaria on October 31, 2013, with just two weeks for candidates to submit their letters of intent, the procedure was cancelled and re-started two months later. "A total of 11 consortia submitted their offers in the first phase of the selection procedure. Only three of them – Stroytransgaz Consortium DZZD, JV Bonnati-CCC-Gastroymontaj, "HABAU Hoch-und Tiefbaugesellschaft m.b.H, Max Streicher GmbH&Co., Kommanditgesellschaft auf Aktien, ENergoremont Holding AD" were allowed to the second stage which started in January 2014", Vladimir Inkov of the state-owned Bulgarian Energy Holding stated.

Leonid Chugunov, chief of the South Stream department at Gazprom, explained that the tender procedure was aimed at selecting one candidate "that is strong enough and hasd the expertise to carry out all the planning, equipment and material delivery and construction works for the complex project that South Stream is". According to the representatives of South Stream Bulgaria, some 110 Bulgarian companies will be contracted for the construction of the pipeline, creating direct employment for 7500 people and for around 100,000 in the country. "The project will have a huge impact on employment in Northern Bulgaria, sadly known as one of the poorest regions in Europe. Furthermore Bulgaria will benefit from transit fees, taxes and excise duties as early as 2016", Vladimir Inkov said.

While construction of the onshore part of the pipeline in Bulgaria is scheduled for 2014, the first quantities of gas should be delivered in the fourth quarter of 2015, Gazprom representatives announced. The planned annual flow of 15,6 billion cub. m/year will be divided between Bulgaria and transit aimed for Greece and Turkey. In 2016 the quantities will be increased to 45 bn cub. m, reaching the planned maximum capacity of 63 bn cub. m in 2018. The price of the Bulgarian stretch remains EUR 3.5 bn Despite declining to state a particular price for the entire project in Bulgaria citing "trade secret", South Stream Bulgaria AD representatives said that the cost of the pipeline.

Coming attractions for Southern Corridor

Natural Gas Europe, *29.05.2014*



For some in Europe, the diversification of natural gas supplies has taken on a greater urgency, something which made news about the Southern Corridor project and prospects for increased deliveries from Azerbaijan good news coming down the pipeline at Flame in Amsterdam, the capital of the Netherlands (even if first gas deliveries are years away).

In a session dedicated to Southern Corridor, will bring gas to Europe, associated projects, key players from BP, SOCAR and the Trans Adriatic Pipeline (TAP) took to the stage to provide updates.

Session moderator Gulmira Rzayeva of the Center for Strategic Studies noted that the project had achieved important milestones in 2013, like the selection of the TAP that would deliver gas from Shah Deniz II to Italy. “The most important development,” she explained, “was the final investment decision, which took place in December last year – a crucial step toward the materialization of this project.” Vitaliy Baylarbayov, Deputy Vice President, SOCAR, noted the importance of the project for Azerbaijan and that it was a “superb opportunity” to deliver natural gas to the final destination and the countries along the way. He said, “It’s a great opportunity to develop the gas potential, not only at the second stage of Shah Deniz development, but in other fields which we have for which we have activities on the way, plus the fields which are not yet developed.

“For the countries along the way,” referring to the Southern Corridor pipeline, “this is an additional opportunity to reach European customers through a reliable, single pipeline through the companies working closely with each other.” Regarding the development of Shah Deniz II gas, Andy Lane, head of Business Development, Integrated Supply and Trading, BP, reported that the company had made progress, already drilling one-fifth of the production wells on the Shah Deniz field, $8 billion in contracts were in place and construction activities had started. “It’s a big beast, there’s a lot of orchestration required to get all this complex project moving, it’s going in the right direction at the moment and we’re comfortable that it will be ready in 2018,” he commented.

Asked about the challenges of an environmental impact assessment, Kjetil Tungland, Managing Director, Trans Adriatic Pipeline AG, said the project had put its feet on the ground to begin its work. “We will start construction in 2016,” he said, adding that social and environmental assessments were being conducted in an extremely transparent way. He reported that people were raising concerns about the route of the pipeline in Greece and Italy, prompting the project to make amendments, but strong views had to be addressed. “At the end of the day, we have very good support from the Italian government and the regional authorities, and with the cooperation of the stakeholders we find good solutions.” The ESIA assessment should be concluded, said Mr. Tungland, by the end of the month.

Meanwhile, he said that in Albania the company would be building 100km of roads to accommodate 40 ton construction trucks; a tender for that would happen this summer. The pipeline would be ready to receive the gas in early 2020, he added. Asked about the viability of Italy as a market for Shah Deniz gas, BP's Andy Lane said that in the future, as more gas became available, new pieces of pipeline infrastructure could be built to serve customers of Shah Deniz natural gas, but defended Italy as the final destination. He said, "Italy is a market that is very well connected, becoming better connected to the rest of Europe. A lot of the buyers of gas from Shah Deniz are trans European – they're not purely Italian – and have the ability to move gas around with their own portfolio of gas sales and purchases."

South Stream and TAP: Working to double standards?

Natural Gas Europe, *29.05.2014*

TAP, an 870 km-long pipeline designed to carry Azeri gas to Europe, has received the red carpet treatment from the European Union. It has obtained exemptions from the rules governing gas transmission networks in the EU, been ushered through the regulatory steps involved, and SOCAR was welcomed with open arms in the tender for DESFA, despite the risks to competition it presented.

By contrast, the South Stream gas pipeline project, running from Russia to the EU via the Black Sea to circumvent the transit risk of Ukraine, has lately encountered a series of hurdles, and Gazprom was blocked from the tender for DEPA.

How can such discrimination be justified? Published in 2009, the European Union's so-called Third Energy Package (TEP) aims to increase the integration of the European energy market and thereby improve its functioning. A cornerstone of these 'market liberalization' efforts in the field of natural gas is the 'Ownership Unbundling' principle, whereby a company cannot simultaneously own and operate a gas transmission network. Acknowledging the large up-front investments needed from private companies, the package also allows for exemptions from such requirements, which could discourage companies from investing. After all, who will invest in constructing a new pipeline if the returns cannot be reaped afterwards?

The TAP obtained a series of such exemptions in May 2013. The European Commission decided to exempt it from the principle of 'ownership unbundling', further requirements were also waived: for access by third parties to book its initial capacity, and restrictions on regulation of tariffs. However, since then, SOCAR acquired both a share in the TAP and bought Greek transmission system operator DESFA. The resulting situation would raise eyebrows: SOCAR will now be on both sides of the negotiating table, as a shareholder in the TAP consortium supplying gas to Greece, and as operator of Greece's gas grid. However, as of yet, the European Commission has given no indication that it will reconsider the exemptions.

Thus the regulatory pathway has been cleared for a pipeline that will supply only 10bcm per year, on the grounds that it 'diversifies supply' by adding an additional source of gas for Europe, notwithstanding the fact that Greece already receives 14% of its gas from Azerbaijan. It is hard not to see an element of favouritism clouding the process. South Stream's story is rather a different one. Where the TAP has eased past potential obstacles, South Stream has been met with resistance. This is odd: South Stream is considered by the EU as an 'umbilical cord' connecting Europe to Russia, and the governments of the countries crossed by the pipeline granted priority status to the project. However, the European Commission recently announced that the agreements reached by these countries with Russia are not compliant with EU law on three counts: the pipeline will be owned by a gas producer; it does not offer third party access, and tariff criteria are yet to be defined.

