PETFORM

Jaaferi: Only Baghdad can export Iraqi Oil

Iraq Business News, *08.11.2014*

Iraq's foreign minister Ibrahim al-Jaafari has said that oil affairs in Iraqi including Kurdish Regional Government Region in under the control of Baghdad and they are close to solving their issues with Turkish government.

Al-Jaafari was in Turkish capital Ankara meeting with the senior official of the country and on Thursday held a join press conference alongside his Turkish counterpart Mevlut Cavusoglu. In recent years Iraqi central government have been in loggerhead with Turkish government over the support of Ankara for Kurdish Region in Iraqi to export its oil independently to Turkey, without the approval of Baghdad.

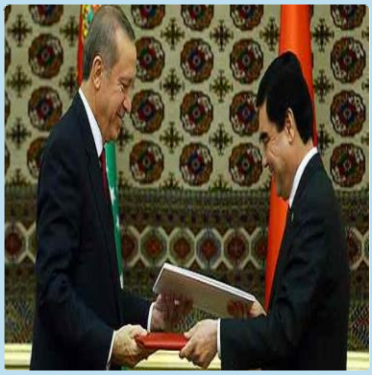
This has angered Iraqi government officials has accused Ankara of violating Iraqi constitution by agreeing to accept Kurdish oil export. "Oil is the country's resource and according to Iraqi constitution its one of the responsibility of Iraqi government and oil revenue has always been on the basis of the Province's population and the percentage of oil export from the Province," said that Iraqi foreign minister in Ankara.

"Right now a different situation has emerged and some problems has surfaced and now we are trying to find a solutions for those issues to solve those issues we will go back to the constitution,' added Al-Jaafari. He also said that in the past %17 of oil revenue has going to Kurds, and the rest for the central government, but in recent times new problems has risen and its resolutions hasn't been easy. "The problems has effected Kurdish budget and salaries, which the Iraqi Prime Minister is trying to solve it and open a new page with our Kurdish brothers," explained Al-Jaafari.

Furthermore, Iraq's al-Jaafari says Iraq doesn't want foreign military troops on Iraqi soil to fight the Islamic State, but would accept training from abroad for its soldiers. Meanwhile, Turkish Foreign Minister Cavusoglu said Turkey was ready to train and equip members of the Iraqi military and police force. Ankara recently allowed about 150 Kurdish Peshmerga through Turkey en route to the Kurdish Syrian border city Kobani, where Kurdish forces are battling IS for nearly two months.

Turkmenistan signs initial gas pipeline agreement with Turkey

Energy Global, *10.11.2014*



Turkmenistan has signed an outline deal with Turkey to supply gas to a new pipeline that could help Europe reduce its dependence on Russian gas imports.

The two countries struck a so-called framework agreement last Friday for Turkmenistan to supply gas to the proposed Trans-Anatolian natural gas pipeline project (TANAP). Turkish President Tayyip Erdogan and his Turkmen counterpart Kurbanguly Berdymukhamedov oversaw the signing of the agreement between Turkmen state gas company Turkmengas and private Turkish firm Atagas for the purchase and sale of Turkmen gas for TANAP.

The two sides did not disclose the terms of the agreement. TANAP envisages carrying 16 billion m3/yr of gas from Azerbaijan's Shah Deniz II field in the Caspian Sea, one of the world's largest gas fields, which is being developed by a BP-led consortium. TANAP's capacity is set to rise to 23 billion m3/yr by 2023 and to 31 billion m3/yr by 2026. However, to join the pipeline Turkmenistan will have to lay another pipeline across the Caspian Sea. One option is to lay a 300 km gas pipeline through the Caspian Sea to the coast of Azerbaijan.

TPAO invests $6 billion in Iraq

Hurriyet Daily News, *11.11.2014*

TPAO invests $6 billion in Iraq as a part of several consortiums, a total of which makes more than $26 billion invested in the country, said Turkish Energy Minister Taner Yıldız.

"The TPAO has drilling activities in two oil wells and two gas wells in Iraq as a part of several consortiums. The share of TPAO in the consortiums' $26 billion of investment plans is around $6 billion," Yıldız said in response to a parliamentary question asked by Gürkut Acar, an MP from the main opposition Republican People's Party (CHP).

"Our Turkish Petroleum International Company (TPIC) also inked a comprehensive project with the Iraqi National Petroleum Company SOC to open 45 new wells," he added. Yıldız noted that the Turkish state or Turkey's state-run companies had not written any deal for the oil trade with Bagdad or Arbil. "Private companies' deals are bound by private international law," he said. Upon Yıldız's answers, Acar said Turkey has problems with all of its neighbors. "Wrong steps in foreign policies are no good for Turkey. It is not right for Turkey to be a part of the internal affairs of another country and it may suffer in the long-run. Turkey needs to be very careful," he said.

Turkey increases energy exploration funds

Anadolu Agency, *11.11.2014*

The Turkish government aims to increase funding for oil and gas explorations and mining activities, in accordance with the government's 2015 economic goals and investments program.

Among the companies to receive funding, the state-controlled oil company, Turkish Petroleum Corporation which carries out the country's domestic and international oil and gas exploration and production was granted an increase of 3.2 percent in funding from last year with 1.4 billion Turkish liras (approx. $620 million).

The Mineral Research and Exploration General Directorate will receive funding of 212 million Turkish liras (approx. $93.4 million) for mining activities and geothermal explorations. The program further aims to boost domestic gas storage capacity from 1.6 billion cubic meters, bcm, to 4.3 bcm. Additionally, injection capacity aims to increase from 10 million cubic meters per day, mcm/d, to 40 mcm/d and withdrawal capacity from 14 mcm/d to 75 mcm/d in 2015.

As part of a project by the Mineral Research and Exploration General Directorate and the under secretariat for Defense Industries, the construction of a seismic exploration vessel which will search for oil in the sea is due to be completed in 2016. Turkey's shale gas reserves and the economic potential the reserves will bring to the country are to be determined and items on energy projections, incentives, reforms and targets in Turkey will be examined.

A strategy will be developed to ensure the country's safe procurement of basic and critical raw materials and resources necessary for the economy. A system will be created to regulate the exportation of the resources, which are encouraged to be treated domestically instead of being exported as raw materials. Field explorations on mines which are needed and useful for industrial use along with determining their associated risks are to be undertaken in accordance with 2015's goals. The program aims to ensure that Turkey, with its limited natural resources and dependency on energy imports, achieves a sustainable energy mix.

Russia, Central Asia, Turkey: new masters, new games

ICIS, *13.11.2014*

Numerous headlines related to Central Asia and Russia have been vying for attention in the media recently. Read individually, they barely drive a message. Seen in succession, the narrative that emerges is intriguing.

Let us look at three separate examples.

Turkmenistan – fewer customers

A visit by Turkish president Recep Tayyip Erdogan to Turkmenistan last week resurrected the hopes of Caspian gas exports to Turkey. Given Turkmenistan's geography and the political complexities related to the transit of gas from the landlocked Caspian country, it is sensible to assume that volumes from its estimated 18 trillion cubic metre reserves may not travel westwards any time soon. But prospects are fading for the Turkmenistan-Afghanistan-Pakistan-India pipeline (TAPI), which was first mooted in 1995 and outlined plans to transport 27billion cubic metres/year from the Dauletabad gas field on the Turkmen-Iranian border to Fazilka on the Pakistani-Indian border. Although the Asian Development Bank, which endorses the project, recently hired British engineering firm Penspen to carry out a feasibility study, TAPI may fail on two accounts. Firstly, the route follows the dangerous terrain of Afghanistan and Pakistan, increasing the pipeline's exposure to risk.

Secondly, companies such as Chevron, ExxonMobil, Total or Petronas, which have expressed an interest in TAPI are reportedly dissatisfied with the fact that they have not been offered stakes in the Turkmen gas fields and may abandon the project. Another blow is likely to come from Iran. Tehran announced earlier this year that it was expecting to discontinue the import of gas from Turkmenistan as it sought to develop its own substantial reserves. Iran imports less than 20bcm/year from Turkmenistan via the Korpezhe-Kurkui and the Dauletabad-Khangiran pipelines. If western sanctions against Iran in response to its alleged nuclear programme are lifted this month, Iran may not only stop importing gas from Turkmenistan as it would be allowed to tap financial markets to develop its reserves, but also become a competitor in the Chinese markets. Failing to secure the Indian, Iranian and Pakistani markets, Turkmenistan will be left with China and Russia as sole customers. Even so, demand outlooks from two markets are becoming increasingly uncertain.

Russia stepped up its imports of Central Asian gas at the beginning of the millennium. But its involvement has shrunk since 2008/2009 following the recession and China's growing presence in the region. For example, before the Turkmenistan-China pipeline opened in 2009, paving the way for the Central Asian country to export as much as 60bcm/year by the end of the decade, Gazprom imported over 63bcm/year form the region, two-thirds of which were sourced in Turkmenistan. In the years since, the volumes reaching Russia were around 34bcm/year and less than one third came from Turkmenistan. As we speak, even its links to China could weaken as Russia announced an outline gas agreement with Beijing that could see the incumbent Gazprom export as much as 68bcm/year after 2018. Falling energy prices and Russia's own faltering economy may put paid to the project. But if the idea moves beyond the initial negotiation stages, it will jeopardize Turkmenistan's own plans to ramp up exports to China within the same timeframe.

