Turkey to sign natural gas deal with Qatar

Reuters, *15.09.2014*

Turkish President Recep Tayyip Erdogan and Energy Minister Taner Yildiz are expected to sign an agreement for Qatar to supply Turkey with 1.2 billion cubicmeters (bcm) of natural gas during their visit Monday to the Gulf state. Turkey consumes around 45 billion cubicmeters of gas every year.

It buys 4 bcm from Algeria and 1.2 bmc from Nigeria every year. Qatar with an approximate reserve of 885 trillion cubicmeters according to US Energy Information Agency, is the world's largest liquified natural gas (LNG). President Erdogan is on his third official visit of his term to Qatar - a close ally regarding the developments in the Middle East.

Erdogan and his delegation held a meeting with al Thani and other Qatari officials following Erdogan's tete-a-tete meeting with Sheikh Tamim bin Hamad bin al Thani. Erdogan was also accompanied in his visit by the National Intelligence Organization Undersecretary, Hakan Fidan. Relations between Turkey and Qatar has developed further in the last couple of years, as the two countries found themselves on the same side regarding the Syrian crisis and the Egyptian coup. Turkey was one of the vociferous critics of the Egyptian coup ousting democratically elected President Mohamed Morsi, while Qatar was the sole Gulf state raising its voice against the coup.

Turkish minister denies buying smuggled oil from ISIL, slams Western reports

Hurriyet Daily News, *15.09.2014*

Energy Minister Taner Yildiz denied claims that Turkey bought smuggled oil from Islamic State of Iraq and the Levant (ISIL) militants, responding to a New York Times report that Turkey was a destination for black market oil supplied by militants. "The Turkish Republic is a constitutional state and it must buy and sell according to that," Yildiz said.

"It is not our problem if someone says that ISIL oil is mixed with oil coming from Kirkuk. We have not been informed about it, and the whole world knows we would take necessary measures if we were told about something like that," he added.

Yildiz slammed such reports as having certain intentions and "trying to create an image of Turkey cooperating with ISIL." The New York Times recently reported that Turkey had not taken sufficient measures to end the trade, at the same time as implementing an open door policy to foreign fighters into Syria to wage jihad with ISIL. Oil smuggling has long been an issue both from Iraq and Syria, especially after the first Iraqi war when a global ban on oil shipments from Iraq was imposed. This gave rise to an important sector, with locals on all sides of the borders profiting considerably from the black market using hundreds of tankers and hidden pipelines. After ISIL recently secured authority over oil reserves in Iraq and Syria, concerns rose that it had generated millions of dollars of revenue from the oil trade.

Turkey ‘the only route for Israeli gas’

Anadolu Agency, *17.09.2014*

Israeli natural gas is high on the agenda after the country’s foreign minister declared an intention to sell to eastern Europe. Although Avigdor Lieberman pointed to Greece as a transit country to carry its gas to Europe, Turkish experts insist that Ankara is the only feasible route.

The Leviathan field off the coast of Israel, discovered four years ago, is estimated to hold nearly 600 billion cubic meters of gas. Though Israel cannot start extracting it for another three or four years, Lieberman said that the state may sell to Eastern Europe via a Greek Cyprus-Greece pipeline – an as-yet unrealized $30-40 billion project

Oded Eran, an Israeli security expert for the Tel Aviv-based Institute for National Security Studies, pointed to Egypt as an alternative, telling the Anadolu Agency that it is the less-complicated option given existing problems between southern Cyprus and Ankara. Other problems are relations between Turkey and Israel and the fact that gas has to cross the Syrian economic zone. However, Tugce Varol Sevim, associate professor of International Relations at Istanbul’s Uskudar University, said Egypt’s liquefied natural gas terminals could only carry a limited portion of gas, and the bulk of the resource to be exported needs a pipeline. Prior to Israel’s ‘Operation Protective Edge’ in Gaza, the country’s government saw a pipeline over Turkey as the only way for their gas transit, Sevim said, adding: “However, the Turkish government’s sensitivity towards the Gaza issue caused a deadlock.”

She added that, within a period of six months, Israeli-Turkish energy relations may normalize since Israel is also aware that the Greek alternative for a pipeline will be too costly and less secure as it would have to reach 675 kilometers from Israel to Greece under the sea. Israel wants to take advantage of Europe’s desperate search for alternative gas now, says Professor Mesut Hakki Casin of the Istanbul-based Hazar Strategy Institute. Though gas extraction won’t be realized before 2017, gas is not like oil which can easily stored, he says, adding: “That is why Israel rushes to find customers.” Once you extract it, you will prefer to enjoy the shortest, least costly way to transport it – which is Turkey – he added. However, the future of such a development remains uncertain. Turkish Energy Minister Taner Yildiz said on September 9 that Turkey will not work with Israel on energy projects until the situation in the Gaza Strip has been resolved.

Iran focuses on European energy market

Turkish Weekly, *15.09.2014*

Iran is focusing on Europe as its primary energy market for its supply, despite a possible membership with the Shanghai Cooperation Organization (SCO), according Bakhtiyar Aslanbayli, energy expert and professor at Baku State University. Aslanbayli said Iran is more interested in Europe in order to gain modern technology for efficient and productive exploration activities that the country needs.

Under a deal reached in November 2013 in Geneva, western countries agreed to provide Iran with some sanctions relief in exchange for it agreeing to limit certain aspects of its nuclear activities.

The process of easing the sanctions brings the chance for Iran to be an energy supplier to Europe, as a natural gas and oil rich country. “Obviously, Iran needs modern technology for efficient and productive exploration activities, and these technologies could come from the West. So, I believe Iran is more interested in a European direction, but will also keep existing energy supply relations alive,” he added. The expert maintains Iran can benefit from easy access to the European market particularly with the EU’s wish to increase a non-Russian gas supply after the easing of sanctions. “Iran most probably is and will be interested in full membership in order to become part of important developments in the region.”

Aslanbayli said regarding Iran’s wish to join the Shanghai Cooperation Organization (SCO). The SCO aims at strengthening regional ties in Eurasia, promoting cooperation in politics, economy, energy and other fields, as making joint efforts to maintain security and stability in the region. Russian foreign minister Sergey Lavrov declared that observer states; Iran, Pakistan and India have demanded full membership in the organization last week prior to the SCO summit in Dushanbe in Tajikistan on 11-12 September, and one of the leading topics on the summit was the status of observer states’ full membership. According to Aslanbayli, however, Iran cannot simply join the organization because of the existing sanctions, which makes it impossible according to the current rules of membership.

He added that full membership of Iran, Pakistan and India is a matter for the near future. “Pakistan and India are still having quite tense relations. Accepting two new members with tense and unresolved disputes may have a negative impact on the effectiveness of the organization,” Aslanbayli added. “China and India would never openly and actively take the Russian side in conflict with the U.S. and the EU. They both may develop economic relations, try to use the momentum to get cheaper prices for Russian gas, but they would never agree on a political alliance openly in contradiction with the U.S. and the EU.” Aslanbayli said. Russia, China, Kyrgyzstan, Kazakhstan, Tajikistan and Uzbekistan are members of the organization while Afghanistan, India, Iran, Mongolia and Pakistan have observer status while Belarus, Turkey and Sri Lanka remain dialogue partners of the organization.

European firms vie for Iranian gas project

Reuters, *17.09.2014*

Also, Greece had indirectly called for Iran's gas exports since the European country's officials believed that Iran could transfer its gas to Greece through Turkey and then to other countries across the Europe.

Other countries which have entered direct gas talks with Iran include Germany (a member of the world powers negotiating with Tehran over its nuclear program), Poland, Japan, Austria, Oman, Turkey and Iraq. According to the sources, the European and other countries' officials and analysts believe that Iran is the safest supplier of energy that exists in the world.