Undeniably, Gazprom is a gas producer – though national consortia control the respective onshore sections of South Stream. The exemption for third party access is currently under negotiation, and tariffs will be defined by local operators. However, it rather appears that the Commission is deliberately blocking the regulatory progress of the pipeline. The IGAs were in place – and in the public domain – for two years before the Commission decided it ought to intervene. It strains credibility to suggest that the announcement was anything but linked to what has euphemistically been dubbed the 'current political context'. Moreover, Gazprom could well have been discouraged from participating in the tender for DEPA, the Greek gas supplier.

The Greek Energy Ministry came under considerable pressure from Brussels to apply the standards of 'effective separation'. Yet when vertically-integrated SOCAR won the DESFA tender, no one in Brussels objected. It should be little surprise that Vladimir Putin spoke out against the Third Energy Package. The 'effective separation' clause seems to be a protectionist measure aimed squarely at traditional global gas producing businesses – with room for the Commission to pick winners at will, as with SOCAR. Combined with article 11 ("granting certification will not put at risk the security of energy supply to the Community"), it is – without mincing words – an anti-Gazprom law.

If the European Commission was serious about improving the functioning of the European gas market, it would not seek to punish Gazprom via arbitrary political decisions in matters where regulatory certainty should be the rule. Instead, it would heed the calls made by Claudio De Vincenti and engage in direct talks with Gazprom, taking into account the needs of all the parties touched by the South Stream project – producer, operators, and transit countries. The aim would be to allow South Stream to follow in the footsteps of TAP to regulatory acceptance in the EU. Doing so would vastly improve Europe's energy supply security – and boost competition on the energy market to boot.

EU says Ukraine must pay Russia for gas, Moscow must offer fair price

Reuters, *30.05.2014*

Ukraine must make a down-payment to Russia for gas and in return Moscow must offer a fair price for further deliveries, Europe's Energy Commissioner said ahead of talks with the Russian and Ukrainian energy ministers in Berlin on Friday.

Oettinger is acting as mediator in the talks, which on Monday saw the two governments agree to study his proposal that Ukraine pay Russia $2 billion by Thursday and a further $500 million by June 7. The commissioner told German radio station Deutschlandfunk it was now clear how much gas Russia delivered to Ukraine between November and the end of May.

"The price for the months of January, February, and also now, is disputed so Ukraine has to explain today that it will make or has already made a first payment, a significant amount, a high three-digit million amount in dollars," he said. "(That is) so that it's clear it is prepared to accept payment obligations; those who get gas must pay," he added. Oettinger said the price of $485 per 1,000 cubic meters of gas that Russia is demanding was "unacceptable", not in line with market conditions and determined by politics. Ukraine insists on a price of $268.50 per 1,000 cubic meters.
In return for Ukraine making a down-payment, Russia has to give the former Soviet republic a fair price in line with the amount paid by other European countries, he said. "After Ukraine has made a down-payment, we should expect Russia to guarantee a fair offer, a fair price in future." In the medium-term the EU would be affected by Russia stopping delivery to Ukraine, Oettinger said. Russia supplies around a third of Europe's gas demand and about half of its gas imports from Russia flow through Ukraine.

Shale and non-Russian gas imports at heart of new EU energy strategy

The Guardian, *29.05.2014*

Europe will need to tap more diverse sources of gas and develop more supplies of controversial shale gas within the continent, amid concerns over the Ukraine crisis, according to a new energy security strategy unveiled by the European commission on Wednesday.

But green campaigners pointed to a change from earlier proposals for the strategy in favor of more emphasis on gas at the expense of green fuels and reducing demand. They slammed the published strategy for promoting fossil fuels too heavily and failing to give a key role to energy efficiency and renewables.

Increasing the sources of supply for the EU's imports of gas was cited as the priority by the bloc's energy chief, Guenther Oettinger. About 40% of the EU's imported gas supply comes from Russia, with around a third from Norway and a fifth from north Africa. But in the wake of the Ukraine crisis, energy experts are worried that this over-dependence on Russia could expose European business and citizens to threats from the Kremlin and higher prices. Russia earlier this month signed a $400bn deal to supply gas to China. Jose Manuel Barroso, president of the European commission, made it clear in launching the strategy that gas was at its heart: "The EU has done a lot in the aftermath of the gas crisis 2009 to increase its energy security. Yet, it remains vulnerable. The tensions over Ukraine again drove home this message. In the light of an overall energy import dependency of more than 50% we have to make further steps. Increasing energy security is in all our interest. On energy security, Europe must speak and act as one."

Reducing the over-dependency on Russia and getting new gas supplies were cited as part of a "long list of homework" for the EU by Oettinger. "We want strong and stable partnerships with important suppliers, but must avoid falling victim to political and commercial blackmail," he said. "We need to accelerate the diversification of external energy suppliers, especially for gas." Increasing indigenous energy production was also listed as a priority by the commission. But as well as including renewable energy, which has been the main focus in the past, this would now explicitly include "sustainable production of fossil fuels", which would be expected to include shale gas.

Europe spent about €421bn (£342bn) in 2012 on energy imports, which make up just over half of energy use. Gas is one of the biggest imports, with two thirds of it coming from overseas, and used mainly for heating and industrial purposes, with a smaller proportion going to power generation. Oettinger also cited the need for new infrastructure, which could include more methods of importing gas, such as new pipelines and ports equipped for ships carrying liquefied natural gas, and interconnectors that allow grids in different countries to be hooked together and suppliers to be connected to users. Other actions included completing the EU's internal energy market, which is part of the liberalization of energy markets that has long been a target for Brussels regulators.

Franziska Achterberg, energy policy director at Greenpeace, said: "The commission's plan will do very little to reduce the EU's dependence on energy imports. Throwing money at new gas infrastructure to get Europe off Russian gas will not cure the addiction to imported fossil fuels. Europe would still be a junkie desperate for a fix. Instead, Europe should kick the habit and exploit the enormous potential for energy savings and home-grown renewables by setting ambitious targets for 2030. Anything less would not only be environmentally and economically disastrous. It would be politically irresponsible."

Energy efficiency was intended to be a key plank of the energy security strategy in the early stages of the plans, but the European Environment Bureau, a non-governmental organization, said that in the final version it "had moved too far down the list of priorities in the commission's proposal" and was a missed opportunity as there could be a saving of more than 40% of energy use in the next 15 years if measures were taken quickly. Susanna Williams, policy officer at EEB, said: "Europe's number one priority should be to exploit our abundant indigenous resources of energy savings and renewable energy. This is the only truly sustainable solution which does not rely on costly and unsustainable alternatives such as diversification of gas supply routes or the development of shale gas."

The commission told the Guardian that energy efficiency would be addressed separately, potentially with a specific target on efficiency savings. Connie Hedegaard, the EU climate commissioner, said: "Energy security and the fight against climate change are inseparable: without climate policies there can't be energy security. This is why energy efficiency and renewables will continue to be two key ingredients as they are good both for the climate and energy security. Europe is already saving €30bn a year by replacing imported fossil fuels with locally produced renewable energy. In other words, we invest the money here in Europe instead of sending it to Putin's Russia and other fossil fuel providers outside Europe.'' The strategy will be discussed by the leaders of member states late next month, when they will also discuss future climate change policy.