Azerbaijan – a new twist in the tale

A recent story in the Central Asian press noted that Russia had completed the 98.6km Izobilny-Nevinnomyssk pipeline in the southern Stavropol Krai. The line is tipped to replace Central Asian gas that had covered 40% of regional demand in 2013. Although the article does not explain where the gas had come from, it may be assumed that the source was Azerbaijan. The Azerbaijani incumbent SOCAR had been supplying just over 1bcm/year to southern Russia as part of a mid-term agreement with Gazprom. When the contract was signed in 2009, the minimum off-take agreement was set at 0.5bcm/year, but following an addendum it was supposed to increase to 2bcm/year in 2011 and exceed the quantity in 2012.

In fact, less than 1.5bcm/year have been exported since 2011 and Gazprom is understood to have redirected some of its own gas destined for European markets to the Northern Caucasus, given the depressed demand in the EU. Although the mid-term supply arrangement had suited Azerbaijan, not only on price – the initial sales were reportedly agreed at $350.00/1000m3 – but also serving as a political emollient in Baku's relations with Russia, it is possible that it may have run its course. There are two reasons to believe that.

Firstly, Russia may be less willing to pay expensive bills for imported gas that is sold at a fraction within its own borders. Secondly, even if Russia were to sell the purchased gas at a higher price to its domestic customers, it would be very difficult to retrieve the money. The current collection rate in the Northern Caucasus is as low as 10%. As a result, any attempts by Moscow to recoup the money could be seen as heavy-handed in a politically sensitive region. SOCAR insists that the contract, which is due to expire this year, would be automatically renewed for 2015 if the parties do not serve a termination notice.

Kazakhstan – no gas across the Bosphorus

Despite fierce competition from China, Russia's presence in Kazakhstan has not changed as dramatically as in Turkmenistan. Imports from the Caspian country decreased only moderately from 15.2bcm/year in 2007 to 11.6bcm/year in 2012, according to reports, and companies like LukOil continue to retain important shares in key projects such as Kumkol, Tengizchevroil or Karachaganak. Even so, Russia's presence in Kazakhstan looks set to shrink, as Moscow may no longer be willing to pay comparatively expensive prices for Kazakh gas imports.

A first warning sign may be the delay in the export of Kazakh-sourced gas to Turkey via Russia. Gazprom's Turkish subsidiary Bosphorus Gaz had expressed an interest in the import of 0.75bcm/year of gas sourced in the Central Asia republic. Three years on, the import licence has still not been granted as the company is yet to produce relevant documents required by the Turkish energy regulator. The mother office in Moscow is reportedly holding the process up, although Gazprom declined to comment on the issue when asked.

The Russian sunset – what next?

Wedged between Russia and the emerging power China, Central Asian countries have sought to balance between the competing interests of Moscow and Beijing. However, that balance would be disturbed if Russia's presence in the region is diminished. The three examples quoted above together with an IMF report this week showing that Russia's role as a main trading partner and source of remittances to Central Asia will be shrinking lends credence to that supposition. In the absence of strong competition from Russia, the EU or US, it is easy to assume that China would seek to consolidate its regional role. Far more difficult is to guess the game that Central Asian countries will play to restore the regional balance and preserve their independence. In this context, could Turkmenistan's recent gas export proposal to Turkey offer a tantalizing answer?

Genel Energy strikes new deals in KRI

Iraq Business News, *13.11.2014*

Genel Energy has announced that it has reached an agreement with the Ministry of Natural Resources ("MNR") of the Kurdistan Regional Government ("KRG") for the development of the Miran and Bina Bawi gas fields.

In addition, Genel has agreed key terms with OMV to acquire its 36% operated stake in the Bina Bawi gas field. The total consideration will be $150 million in cash. An initial payment of $20 million will be paid on completion of the deal, with the remaining $130 million paid in two instalments after first gas. This is subject to finalization of documentation and OMV's corporate approvals.

The agreement with the MNR for the development of Miran and Bina Bawi states that: The Miran and Bina Bawi fields are to be combined under one Production Sharing Contract ("PSC"). This is expected to be approved by year-end 2014. Following approval, Genel will become the sole contractor and have a 100% equity interest in both fields. The responsibilities of Genel will be drilling of the gas wells and installation of flow lines and first stage condensate separation at Miran and Bina Bawi. The Company will also be responsible for the development of the oil resources at Miran and Bina Bawi. The KRG will assume responsibility for the gas treatment facilities and gas offtake arrangements from the fields.

The tender process for the gas treatment plant will commence in the first half of 2015 and first gas production for export will commence in H1 2018. The KRG also has an option to request gas for domestic consumption commencing in 2016. Genel's entitlement will be 100% of oil revenues until all license back costs are fully recovered. The Company's share of oil revenues will then revert to 50%. First oil production is expected in 2016. Genel will also receive 100% of the revenues for condensate extracted at first stage separation and a fee of $0.78 per thousand cubic feet for the raw gas delivered into the gas treatment facilities.

Marsa Turkey makes another significant discovery on the Ortakoy Licence

Marsa Bulletin Announcement, *11.11.2014*

Marsa Turkey BV, a wholly owned subsidiary of Marsa Energy Inc. a publicly listed Canadian exploration and Production Company based in Calgary Alberta has made a significant gas discovery on the Gallipoli peninsula of the SW Thrace Basin.

Marsa, which holds a 100% interest and is operator of the 494km2 onshore Ortakoy Licence AR/MRS/3913, made its first discovery in the Sogucak carbonate and its second discovery in the Ceylan sandstones of Eocene age. The Poyraz West-1 well was drilled as an appraisal to the Poyraz Miocene discovery.

Poyraz West-1, the second well in a three well program, lying approximately 750m to the east of the Poyraz-2 (2013) discovery was directionally drilled to a total depth of 1,642m. Marsa conducted a cased-hole test of the upper 21 meters of a total 50m zone of fractured carbonates within the Sogucak (Eocene) formation and tested gas through a 12/64th inch choke at a stabilized rate of 43 x 103 m3/d (w/650 API condensate). Marsa believes additional pay lies deeper within the Sogucak interval based on hydrocarbon shows encountered while drilling and from open-hole wire line logs.

Marsa performed a second cased-hole test within the overlying Ceylan (sandstone) reservoir and tested gas through a 16/64th inch choke at a stabilized rate of 14 x 103 m3/d. The discovery of Miocene gas at Destan-1&2 (2011) and gas/condensate within multiple Miocene sandstones and Eocene carbonates and sandstones developed along the Poyraz Ridge (2013/14) has proven an active petroleum system but, more importantly, confirms a new play-prospect thrust-fold structural domain which is unique to the SW Thrace basin. Marsa has identified a series of similar thrust-fold prospects parallel to the Poyraz Ridge Field. In 2015, Marsa Turkey BV is planning an active development, appraisal and exploration drilling campaign designed to grow its resource base and bring to production its existing gas reserves/resources via the Botas 36" (ITGI) pipeline which transects the Ortakoy licence.

KRG's oil exports increase by 60 percent in November

Anadolu Agency, *08.11.2014*

The Kurdish Regional Government, increased its exports to world markets through Turkey to 300,000 barrels per day, according to Kurdish official sources.

The Kurdish Regional Government Ministry of Natural Resources announced on Friday on its website that the exported oil amount increased by 60 percent in November. Daily flow rates through the Kurdish crude pipeline to Turkey have represented an increase over the last four months, the statement said. The daily amount of exported oil in August has risen from 185,000 to nearly 300,000 in the first week of November, the ministry added.

The government's plan is to export around 400,000 barrels per day by the end of this year and increase the amount to 500,000 barrels per day by the end of the first quarter of 2015, according to the statement. "The KRG remains on track to meet its production target of 1 million barrels per day by end 2015/early 2016. On behalf of the people of the Kurdish Region, the KRG exercises its Constitutional rights to manage, produce, market and sell the natural resources located under its control," the government stated.

KRG has exported 34.5 million barrels of oil since January 2014. 21.5 million barrels were sold through Turkey's southern Ceyhan Port while the remaining 13 million barrels of oil has been exported through Mersin, another port in the south of Turkey. The statement said that $2.1 billion was received in cash and $775 million in kind for product swaps from exported oil, corresponding to $2.87 billion in total.

"From the cash payments, some $400 million has been used to pay both trucking costs and as part payment to the oil producers. Hence, the net cash received by the KRG during this period is $1.7 billion," said the statement. It was also underlined that the KRG has also received a further $500 million in prepayment from committed purchasers of crude against future deliveries of oil piped to Ceyhan.