Earlier this month, Managin Director of the National Iranian Gas Company Hamid Reza Araqi said that several European states had negotiated with Iran to assess the conditions for importing gas from the country as an alternative for their Russian supplies. "The European countries are negotiating with us and tasting the conditions in a bid to have an alternative for supplying gas," Araqi said. He noted that European countries are willing to import gas from Iran in order to get rid of their strong dependence on Russia's gas. Araqi noted that all gas consumers are looking for alternate gas suppliers and all exporters are also considering ways for exporting their gas, including pipeline and LNG, implying that the same supply-and-demand strategy increases the chance for the start of Iran's gas supply to Europe in the near future.

In July, Iranian Deputy Oil Minister Ali Majedi announced that the Iranian oil ministry has large-scale programs underway to export natural Gas to European nations. "We have macro-scale plans to supply gas to Europe," Majedi said. He noted that Europeans have shown deep interest in importing Iran's gas in a bid to relieve themselves from Russia's monopoly over supplies to Europe. Iran sits atop the world's largest gas reserves. Iran is currently producing more than 700 mcm/d of sour gas which is fed into petrochemical plants, power plants, domestic industries, oil wells and households. A portion of this production is exported.

Increased activity in the East Med. gas sector

Natural Gas Europe, *15.09.2014*

The East Mediterranean natural gas sector has been a riddle with continuous changes in plans by all players both state and corporate for quite some time. A set of new initiatives has shed more light into the activities, particularly those involving a potential new axis that will encompass Bulgaria, Greece, Greek Cyprus and Israel.

The Bulgarian Energy Minister Vassil Shtonov paid a visit to Athens on the 12th of September 2014 and meet with his Greek counterpart Ioannis Maniatis in order to set up a concrete agenda on gas cooperation via interrelating gas projects.

The common points touched upon (and agreed on in principle) include further reliance on LNG imports in order to secure energy security in the region in light of the Ukrainian crisis and the long term perspectives of the EU. Moreover, key aspects of the two countries bilateral cooperation was characterized by an adherence to the Interconnector Greece-Bulgaria (IGB) in combination with an FSRU facility nearby that will be linked to the East Med gas reserves via either a pipeline or by LNG carriers. Concurrently in Greek Cyprus and during the proceedings of the 2nd East Mediterranean Gas Conference, the former president of the hydrocarbon agency of the country, Charles Ellinas, pointed out that there are decreasing opportunities for the construction of an LNG terminal on the island due to softening prices worldwide and in the EU in particular.

That brings about the prospect of a pipeline stretching all the way from Israel into the Balkans. By coincidence or not the Israeli side through its foreign minister Avigdor Lieberman supported that view by stating in favor of the “East Med gas pipeline” that will aim to supply Greek and Balkan markets with an interconnection to Italy through the long-term plan of the IGI-Poseidon link in the Ionian Sea. More interestingly and in parallel the Cypriot government and the Egyptian one concluded an agreement on their bordering Exclusive Economic Zones (EEZ) that potentially pave the wave for an uninterrupted construction of an underwater pipeline along with joint ventures for more gas discoveries in the East Mediterranean sea region.

In overall it has also to be pointed out that Israel has recently struck a long-term deal with Jordan for the export of gas worth 15 billion USD and Greek Cyprus has also signed a memorandum of understanding with Amman. Thus it is not clear yet, which direction the gas will follow since the amounts, although significant they are not able to meet the demand in both directions, while still the option for a pipeline into mainland Turkey stands in the table. What be expected though is more hard bargaining behind the curtains and between a wide range of actors and in a very crucial moment for the stability of the whole region which is in the limelight because of terrorism, civil wars and political upheaval.

New EU sanctions against Russia take effect

AFP, *13.09.2014*

New European Union sanctions targeting Russia over the crisis in Ukraine went into force on Friday, despite the threat of retaliation from Moscow. The sanctions target major oil firms, defence companies and state-owned banks, denying them access to finance in crucial European markets.

They also add 24 individuals to a blacklist of people facing a travel ban and asset freeze. The sanctions took effect after being published in the EU's official journal. Russian oil giants Rosneft and Transneft plus the petroleum unit of gas giant Gazprom are specifically targeted by the new punitive measures.

They also target United Aircraft Corporation -- the parent company that produces MiG and Sukhoi fighter jets among others -- tank maker Uralvagonzavod, and state-controlled aerospace holding company and helicopter maker Oboronprom. EU nations finally approved the sanctions on Thursday after a week of divisions about whether they should be implemented despite a ceasefire in Ukraine. European Council president Herman Van Rompuy said that the punitive measures could be lifted after a review of the truce at the end of September. The Russian ruble slumped to a new record low of 37.72 against the dollar on Friday after the sanctions entered into force.

Russia denies reducing gas exports to Poland

Globes, *13.09.2014*

The state owned gas company Gazprom denied having reduced gas exports to Poland, as several media reports and the Polish gas company PGNiG have reported. "Media reports claiming that Gazprom reduced the delivery volume to Poland's PGNiG company are incorrect," the company said in a statement on Wednesday.

"Gas volumes currently delivered to Poland remain the same—23 million cubic meters per day," the statement added. However, PGNiG asserts that the gas supplies from Russia have dropped 45 percent compared to the planned volumes.

The PGNiG claim came amid rising tensions with Russia over the conflict in Ukraine, where Kiev forces fight against pro-Russian federalists in the East of the country. Since the conflict began, about five months ago, Russia and Ukraine maintain a pricing dispute over the gas exports that Moscow sends to Kiev. Russia stopped gas supplies to Ukraine last June. Ukraine, the European Union and United States claim Russia has been arming the rebels and even sent soldiers to eastern Ukraine. Moscow denies such allegations and said the Russian soldiers on Ukrainian soil where volunteers on holiday. Due to the alleged gas cut, Poland stopped supplying gas to Ukraine, who depends on reverse flows to supply homes and businesses. Both countries rely on Russian natural gas. Slovakia, who also supplies gas to Ukraine, said early on Thursday that Russia was only supplying 90 percent of the regular gas provided. However, Gazprom also denied those allegations.

Latest sanctions against Russia hurt banking and oil exploration

Oil & Gas Eurasia, *15.09.2014*

The U.S. imposed new sanctions Friday on Russia's largest bank, a major arms maker and its biggest oil companies. The sanctions, coordinated with similar EU steps, were triggered by Moscow's recent effort to destabilize eastern Ukraine by backing pro-Russia separatists with troops, heavy arms and cross-border shelling. They are the latest penalties imposed by the West since Russia annexed Crimea from Ukraine.

The sanctions target companies including Sberbank, Russia's largest bank by assets, and Rostec, a conglomerate that makes everything from rifles to cars, by limiting their ability to access the US debt markets.

"They also bar US companies from selling goods or services to five Russian energy companies to conduct deepwater, Arctic offshore and shale projects. The Russian firms affected are Gazprom, Gazprom Neft, Lukoil, Surgutneftegas and Rosneft. The Obama administration stressed that the sanctions could be lifted if Russia — which denies sending troops into eastern Ukraine — took a series of steps, including the withdrawal of all of its forces from its besieged neighbor. However, a defiant Russian President Vladimir Putin called the new penalties "strange." Russia's Foreign Ministry said it would respond quickly with retaliatory measures against what it criticized as another "hostile step." The sanctions are not designed to curb Russia's current, conventional oil production — but to hit future production by depriving Russian firms of the expertise of companies such as ExxonMobil and BP.

Russia's energy minister to meet OPEC as oil price falls more

Reuters, *15.09.2014*

Russian Energy Minister Alexander Novak will meet OPEC officials as oil's price fall piled pressure on Moscow's budget. The annual meeting had been planned long before oil fell below the $100 per barrel level critical for Russia's oil sales which account for 40 percent of state budget revenues.

Russia suffered from a decline of oil production and prices this year and has cut its outlook for oil output as core Western Siberian fields become more depleted. Novak and the officials from the Organization of the Petroleum Exporting Countries had not planned to discuss the prices of oil, which hit 26-month low for Brent crude on Monday.