EU signals binding energy savings target in September

Euractiv, *30.05.2014*

The EU's energy commissioner, Gunther Oettinger, has called for a new legally-binding proposal this autumn to cut energy use by 2030, as a way of curbing Europe's reliance on Russia for a third of its oil, and 39% of its gas supplies. The bloc has already proposed a binding 40% greenhouse gas reduction objective for 2030, and an obligatory 27% share for renewables in Europe's energy mix as a whole.

Asked by EurActiv whether an energy savings goal should also be considered, Oettinger replied: "I feel that it would be appropriate to propose a binding energy efficiency target and make that proposal to the Council, and to the Parliament."

“Now more than ever energy efficiency and energy savings need to be our first response to energy import dependence,” the commissioner said at a meeting to launch the EU’s long-awaited energy security strategy. “That needs to be our focus in the coming years,” he added. But Oettinger refused to be drawn on the details of any target, saying that the review would be published in September, three months later than planned, but a month before the EU’s declared deadline for agreement on a 2030 climate and energy package. EurActiv understands that debate within the Commission is currently settling around targets of a 30% or 35% energy savings improvement by 2030, measured against 1990 levels. Any final proposal will be announced in a review of the bloc’s halting progress towards meeting a non-binding goal of a 20% efficiency improvement by 2020, which will also cover the period until 2030.

Buildings are responsible for some 40% of Europe’s energy usage – and 61% of all imported gas use, according to a report by the respected Ecofys consultancy published last week. That paper found that a programme of deep building renovations could cut the sector’s gas consumption 60% by 2030, and almost completely eliminate it by 2050. A deep renovations strategy would also generate greenhouse gas savings of 90% by 2050 (compared to 1990 levels) and provide a strong economic stimulus, creating 1.4 million additional jobs across the continent. In a sign of battles to come, the response from some member states to talk of a new energy saving target was distinctly frosty. A spokesman for the Department of Energy and Climate Change (DECC) said: “We remain opposed to a EU energy efficiency target for 2030 on the basis that it would not allow member states the flexibility to choose the most cost-effective path to reducing greenhouse gas emissions while maintaining secure and affordable energy supplies.”

He added, ”A specific target would not be acceptable to the UK as it could force EU member states to implement measures that are not cost-effective and have negative consequences for the carbon price.” But Oettinger’s statement was warmly welcomed by building industry leaders. “A binding energy efficiency target would provide the necessary political certainty to trigger investments in the sector,” Oliver Rapf, the director ofBuildings Performance Institute Europe told EurActiv. In its new energy security plan, the EU suggests that new energy saving proposals could speed up building renovations, improve district heating and cooling, and cut industrial energy usage. In the coming review, it pledges Brussels to identity new measures for priority sectors such as housing, transport and industry, propose ways to address barriers to efficiency uptake, and revie the Energy Labelling and Ecodesign Directives.

One EU official told EurActiv that the double glazing and insulation of residential buildings could also fall within this energy security plan’s remit, including as emergency demand responses. “The link to medium term energy efficiency policy is definitely there,” he said. “It is clear. There are even short-term options as well. We bring it back all time to the fact that everything has to be done in context of decarbonisation.” Energy security is described in the new plan as “integral” to the EU’s 2030 climate and energy package and “inseparable from and significantly fostered by its need to move to a competitive low-carbon economy.” Much of the security strategy though is fixed firmly on the acceleration of gas infrastructure builds and increasing supplies of indigenous and foreign fossil fuels. The Commission did not attempt to quantify the emissions-increasing consequences of these for the bloc’s decarbonisation goals, officials confirmed. But Oettinger denied any conflict between the twin objectives of security of supply and cutting greenhouse gas output.

"Energy is involved in the Emissions Trading System (ETS) and companies can therefore buy and trade these emissions trading certificates so as to guarantee and stipulate to what extent there are carbon emissions," he said. EU sources argue that gas infrastructure does not necessarily lock-in carbon emissions to the EU's future energy mix – as the technology could one day be used for biogas or power-to-gas. Increased coal imports too could be consistent with Europe's target of a minimum 80% emissions' cut by 2050, "as long as CCS (carbon capture and storage) achieves technological breakthroughs," Oettinger said. The budding technology for seizing, containing and burying CO2 in underground fissures is considered promising by industry and policy-makers. But in 2013, the number of global pilot projects shrunk from 75 to 65, none of which are ready for commercial deployment.

Europe's golden age of gas sat to end, experts say

Natural Gas Europe, *11.04.2014*

Move towards renewable and alternative energy sources amid fallout with Russia points to decline of gas use, hydrocarbons expert says. Europe's "Golden Age" of natural gas is coming to an end and it is turning towards other energy sources, Dr Sohbet Karbuz, director of hydrocarbons at the Paris-based Mediterranean Observatory for Energy, has said.

Karbuz told that long-term natural gas agreements between Russia and EU were based on a take-or-pay commitment, meaning countries agree to purchase a set volume over 30 years and pay for it when they break the agreement.

He said: "The cancellation of these contracts, or a serious revision on the agreed gas quantities, is not possible." But Karbuz explained that Europe is looking towards renewable and alternative energy resources for its needs once the deals come to an end. "An excessive amount of support for renewable energy is killing the gas sector. Europe has begun to lean towards coal," he said. Although the EU is currently looking to reduce its reliance on Russian gas, it still remains Russia's largest energy market, having bought more than 160 billion cubic meters of gas in 2013. Pointing out that the EU commission is trying to prepare a new energy strategy, Karbuz said each country thinks for itself: "There is no unity among the countries."

"While France says, 'I will keep using nuclear power,' Germany says, 'Coal is cheaper now,' and starts to use coal," Karbuz said, adding that, "I summarize Europe's energy strategy as; Do as Europe says, don't do as Europe does." Asked whether Russia would cut gas supplies to Ukraine, as it did in 2006 and 2009, Karbuz said: "It is very likely under the circumstances." Russia accused Ukraine of illegally importing its gas in 2006 and 2009 and stopped supplies. Last month, Russia threatened to cut off supplies unless Kiev paid its debt by 1 June.

Energy security in Central and Eastern Europe

Natural Gas Europe, *26.05.2014*

The countries of Central and Eastern Europe (CEE) have an opportunity to transform Europe's current energy order. As seen through the American experience, the development of untapped energy resources from shale gas in Lithuania, Poland, Romania and Ukraine is possible through hydraulic fracturing, also known as the controversial fracking.

As a region heavily dependent on Russian oil and gas imports, the creation of greater energy security has long been a major policy goal for the European Union (EU) and its individual Member States.

Yet misinformation about environmental and public health risks from hydraulic fracturing is shaping the European policy debate and decision-making on whether or not fracking will play a major role in the region's energy diversification strategy. While the governments of Bulgaria and the Czech Republic have already imposed bans on fracking, energy companies active in Poland, Romania and Ukraine have confronted public protests against shale exploration activities over the last year. This "fear of fracking" has not only become a significant roadblock toward CEE energy independence, but it has stymied immense opportunities for growth in manufacturing and employment across Europe. The development of domestic shale resources could play a critical role in strengthening CEE's energy strategy and advancing the EU's goal of stoking economic competitiveness.