Iraq: Baghdad, Erbil agree to resolve oil export issue

Anadolu Agency, *13.11.2014*

Iraq's federal government and the Kurdish Regional Government agreed to resolve all of their outstanding issues, including the crucial issue of oil exports.

Three major breakthroughs were made in hopes that they would lead to a resolution. The Iraqi federal government has agreed to transfer $500 million to the cash-strapped Kurdish Regional Government. The regional government reportedly lacked the funds to pay the salaries of its own employees, many of whom hadn't been paid in months. In return, the KRG agreed to have at the disposal of Iraq's federal government, 150,000 barrels of crude oil daily.

Barzani and his delegation will soon visit Baghdad to develop a comprehensive constitutional plan to resolve all outstanding issues with the federal government. U.S. State Department spokeswoman Jen Psaki welcomed the announcement, and said that the U.S. will continue to serve as a broker between the regional and central governments. "We are encouraged by this development and the willingness of officials in Baghdad and Erbil to address these complex issues directly and earnestly," she told reporters. "We understand that this is the first of many steps that will be required to reach a comprehensive agreement. And the United States will continue to serve as a neutral broker and facilitator to the extent desired by the leadership of both Iraq and the KRG."

Relations between Erbil and Baghdad have been strained since the Kurdish Regional Government began independently exporting oil in January to world markets via pipelines through Turkey. Nouri al-Maliki, the former Iraqi prime minister, had retaliated to the unilateral move by cutting the Kurdish government's share in Iraq's federal budget. The federal government had said the regional government exported Iraqi oil illegally without Baghdad's authorization, while Erbil argued the sales were in compliance with the new Iraqi constitution. The Kurdish Regional Government announced in October that its oil exports would increase from 250,000 barrels per day to 450,000 barrels per day by the end of 2014.

ISIS sells stolen Kirkuk oil at $20 per barrel

Reuters, *09.11.2014*

Islamic State militants, who have seized oil fields and refineries in Kirkuk province in the north of Iraq, are selling the hijacked oil on the black market for a price as low as US $20 per barrel, according to the country's Finance Ministry.

The extremists have moved deeper into the oil rich Kirkuk region and captured more oil production facilities in the area, including one of Iraq's oldest oil fields, the director of the Public Debt Department at the Finance Ministry, Muwafaq Taha Izz al-Din Al-Houri told RIA Novosti news agency. IS is selling Iraqi oil for only $20 per barrel on the black market and the price is four times lower than on the official market.

"Iraq's diplomatic agency and oil ministry are actively working on finding those, who buy oil from the group, and to inform the international community on it for taking appropriate action," the Finance Ministry representative said. Combatting the financing of militants such as the Islamic State group "is half the battle to defeating them," Bahrain's Foreign Minister Sheik Khalid bin Ahmed Al Khalifa told a gathering of delegates from 30 countries at the Sunday conference, as quoted by AP.

Earlier this week, the Kurdish Regional Government (KRG) in Iraqi Kurdish Regional Government ordered the arrest of 360 suspects on charges of oil dealing with IS, BasNews reported. The investigation into the case of some Kurdish Peshmerga Ministry officials involved in oil dealing with IS militants in Kirkuk, has been underway and scores of suspects have been arrested, according to BasNews, who were citing a member of Kurdish Regional Government Parliament.

According to US analysts, eleven oil fields in Iraq and Syria were under control of the militants group, who were selling oil and other products via old established networks under the noses of Kurdish, Turkish and Jordanian authorities. German media reported that since then the group's oil production capacity has sharply declined, according to German intelligence agency (BND) estimates. Oil production in IS-controlled areas has shrunk six-fold over the past three months, and oil transactions bring the militants some $270,000 per day.

A new record in Iran's autumnal gas consumption

Natural Gas Europe, *11.11.2014*

As the Iranian government has accelerated development of several upstream gas projects to increase the output by 100 million cubic meters per day by winter, the consumption rate broke a new record in autumn, increasing by 100 million cubic meters per day (mcm/d) on November 9th compared to the same day in last year.

The Middle Eastern country's gas consumption reached 520 mcm/d on Nov.9, which of 362 mcm/d was consumed in the housing sector, according to the National Iranian Gas Company's (NIGC) spokesman Majid Boujarzadeh said.

The report says that about 86 mcm/d and 70 mcm/d of gas were delivered to big industrial sectors and power plants respectively. The figures indicate that Iran has decreased gas delivery to power plants significantly compared to the last months due to a huge increase in the gas consumption of housing sector. Iran sits on 33.6 trillion cubic meters of natural gas reserves; ranks the first in the world, but has faced gas shortage in winter during last years due to long delays in upstream projects as well as huge increase in domestic consumption growth rate.

Iran's refined natural gas production was about 485 mcm/d during last year, but the figure reportedly increased by 52 mcm/d in 2014 by starting early production from phase 12 of giant South Pars gas field and central oil fields, according to the Oil Ministry's official data. However, the British Petroleum put Iran's gas production level at 456.4 in 2013, excluding gas flared or recycled. South Pars is the world's biggest gas field with about 33 trillion cubic meters of gas reserves which is joint between Iran and Qatar. Iran divided its sector to 24 phases, 10 of them had been commissioned until 2009. Iran was producing about 245 mcm/d of refined gas from phases 1 to 10, but boosted the gas output by launching the first platform of phase 12 to 25 mcmpd until July 2014.

Rokaneddin Javadi the managing director of National Iranian Oil Company told IRNA on Oct.20 that another two platforms of phase 12 will be installed in December 2014 and Feburary 2015 to increase the output of Phase 12 to about 65 mcm/d. On the other hand, Iran is preparing to commission two platforms of phases 15 and 18 of South Pars to start 12.5 mcm/d of early gas production from these phases until the winter. Iran also increased has production in central oil fields (associated gas) by 27 mcm/d, the Iranian Central Oil Fields Company (ICOFC) announced on November 2nd. In total, Iran has increased gas production level to about 537 mcm/d so far and this figure can reach about 590 mcm/d in winter if the new platforms of South Pars become operational.

The soar in Iran's gas consumption by 100 mcm/d to 520 mcm/d in November 9th happened while the average weather temperature in the country was similar to the same day the previous year. During last winter, Iran's gas consumption in the housing sector reached to 485 mcm/d in some weeks, which led to gas shortage in other sectors. Iran had to cut has delivery to power plants, petrochemical and CNG producing units as well as gas injection to old oil fields. In addition to cutting gas supplies to power plants, which led to burning $30 billion of liquid fuels, the Iranian government had to decrease gas delivery to petrochemical plants from 35 mcm/d in summer to 15 mcm/d in winter during last year. This caused a drop in the petrochemical production by 7.5 million tons during the last fiscal year.

On the other hand, Iran cut gas supply to CNG production plants from 19 mcm/d to zero during the last winter, which caused gasoline consumption to soar to about 70 million liters per day in average during last fiscal year. However, earlier, on October 20th, the Managing Director of National Iranian Gas Company (NIGC) Hamid Reza Araqi said that during first half of current fiscal year (Iran's fiscal year starts on March 21, simultaneously with beginning of spring), some 33 bcm (about 180 mcm/d) of gas was delivered to power plants, 7.7 bcm more than the same period last year.

The statistics of gas delivery to power plants on November 9th indicates that natural gas supplements to power plants has been decreased by 62 percent compared to spring and summer. Iran is projected to deliver only 50 mcm/d of gas to this sector in winter. Iran has also two gas storage facilities. Iranian government said on Oct.27 that some 2 billion cubic meters of gas has been stored in Serajeh and Shourijeh facilities to be used in winter. Though Iran increased gas production, it seems Iran still will face gas shortage in next years due to high consumption growth rate. Iran hasn't commissioned any new oil field since 2007 and about 80 percent of the country's oil fields are in their second half-life and needs about 290 mcm/d of gas injection to prevent more crude output decline, but Iran delivers only about 77 mcm/d into oil fields.

Saudi oil minister says falling oil price is "purely business"

Telegraph, *12.11.2014*

Saudi Arabia's oil minister Ali Naimi has finally broken his silence on falling oil prices declaring it's "purely business" and that recent declines are not a scheme engineered by the kingdom to either bankrupt Russia, or shut down the US shale industry.

Speaking to Reuters in Mexico, Mr Naimi said: "Saudi oil policy has been constant for the last few decades and it has not changed today." He added that: "We do not seek to politicise oil for us, it's a question of supply and demand, it's purely business."

However, his remarks did little to settle the market with Brent crude falling almost 1pc lower at just under $81 per barrel. The benchmark has lost 28pc since achieving a year-long high in June of $115 per barrel amid concerns that the Organisation of Petroleum Exporting Countries (Opec) was keeping its pumps open in response to losing market share in the US to shale oil frackers. “We want stable oil markets and steady prices, because this is good for producers, consumers and investors,” said Mr Naimi. “It is therefore vital that Opec and non-Opec nations, producers and consumers, continue their dialogue.”