However, a government source told Reuters that the measures to prop up the prices have long been discussed at the ministry. "The talk of closer cooperation with OPEC on prices have long been there," he said. So far, Russia, the world's top producer of conventional oil, has ruled out coordinated action with OPEC to halt the price decline. Oil prices have slid due to concern about weakening demand and ample supplies, raising the question of whether Saudi Arabia, holder of the world's largest spare output capacity, will curb output. Brent crude fell below $100 last week for the first time in 14 months. OPEC oil ministers have not expressed pressing concern about the drop in prices, seeing it as a temporary dip and predicting prices will rise as higher seasonal demand arrives with colder weather.

Russia has had a bumpy relationship with OPEC, with pronouncements of interest in acting together not resulting in significant action, even after the price slump of 2001-2002. Oil ministers from the Middle East Gulf said last week the oil price drop was unlikely to spur action by the OPEC unless crude fell below $85 a barrel. This is less than the $104 per barrel on average written into the 2014 Russian budget. Most analysts expect oil prices to fall in the coming years as new production, including from unconventional sources in North America, applies downward pressure to markets, with some forecasts going as low as $70 per barrel for Brent crude oil in 2020 from $96.6 currently.

Russia won't cut European gas to curb re-export to Ukraine

Reuters, *18.09.2014*

Russia will not curb gas exports to Europe this winter to prevent countries from re-exporting supplies to Ukraine, Energy Minister Alexander Novak told an Austrian newspaper.

"That is ruled out," he said when asked whether Moscow would limit gas exports to curb supplies to Ukraine, whose deliveries from Russia have been cut off since mid-June in a row over prices.Novak said he expected the oil price to firm to around $100 a barrel by the end of the year, adding it was "no tragedy" the price was below that level now and he saw no objective reasons for it to fall below $90.

An oil price drop since July had to do with an economic slowdown and speculative factors as well as increased output in the United States thanks to shale oil exploitation, he said. Novak saw Russian oil exports falling 4 to 4.5 percent this year as more crude is processed domestically, but said more oil would be available for export once refineries were modernised. Russia's Gazprom said on Wednesday it is unable to meet rising gas demand from Europe while it builds up stockpiles ahead of winter, undermining the ability of Europe to supply Ukraine with gas. Slovakia, Poland, Romania and Austria have reported slight falls in shipments in recent days from Russia, which is embroiled in a row with the European Union over Ukraine. Novak denied Russia was "playing games" with gas exports.

"More (gas) was ordered than normal in recent days and Gazprom did not fully cover the higher demand," he was quoted as saying, adding Gazprom had also filled up storage in Russia. Novak said it was hard to tell on prospects for Russia, Ukraine and the EU to strike a deal on restoring gas supply to Ukraine, noting the situation was more difficult than early this year. "We hope reason prevails and there is a deal," he said. Asked if Russia could turn off gas bound for western Europe that transits Ukraine should Kiev tap into this flow, he said: "This is not an issue for Gazprom. We want to supply Europe as contractually agreed." Pressed on what would happen should Ukraine divert transit supplies, he said: "Then the question is how much comes out of the pipelines in Europe beyond Ukraine. On very cold days all the gas could be tapped and Europe would be without gas."

Gazprom says fully meeting Europe gas demands

Reuters, *16.09.2014*

Russian natural gas exporter Gazprom said it was fully meeting gas demand from European clients amid complaints the company had reduced flows to Europe. Gazprom also signalled that it is willing to forge closer ties with China, to which it has agreed to start supplying gas from 2019.

"The company is fully satisfying the gas demands of its European partners," Gazprom said in a statement after a meeting of its board. Slovakia, Poland, Romania and Austria have all reported slight declines in shipments in recent days from Russia, which is embroiled in a row with the European Union over the Ukraine crisis.

Gazprom halted gas supplies to Ukraine, through which it ships half of its gas exports to the European Union, in June citing unpaid bills. The spat has evoked fears of a disruption in Russia supplies to Europe, as was the case during price disputes with Kiev in 2006 and 2009. Gazprom said Ukraine must address unpaid bills of around $5.3 billion before "cooperation" can resume. It also said the safety of Russian gas supplies to Europe depends on Ukraine honouring a transit contract, adding that the company's board had ordered management to take measures to curb risks to gas bound for Europe this autumn and winter.

Seeking to lessen its dependence on European markets over political differences, Gazprom has been looking towards Asia and China in particular. Gazprom said the gas demand outlook for the Asia-Pacific region looks "optimistic". "China will play the main role in the increase in gas consumption," the company said citing China's economic growth and a worsening environmental situation in the country which is expected to spur a move away from coal. This year, Gazprom signed a landmark $400-billion deal to sell gas to China. First shipments are expected in 2019 after a new pipeline is built to ship gas from the Chayanda gas field.

German government mulls introducing strategic natural gas reserve

ICIS, *18.09.2014*

Against the backdrop of continuous supply fears related to the geopolitical conflict between Russia and Ukraine, the German government considers introducing a strategic reserve for natural gas storage sites to secure supply.

The economics ministry issued a tender for a study looking into how such a strategic reserve could be put in place, or if voluntary commitments from market participants would be preferred. The tender was launched after the Bundesrat, the upper house of the German parliament, called on the government to create a national reserve of 10 billion cubic metres (bcm).

Traders polled by ICIS on Thursday were strongly opposed to the move, saying that if participants could not decide freely on how to use their booked working gas volume any more, most storage products would become even more unattractive. Germany's storage operators have already been struggling with shrinking price spreads between summer and winter gas, which have made the traditional model of summer-winter arbitrage unviable. Fast-cycle storage sites which can be used for short-term optimisation are the most popular type of storage, with capacity owners being able to quickly react to changing price spreads. This short-term optimisation is precisely what the Bundesrat has recently taken to criticise, saying that due to the advancing liberalisation of the gas market, the country's storage sites have been losing importance for security of supply.

A national gas reserve would also support the troubled gas storage industry, potentially avoiding that facilities might have to close down because they have become unprofitable, the Bundesrat argued. The council also voiced concerns over German storage capacity being owned by foreign investors and asked the government to look into creating a new law in order to ensure "that German infrastructure cannot be used in a way that is in conflict with national interests". It added that at the end of 2014, about a quarter of Germany's 23bcm of working gas capacity will be owned by foreign companies.

Russian producer Gazprom – which supplies about a third of Germany's domestic demand – has recently acquired shares in a number of German storage sites via an asset swap with German producer Wintershall. Gazprom is in the process of taking control of trading and supply company WINGAS, including its storage subsidiary astora, which operates 6.3bcm of working gas capacity in Germany (see ESGM 27 December 2013). The Russian incumbent is also taking control of Europe's largest underground gas storage facility Rehden - with more than 4bcm of capacity. The planned study on a potential national gas reserve is due to be commissioned by mid-October.

Italy signs decree of environmental compatibility for TAP

Oil & Gas Eurasia, *16.09.2014*

Italy's Environment Minister Gianluca Galletti has signed a decree of environmental compatibility of the project submitted by the Trans-Adriatic Pipeline AG (TAP) for the Italian section of the pipeline.

"The approval comes after extensive engagement with all those involved including regular discussion with local communities, public consultation and close cooperation with those national and regional authorities involved in the process," TAP said. "TAP is committed to responsibly deliver a world-class project in Italy and will continue to work closely and collaboratively with all those involved."

The final EIA report is in full accordance with both Italian and EU legislation and follows the international requirements of the European Bank for Reconstruction and Development (EBRD) and the International Finance Corporation (IFC). The Shah Deniz field, one of the world's largest gas-condensate fields, was discovered in 1999. Its reserves are estimated at 1.2 trillion cubic meters of gas. Overall, the field has proven to be a secure and reliable supplier of gas to Azerbaijan, Georgia, Turkey, and Europe. The gas which will be produced at the second stage of Azerbaijan's Shah Deniz field development will be the main source of the Southern Gas Corridor, which envisages the transportation of the Caspian gas to European markets.