Almost 70 years' worth of U.S. experience in hydraulic fracturing can attest to its relative safety as a method of hydrocarbon extraction. Many claims about the environmental dangers from fracking cannot be substantiated by scientific fact. To this end, one approach in addressing the fears of policymakers and their constituents is through the establishment of a science-based discussion about fracking. Over the last decade, studies from the United States have yielded a growing collection of scientific data that demonstrates how new technologies and local regulations have become integral to a significant reduction of environmental and public health risks associated with fracking.

What's more, the U.S. fracking model could be adapted to a CEE context, despite differences in geology and population densities. As Poland, Romania and Ukraine embark on their own shale expeditions, the success of fracking in the region would also depend on the synchronization of environmental and industry interests in protecting the environment and public health. In applying U.S. best practices in hydraulic fracturing, the countries of CEE already have a tested benchmark for safety and the tools necessary for strengthening national energy security, economic development and transatlantic ties between the United States and the region.

Oettinger: maintaining supplies for the EU

Natural Gas Europe, *28.05.2014*

In the context of a potential energy security crisis in Europe, Energy Commissioner Guenther Oettinger addressed delegates at the Energy Security Summit 2014 last night in Berlin, Germany, appealing to Europe that it needed to help itself, Ukraine and others in terms of decreasing their dependence upon the biggest supplier of gas to Europe, namely Russia.

Mr. Oettinger reported that the Commission was moderating negotiations between the government of Russia, Gazprom, Ukraine's Naftogaz and the Ukrainian government to avert a potential natural gas crisis.

The Commission, he said, had been requested by the European Council to prepare a communique as to how to secure Europe's level of natural gas supply and how to reduce its levels of dependence on certain gas suppliers. He added that such concerns did not apply to supplies of oil or coal, which were traded in free markets. "It's gas," he explained, "as it was in 2006, and again in January of 2009." "Our ambition is to hold this level of security of supply, not just for the EU 28, but for Ukraine,Moldova, Georgia and some of the west Balkan countries." He noted that only four countries in the EU were not importing gas from Gazprom, while 18 member states received between 10 and 80% of their total consumption from Gazprom. Oettinger added, "There are six member states getting 100% of their gas from Gazprom - one supplier, one source, one pipeline: Finland, Slovakia, Bulgaria, Lithuania, Estonia and Latvia."

To have a coherent position, he explained, Europe needed to speak with one voice. As an example of this, he recalled that while Russian president Vladimir Putin had recently sent letters to leaders in 13 countries, the response he received was from one man, the president of the European Commission José Manuel Barroso. "There's no doubt Ukraine needs help: financial assistance, political advice for better governance and for the long-term." Oettinger said he had concerns over whether or not Europeans were willing to back Ukraine for the next decade as one year was not sufficient. Regarding Europe's 480 bcm annual consumption, he said one third was from theNetherlands, Norway, the UK, Denmark and Germany, but that those sources would be depleted in 10-15 years, which mandated a smart gas strategy involving energy efficiency, renewables and diversification.

Of the last point, he said Europe had requested of its Russian partner that gas not be used as a geopolitical weapon. He commented, "At the moment they're doing their best, but Ukraine is in a different position." Commissioner Oettinger noted that Ukraine had been paying $268/TCM, but since April had been paying $485/tcm. Neither price, he said, was a market price. Meanwhile, he said that the EU could accept that it received 145 bcm/annum of gas supplies from Gazprom, but sources from Norway, Algeria and LNG from the Middle East and others were being developed. Germany, he noted, had no LNG terminals.

Regarding the Southern Corridor project, he reported that Europe would get 10 BCM/year of gas by 2019 from the Caspian Sea region, and could eventually receive gas from Northern Iraq, Turkmenistan and, politics permitting, Iran, broadening the scope of natural gas sources, suppliers and external companies. Developing more integrated markets via reverse flow and more storage was also a priority for Europe, doubling the amount of gas storage reserves from 30 to 60 days, according to him. To help Ukraine, he said that reverse flow options had been activated between Ukraine and Hungary and Ukraine and Poland, while such an arrangement with Slovakia was forthcoming.

He commented, “These three options may bring some 15 BCM/year from European Union markets, so 20 BCM of own production, 15 from our markets would reduce direct imports from Gazprom, reducing dependence from Russia.” Mr. Oettinger admitted that Ukraine had not been paying its natural gas bill for several months, the country’s bill now tallied some USD 4 billion and Russia was now demanding pre payment for gas deliveries in June. “Why is it our concern? Ukraine is our partner and Ukraine is our transit country,” he said, calling for a stabilization of the situation in Ukraine and Naftogaz, which would be a part of the financial assistance from the IMF and EU, which were helping to negotiate a fair price for Ukraine and hoping to avoid any interruptions in supply for June and July, as they were important months for filling gas storage facilities, which Commissioner Oettinger called the most relevant for European supplies.

Germany, Russia to increase energy cooperation

New York Times, *27.05.2014*

Germany and Russia confirm their intention to maintain and increase the existing energy dialogue, through cooperation between companies like Gazprom and Verbundnetz Gas, for work together on projects for underground storage.

“This issue is most relevant today given the relations with Ukraine in the gas sector. There is no doubt that cooperation with Verbundnetz Gas will allow us to create new gas storage capacities in Europe and therefore to increase the reliability and stability of gas supply to our European consumers in the autumn-winter period,” said Gazprom’s Alexey Miller in a note released on Monday.

Miller, Chairman of the Gazprom Management Committee, met Karsten Heuchert, Chairman of the Verbundnetz Gas (VNG) Executive Board. VNG is the first company to supply Russian natural gas to Germany. ‘In a manner of speaking, Gazprom and Verbundnetz Gas are the originators of the Russian-German energy dialogue. Today more than ever the issues of energy security are especially crucial for the European gas market,’ added Miller. In January 2013, senior officials of Gazprom updated a science and technology co-operation pact with Verbundnetz Gas, renewing he cooperation between the two companies.

Surprising findings in Lithuania: oil shale, not shale gas underground

Natural Gas Europe, *24.05.2014*

A new study of Lithuania's shale resources is turning up astonishing results: the Baltic country's depths are oil shale-rich, not full of shale gas as previously thought. Is it a game-changer for the country of three million, or… a well-crafted gimmick ahead of a repeated shale resources exploration and extraction tender to be held in the Fall?

"The research has been carried out by our ministry's Geological Service, and I really would not like cast a shadow on it and the findings. As far as I know, over 500 exploratory drills have been done, and in the most of the tests formations of liquid carbohydrates were detected.

Not shale gas," Valentinas Mazuronis, Lithuania's Environment minister told Natural Gas Europe. Only one probe, in the Ramuciai exploratory strip in Silute district in southwestern Lithuania, evidently pointed to the existence of clear condensate of shale gas. Meanwhile, in seven out of ten drills, the results suggested fluid-like oil shale formations in the soil. "These are still inconclusive results that need to be supported by an independent driller. But if this proves to be the case, it will be one quite surprising," said the minister. On the other hand, he insisted, nothing can be "surprising" when no "serious research of what we have underneath" has been done until now. "The bottom line is we do now know what riches the depth of our soil contains.