Opec, which pumps about a third of the world’s oil, is due to meet on November 27 to decide on production quotas heading into the deepest months of winter in the Northern hemisphere when demand usually rises. Mr Naimi is the most influential voice in the oil industry due to Saudi Arabia vast resources and excess production capacity. The kingdom, which is the world’s largest exporter, can open its spigots and pump 12.5m barrels per day (bpd) if required, making it the world’s swing producer.

“Talk of a price war is a sign of misunderstanding,” Mr Naimi told Reuters on the sidelines of a conference in Acapulco. Last week Opec said that the current dip in prices could be short-lived. In its annual World Oil Outlook, the group said that oil prices will average $177 per barrel by 2040 and the world will need to find an additional 21m bpd of crude over the next 25 years to meet demand from rising global populations and rapid economic growth in Asia.

Greek Cyprus, Egypt, Greece, pledge to boost energy cooperation

Reuters, *08.11.2014*

Egyptian President Abdel-Fattah al-Sissi welcomed Greek Prime Minister Antonis Samaras and Greek Cyprus President Nicos Anastasiades in Cairo.

Egypt, Greece and Greek Cyprus announced the beginning of a tripartite cooperation by the signing of the Cairo Declaration which includes mentions of the Cyprus island’s problem and Turkey’s recent intervention in the island’s EEZ. The meeting demonstrated deepening ties between the three states, who are challenging Turkey’s efforts to chart gas deposits in areas of the east Mediterrean claimed by Greek Cyprus.

Greek Cyprus President Nicos Anastasiades said in Cairo that the three countries “discussed boosting cooperation in the field of energy, with the belief that the discovery of hydrocarbons in the eastern Mediterranean can contribute to supporting regional cooperation for stability and prosperity.” The emerging alliance fits Egypt’s interests well. Its relations with Turkey quickly soured last year after Sisi toppled President Mohamed Mursi of the Muslim Brotherhood, an Islamist movement supported by Turkey’s government.

Egypt badly needs natural gas imports. It has been unable to clinch attractive import deals with allies like Russia and Algeria at least partly because it lacks re-gasification technology needed to import liquefied natural gas (LNG). BG Egypt, a subsidiary of global energy company BG, said last month it was in talks to import natural gas from Greek Cyprus using BG's existing pipeline infrastructure, meaning re-gasification would not be needed. No details about BG Egypt's talks with Greek Cyprus Hydrocarbons (CHC) were announced by the leaders at a joint news conference. But the leaders said they would work to strengthen cooperation on a number of issues, including a solution to Cyprus Island's decades-old partition along the ethnic lines of its Greek and Turkish Cypriot populations.

That split has implications for gas reserves that Cyprus Island, a European Union member, is keen to develop to the south of the Mediterranean island. Turkey does not recognize Greek Cyprus, and has reportedly dispatched a ship to collect seismic data in the disputed waters -- a precursor for possible gas exploration. The Cairo meeting came a day after Greece urged Turkey to stop harassing Greek Cyprus while it looks to exploit offshore natural gas fields, wading into the island's dispute.

Kuwait 'to ramp up energy output capacity'

AFP, *11.11.2014*

Kuwait plans more than $40 billion of investment to significantly increase its capacity to produce oil and gas, a top industry official was quoted as saying Tuesday.

The Gulf nation aims to raise the amount of crude oil it can pump by one-quarter, to 4.0 million barrels per day, by 2020, according to the head of planning at state-owned Kuwait Oil Co. The OPEC member will also expand production of natural gas fourfold over the same period, Mohammad Abduljalil told the Al-Jarida newspaper. His remarks follow a 30-percent plunge in oil prices on world markets since June that is hurting the economies of the energy-flush Gulf States.

Kuwaiti Oil Minister Ali al-Omair expressed hope Tuesday that oil prices would not drop further. "I hope that (oil) prices will not reach a level where they harm the national economy," Omair told. Oil income makes up around 94 percent of Kuwait's public revenues. Omair attributed the slide in oil prices to oversupply and a weak global economy. He said OPEC would discuss oil prices and "take appropriate decisions that serve the economic interests of its members" when they meet at the end of the month. Omair said he did not expect OPEC to cut production, in remarks that triggered a sharp drop in oil prices on world markets. Crude prices extended losses in Asia Tuesday with US benchmark West Texas Intermediate (WTI) for December delivery down 34 cents to $77.06. OPEC, which pumps about a third of global crude, now produces nearly 31 million barrels per day, around one million barrels more than its official ceiling.

Shell to maintain asset sales target despite oil price decline

Rigzone, *06.11.2014*

Royal Dutch Shell will maintain its target to sell $15 billion of assets by 2015 in an effort to boost cash flow, the oil company's upstream director Andrew Brown said.

Global oil prices have dropped by around 30 percent over the past four months, putting heavy pressure on the balance sheets of oil companies already struggling to cut spending. "We do have a continuous need to recycle our portfolio. Fifteen billion dollars is still only a few percent of our total assets and we haven't got any plans to refresh that target," Brown told reporters.

SOCAR discusses TAP, DESFA with Greek PM

Natural Gas Europe, *11.11.2014*

Azerbaijan is increasingly playing a significant role in European geopolitics. SOCAR President Rovnag Abdullayev met with Antonis Samaras, Prime Minister of Greece, on Monday to discuss issues related to TAP and DESFA.

"During this meeting, issues related to the implementation of TAP project and the completion process of the acquisition of 66% shares in Greek National Gas Transmission System Operator DESFA by SOCAR were discussed. Both parties exchanged their views on the implementation of the aforementioned projects," reads a medianote released on Tuesday.

SOCAR expects the European Commission to take a decision within the first half of 2015 on its proposal to acquire a majority stake in Greece's DESFA. Also, Hungarian Prime Minister Viktor Orban called on the European Union for support. Orban asked Brussels some help to build gas pipeline interconnectors that would bring Azerbaijani gas to central Europe. "Our job in the coming years is to create the conditions for Azeri gas to make the journey from southern Europe to central Europe," Orban said. Earlier this month, the European Commission asked Hungary to clarify newly-passed legislation that opens the way for it to sidestep EU oversight and push on with building the

Russian-led South Stream gas pipeline. Over the last weeks, representatives of Azerbaijan met with officials from India, signed a deal with Turkey, strengthened ties with Italy and took part to the meeting of Defence Ministers Council of CIS member states.

Hungary urges EU to ensure route for Azeri gas to central Europe

Reuters, *11.11.2014*

Hungarian Prime Minister Viktor Orban urged the European Union to build gas pipeline interconnectors across borders to ensure that natural gas from Azerbaijan reaches markets in central Europe.

Speaking as Azeri President Ilham Aliyev paid a state visit on Tuesday and they signed a strategic partnership agreement, Orban said it was in the strategic interest of Europe as a whole to let Azeri gas reach central Europe. "Our job in the coming years is to create the conditions for Azeri gas to make the journey from southern Europe to central Europe," national news agency MTI quoted Orban as saying.

Hungary has unnerved some European partners with its support for the South Stream pipeline project, which is designed to carry Russian gas to central Europe, bypassing Ukraine. The U.S. government is concerned that a drift by Hungary toward the Kremlin over energy could undermine Western attempts to isolate Russian leader Vladimir Putin over his intervention in Ukraine.

Hungary has said it supports the building of Russian and non-Russian gas sources alike to ensure that there are alternative supply routes to the current ageing pipelines. The central European country gets most of its gas from Russia via Ukraine, which it has seen as a risk to its energy security.

Azeri gas could reach southern Europe by the end of this decade through the proposed Trans Adriatic Gas Pipeline (TAP) and the Trans Anatolian Pipeline (TANAP). These pipelines would carry billions of cubic metres of gas a year from Azerbaijan's Shah Deniz II in the Caspian Sea, one of the world's largest gas fields which is being developed by a BP-led consortium.

Orban said the current contracts guarantee only that Azeri gas would reach southern Europe and that the area receiving the gas needs to be expanded. He said the only way to achieve that was through connecting neighboring countries' gas pipeline networks, which Orban said would be the first step in creating a common gas market in Europe.

Romania has no shale gas reserves, says PM Ponta

Reuters, *10.11.2014*

Romania has fought hard to discover shale gas that apparently does not exist, Prime Minister Victor Ponta said late on Sunday. Romania has opened the door to companies seeking to uncover shale gas, hoping to replicate a boom in cheap energy seen in the United States.

The drive to find alternative gas resources has become more urgent since the conflict broke out in Ukraine, through which Russia sends almost half of its gas exports to the EU. But Poland sharply slashed its estimated shale gas reserves to about a tenth of the 5.3 trillion cubic metres that the U.S. Energy Information Administration initially anticipated.

The administration has also estimated Romania could potentially hold 51 trillion cubic feet of shale gas, which would cover domestic demand for more than a century. “It looks like we don’t have shale gas, we fought very hard for something that we do not have,” Ponta told television channel Antena 3. “I cannot tell you more than this but I don’t think we fought for something that existed.”