The Shah Deniz consortium announced the selection of TAP as the main route for transporting its gas to Europe in late June. Another pipeline which was vying for Azerbaijan's gas transportation to Europe was Nabucco West. Azerbaijan agreed to sell over 10 billion cubic meters of natural gas a year from the second phase of its Shah Deniz development to nine companies in the European Union in September 2013. The contracts were signed for 25 years between SOCAR and the European utilities, including Axpo Trading AG, Bulgargaz EAD, Depa, Gas Natural Fenosa, Hera Trading Srl, Shell Energy Europe, Enel SpA, E.ON SE, and GDF Suez SA.

Romania in talks with EU to delay natural gas price liberalisation

ICIS, *16.09.2014*

The Romanian government has entered talks with the European Commission about delaying liberalisation of the countries natural gas market The energy department announced plans to postpone for two and a half years the deregulation of prices for household consumers. This would mean the end of regulated domestic prices by 2021, rather than 2018 as originally expected.

This cannot be done without the approval of the commission, which the government is currently seeking to obtain. Romania also has bail-out commitments around energy liberalisation with the International Monetary Fund.

Another source within the country suggested the proposed delay is likely due to the presidential elections in November. They argued the incumbent Traian Basescu does not want to alienate voters by raising prices, which was originally expected to take place next month. The industry source added: “I think they have caved into pressures of the large consumers. What they should do is accelerate the liberalisation process, which is what we wanted, but instead it looks as if they will do the opposite.” Eugenia Gusilov, managing director at the country’s think tank Romania Energy Center (ROEC), told ICIS on Tuesday that the government’s current efforts are directed at temporarily freezing the regulated price for both industry and households until the end of the year.

If a recent government decree proposal is signed by the relevant authorities including the prime minister, the household price will be kept at Romanian Leu (RON) 53.3/MWh from 1 October, instead of being raised to RON54.6/MWh, she added. The price for industrial buyers will remain at RON89.4/MWh from this date, instead of jumping to RON119/MWh. At the start of this month, Romania’s government launched a consultation over the proposed liberalisation agenda, which expired on Monday. This included the question whether regulated prices should be extended for households in the long term (see ESGM 2 September 2014).

Turkmenistan sees rise in gas production

Azer News, *15.09.2014*

The production volume of natural and associated gas stood at 111.7 percent in Turkmenistan in January-August 2014, compared to the same period of 2013. Turkmen Ministry of Oil and Gas Industry and Mineral Resources reported that the export of natural gas to foreign countries has reached 114.7 percent.

Turkmenistan currently exports natural gas to China, Iran and Russia. The gas pipelines that are planned to run from Turkmenistan, include the Trans-Caspian Gas Pipeline (through the Caspian Sea and Azerbaijan to Europe) and the Trans-Afghan Pipeline (to Pakistan and India).

Turkmenistan ranks fourth in the world in terms of its natural gas reserves, being behind Russia, Iran and Qatar, according to a report from the British Petroleum (BP). Turkmenistan's largest fields are concentrated in the Mary region in the country's east around the Galkynysh field's source, with resources estimated by local geologists and British GCA at 26.2 trillion cubic meters. The country annually produces about 70 billion cubic meters of gas. It is planned to increase the production of gas up to 230 billion cubic meters in accordance with Turkmenistan's Oil and Gas Development Program until 2030, and most of these volumes will go for exports.

Fuel deficit in Kazakhstan is there to stay

Oil & Gas Eurasia, *17.09.2014*

Covering the entire fuel deficit in oil and gas producing Kazakhstan is impossible. This is what First Deputy Minister of Energy Uzakbai Karabalin said at a briefing organized by the Central Communications Service, Tengrinews correspondent reports.

The official said that Kazakhstani oil refineries were fully loaded and produced as much as they could, which was 250 thousand tons of gasoline a month. He said that the demand for top-selling AI-92 in Kazakhstan constituted 280 thousand tons and Kazakhstan could only produce 186 thousand tons of that type of gasoline.

“But as you know, one-third is imported from Russia,” Karabalin said. He noted, however, that there were problems in Russia too, where an accident at the Achinsk refinery and the Fall repair works at several other plants have decreased volumes of fuel produced. In addition, Karabalin said that shortages were caused by the fact that Russia had to supply to Crimea. “And in the end there is a distress on the Russian market in terms of what they can give to other countries, including us,” the Deputy Minister said. Moreover, Karabalin said “a sizeable difference” in the prices of the Kazakh and Russian AI-92 made imports from Russia very unprofitable.

“In order to provide the market with fuel, we decided entrusting KazMunaiGas with supplying fuel to the Kazakhstani market at a loss. Negotiations were held with many companies. As of today, agreements have been reached to import 69 thousand tons of gasoline. Of these, 9,600 tons have already been delivered, 9,700 have been loaded into tanks for shipment, and 200 tons are already on their way,” the Deputy Minister said. “There is lots of pressure on the domestic market; our plants cannot provide even the contracted volumes, so KazMunaiGas has held negotiations in other places as well. Currently there are talks on import of petroleum products by an Azerbaijani company, also from Turkmenistan. Nevertheless, covering the entire deficit is not possible at present,” Karabalin informed.

He said that this situation made the government come to an understanding there was a need to postpone the scheduled maintenance at Shymkent refinery to February-March-April. “In addition, we expect September to be busy, the harvesting campaign is going to finish in October and the remaining volumes to be supplied to the market. Thus, we expect that we will be able to ensure a stable operation, if not an abundance,” he said. Karabalin then assured the government has decided not to raise gasoline and diesel prices caps. It is to remain at the present mark. Kazakh government raised gasoline price caps on August 21. The prices on diesel spiked 12.7%, on AI-80 and AI-92/92 - 11.3% in one step. This change was the first one since November last year.

Japan signs 17-year deal to buy gas from BP at North American prices

Natural Gas Europe, *16.09.2014*

Japan Signs 17-year Deal to Buy Gas from BP at North American Prices. BP PLC will sell liquefied natural gas to a major Japanese utility based on North American gas prices instead of international crude oil markets, officials announced last week.

On Friday BP announced a 17-year agreement to sell cargoes of LNG to Japan's largest power provider, Tokyo Electric Power Co. (TEPCO), the same company that operates the Fukushima Daiichi nuclear power plant that partially melted down in the wake of a 2011 tsunami. The new agreement is to launch in 2017.

The company confirmed that the Freeport LNG project being built just south of Houston will likely be tied to the TEPCO contract. Following along with other deals inked between Japanese electricity generators and Western LNG suppliers investing in export capacity from the United States, BP says the LNG it aims to sell will be priced in accordance with gas prices in North America. What makes BP's deal notable, however, is that the company has agreed to sell LNG to TEPCO on that pricing basis even if shipments originate outside the U.S. Japan's 2011 nuclear crisis at Fukushima forced the shutdown of Japan's fleet of nuclear power plants, spiking demand for LNG in the country and sending international LNG prices higher. Those events also fueled a rash of development plans that would liquefy natural gas from U.S. shale sources and ship it abroad.

The rise of a U.S. LNG export industry serves as an opportunity for Japan as Tokyo aims to bring international LNG prices down and to make the market of LNG more liquid. This latest deal between BP and TEPCO brings the nation closer to that goal. BP made clear that the gas will be priced according to an index aligned with North American Henry Hub prices, rather than on an oil index preferred by Middle East LNG suppliers. By 2017, it is expected that an expansion of the Panama Canal will be complete, greatly shortening the distance that large LNG tankers would have to travel between the Gulf of Mexico coastline and ports in Japan. BP declined to give details on how exactly the Henry Hub LNG index price would be designed.

A BP official confirmed that sales to TEPCO of LNG not derived from U.S. shale gas supplies are also on the table under the terms of this new agreement. "We're not going into any details on this, but HH [Henry Hub] is indeed part of the deal," BP spokesman Robert Wine said in an email. "The agreement allows us to supply from our portfolio so it's not tied to any particular country or terminal though as our release says there'll be a role for Freeport." Under the terms of the deal, TEPCO will purchase up to 1.2 million metric tons of LNG from BP. Aside from the Freeport LNG project, BP notes that it is investing in other LNG export projects in Australia and Indonesia, two other likely sources for shipments to Japan.