So I'm eagerly looking forward to having a repeated shale resources exploration and mining tender. I believe that its winner will be able to answer all the questions that until now leave us hesitant and reticent to pass a decision in one or another way," Mazuronis said. The second tender is expected to take place in the Fall. Last October, Chevron had pulled out from Lithuania, citing regulatory intricacies and high, always-being-tweaked shale taxes. Asked if the findings could perhaps be a gimmick ahead of a repeated tender to bring more heavyweight bidders for it, the minister dismissed the speculation as "totally unsubstantiated."

"We're talking here of a report that the ministry is taking seriously" he counter-argued. Oil shale in international markets is in average four-fold expensive than shale gas. So the discovery, provided it will be supported by other drills, may mean a larger cash flow for the small Baltic country. The minister said his led ministry is now putting a lot of efforts in getting the public supportive of the shale bid. "This is what we are focusing now as well as on putting last stitches to the legislative, especially shale taxation, basis. Only when the two are achieved we can think of announcing an international tender and expect big names to sign up for it," Mazuronis said.

Ukraine demands 2.2 billion cubic meters of gas 'stolen' by Gazprom in Crimea

Kyiv Post, *27.05.2014*

Ukraine said Russia's Gazprom owed it 2.2 bcm meters of natural gas worth around $1 billion following Moscow's annexation of the Black Sea region of Crimea.

Russia annexed the mainly Russian-speaking Crimea peninsula in March after mass street protests toppled Ukraine's Moscow-backed president Viktor Yanukovich. "We want to hear a response from Russia ... on the question of returning to Ukraine 2.2bcm of gas which Russia stole through Chernomornaftogas on the territory of (Crimea)," Prime Minister Arseny Yatseniuk told a televised session of his cabinet.

Russia's Gazprom says has no idea what Ukraine means by 'stolen' gas

Reuters, *27.05.2014*

A spokesman for Russia's Gazprom said on Tuesday; May 27th, he had no idea what Ukraine's prime minister meant when he accused Moscow of stealing gas when it annexed Crimea. "We have no idea what he means," Sergei Kupriyanov; the Press Secretary of Management Committee Chairman at Gasprom said, referring to Crimea's Arseny Yatseniuk.

Sergei Yatseniuk said earlier on Tuesday that Gazprom owed Ukraine 2.2 billion cubic meters of natural gas worth around $1 billion following the annexation of the Black Sea region.

Eustream moves on to increase cross border liquidity with Ukraine

Natural Gas Europe, *27.05.2014*

Eustream launches a procedure to investigate the binding market interest in transmission capacities from Slovakia to Ukraine via Vojany pipeline. 'The registered participants may submit their requests for transmission capacity till the 23rd June 2014,' reads a note released on Monday, adding that the procedure was agreed on in the Memorandum of Understanding signed between Eustream and Uktransgaz.

The MoU intends to increase cross border liquidity, creating a new interconnection point near Budince, which is close to the existing interconnection point Veľké Kapušany.

Slovakia's Eustream signed a Memorandum of Understanding for gas supplies to Ukraine in April, saying that reverse flow could happen as soon as October 2014, with a volume of 3.2 bcm a year.

Putin says Ukraine has no right to demand gas price discount

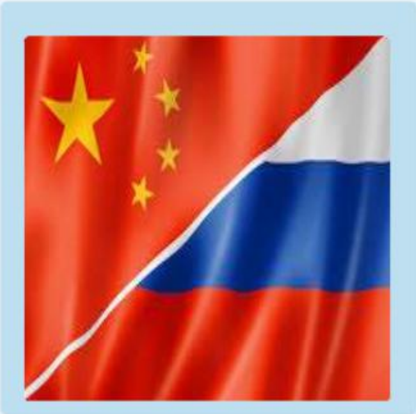
Reuters, *24.05.2014*

Russian President Vladimir Putin said on Saturday that Ukraine had no right to demand cuts in the price it pays for natural gas supplies from Russia and said the price dispute should be solved through dialogue and not ultimatums.

"We are ready for a constructive dialogue, but it should not be carried out though baseless demands and ultimatums, but rather on the basis of civilized market cooperation," Russian President Putin told a group of foreign journalists on the sidelines of the Saint Petersburg International Economic Forum.

Russia's gas deal with China underlines the risks to Europe's energy security

The Guardian, *28.03.2014*



The gas deal announced last week saw agreement between Russia and China after 10 years. The implications of Russia's turn eastward to seek a new energy partner should raise concerns in Europe over its energy supply and security.

Gazprom's share of Europe's gas market reached approximately 30% in 2013. As the Ukraine crisis has soured relations between Russia and Europe, both sides are looking to diversify. Europe's need to diversify away from Russian gas is not new. Russia's tendency to use gas as a political tool to put pressure on Ukraine and Europe has showed the risks of relying on one partner.

More globally, growing concern around climate change and its impact on national security as a "threat multiplier" has lent support to the world's reduced use of fossil fuels. Yet events in Ukraine and the Sino-Russian gas deal have accelerated the urgency with which Europe needs to seek new energy sources. We still have some time to do so. Despite the deal with China, Russia in the short term will continue to need the European market. The 38bn cubic metres it plans to export to China is small compared to the 161.5bn cubic metres it exported to Europe in 2013. It is likely that China received some concession on price, given that this was the major sticking point delaying the deal since the discussions began, but it means that Russia's exports to China will not replace the revenue Russia relies on from its European exports.

Russia will also have to pay to build the pipeline infrastructure to China, and gas will only be transported from 2018. But there is no doubt that, in the long term, Russia gains the upper hand in pipeline politics over Europe by engaging with an alternative gas partner. It may threaten to divert gas earmarked for Europe to China. In theory, this may be an empty threat, given that even the optimum target capacity of 60bn cubic metres to China is still low compared to Russian exports to Europe. But even so, any leverage Europe had in such gas disputes with Russia will diminish. Ukraine and eastern Europe would suffer most from this decline given Ukraine's current instability. Ukraine seems unlikely to recover its political relations with Russia.

The challenge for Europe is that there is no single alternative that could fully displace Russia's supply volumes or match its price. Developing alternative sources will take time. Liquefied natural gas is an option available from a number of sources, namely Qatar, Nigeria and the US, but the cost of importing it will be higher than the cost of importing gas, and new infrastructure will be required to receive shipments. Renewable energy is attractive from an energy security perspective, but it is not reliable and will not produce quantities comparable to fossil fuels. Azerbaijan and, more promisingly, Turkmenistan are options. But this will not satisfy European demand in full and is only set to come online for Europe in 2019.