Earlier this year, U.S. energy major Chevron Corp finalised exploration works at a well in the eastern Romanian village of Pungesti, after repeatedly postponing operations because of protests from local residents. Chevron, the first company to begin exploring for shale gas in Romania, has said it was analysing data collected from Pungesti and that it aimed to drill more wells in the area. It also has rights for three licence blocks near the Black Sea.

In October, Energy Minister Razvan Nicolescu told Reuters Romania will produce more gas than it and smaller eastern neighbour Moldova consume by 2020. Local firm Petrom and U.S. major ExxonMobil have discovered 1.5-3 trillion cubic feet (42-84 billion cubic metres of gas reserves in the Black Sea, which could become commercially viable in 2019. The country plans to tender 36 new onshore and offshore areas for exploration next year. Romania is the third-most energy-independent state in the EU and unlike many of its emerging European peers it imports only a fifth of its gas needs from Russia.

Gazprom, Moldovagaz extend gas supply until late 2015

Natural Gas Europe, *12.11.2014*

Gazprom and Moldovagaz clinched a deal to extend gas supply and transit contracts until late 2015, in a meeting focused on gas cooperation between Russia and Moldova for 2015.

Moldovagaz, which is a joint Russian-Moldavian company set up by Gazprom, the Moldavian Government and the Industry Ministry of Transnistria, extended last year the conditions of the contracts signed in 2011, after a temporary suspension in the negotiations due to doubts over the compatibility of the contract with Moldova's commitment to implement the Third Energy Package.

According to a recent report, Moldovagaz threw stones in the path of the Iasi-Ungheni pipeline from Romania to the western border region of Moldova. The interconnector was opened to great fanfare on August 27. However, last week, Moldovan government approved the necessary financial measures to support its gradual integration into the EU.

"The government today approved the financing agreement for the Support Programme on the creation of the Free Trade Area with the EU. This programme will help public institutions, citizens and the business community to make full use of the open European market for Moldovan products. The document provides for the European Union granting assistance amounting to 30 million euros for 2014 - 2017. A sum of eight million euros will be amounted from the total by the end of the year," the government wrote on its website.

Gas imports from Slovakia to Ukraine reached 30, 9 million cubic meters per day

Web – Portal of Ukrainian Government, *10.11.2014*

Acting Deputy Chairman of Naftogaz Ukrainy Yurii Kolupailo stated at a briefing during a press day of the Government for regional and national media on November 10, 2014. "We currently have stable reverse gas supply in the amount of 30 million cubic meters per day," Yurii Kolupailo noted.

In particular, he said, "Ukraine has imported the record volume of reverse-flow gas from Slovakia - 30.9 million cubic meters, when scheduled the 27 million cubic meters of gas, through the improvement of the supply system. The joint work of experts from Uktransgaz along with our Slovak partners has enhanced pipeline capacity."

He noted that Ukraine will buy natural gas from the Russian Federation only in necessary volumes: "As of today, we shall buy Russian gas as needed." He noted that since 2004, there has been a downward trend in gas consumption in Ukraine. "Ukraine consumed 75 billion cubic meters of gas in 2004, and 50.4 billion cubic meters in 2013. In accordance with the objectives of the Government and the situation with gas supplies in the country, we have to reduce gas consumption by 30% compared to the previous heating season," Yurii Kolupailo stated. He added that NJSC Naftogaz Ukrainy together with the SAEE, Regional Development Ministry and Energy and Coal Industry Ministry is taking measures aimed at energy efficiency and saving. However, the volume of gas consumption in the country so far exceeds the daily limit, especially in industry.

Gazprom pays Naftogaz for gas transit amid unclear terms

ICIS, *12.11.2014*

Russian producer Gazprom has made a payment to Ukrainian natural gas incumbent Naftogaz for the transit of Russian gas across Ukraine to Europe, both companies confirmed to ICIS late Tuesday. Naftogaz added that Gazprom's payment had been in excess of the transit bill submitted by Naftogaz for September and October, and the excess sum had been returned to Gazprom.

The charge for Russian gas transit through Ukraine is calculated according to a formula set in the Ukrainian/Russian transit contract of 2009 which is linked to the Russian gas price to Ukraine.

The reason for the current lack of clarity over the level of transit charge is that Gazprom is using a higher gas price in the formula, while Ukraine is using a lower one, in order not to be seen accepting a higher price for its Russian gas supply, which could impact on future price negotiations. In August this year Naftogaz returned a remittance of $10.4m (€8.35m) from Gazprom, made in part-payment for the transit of Russian natural gas through Ukraine in July. The reason given by Naftogaz was that there were discrepancies between the two companies as to the calculation of the level of transit charge.

Naftogaz was calculating the transit charge on the basis of the Russian gas price early in 2014, when it had been substantially lowered to $268.50/thousand cubic metres (kcm). In Q2 2014 Gazprom raised the price back to an oil-indexed 2009 contract level of $385.5/kcm, so Gazprom's calculation of the transit charge was higher, and acceptance of the higher transit charge on the part of Naftogaz could imply acceptance of a higher gas price, which Naftogaz wanted to avoid.

In 2012-2013, Gazprom made advance transit payments to Naftogaz intended to cover the period to 1 January 2015, but Gazprom told these payments had been used up and it was now paying entirely in cash for transit. Though Ukraine and Russia are still in general disagreement regarding the Russian gas price to Ukraine, the two sides did sign a supply and transit agreement on 30 October in Brussels in the presence of the European Commission.

This agreement, the so-called "winter package", set terms for repayment of the Ukrainian gas debt to Gazprom and an interim gas price formula for the winter period until end of March 2015. For the rest of 2014, the price is expected to be $385/kcm, dropping to $378/kcm in Q1 2015. The final gas price should emerge when arbitration proceedings in a Stockholm court are concluded. Having made a payment of $1.45bn as a first instalment of gas debt repayment, Naftogaz now has the right to buy Russian gas, according to the October agreement, but it must prepay for it.

However, no Russian gas is currently being sold into Ukraine, Naftogaz and Gazprom told ICIS late Tuesday, and no prepayment has been made either. The Ukrainian energy minister Yuriy Prodan has said Ukraine does not require Russian gas at the moment and would be buying it in winter depending on temperature-driven demand, according to reports in the local media. Elizabeth Stonor

Russia, China sign memorandum on gas supplies via Western Route

Natural Gas Europe, *09.11.2014*

Russia on Sunday signed a memorandum with China pertaining to supply of natural gas through the western route, reported RIA Novosti.

Gazprom and CNPC signed a framework agreement on gas supplies and a memorandum of understanding. The documents were signed in Beijing in presence of Russian President Vladimir Putin and Chinese leader Xi Jinping, RIA Novosti said.According to the Gazprom CEO Alexei Miller, the documents signed by Russia and China on Sunday define the western route as a priority project for the gas cooperation between the two countries.

“First of all these documents stipulate that the “western route” is becoming a priority project for our gas cooperation,” Miller said, adding that the documents provide for the export of 30 billion cubic meters of Russian gas to China annually for a 30-year period. According to Miller with addition of western route, potential Russian gas supplies to China may exceed the current levels of export to Europe in the medium-term perspective. The western route will connect fields in western Siberia with northwest China through the Altai Republic. Second and third sections may be added to the pipeline at a later date, bringing its capacity up to 100 billion cubic meters a year, RIA Novosti stated.

In May this year, Gazprom and CNPC signed “China and Russia Purchase and Sales Contract on East Route Gas Project”. As per the deal, Russia will supply 38 billion cubic meters of natural gas annually from 2018 via east route pipeline for a period of 30 years. Gas will be supplied from eastern Siberia and Sakha Republic Kovykta gas field.

Why the oil price is a serious problem for Russia

CNBC, *11.11.2014*

If oil prices stay where they are now, Russia's economy could be in serious trouble and could face recession in the coming year, analysts warn. Sergei Guriev, a former advisor to the Russian government, told CNBC that, should oil prices stay at their near-record lows of around $82 a barrel, Russia, which is basing its economic forecasts on a much higher oil price, would face a "serious problem."

"The Russian budget now is including $100 per barrel for the next three years and some more optimistic assumptions on economic growth" Guriev, told CNBC at the UBS European Conference in London.

"With $100 a barrel, the Russian budget will probably be balanced over the next two or three years, with eating into reserve funds but not really tragically. But if the oil price is where it is now, it will be a serious problem over the next couple of years." Brent crude for December delivery traded just below $82 per barrel (pb) on Tuesday, just above a four-year low of $81.63 hit last week. The price has fallen nearly 30 percent since late June but despite the decline, the Organization of the Petroleum Exporting Countries (OPEC) shows no signs of cutting output.

The decline in oil prices has hit Russia hard as its wealth relies heavily on its export-orientated oil and gas markets. In 2013, for example, Russia's energy exports constituted more than two-thirds of total exports amounting to $372 billion of a total $526 billion, according to research by Renaissance Capital bank released. The oil price decline, coupled with Russia's conflict with Ukraine which has led to Western sanctions on Russia, has hit the economy as well as investor confidence in the country. As a result, the ruble has declined almost 30 percent against the dollar this year. President Vladimir Putin tried to reassure global investors that Russia's economy was in safe hands and that there were no "fundamental economic reasons" for the currency's slide. Shortly after his comments, however, Russia's central bank lowered its 2014 growth forecast to 0.3 percent and forecast 0 percent growth in 2015. It also estimated that capital flight had risen above forecasts to 128 billion in 2014 as investors sought a safer haven for their assets.