Japan to decide on more sanctions against Russia based on US, EU position

ITAR-TASS, *18.09.2014*

The Japanese government will make a decision on additional sanctions on Russia with regard for the US and European Union's positions, Deputy Chief Cabinet Secretary Hiroshige Seko told a news conference in Tokyo on Thursday.

He said the additional sanctions would be imposed based on the situation around Ukraine and the actions on the United States and European Union. Tokyo media reported that the sanctions' details would be announced on September 19. The new sanctions may for the first time apply measures in the financial and energy spheres. However, in any case these measures will be relatively moderate.

According to the media, the new sanctions will also expand the list of persons whose entry in Japan is banned and whose assets in the country, if any, will be frozen. In April, Tokyo said it suspended issuing entry visas to 23 Russian nationals but their names had not been made public. Japan also suspended consultations with Russia on easing the visa regime and refused to begin talks on a number of other issues, including in the area of economic cooperation. In July, the Japanese government said it would freeze assets of 40 more people and two Crimean companies. Meanwhile, Japan's Kyodo news said on Thursday, quoting government sources that the measures would be "restrictive" in an attempt to minimise adverse effects on a bilateral territorial issue.

The government is considering toughing restrictions on financial and energy transactions, they said, in addition to previously imposed sanctions including freezing assets held in Japan by 40 individuals and two groups involved in Russia's annexation of Crimea and the instability in eastern Ukraine.
Japan, as a member of the Group of Seven industrialised nations, has decided to impose fresh sanctions on Russia to act in concert with the United States and European Union. The government has decided to go ahead with fresh sanctions following discussions at the National Security Council on Tuesday. But it does not want the issue to have a major impact on bilateral talks over Russian-held islands called the Northern Territories in Japan, according to the sources. "We plan to make the measures restrictive to some extent," a Japanese government source said.

Experts split on lifting US oil export ban

Anadolu Agency, *09.09.2014*

As the pressure on Washington to remove its four-decade ban on exporting crude oil increases, experts differ whether the restriction would harm or benefit the United States' economy, domestic oil prices and national energy security.

A joint report released last week by the Brookings Institute and National Economic Research Associates said that removal of the ban would help the economy as well as increasing welfare and GDP in the U.S. Lawrence Summers, former U.S. Treasury Secretary under President Bill Clinton and National Economic Council Director for President Barack Obama between 2009 and 2010, backed the report.

However, energy experts are drawing attention to U.S. economic growth and the volatility of oil prices, suggesting that any decisive steps by the government on the ban would come after congressional elections in November. "The real concern is whether exporting oil from the U.S. would increase gasoline prices and harm the economy," says Sarah O. Ladislaw, director of the Energy Program at the Center for Strategic and International Studies, a Washington-based think-tank. "The U.S., like many economies around the world, is concerned about economic growth at home," she added. After the Arab oil embargo of the early 1970s, the U.S. banned crude oil exports to keep production at home for domestic consumption and industrial use. "The world economy is fueled by oil, and the price of oil is very volatile," says Jorge R. Pinon, director of the Latin America and Caribbean Energy Program at the University of Texas at Austin.

"Every country has to be ready for the volatility of oil prices," he said, adding: "Every government, today, should have some sort of a national security energy plan against the price volatility of oil, such as having oil reserves in tanks to keep our infrastructure running." U.S. Senator Lisa Murkowski has been one of the strongest advocates of removing the ban. The Alaska senator voiced her concerns in a report, 'A Ban for One: The Outdated Prohibition on U.S. Oil Exports in Global Context', in July. By lifting the de facto ban on crude exports, the United States would strengthen its trading ties, improve economic efficiency and enhance its posture around the globe, according to the report.

"The U.S. is the only member of the OECD and International Energy Agency that has effectively banned the export of crude oil produced domestically, while several American allies – namely, the U.K., Australia, and the Netherlands – continue to export oil while remaining net importers," said the report, adding: "The President could issue a finding that greater oil exports are in the national interest." Andrew Holland, an energy expert at the American Security Project, a non-partisan organization in Washington, says: "The President can authorize individual exports and the Department of Commerce can sign off on individual shipments. Oil requires a permit each time for each export." "The ban will require congressional action to overcome; I don't anticipate any policy changes before the congressional elections," he added.

Although a resolution may not come for two more months, congressional elections in November might be a key turning point for the government to take significant steps. Jorge R. Pinon says: "We don't think that anything is going to happen prior to the [U.S. Congress] elections in November." "The administration is being very careful, because they don't want to hurt their chances of the Democratic Party losing prior to that election. Hopefully, we will see some action from the federal government after November," he added. Ladislaw says: "We still believe that it is very hard politically to allow crude oil exports. I think politicians are wary of extending crude oil exports [which] would allow oil prices to rise."

Although the U.S. has been a net importer of oil for decades, the country's dependence on imported oil has declined since peaking in 2005, according to the Energy Information Administration. While the U.S. produced almost 1.9 million barrels of crude oil in 2005, this increased to 2.7 million in 2013, according to data from the administration. There has been pressure on Washington from domestic oil producers to remove the shackles of the four-decade ban as well; "The industry supports the export of crude oil," says Pinon. Holland said: "Exporting oil would move the profits from American refiners, who are currently buying crude oil at a low price and selling gasoline at a high price, to American oil companies, who would then be able to sell crude to the highest bidder," says Holland.

Oil prices fall on EIA report of big US crude stocks build

Reuters, *17.09.2014*

Crude oil futures fell on Wednesday after a government report showed crude stocks rose sharply in the United States last week and as a strong dollar continued to create headwinds for dollar-denominated commodities. U.S. crude stocks rose 3.7 million barrels last week, the Energy Information Administration said, as refineries cut capacity utilization and imports jumped.

Brent November crude slipped 8 cents to settle at $98.97 a barrel, recovering from an intraday low of $98.51. U.S. October crude fell 46 cents to settle at $94.42, falling intraday to $93.74.

"It looks like we've got extra oil hanging around - that was the initial shock of the number," said Phil Flynn, an analyst at the Price Futures Group in Chicago. "The number indicates the imports were pretty darn good last week, (which) may be in part because we had a pretty strong dollar situation, I think that's why the number was so big." The recent strength of the dollar has been a significant headwind for oil, as it makes commodities priced in dollars more expensive for buyers using other currencies. Brent and U.S. crude initially extended losses after the Federal Reserve's policy statement on Wednesday renewed a pledge to keep U.S. interest rates near zero for a "considerable time".

“The recent dollar strength and commodity weakness from that strength should continue, as a result,” said John Kilduff, partner at Again Capital LLC in New York. Crude prices rose on Tuesday when Abdullah al-Badri, the Secretary General of the Organization of the Petroleum Exporting Countries (OPEC), said that the group could trim its 2015 output target by 500,000 barrels per day (bpd). On Wednesday, others in OPEC were cautious. It was too early to say and the group may not need to cut its oil output target at its meeting in November, a Gulf OPEC delegate and other OPEC sources said, as stronger demand in the Northern hemisphere winter should support oil prices.

Many OPEC countries need oil prices above $100 a barrel to meet budget needs and analysts say Saudi Arabia, OPEC’s biggest producer, could cut in an effort to support prices. Any OPEC cut would be the group’s first since 2008. “It makes sense for Saudi Arabia to curb supply,” Michael Poulsen, oil analyst for A/S Global Risk Management, said. Libya’s El Sharara field was shut after a tank was damaged at the Zawiya refinery, which the field supplies, in fighting between armed groups, an oil ministry official said on Wednesday. Output from El Sharara was first curbed on Tuesday, adding lift to oil prices and limiting losses on Wednesday, brokers and traders said. In OPEC-member Nigeria, oil workers are on strike, another potentially supportive factor for crude.