Shale gas is a potentially powerful alternative, but it comes with its own challenges. Governments have faced social protest against fracking at home; France and Bulgaria have banned it. Reserve estimates can turn out to be underwhelming, as seen in Poland. Given its position as a gas exporter, Russia was able to act quickly in diversifying its customer base by turning to China. As a gas customer, Europe does not have this flexibility. Yet Europe can learn from the expediency with which President Putin reacted to the shifting political and economic landscape in the wake of Ukraine to sign a deal with China. A blend of alternative energy sources for Europe will no doubt cost more, but Europe's energy security depends on diversification along these lines. Europe is unlikely to become completely free from Russian gas in the near future. But it is a security risk to rely too much on one partner and it makes sense to have less energy dependence on Russia, or on any one energy source. Less energy interdependence with Russia would probably benefit both sides. For security reasons, it would certainly benefit Europe.

Pakistan should prioritized Iran Gas Pipeline over TAPI

Natural Gas Asia, *28.05.2014*

Iran-Pakistan (IP) gas pipeline would be more cost effective for Pakistan than TAPI pipeline, said Pakistan's former Deputy Oil Minister Golfaraz Ahmed. Speaking to *Fars News Agency*, Ahmed said Pakistan should not bow to the US pressures and never quit the IP Gas Pipeline project.

In the case of IP pipeline Iran has already construct the pipeline on its land and Pakistan only needs to construct the remaining 700-kilometer-long pipeline on its side and this is why this project should be prioritized, Ahmed stated. Under an agreement between Tehran and Islamabad, Pakistan was to receive 750 mcfd from January 1, 2015.

Later, the gas supply from Iran was to be increased to 1 billion cubic feet gas per day (bcfd). Pakistan fails to meet its obligation, then after the deadline, it will have to pay to Iran the huge penalty of almost $200 million a month.

Japanese lawmakers to lobby for Russian Gas Pipeline

The Diplomat, *29.05.2014*

Following Russia's historic $400 billion natural gas supply deal with China last week, Japanese lawmakers are looking to revive efforts to tap into Russian natural gas supplies themselves. A Bloomberg report shows that a group of 33 lawmakers in Japan are backing a 1,350 kilometer pipeline that would run between Russia's Sakhalin Island and Japan's Ibaraki prefecture, just northeast of Tokyo.

The project is estimated to cost $5.9 billion and could yield as much as 20 billion cubic meters of natural gas per year (equivalent to 15 million metric tons of liquefied natural gas). The pipeline would make up 17 percent of Japan's imports.

The Japanese lawmakers backing the proposal belong mostly to the ruling Liberal Democratic Party and the New Komeito Party. The renewed interest in the pipeline is primarily due to Japan's own energy shortages following the shutdown of all of Japan's 48 nuclear reactors following the March 11, 2011 Tohoku earthquake and tsunami, which caused a triple meltdown at the Fukushima Daiichi plant. The Democratic Party of Japan government at the time decided to shut down Japan's nuclear plants and begin moving the country away from a reliance on nuclear power following a public backlash after the Fukushima crisis. Based on current plans, natural gas originating on Russia's Sakhalin Island would be transported via the Sakhalin-Khabarovsk-Vladivostok pipeline where it will be processed into liquefied natural gas for export to Japan.

Russia has considered additional undersea and land-based pipelines to deliver gas to China, North Korea, and South Korea in the region, including one pipeline that would deliver gas to South Korea via North Korea. For Russia, a pipeline deal with Japan would be particularly compelling. Japan is the world's largest LNG importer, having purchased 87.49 million metric tons of LNG in 2013 according to the Japanese finance ministry. Despite being the largest importer worldwide and its proximity to Russia, Japan only imported 9.8 percent of its LNG from Russia. The proposed pipeline would see that number grow substantially, in part because Japan could import natural gas.

LNG is costlier to transport. Naokazu Takemoto, the Japanese parliamentarian heading the group in favor of the pipeline, estimates that "the price of natural gas will be two times lower than the export of liquefied natural gas." Politically, given Russia's current isolation with the West over its actions in Ukraine, a pipeline deal would also gain Vladimir Putin some vitally needed political currency. Indeed, Russia's recent deal with China was likely motivated by the Kremlin's political concerns China seems to have won a deal at a very favorable price. If Japan and Russia formally begin negotiations for a pipeline, Tokyo will likely be able to win a favorable price as well. As Europe tries to reduce its dependence on Russia's natural gas, Russia will lose a certain amount of leverage in negotiations. The group of Japanese lawmakers will propose the deal to Prime Minister Shinzo Abe, who will study the feasibility of the deal in June.

China to import 67 MT of LNG by 2025, says Gazprom

Natural Gas Asia, *28.05.2014*

China's LNG imports will increase to 67 million tons until 2025 from the current 18 million tons, according to Gazprom Marketing & Trading Executive Director Medan Abdullah. Asia biggest economy has a particular interest in LNG because of its need to improve the environmental situation, Abdullah told *Prime Business News Agency*, reports Russia's *ITAR-TASS*.

The global LNG market will be rising by 5% annually as some countries are striving to diversify gas supplies, including the Asian ones which do not have large pipeline networks, amid a stable growth of fuel prices, Abdullah told *Prime*.

Gazprom braces for a counter offensive

Natural Gas Europe, *26.05.2014*

The Russian natural gas conglomerate Gazprom has been in the spotlight, especially in Europe for quite some time, often trying to shed the negative features from its image, as portrayed often by the press and segments of the public. As of late, and in the midst of the Ukrainian crisis that has gradually evolved into an energy crisis.

Gazprom is orchestrating a set of moves that could be classified as counter offensive on multiple fronts, so as to solidify its position amidst intense international pressure and competition but also Russian calls for a reduction of its role in favor of other energy players such as Rosneft and Novatek.

A first interesting aspect of Gazprom's strategy is the announcement of intentions to list its shares on the Singapore stock exchange by July of this year. Gazprom's pivot into Asia is centred mostly around its pipeline deal with China to supply 38 bcm per annum for 30 years, followed by a wider effort to tap into the markets of East and Southeast Asia, not only on a commodity level, but also into finances, and Singapore provides ample opportunities in that respect. Access to funds will not be deterred by any potential sanctions from the US either. Gazprom is also steadily pursuing along with international energy partners the upgrading of the Sakhalin LNG project, which will be concluded just before the major Australian LNG projects and with likely less costs per bcm, while being geographically closer to the Korean, Chinese and Japanese markets.

On another front, that of South Stream pipeline project, the president of the Russian Duma, Sergey Naryshkin, commented after his two day tour in Belgrade that South Stream in bothSerbia and Bulgaria is progressing as planned and gas should initially flow by mid-2016. In the Black Sea South Stream's construction is underway as well with the Italian Saipem providing the necessary barges for its lay down. Furthermore the head of Gazprom, Alexey Miller, met recently with the Hungarian President Viktor Orban where both re-confirmed the progress of the project which had also gotten a boost by the inclusion of Austria as a terminating point. Hungarian costumers should have regular deliveries of Russian gas via this pipeline by early 2017 and all major political parties in that country seem to be backing the project.