Russia's economic growth depends very much on different oil price scenarios, according to Oleg Kouzmin and Charles Robertson, economist and chief economist respectively at Renaissance Capital bank. Now, investors are eyeing an OPEC meeting on November 27 to see whether the organization could even cut prices further in an attempt to retain its global market share, particularly in the face of competition from the U.S. where oil production has increased thanks to the shale gas industry.

In a research note entitled "Risk scenarios if oil prices change" published on Monday, the economists gave the best and worst case scenario for Russian growth given an increase or further fall in the oil price. "If oil prices go to $110 a barrel (bl) or $115/bl, gross domestic product (GDP) growth in Russia might be even stronger next year, at over 2 percent [but] we estimate growth is likely to remain positive only with oil prices above $92-93/bl. Otherwise, we see growth turning negative and the ruble hitting new lows."

Assuming a Brent oil price of $105/bl for 2014 and 2015, Kouzmin and Robertson forecast GDP growth of 0.8 percent in 2014 and 1.7 percent in 2015 as a base case scenario, far below the central bank's latest forecasts. Though they added that the "risks to our Russian growth forecast are clearly slanted to the downside." Russia's current significant cyclical headwinds resulted from very tight credit conditions, softened business confidence and other spillovers from intensified geopolitical tension, they said.

A full-year recession would only be likely for Russia in 2015 if oil prices drop closer to $90/bl, above where they are now. "We would expect -0.4 percent growth in 2015 at $90/bl, given our assumptions on geopolitics. With oil at $90/bl, we also estimate an average annual exchange rate close to 41 rubles against the dollar." Furthermore, if oil prices dropped further from their current level to $80 a barrel, RenCap's economists said growth could turn negative, at -1.7 percent in 2015.

Gazprom to Rosneft decline as dividend concern increases

Bloomberg, *14.11.2014*

Gazprom and Rosneft, Russia's biggest companies, fell to the lowest levels in five years as JPMorgan Chase & Co. cut its ratings on the stocks, citing a worsening outlook on dividend payouts.

American depositary receipts of Gazprom, the world's biggest natural-gas company by output, dropped 3 percent to $6.10 in New York, extending this year's decline to 29 percent. Rosneft, sank 4.2 percent to $5.03 in London. The stocks closed at the lowest since at least July 2009. JPMorgan analyst Andrey Gromadin reduced Gazprom to neutral and Rosneft to underweight in a report yesterday.

The "all-important" dividend outlook for energy companies is coming under pressure as oil prices tumble to a four-year low and Russia's economy weakens under international sanctions linked to the Ukraine conflict, according to the report. Russia's gross domestic product grew 0.7 percent in a third quarter of deceleration, deepening its worst slowdown since a 2009 contraction. With earnings set to drop for a third year in 2014, Gazprom's dividend payout next year may plunge 44 percent, VTB Capital said in August.

“The market is concerned the dividends will decline as the oil price falls at a time when sanctions restrict the companies’ access to financing,” Ivan Manaenko, head of research at Veles Capital LLC in Moscow, said by phone. “Expectations of higher dividends as exporters benefit from the weaker ruble had been the major driver in the market over the past couple of months and that driver is now fading away.”

Rosneft’s net income will tumble 26 percent to 401 billion rubles ($8.6 billion), according to the mean of 10 analyst estimates compiled by Bloomberg, while Gazprom’s adjusted net profit is projected to slide 8.4 percent to 1.04 trillion rubles. West Texas Intermediate and Brent oil fell to four-year lows yesterday amid signs that OPEC remains unwilling to reduce output. WTI for December delivery declined 3.9 percent to $74.21 a barrel on the New York Mercantile Exchange, the lowest since September 2010. Oil sank into a bear market last month.

The ruble has lost 23 percent in the past three months, the worst performer among more than 170 currencies tracked by Bloomberg. The plummeting ruble stokes inflation and lower oil prices erode export revenue of the world’s largest energy exporting nation. Dividend policies are under government review in Russia. Rosneft’s payout may decrease 18 percent next year, according to a Bloomberg Dividend forecast. “We see an uninspiring dividend outlook and limited upside potential in both names next year,” Gromadin said. He previously had a rating equivalent to buy for Gazprom and neutral on Rosneft.

The dividend projections compare with the government’s push last year to increase payouts by state-controlled companies in a bid to lure foreign investors and boost budget revenue. The companies were due to pay at least 35 percent of profit under international accounting standards from 2016 to boost payments to the budget, the Finance Ministry said last year. Russia’s Economy Ministry opposed the measure in May. “The market remains turbulent,” Kirill Yankovskiy, the director of equity sales at Otkritie Capital Ltd. in London, said by phone. “While it does make sense to expect a slowdown in dividends from Gazprom and Rosneft, the payouts are unlikely to slow excessively as the government counts on that money as well.”

The Bloomberg index of the most-traded Russian companies in the U.S. declined 2.8 percent to 69.85. The Market Vectors Russia ETF (RSX), the biggest U.S. exchange-traded fund that tracks the nation’s stocks, dropped 3.5 percent to $20.39. RTS stock index futures expiring in December fell 0.8 percent to 99,540 in U.S. hours. The RTS Volatility Index, which measures anticipated swings in futures, rose 4.2 percent to 40.05. Moscow-based United Co. Rusal climbed 1.1 percent to HK$4.50 at 10:30 a.m. in Hong Kong, poised for the highest close since Sept. 22.

Russia-China Gas Accord to pressure LNG in Canada, Australia

Bloomberg, *11.11.2014*

Russia's move to broaden its energy ties to China is clouding the outlook for natural gas export projects on the drawing board in the U.S., Canada and Australia. Companies looking to approve liquefied natural gas plants in the next couple of years and start shipments at the end of the decade will probably experience delays, according to energy consultants Tri-Zen International Inc.

Gas-supply agreements between Russia and China are adding to pressure on projects that are already facing increasing competition, rising costs and the prospect of lower prices.

"It's just bad news generally" for LNG around the world, said Peter Howard, president of the Canadian Energy Research Institute. "It's going to get really crowded." China and Russia signed an initial gas accord two days ago, after a $400 billion deal earlier this year. The tie-up means that only one-in-20 proposed LNG projects targeting the 2020 market will be needed, while one-in-five seeking 2025 sales will be required. "It's not good news for projects hoping to get to a final investment decision in the next year or two," Tony Regan, a consultant at Singapore-based Tri-Zen, said. "Those developers will need to think about the post 2020 market."

The export of new supplies to Asia increases the possibility of a glut in global energy markets by early next decade. Once deliveries begin, China would supplant Germany as Russia's biggest gas market, even as relations have soured with the U.S. and Europe over the Ukraine crisis. Multibillion-dollar projects led by companies including Royal Dutch Shell Plc, Petroliam Nasional Bhd., Chevron Corp. and Exxon Mobil Corp. (XOM) are among more than 20 proposals for LNG export that Canadian regulators have approved or are considering from the nation's Pacific and Atlantic Coasts. Most Canadian projects are scheduled to begin after 2020. "The Canadian ones are probably the most vulnerable," Regan said by phone.

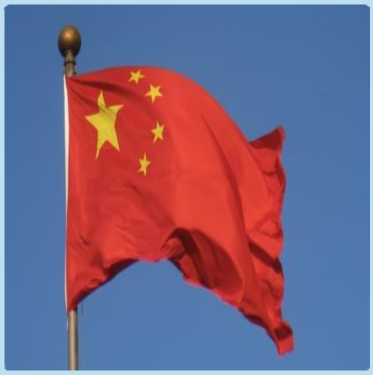
Among proposed projects in Australia are Woodside Petroleum Ltd. (WPL)'s Browse and Sunrise LNG ventures, with partners including Shell, and Exxon's Scarborough venture. Expansions of plants including Exxon's $19 billion project in Papua New Guinea are also being considered. Those proposed plants would follow seven Australian projects currently under construction for about $185 billion. In Australia, "new local projects will be undercut by international competitors while existing projects will see downward pricing pressure" as Russian pipeline volumes add to supplies, according to Macquarie.

In the U.S., Cheniere Energy Inc. is set to be the first company to export gas produced from the shale boom. Dominion Resources Inc. (D)'s Cove Point terminal in September became the fourth U.S. export project to win permission from the Federal Energy Regulatory Commission to ship LNG around the world. Mozambique is among countries vying with the U.S., Australia and Canada to build mega-LNG projects. Demand for Canadian LNG in China will be strong regardless of the latest deal for a gas pipeline from Russia, said Nigel Kuzemko, chief executive officer of Steelhead LNG, a proposed export project. China's appetite for gas is probably stronger than some forecasts suggest, Woodside said in May.