Oil glut silences calls for US crude exports

ICIS, *18.09.2014*

The chorus of calls to end the longtime ban on US crude oil exports has quieted in recent weeks as crude prices have fallen precipitously due to a global oversupply.

Thanks to a wealth of oil production unlocked in recent years by the shale oil revolution, recent data from the Energy Information Administration (EIA) showed US crude oil production averaging 8.5m bbl/day, the highest level since 1987. In its monthly short-term energy outlook, the EIA expects production to average 9.3m bbl/day in 2015. By comparison, top global oil producer Saudi Arabia produces around 11.5m bbl/day.

There are two widely recognised global benchmarks for pricing crude oil production. In the US, West Texas Intermediate (WTI) light sweet crude trades as a commodity on the CME/NYMEX and can be delivered physically against the contracts at the Cushing, Oklahoma, hub. Global benchmark Brent trades as a commodity on the Intercontinental Exchange (ICE) but there is no physical delivery mechanism against the contracts. On Thursday, WTI for October delivery settled at $93.07/bbl, while Brent for November delivery settled at $97.70/bbl. Both benchmarks are more than 10% below their summer high water marks, when WTI topped out at $107/bbl and Brent touched above the $115/bbl level in June. In 2008, WTI hit an all-time high above $145/bbl as the theory of peak oil gained popularity on the theory that global crude supplies were declining sharply. But just a few months later, prices plunged towards $30/bbl as the 2008-09 global financial crisis took its toll on demand destruction.

Eventually WTI recovered towards $90/bbl due to the continuing dependence on expensive foreign imports and continued to creep upwards on the back of demand from China and geopolitical events. Then came an unexpected renaissance. Thanks to the shale revolution in North America, oil and natural gas production from the various unconventional formations contributed to make the US, if not energy independent, at least energy secure by cutting down foreign crude imports to just over 7m bbl/day from about 14m bbl/day in 2005. Canada has been the top foreign crude supplier to the US, exporting close to 3m bbl/day, while Mexico and Saudi Arabia have been leapfrogging each other for second place, each averaging 800,000 bbl/day and maintaining their market share.

Eventually, the biggest losers turned out to be west African, South American and Middle Eastern OPEC producers who have found their product displaced by US shale oil. Getting the shale production to market became a logistical problem since, historically, the US pipeline system ran south to north in order to move foreign barrels from ports along the Gulf coast to mid-continent refiners. A major realignment had to take place in order to accommodate the rise in domestic production as well as Canadian imports moving south.

Most of the new oil being produced, the Canadian imports and other foreign barrels moving north created a bottleneck at the Cushing NYMEX delivery hub, and inventories rose to around 50m bbl at one point due to insufficient infrastructure to move the material down to Gulf coast refiners or to the western and eastern US coasts. The Cushing bottleneck took a toll on the price of WTI, and it started to trade at a steep discount to Brent. A wide, negative trans-Atlantic arbitrage made foreign barrels extremely expensive to coastal refiners, while end-users in the US Midwest enjoyed the attractively priced discounted Cushing barrels.

Canadian production, unable to be traded in the open market due to the single destination, failed to capture the economics of the wide Brent-WTI arb. Every Canadian barrel sold into the US left a substantial amount on the table. Of the major unconventional liquid plays, the Bakken in North Dakota and southern Canada and the Eagle Ford in south Texas are the better known and could be considered kings, while the less publicised – although older and becoming new again – Permian Basin in west Texas and New Mexico is extending its claim to the throne, with recent production recorded at around 1.7m bbl/day.

As foreign imports declined and practically stopped moving north from the Gulf coast, various operating pipelines were reversed and expanded to move the material south. New pipeline projects, too many to enumerate, went into service, and many more are seeking regulatory approval. There are two main pipeline systems exporting Canadian crude into the US. Because they cross an international border, they required approval from the US State Department. Enbridge's main line runs through Clearbrook, Minnesota, to Flanagan, Illinois. An extension, Flanagan South to Cushing, is being completed and about to become operational.

It is expected to connect with the lines going south. TransCanada's original Keystone Pipeline moves barrels all the way to the Cushing hub. A southern leg to the Gulf coast, which did not require government approval, recently became operational. A proposed third line, TransCanada's Keystone XL, remains held up by politics and environmental issues despite at least one completed impact study by the US State Department.

In 2012, the reversed Seaway Pipeline, a project of Enterprise Products, began moving crude oil from Cushing down to Gulf coast terminals, and the capacity was recently expanded by Seaway Twin. Rising production in some areas as a result of innovation and advanced technology overwhelmed the existing infrastructure because of the lack of take-away capacity, and new ways of getting the oil to the market had to be devised. Crude-by-rail transport distribution businesses, although more expensive than pipeline tariffs, were developed and expanded as an alternative to pipeline capacity constraints to meet the growing demand, mainly to the east and west coasts. The Eagle Ford production in south Texas, which is mainly extremely light condensate, moves by pipeline to refineries in the Corpus Christi, Texas, area or can be transported by barges or small tankers to refineries in the upper Gulf coast or to the east coast.

Among other crude oil hubs, Hardisty, Alberta, in Canada is the centre for pipelines and railcars (700 bbl/car) for export to the US while waiting for a decision on Keystone XL, and also to move the material to eastern Canada. The advent of new logistics patterns caused crude oil inventories at Cushing to eventually decline sharply as barrels moved to the coasts and pipelines from the Permian Basin bypassed the hub. But the supply simply relocated to the Gulf coast, and at one point the region was referred to as Cushing South as oil was moved down for refining. As a result, the US is now a net exporter of refined products, mainly from the Gulf coast where close to 50% of the country's refining capacity is located. Export volumes can vary by season and geographical region depending on supply and demand. EIA data shows the US exporting more than 4m bbl/day of petroleum products, with distillate fuels averaging 1m bbl/day and gasoline exports averaging 550,000 bbl/day. Most of this material is heading to South America and Europe, taking advantage of the economics.

With the US awash in oil to the point of it becoming discounted to global benchmark Brent, the calls began from some producers and politicians for the lifting of the longtime ban on crude oil exports of domestic production. Commenting on the shift, Karl Bartholomew, vice president of ICIS Consulting, stated: "Since it is entirely possible that North America [Canada, Mexico and the US] could become energy secure, if not independent, this has created a chorus for exporting some of the oil. Similar to the scene playing out with natural gas and [liquefied natural gas] exports, upstream companies want to maximise their return by being able to export crude oil, while downstream consumers [refiners] do not want to see domestic oil prices go from advantaged discounts to reaching closer parity with global crude markets." Following the Arab oil embargo of 1973, the US Congress enacted a ban to prevent the export of domestic production. Also, the Jones Act of the Merchant Marine Act of 1920 regulates shipping and requires domestic crude and refined products, or any other goods, to move between US ports by American-flagged vessels. It must be noted that crude oil exports to Canada are not affected by under the crude oil export ban, and some small cargoes are sent regularly to refineries there.

The US Commerce Department stirred the pot earlier this year by granting permits for two companies to export condensate, the extremely light type of crude, if the material is processed through a stabiliser and not through a splitter or a refinery distillation tower in order to qualify as a refined product. This created some confusion about the definition of crude oil but also raised the industry's expectations that the ban to export crude oil would be lifted. The issue of permits for condensates, however, slowed down after the initial euphoria. The rapid expansion in US and Canadian oil production amid an infrastructure not immediately able to move it effectively, as well as lacklustre demand for refined products in the US, top global consumer, led to WTI trading.

WTI started trading at a discount to Brent in 2010 and has not reached parity since. Brent soared to as high as a $27/bbl premium to WTI in 2011 and for much of 2012 and 2013 stayed at a significantly higher level than WTI. The premium and the rising crude production helped lead to the chorus of calls for US crude exports to global markets, but 2014 has seen a steady decline in that premium as Brent has fallen faster than WTI. The spread between the grades now is just above the $4/bbl mark on the current front-month contracts (above $5/bbl on comparable November contracts) and not nearly as enticing to prospective US crude exporters as in recent years.