Relating to the above is the decision by EU authorities in Brussels to avoid placing Miller's name in the sanction list due to the Ukrainian crisis. Strong lobbying by the participating companies in the South Stream project, such as the Italian ENI, the French EDF and the German Wintershall, played a key role in ensuring that their partner is left at ease to travel around Europe for the purposes of the project's construction. Furthermore Gazprom was able to motivate the support of Italian ENEL, Austrian OMV, German E.ON, Dutch Shell, French GDF and UK's BP in that effort which mainly relates to the trial by all EU's energy major's to avoid a clash with Gazprom in a time when various talks are underway for long-term gas and oil (through Gazpromneft) projects ahead, such as the Sakhalin with Shell. It should also be noted that the South Stream's estimated gas quantities of 63 bcm per year, will inevitably be sought by all main European energy traders and the contracting phase although too soon to be enacted, has surely been an item of discussion in various informal meetings.

Gazprom launches yet another 'offensive' by proposing the idea of requesting payments in Rubles, as also said for all the major exporting Russian companies by the Russian economy ministry and the Moscow-based VTB state bank. Gazprom itself is thinking of that scenario after having a consultation with its clients. Although it seems unlikely that a Ruble based transaction will take place any time soon, it is highly probable that Gazprom's real intentions are to switch into Euro-denominated exports with its EU partners who quite interestingly pay for their gas in Dollars, instead of their own global currency, namely the Euro. That move will be financially sound and at the same time it will serve to strain relations between the Eurozone and US, thus serving the goals of the Kremlin in relation with the Ukrainian crisis. It will be extremely hard for European corporations and governments alike to deny paying for gas in their own currency. Concurrently, Gazprom gets an unexpected back up from the Gas Exporting Countries Forum's (GECF) chief Mohammed Hossein Adeli who stated that US-style shale gas boom is unable to replace Russian (primarily Gazprom) gas. Moreover, Europe does not have shale gas of importance of its own.

Adeli is one of the most influential voices in hydrocarbon matters worldwide and represents to a great extent the views on the subject of a variety of state and company entities across Eurasia. In the Western most industrialized part of Eurasia, it was recently revealed that Germany is a major winner of its business relation with Gazprom, a fact that will be used by the Russian side as a strong argument in the period ahead. According to the Prospex Research Ltd., Germany is becoming the main European gas distribution gas, with commercial volumes for 2013 reaching 2,947 Twh, a 20% increase from previous years, while 39% of Germany's import needs are being met by Gazprom. In essence, German companies are profiting by importing more and more Russian gas, since they re-export it soon thereafter to their neighbors.

The affection been shown by Gazprom to the former German Chancellor Gerhard Schroder, should also be seen from the reverse side and that of the substantial benefits that he managed to bring to the German economy during his tenure in office that made Germany the actual start of the Russian exports to the rest of Europe. Germany being a country with no hydrocarbon resources became a more significant power in that respect by actual gas producers such as Norway or UK, and that eventually translated into predominance in the political and economic spheres of the Eurozone as well.

The counter offensive of Gazprom could be put in a threefold nutshell: Asia, global finance system, European pipelines. These are the three elements that are being pursued due to the perceived advantage the company assumes it has in these sectors, or of its ability to influence key players and partners. The Ukrainian crisis seems to be acting as a catalyst in favor of that company since the country (Ukraine) from where the bulk of its commodity was delivered to clients across Europe, is de-facto disintegrating, and thereby energyizing alternative routes, which are already placed by Gazprom itself. The counter-offensive of Gazprom resembles to a great extent the 'Soviet deep battle' military theory whereby "It was not meant to deliver a victory in a single operation; instead, multiple operations, which might be conducted in parallel or successively, would induce a catastrophic failure in the enemy's defensive system." The theory is contemplated by Maskirovka (Deception) where Gazprom's real aim is hidden beneath a set of seemingly irrelevant actions.

Gazprom linking East, West gas pipes Seen economically unviable

Bloomberg, *29.05.2014*

Russia's plan to connect natural gas pipelines to Europe with those to Asia may be uneconomic because of the distances involved, according to Bloomberg Industries and East European Gas Analysis.

Transporting the fuel via pipeline is "often uneconomic" beyond 3,000 kilometers (1,800 miles), Elchin Mammadov and Philipp Chladek, analysts at Bloomberg Industries, said today. The link would boost OAO Gazprom's spending and may increase fuel costs for Eurpean utilities including EON SE and Edison SpA, which will have to compete with China for the Russian fuel.

Gazprom has shipped fuel to Europe for decades and plans the South Stream link to the region. Last week it agreed with China National Petroleum Corp. to supply gas for 30 years via a yet-to-be built pipeline that would form part of its Eastern Gas Program. The deal marks the start of competition between Europe and Asia for Russian gas, Gazprom Chief Executive Officer Alexey Miller said at the time. "The project may not be viable from the economical perspective but could still go ahead if the politics prevail," Mammadov said.

"Gazprom's future capex is already quite huge given South Stream and the Eastern Gas Program. So, any extra large spending, like linking east-west pipelines, may stretch its balance sheet even further." Last week's deal was for 38 billion cubic meters (1.3 trillion cubic feet) from 2019. President Vladimir Putin said after the signing of the agreement that Russia would unite its west and east Siberian gas networks and offered a route to China from western Siberia, the region that now supplies European buyers. Gazprom said in October it will start talks on an export link via western Siberia to China, capable of supplying a further 30 billion cubic meters annually, once an agreement on an eastern route was reached.

Eastern Siberian gas fields, of which Kovykta and Chayanda are the largest, aren't yet producing after negotiations with China dragged on for a decade before last week's deal. The country's Far Eastern offshore fields feed Russia's only liquefied natural gas plant, Sakhalin-2. Gazprom, owner of the world's largest gas pipeline network, has been criticized by investors and the country's economy ministry for excessive spending. The Moscow-based company is investing in costly infrastructure projects such as South Stream and eastern Siberian infrastructure, which was estimated to cost $45 billion in 2012. Putin is shifting focus to Asia at the time when relations with Europe have soured over the Ukraine crisis.

Gazprom's pipeline connecting Bovanenkovo, one of the biggest fields in western Siberia's Yamal Peninsula, and the town of Torzhok in the European part of Russia extends for more than 2,400 kilometers, according to the company's website. "Linking the eastern and western gas systems does not make sense," Mikhail Korchemkin, head of Malvern, Pennsylvania-based East European Gas Analysis, said today by e-mail. "As Putin said, the Kovykta and Chayanda gas fields can supply the Eastern pipeline system for 50 years. Pipelines of West Siberia and European Russia have enough gas for 60 years. There is no need to ship gas from East to West or backward before the 2060s."

Rosneft gets technical support of Russian Ministry for Artic exploration

Natural Gas Europe, *23.05.2014*

Russian Company Rosneft signed an agreement with the Ministry of Emergency Situations for cooperation during exploration activities in the continental shelf of Russia in the Arctic.

"The agreement with Ministry of Emergency Situations is an important part of the Company group of actions aimed at environment protection and conservation of biological diversity, also at the Arctic coast," Rosneft's President Igor Sechin said in a statement released on last Friday; May 23rd. The agreement is a sign of Russia's interests in the Arctic region.

Rosneft mulls expansion with offshore, Urals agreements

Natural Gas Europe, *26.05.2014*

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

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

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

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

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

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

"We do consider that these actions are inspired and prepared in Russia and encouraged by some of the Russia agents in Ukraine," he told BBC radio. The EU and the United States imposed sanctions on Russian officials and leading business figures in response to Moscow's annexation of Crimea, which is home to Russia's Black Sea fleet and was part of Russia until 1954. Moscow has so far scoffed at the Western measures and warned that, in the long run, the EU and Washington will come off worse by losing out on trade with Russia.