The second gas-supply pact is less attractive to China, and Russia's OAO Gazprom may need to offer a "serious discount'' to secure a final deal, according to Alexander Kornilov, an Alfa Bank energy analyst in Moscow. The price in the Chinese contract earlier this year is equal to about $10 per million British thermal units, two Russian officials said in July. China pays about $16 per million British thermal units for LNG, Macquarie said. "The more Russian gas going into China" means the less higher-cost LNG China will import from places like Canada, Reynold Tetzlaff, energy leader for Canada at PricewaterhouseCoopers LLP in Calgary, said by phone. "So we can't ignore it, that's for sure. We do need to move quickly or the window starts to close."

Rosneft sold 10% share in Vankorneft to CNPC

Natural Gas Europe, *10.11.2014*



Rosneft sold 10% share stake in ZAO Vankorneft to China National Oil & Gas Exploration and Development Corporation (CNPC subsidiary). The companies signed the deal on the sidelines of the APEC summit.

"Today's reached agreement show the systematic development of the large-scale cooperation with our Chinese partners, including the upstream area in the Russian Federation," Rosneft Chairman of the Managing Board Igor Sechin commented on Sunday afternoon. Meanwhile, market rumours suggest that Russia might soon sign a deal with China, for a second pipeline between the two countries.

The relevance assigned to cooperation between the two countries is clear. It comes as no surprise that the signing ceremony was led by the President of the Russian Federation Vladimir Putin and by the President of the People's Republic of China Xi Jinping. Vankorneft is a subsidiary of Rosneft, aiming at developing the Vankor field, which is located on the North of East Siberia in the Turukhankskiy region of the Krasnoyarks Krai. Last month, Rosneft and CNPC signed the development of strategic cooperation agreement, comprising upstream projects in Russia and refining activities in China.

Russia's Gazprom says Japan suggests gas pipeline to Tokyo

Reuters, *10.11.2014*

Russia's top natural gas producer Gazprom is studying a suggestion from Japan to build an undersea gas pipeline to Tokyo, its Chief Executive Alexei Miller was quoted as saying on Monday.

"We have an offer from the Japanese side. It is about a gas pipeline to Hokkaido and, possibly, to Tokyo, and it is also about our participation in (Japan's) gas distribution and power energy ..." Miller was quoted as saying by Interfax news agency. "We haven't answered yet," he added, speaking in Beijing on the sidelines of an Asia Pacific Economic Cooperation summit, Interfax said.

The construction of a gas pipeline between the two countries, which has been mooted for decades, could face several obstacles, including a dispute over islands taken by Russian forces at the end of World War Two that has prevented Moscow and Tokyo from signing a formal peace treaty. Last month, newspaper Nikkei reported that Russia had proposed the pipeline, connecting its fields in the far east of the country to northern Japan. Russia has been trying to diversify its oil and gas supplies away from Europe and forge closer ties with energy-hungry China and Japan. However, the attempts are complicated by international sanctions, including from Tokyo, imposed on Moscow for its role in the Ukraine crisis.

Belgium/Luxembourg merger creates new NCG/ZTP natural gas capacity

ICIS, *10.11.2014*

A new transmission capacity product to deliver natural gas from the German NCG hub to Belgium's virtual ZTP hub via the Germany/Luxembourg Remich interconnection point is due to be made available in June 2015, Belgian grid operator Fluxys has announced. The new capacity offer is part of plans to integrate the gas markets in Belgium and Luxembourg by Q4 2015.

According to the Fluxys website, the quarterly NCG/ZTP capacity will be offered as a bundled product, but shippers will only subscribe capacity and submit entry nominations on the Belgium/Luxembourg side of the Remich interconnection.

The "conditioned" capacity product will be subject to nomination obligations and restrictions depending on consumption in Luxembourg to guarantee security of supply. Full details will be published before the June 2015 auction. At present, capacity between the German and Belgian markets is only available at the bi-directional Eynatten interconnection point, with bundled ZTP/NCG and ZTP/GASPOOL capacity available via the electronic PRISMA auction platform. New details on Fluxys website also confirm that interconnection between Belgium and Luxembourg will cease to exist as a commercialised point when the two countries form a single market, but more physical capacity will be available towards Luxembourg as Fluxys will increase pressure at the interconnection.

Bearish systems weigh on Dutch, German gas prices

Platts, *11.11.2014*

Dutch and German gas prices are ticking lower Tuesday on comfortable system fundamentals. By around midday UK time, the TTF day-ahead last dealt 2.5 euro cents lower day on day at Eur22.525/MWh.

"A long system and bearish fundamentals should keep TTF prompt prices under pressure," Platts unit Bentek Energy said. The corresponding German GASPOOL and NetConnect contracts were down by 2.5 euro cents and 5 euro cents on the day at Eur22.875/MWh and Eur22.85/MWh.

The volume reduction impact of the outage at the Skarv gas field on the Norwegian continental shelf is due to fall to 9.9 million cubic meters Wednesday from 10.9 million cu m Tuesday, according to network operator Gassco. Real-time flows from Norway into Emden-Dornum on the Dutch/German border were at 139 million cu m/day around midday UK time compared with 135 million cu m/day rates the same time Monday.

Norwegian imports into the Netherlands were nominated at 50 million cu m Tuesday against 43 million cu Monday, while Germany imports from Norway were nominated flat day on day at 82 million cu m, Bentek said. CustomWeather forecast temperatures in Amsterdam at 3 C above seasonal norm Tuesday and 4 C above the norm Wednesday, while Berlin is pegged at 4 C above the norm for Tuesday and 6 C above norms for Wednesday. On the curve, the December TTF last dealt by midday UK time 30 euro cents lower day on day at Eur22.90/MWh, while GASPOOL and NetConnect were both 22.5 euro cent down at Eur23.075/MWh and Eur23.225/MWh.

Oil & Gas Innovation Centre launched in Aberdeen

Rigzone, *11.11.2014*

Aberdeen saw the official launch of its Oil & Gas Innovation Centre (OGIC) Monday night with the new center saying that it is already seeing strong demand for its services.

OGIC is designed to provide a single access point to the knowledge and capabilities of Scottish universities for the oil and gas industry. It will also part-fund and provide management support to a range of projects that have the potential to deliver technology solutions to the exploration, production and decommissioning challenges facing the UK Continental Shelf.

It will link approximately 2,300 oil and gas operators and service companies to more than 450 academic staff and researchers in Scotland working in oil and gas-related areas. OGIC said that it now has its first approved and funded projects coming on stream and that it is in discussion with more than 50 companies regarding technology development opportunities.

Speaking at OGIC's launch, Scottish Energy Minister Fergus Ewing said: This new innovation center will transform the nature of collaboration between industry, government and academic partners – providing new ways to deliver industry solutions, taking innovation to the next level. They are part of a cultural shift that brings the innovation and creativity of our academic sector to the heart of our business life and puts business drive firmly into the heart of our academic community.

OGIC Chief Executive Ian Philips added: OGIC has been established in response to industry need for a matchmaking service to bring innovative ideas and best in class academic resource together to get new technologies to the market quicker than ever before. Innovation is now one of the major priorities for the oil and gas sector locally and globally in order to maximize return from existing assets and to bring new, more challenging reserves into production.

“Our track record of innovation in the UKCS over 40 years and our academic strengths are a major competitive advantage at a time of significant challenges in our industry. We aim to drive the delivery of innovations that will contribute to the future success of the North Sea and that will create new export opportunities for our supply chain.”

Shale gas unlikely to make the UK energy self-sufficient, says report

The Guardian, *11.11.2014*

Politicians have overhyped fracking’s potential and the prospect of shale gas making Britain self-sufficient in gas again is far-fetched, according to government-funded researchers.

The UK became a net importer gas in 2004 as North Sea production declined, and the coalition has heavily promoted shale gas on the grounds of energy security and economic growth. David Cameron says the UK is “going out all for shale” and on Wednesday the government announced the first ‘national shale gas colleges’.

But a new report by academics at the Imperial College-based UK Energy Research Centre (UKERC) says significant shale gas production in the UK is unlikely to get underway until next decade and will not reproduce the American ‘shale revolution’ that has put the US on course to energy self-sufficiency. Jim Watson, an author of the report and professor of energy policy at the University of Sussex, said that industry and politicians had “overhyped” the impact shale will have on prices and energy security.

“Looking at the evidence base, it’s very hard to support some of the statements made both by industry and some politicians that it’s going to bring down prices, strengthen energy security or create jobs through cheaper energy any time soon. It may have an impact. But a lot depends on how fast shale develops,” he said. The authors are unambiguous that shale gas will not reduce energy prices or reduce the UK’s reliance on gas imports, which are mostly supplied by Norway and Qatar today. “Any talk of shale gas making the UK self-sufficient again, let alone allowing significant exports, is far-fetched,” says the report, The UK’s Global Gas Challenge. It also cautioned against “a blind belief that a future UK shale gas revolution will solve all our problems”.