The premium has narrowed and benchmark prices have fallen despite the US economy picking up steam and geopolitical issues that in years past have triggered increases in both. Despite mixed economic data constantly being released in the US, the overall sentiment is that the economy is gaining traction and will provide underlying support to energy demand. In the currency markets, the dollar has strengthened against a basket of currencies, impacting crude oil prices negatively. Actions by the US Federal Reserve and European central banks in an attempt to promote economic activity are closely being watched and could influence global equities and financial markets, as well as the crude oil markets.

Elsewhere in the world, the situation has not been as rosy, with the eurozone still struggling and several refineries there shut down due to poor profit margins and falling demand. While the boom in shale oil production in the US has been remarkable, the steep fall in energy demand in Europe and Asia in recent months was unexpected. The reduction in foreign sales to the US has also forced international producers to find other outlets for their oil. Mixed economic data emerging from China, the world’s second largest energy consumer, has also disappointed. Negotiations have stalled between Iran and the West over the country’s nuclear programme. If successful, these negotiations could ease sanctions against the Middle Eastern oil producer. In the recently issued Monthly Oil Market Report, the Paris-based International Energy Agency (IEA) cut its forecast for the rise in global petroleum demand for a third month in a row and also lowered the estimate for demand from OPEC.

With the US beginning to take a comfortable position as a swing producer, geopolitical conflicts in key oil producers Iraq and Libya and sanctions against Russia over tensions in Ukraine have failed to provide the expected price support. An oil glut is being reported in the Atlantic basin. Global benchmark Brent’s rise to about $117/bbl in June was in response to the Islamist insurgency in Iraq taking various oilfields and the country’s largest refinery, but the gains failed to hold. Recently, front-month Brent fell below the psychological $100.00/bbl barrier to hit two-year lows after Iraq’s infrastructure and oil exports were not affected.

Brent’s weakness has resulted in a contango market for the benchmark – or front-to-back weakness – where forward prices are higher than spot and the resulting time-spread is wide enough to encourage carrying inventory to be sold at a higher price in the future. While also on a downward trajectory of late, WTI has remained in backwardation – front-to-back strength – on future contracts. While the negative trans-Atlantic arbitrage has narrowed substantially, making transportation economics work going the other way, potential sellers of domestic barrels may have to discount the oil substantially in order to find interested buyers. In a recent conversation with ICIS, Manuel D’Ambrosi, commercial advisor to Pacific Rubiales, noted that a lot of the physical oil being bought has been placed into storage rather than used for refinery supplies.

“It is estimated that about 50m barrels have gone into floating storage or placed in tanks at Saldanha bay in South Africa,” he said. News service Reuters recently reported that Chinese traders have taken long positions in Russian crude oil and Unipec had chartered a supertanker off Singapore that could store as much as 3.2m bbl until market economics improve. The insurgency in various parts of the Middle East has failed to strengthen prices and in some instances poured more oil into the open market. In Iraq, the Kurds have been selling crude oil cargoes, bypassing the central government. Even though Libya is showing signs of falling apart, the rebels have also been bypassing what is left of the central government and selling crude oil in the open market. The Islamic State (IS) which overran a number of oil producing fields in Iraq, as well as the country’s largest refinery, did not attempt to cause damage to the infrastructure, perhaps on expectations to generate revenue, suggesting that in these cases, religious ideology can take a back seat to greed.

Meanwhile, ICIS consultants expect that seasonal US refinery maintenance in the autumn could take between 1m-2m bbl/day of capacity down for a period of time, backing out crude and possibly adding to the market supply glut. The chorus to export US production, other than to Canada, has quieted down since the domestic production will have to compete in the global markets in an oversupply situation. Producers may have to discount their oil substantially from what WTI is commanding at Cushing in order to find interested buyers overseas. Despite the reduced dependence on foreign oil and the US competitive position, WTI will remain a global commodity, responding to volatility in global supply and demand as well as geopolitical crisis which could trigger an unexpected spike in prices regardless of the geographical location.

Oil prices drop to two-year minimum

Oil & Gas Eurasia, *16.09.2014*

Oil prices dropped to two-year minimum levels on Monday, with Brent crude October contracts trading at $96.57 per barrel on London’s ICE Futures Europe for the first time since July 2012. Investors said the next critical level would be $80 per barrel. But prices will not stay there long as this would make shale oil production in the United States unprofitable.

With the oversupply of oil, dwindling demand in China worries traders more than political crises. Royal Bank of Scotland on Monday lowered its annual forecast for economic growth in China from 7.6% to 7.2% due to poor industrial performance indicators.

In August, industrial production in China increased by 6.9%, the lowest growth rate since December 2008, making the country the main challenge for the energy markets, Dominic Schneider, chief strategist for commodities markets at the UBS Singapore Office, said. Mark Mobius, Executive Chairman of Templeton Emerging Markets Group, said the price of Brent crude could drop to $80 per barrel but only for a short period and could range from $80 to $120. He thinks that prices will stay above $89 per barrel. He said demand for oil was growing in the majority of developing countries, including China and India.

But oil companies have to invest more in geological prospecting and development of new deposits. Many believe that the hydraulic fracturing technology will usher in an area of cheap shale oil, but costs suggest otherwise, Mobius said. OPEC countries' reaction to declining oil prices has so far boiled down to Saudi Arabia's decision in August to reduce oil supplies to the market by 400,000 barrels a day to 9.6 million barrels. Saudi Minister for Petroleum and Mineral Resources Ali al-Naimi said there was no reason to worry as prices tended to go up and down all the time. He expects oil prices to go back up to $100 per barrel within several months. Ole Hansen, senior commodity strategist at Saxo Bank, said that with the Chinese and European economies slowing down, $100 per barrel of Brent blend was the price that would support the growth without doing any harm to suppliers.

Announcements & Reports

► *Country analysis brief: Saudia Arabia*

Source : EIA
Weblink : http://www.eia.gov/countries/analysisbriefs/Saudi_Arabia/saudi_arabia.pdf

► *Short-term energy outlook*

Source : EIA
Weblink : http://www.eia.gov/forecasts/steo/pdf/steo_full.pdf

► *International energy outlook 2014*

Source : EIA
Weblink : http://www.eia.gov/forecasts/ieo/pdf/0484(2014).pdf

► *OPEC monthly oil market report*

Source : OPEC
Weblink : http://www.opec.org/opec_web/static_files_project/media/downloads/publications/MOMR_September_2014.pdf

► *Financial reporting briefs: oil and gas*

Source : Ernst & Young
Weblink : http://www.ey.com/Publication/vwLUAssets/EY-Financial-Reporting-Briefs-June-2014/$FILE/EY-Financial-Reporting-Briefs-June-2014.pdf

► *US oil and gas reserves study*

Source : Ernst & Young
Weblink : http://www.ey.com/Publication/vwLUAssets/EY-US-Oil-and-Gas-reserves-study-2014/$FILE/EY-US-Oil-and-Gas-reserves-study-2014.pdf

► *Managing bribery and corruption risks in the oil and gas industry*

Source : Ernst & Young
Weblink : http://www.ey.com/Publication/vwLUAssets/Managing_bribery_and_corruption_risks_in_the_oil_and_gas_industry/$FILE/EY-Managing_bribery_and_corruption_risks_in_the_oil_and_gas_industry.pdf

► *Risk intelligence in the energy and resources industry*

Source : Deloitte
Weblink : http://www2.deloitte.com/content/dam/Deloitte/global/Documents/Energy-and-Resources/gx-er-erm-survey.pdf

► *Oil and gas talent management powered by analytics*

Source : Deloitte
Weblink : http://www2.deloitte.com/content/dam/Deloitte/global/Documents/Energy-and-Resources/dttl-ER-Oil-and-Gas-Talent-Management.pdf