Chevron pulls out of Bulgaria's shale

Natural Gas Europe, *28.05.2014*

US-based Chevron pulled out of Bulgaria's shale gas after three years of inaction. 'Chevron was the largest international energy company that had once expressed interest in the exploration and production of oil and gas in Bulgaria.

International Oil Company Cehvron's withdrawal will certainly negatively affect foreign investment and prospects for exploration and production of oil and gas in the country and especially on the ability to replace imports with local sources,' energy expert Ilian Vassilev wrote on his blog on Tuesday.

According to Vassilev, who founded Innovative Energy Solutions Ltd, the news is no surprise given the existing moratorium on shale gas. Bulgaria has been the second European country after France to ban hydraulic fracturing in January 2012. Nonetheless, Chevron maintained some interests. The company won the tender for a 5-year contract in July 2011. 'Chevron is exploring more than 4 million acres under recent and pending agreements with the governments of Poland, Romania and Bulgaria. If commercial quantities of gas are confirmed in these shales, Chevron will seek permission to develop long-term, production opportunities,' reads Chevron's webpage on shale gas in Europe.

E.ON increases European LNG clout

Natural Gas Europe, *28.05.2014*

Germany-based E.ON and Qatar‘s RasGas have clinched an agreement to ship liquefied natural gas (LNG) from Qatar to the United Kingdom.

‘E.ON and RasGas Company Limited have signed a medium-term flexible contract, with immediate effect, for the supply of liquefied naturalgas (LNG) from Qatar to the Isle of Grain in the United Kingdom. The three-year contract has the potential to supply up to around two billion cubic meters over its term,’ reads a note released on Wednesday. According to recent estimates, Qatar is the third country in the world for proven reserves afterIran and Russia.

‘The contract is a significant step in the development of our global growth strategy and is another big step in the development of our long-term partnership with the State of Qatar. In a rapidly changing LNG marketplace, we are very pleased to have been able to reach an agreement that supports the ambitions of both our companies. Further, the deal enables us to take advantage of our existing UK regas position,’ Christopher Delbruck, CEO of E.ON Global Commodities SE, commented in the press release. RasGas has four long-term LNG contracts in Europe.

Saipem awarded $750 million contract for South Caucasus pipeline

Natural Gas Europe, *27.05.2014*

Italy‘s Saipem has been awarded a $750 million contract for the construction and commissioning of the expansion of the South Caucasus Pipeline in Azerbaijan and Georgia.

‘The scope of work for this contract includes the construction of a 428km pipeline loop and associated above ground installations, including block valves, a pigging facility and tie-ins in Azerbaijan and Georgia, as well as the construction of a 59km second pipeline loop and associated above ground installations in Georgia. The expanded section of the South Caucasus Pipeline will start approximately 23km from the Sangachal Terminal.

The project will be completed by the second quarter of 2018,' reads a note released on Monday. In this way, Saipem increases its involvement in the Shah Deniz Stage 2 development project, after the recent $1.8 billion E&C contract signed last month. According to the note, the Milan-based company did also consolidate its position in the Middle East. 'In the Drilling sector, Saipem has agreed in the Middle East a one year extension of an existing contract for three onshore rigs starting in the second half of 2014, and has signed new contracts for three onshore rigs starting in the second quarter of 2015 and with a duration of five years.' According to the press release, the drilling contractor has a fleet of 30 rigs in the Middle East.

Eni gets reduced supply prices from Gazprom

Natural Gas Europe, *23.05.2014*

Italy's Eni managed to get a reduction in supply prices from Russsian Gas Giant Gazprom, as part of the attempt to renegotiate third-party long-term gas contracts. The agreement has been signed by Gazprom exective Alexey Miller and Eni CEO Claudio Descalzi on Friday. 'The agreement involves a reduction in supply prices and an important change in the price indexation to fully align it with the market.

In addition, in 2014 Eni's ability to recover gas pre-paid under "take or pay" clauses will be significantly enhanced,' reads a note released by Eni.

Eni holds a 15% stake in South Stream Transport, a joint project company focused on the construction of South Stream's offshore section. The project registered some achievements in the last hours. After a meeting between Gazprom's Alexander Medvedev and Dusan Bajatovic, Director General of state-owned Srbijagas, the Russian company published a communiqué, saying that the bidding procedure for designing and constructing the Serbian section of the South Stream is coming soon. 'It was pointed out that the bidding procedure was nearing completion and the relevant agreement would be concluded soon,' Gazprom wrote on its website.

Announcements & Reports

► *New Energy, New Geopolitics*

Source : Chatham House
Weblink : http://csis.org/publication/new-energy-new-geopolitics-0

► *Russia-China Natural Gas Agreement Crosses the Finish Line*

Source : Chatham House
Weblink : http://csis.org/publication/russia-china-natural-gas-agreement-crosses-finish-line

► *Asia's Oil Supply: Risks and Pragmatic Remedies*

Source : Chatham House
Weblink : http://www.chathamhouse.org/publications/papers/view/199329

► *Divergent Paths to a Common Goal? An Overview of Challenges to Electricity Sector Reform in Developing versus Developed Countries*

Source : The Oxford Institute for Energy Studies
Weblink : http://www.oxfordenergy.org/2014/05/divergent-paths-to-a-common-goal-an-overview-of-challenges-to-electricity-sector-reform-in-developing-versus-developed-countries/

► *Monthly Energy Review*

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

►*Monthly Oil Market Report – May 2014*

Source : Organization of the Petroleum Exporting Countries
Weblink : http://www.opec.org/opec_web/en/publications/338.htm

Upcoming Events

► *6th Smart Grids & Cleanpower Conference*

Date : 3 – 4 June 2014
Place : Cambridge - United Kingdom
Website : http://www.hvm-uk.com/smartgrids2014

► *21st Caspian International Oil & Gas Exhibition*

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

► *International Conference on Energy and Management*

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

► *International Congress on Economics, Finance and Energy*

Date : 12 – 14 June 2014
Place : Almaty – Kazakhistan
Website : http://icefe.org

► *Utility Energy Storage Europe*

Date : 18 - 19 June 2014
Place : London – United Kingdom
Website : http://atnd.it/6753-0

► *Gas Storage and Transmissions*

Date : 18 – 19 June 2014
Place : London – United Kingdom
Website : http://atnd.it/6752-0

► *Iran Oil & Gas 2014 Summit*

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

► *ECSEE 2014 - The Second European Conference on Sustainability, Energy and the Environment*

Date : 3 – 6 July 2014
Place : Brighton – United Kingdom
Website : http://ecsee.iafor.org

► *2014 EIA Energy Conference*

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

► *3rd International Conference on Smart Grid Systems (ICSGS 2014)*

Date : 17 – 18 July June 2014
Place : Bangkok, Thailand
Website : http://www.icsgs.org/

► *International Conference on Energy (ICOE) 2014*

Date : 12 – 13 August 2014
Place : Colombo – Sri Lanka
Website : http://www.energyconference.co

► *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