Upcoming Events

► *Conference on Sustainable Development of Energy, Water and Environment*

Date : 20 – 27 September 2014
Place : Venice – Italy to Istanbul – Turkey
Website : http://www.mediterranean2014.sdewes.org/index.php

► *Construction and Repair of Wells 2014*

Date : 22 – 27 September 2014
Place : Anapa – Russia
Website : http://eng2.oilgasconference.ru/

► *6th World LNG Series Asia Pacific Summit*

Date : 23 – 26 September 2014
Place : Singapore
Website : http://asiapacific.cwclng.com/

► *Security Challenges and Strategic Imperatives for India*

Date : 23 September 2014
Place : London – United Kingdom
Website : http://www.iiss.org/en/events/events-s-calendar/security-challenges-and-strategic-imperatives-be1d

► Energy Security and the Ukraine Crisis

Date : 24 September 2014
Place : Washington – USA
Website : http://www.iiss.org/en/events/events-s-calendar/energy-security-and-the-ukraine-crisis-5636

Supported by PETFORM

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

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

► 3rd World Shale Oil and Gas Latin America Summit

Date : 24 – 26 September 2014
Place : Buenos Aires - Argentina
Website :http://latam.world-shale.com/en/?utm_campaign=media-partner&utm_source=wood-mckenzie&utm_medium=logo

► World National Oil Companies Congress Americas

Date : 25 – 26 September 2014
Place : Cancun - Mexico
Website : http://www.terrapinn.com/conference/world-national-oil-companies-congress-americas/index.stm

► 2nd European Shale Gas and Oil Summit 2014

Date : 29 – 30 September 2014
Place : London – United Kingdom
Website : http://www.esgos.eu/

► Midwest Energy Policy Conference

Date : 30 September – 01 October 2014
Place : St Louis – USA
Website : http://www.moenergy.org/mepc

► The 22nd Kioge 2014 Kazakhstan International Oil & Gas Exhibition

Date : 30 September – 03 October 2014
Place : Almathy – Kazakhstan
Website : http://kioge.kz/en/component/content/article/29-exhibition/18-ex

► USEA 7th Annual Energy Supply Forum

Date : 02 October 2014
Place : Washington - USA
Website : http://www.usea.org/

► Energy and Economic Competitiveness

Date : 06 – 07 October 2014
Place : London – United Kingdom
Website : http://www.chathamhouse.org/events?field_event_flags_tid=conference

► 4th St Petersburg International Gas Forum

Date : 07 – 10 October 2014
Place : St Petersburg – Russia
Website : http://www.igu.org/events/4th-st-petersburg-international-gas-forum

► Securing Energy Supply: How to Better Protect Energy Networks from Disruptions

Date : 10 October 2014
Place : Bratislava – Slovakia
Website : http://www.encharter.org/index.php?id=670&L=0

► London Oil & Gas Forum 2014

Date : 10 October 2014
Place : London – United Kingdom
Website : http://www.energystreamcmg.com/conferences/conferences-forums/london-oil-gas-forum-2014.aspx

► SPE Russian Oil and Gas E&P Technical Conference & Exhibition

Date : 14 - 16 October 2014
Place : Moscow – Russia
Website : http://www.russianoilgas.ru/en/Home/

► Canada Europe Roundtable for Business – 2014 Calgary Energy Roundtable

Date : 15 October 2014
Place : London – United Kingdom
Website : http://www.energyroundtable.org/london.php

► *SPE Russian Oil and Gas Exploration & Production Technical Conference & Exhibition*

Date : 14 - 16 October 2014
Place : Moscow – Russia
Website : http://www.russianoilgas.ru/en/Home/

► *Energy Hedging, Risk Management & Trading Seminar*

Date : 15 – 16 October 2014
Place : Houston - USA
Website : http://www.mercatusenergy.com/energy-hedging-trading-risk-management-events/

► *FT European Gas Summit: New Supplies for Europe: Feast or Famine*

Date : 23 October 2014
Place : London – United Kingdom
Website : http://event.ft-live.com/ehome/index.php?eventid=87259&&reference=twittertweet

► *Society of Petroleum Engineers Annual Technical Conference and Exhibition (ATCE)*

Date : 27 - 29 October 2014
Place : Amsterdam – The Netherlands
Website : http://www.spe.org/atce/2014/

► *European Autumn Gas Conference*

Date : 28 – 30 October 2014
Place : London – United Kingdom
Website : http://www.theeagc.com/

► *Turkey International Underground Gas Storage Conference*

Date : 29 – 31 October 2014
Place : Ankara – Turkey
Website : http://tugs2014.org/

► *Gas to Liquids*

Date : 29 – 30 October 2014
Place : London – United Kingdom
Website : http://www.smi-online.co.uk/energy/uk/conference/gas-to-liquids

► *Climate Change: Raising Ambition, Delivering Results*

Date : 03 – 04 November 2014
Place : London – United Kingdom
Website : http://www.chathamhouse.org/ClimateChange14?campaign=ngfe

► *Iran Oil & Gas Summit*

Date : 03 – 05 November 2014
Place : London – United Kingdom
Website : http://www.iranoilgas-summit.com/

► *Africa Oil Week*

Date : 03 – 07 November 2014
Place : Cape Town – South Africa
Website : http://www.woodmac.com/public/events/12318502

► *The European Utility Week*

Date : 04 – 06 November 2014
Place : Amsterdam – The Netherlands
Website : http://www.european-utility-week.com/

► *The 4th China International Offshore Oil & Gas Technology Conference and Exhibition*

Date : 09 – 11 November 2014
Place : Beijing – China
Website : http://www.bmc-china.cn/en/OTC/Info.aspx?m=20140623175442410336&nm=20140623140856553113

► *International Petroleum Technology Conference*

Date : 10 – 12 November 2014
Place : Kuala Lumpur – Malaysia
Website : http://www.iptcnet.org/2014/kl/?utm_source=Web+Banner&utm_medium=Web-ADBNR&utm_content=14IPTC-Web-ADBNR-WebUps-13AUG14&utm_campaign=14IPTC+-+Register+Now

► *Middle East Upstream Forum*

Date : 17 November 2014
Place : Abu Dhabi – United Arab Emirates
Website : http://www.woodmac.com/public/events/12524884

► *Turkmenistan International Oil & Gas Conference and Exhibition*

Date : 18 - 20 November 2014
Place : Ashgabat - Turkmenistan
Website : http://www.oilgasturkmenistan.com/

► *Securing Europe's Competitive Energy Future*

Date : 19 November 2014
Place : Brussels - Belgium
Website : https://www.entsoe.eu/news-events/events/Pages/Events/entsoe-conference-securing-europes-competitive-energy-future.aspx?EventWorkshopId=154

► *Oil & Gas Cyber Security*

Date : 24 – 25 November 2014
Place : London - United Kingdom
Website : http://www.smi-online.co.uk/energy/uk/conference

► *166th (Ordinary) OPEC Meeting*

Date : 27 November 2014
Place : Vienna - Austria
Website : http://www.opec.org/opec_web/en/311.htm

► *Middle East and North Africa Energy*

Date : 18 – 21 Feburary 2015
Place : London – United Kingdom
Website : http://www.chathamhouse.org/node/15232

► *4th Erbil Oil & Gas International Exhibition*

Date : 18 – 21 Feburary 2015
Place : Erbil – Iraq
Website : http://www.erbiloilgas.com/

Supported by PETFORM

► *6th World Forum on Energy Regulation* ***(in Turkey)***

Date : 25 – 28 May 2015
Place : Istanbul – Turkey
Website : http://www.wfer2015.org/

VI.WFER
Istanbul 2015
25-28 May

► *6th OPEC International Seminar*

Date : 03 – 04 June 2015
Place : Vienna - Austria
Website : http://www.opec.org/opec_web/en/press_room/2793.htm

► *OGA 2015*

Date : 02 – 05 June 2015
Place : Kuala Lumpur - Malaysia
Website : http://www.oilandgas-asia.com/home/index.php