A second report by UKERC warns that by 2025, the time any such shale gas industry is up and running in the UK, global gas consumption must have peaked and begin rapidly tailing off to avoid dangerous levels of global warming. With the development of widespread technology to capture and store the carbon emissions from those gas plants, that deadline moves back to 2035. But carbon capture and storage (CCS) technology is so far largely unproven at scale and the world’s first major CCS power plant only switched on last month. UKERC’s report says “whether CCS will actually be commercialised or not is currently far from certain”, though Watson says recent developments in North America mean he is more optimistic than two years ago.

The report, A Bridge to a Low-Carbon Future? Modelling the Long-Term Global Potential of Natural Gas, suggests gas’s role as a quick fix to cut carbon emissions – gas emits significantly less CO2 than coal when burned – could be short-lived. Gas has been hailed by some advocates as a ‘bridge’ or ‘transition’ fuel as economies move to renewable energy and nuclear power to reduce greenhouse gas emissions and tackle climate change.

If CCS doesn’t take off, to keep temperature rises under 2C as governments have agreed to do, the report’s modelling showed “gas consumption peaked in 2025 and declined terminally thereafter: the role that gas can play as a transition fuel was thus substantially reduced”. However, despite the short window of opportunity, the authors say the amount of coal that could be displaced by gas is significant in terms of cutting emissions.

Dr Christophe McGlade of UCL, who led the modelling work, said: “Gas could play an important role in tackling climate change over the next 10 to 20 years.” Watson added: “In those countries which a have a lot of coal in their energy systems, China being the prime example, gas has a role to play with or without CCS.” He said ensuring gas consumption peaked and declined rapidly in 2025 or 2035 would “require significant policy intervention” from governments.

Separately on Tuesday, the Department of Energy and Climate Change announced the creation of the UK’s first specialist colleges for training people for the shale gas industry. Headquartered in Blackpool, the National College for Onshore Oil and Gas National College will be linked to colleges in Chester, Redcar and Cleveland, Glasgow and Portsmouth.

Matthew Hancock, the new Tory energy minister, said: “Families, villages and towns across the UK could benefit from this new industry and its supply chain which could create 64,500 jobs. That’s why we are investing in the people behind project. Only by arming people with the skills they need to be shale specialists can we provide career opportunities for thousands of young people, boost the power and competitiveness of our firms and help the UK economy remain strong and competitive. “To make a world-class cluster of expertise in the North West of England, just as Aberdeen is a world class cluster of expertise for offshore oil and gas.”

Helen Rimmer, Friends of the Earth north west campaigner said in response: “The north west deserves investment in jobs and skills, but this should be in energy sectors of the future such as tidal, wave and solar which the region has in abundance – not dead-end fossil fuels.” Gas consumption in the UK has already peaked, and development of UK shale gas has been slower than expected. Hydraulic fracturing to extract shale gas will not resume until 2015, the first exploratory fracking in the country since 2011.

Libyan protesters seize eastern oil port as Benghazi toll hits 300

Reuters, *08.11.2014*

Libyan state security guards have started a protest at the 120,000 barrel per day Hariga oil port in the east, halting all oil exports from the terminal, a Libyan oil official said on Saturday.

The closure only adds to the growing chaos in Libya, whose internationally recognized government has been driven out of the capital by an alliance led by forces from the city of Misrata, which has installed a rival government and parliament. The protesters at Hariga were part of a state security oil force that has gone on strike over pay several times this year.

“There is a sit-in from security guards who say they have not been paid,” said the official, who asked not to be named. “We are trying to solve the issue.” A tanker had been waiting for three days to lift oil from Hariga, located in Tobruk, but the guards did not allow it to do so, the official said. The port was only open for fuel imports and the exports of refinery products, which are marginal, he added. The closure will lower Libya’s output to around 500,000 bpd or even less, based on previous published figures. The state National Oil Corp (NOC) has not given a production update for a month. Libya’s oil industry had already been struggling with the closure of the southerly El Sharara oilfield, which used to pump at least 200,000 bpd, because of attacks by gunmen.

A senior oil worker at the field, who asked not to be named, said authorities hoped to restart the field within three to four days if the security situation allowed it. But an officer in the Petroleum Facilities Guard (PFG) at the oilfield said gunmen had attacked El Sharara again on Friday. “There was fighting yesterday between PFG (forces) of the field and invaders, resulting in one wounded PFG member and three killed invaders,” he said. But he said the PFG members had then withdrawn, leaving the remote field to the gunmen. No more details were immediately available.

Some Libyan websites have said the attackers are supporters of the group that seized the capital in August, but Reuters has been unable to confirm this. The senior oil worker said the El Sharara closure would not affect the Zawiya refinery connected to the field as tanks there had stocks for 17 days. NOC could get fresh supplies from the southwesterly El Feel field or via the Es Sider oil port, he added. The 120,000 bpd-refinery supplies the capital Tripoli and western Libya with gasoline. Libya’s oil industry had been recovering in the past few months from a wave of protests at ports and oilfields that had lowered output to 100,000 bpd in the first half of the year. Output hit 900,000 bpd in September.

Egypt awards BP two new exploration blocks

Rigzone, *10.11.2014*

BP reported Monday that it has been awarded two new exploration blocks as a result of Egypt's 2013 EGAS bid round. BP said it and its partners have committed to invest a total of $240 million in the blocks over different phases.

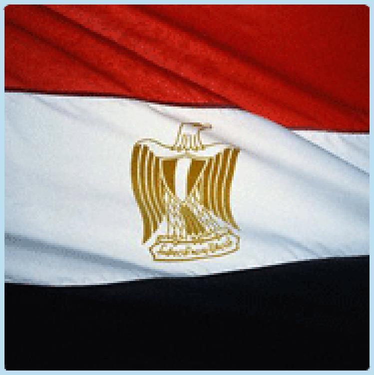
Block 3 (North El Mataria) will represent BP's entry into the onshore Nile Delta. The block is located in the northeastern part of the Nile Delta cone, approximately 35 miles to the west of Port Said city. BP will operate the block with a 50-percent equity participation, while Abu Dhabi's Dana Gas will hold the remaining 50-percent interest.

Block 8 (Karawan Offshore) is located in the Mediterranean Sea in the northeast part of Egypt's waters, some 135 miles to the northeast of Alexandria. BP will also hold a 50-percent interest here while Italy's ENI will hold the remaining 50 percent. The program for the two blocks will include 3D seismic data acquisition and three exploration wells in each block over a six-to-eight year period.

BP North Africa Regional President Hesham Mekawi commented in a company statement: "BP is proud of the successful partnership it has had with Egypt for 50 years. We look forward to continuing to play a key role in the development of Egypt's energy sector and maximizing the use of our existing resources." "Our expertise and latest technologies will be deployed for mutual benefit in these new blocks which we believe have gas-bearing characteristics. Exploring the two blocks will require substantial investments to unlock their potential, and will be done as part of our commitment to meeting Egypt's energy needs. We also look forward to working with our Abu Dhabi partners at Dana Gas."

Egypt seeks imports to end energy crisis

Amadolu Agency, *09.11.2014*



A severe energy crisis has set the Egyptian government to securing new oil and gas supplies from its neighbors. The crisis caused power cuts in the summer, hurting industry and raising public discontent.

To fill the energy gaps, Egypt has sought the help of Gulf allies, and appealed to other potential suppliers like the Greek Cypriot administration. Kuwait is in discussions with the Egyptian government to raise crude oil supplies to the country to 90,000 to 100,000 barrels per day from 65,000 to 75,000 barrels per day, a senior official at the state oil company told Kuwait's Al Anbaa newspaper this week.

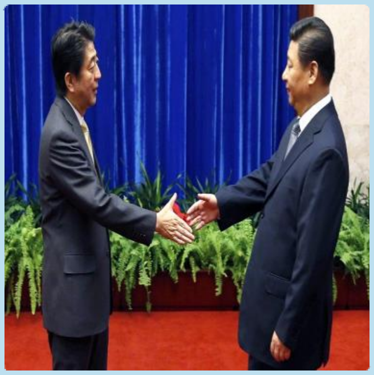
The Kuwaiti government has instructed the state oil company to meet Egypt's requirements for crude oil or petroleum products through new contracts, Nasser Al Mudhaf, managing director of International Marketing at Kuwait Petroleum Corporation said. Last weekend, Egypt signed a deal with Saudi Arabia to receive $250 million in funding to purchase petroleum products and another $100 million to upgrade two power stations.

Saudi Arabia, the United Arab Emirates and Kuwait, along with other Gulf countries, have supplied Egypt with oil donations worth more than $7 billion in the last fiscal year. They have been helping the rulers of the country with billions of dollars of financial aid since the overthrow of President Mohamed Morsi by the military in July 2013. The Egyptian government signed a contract with a Norwegian company this week to start importing liquid natural gas for the first time. Norway's Hoegh LNG is set to supply and operate a floating storage and regasification unit, which acts as a floating LNG import terminal, for five years. The contract is worth around $40 million per year.

Egypt is also looking across the Mediterranean. British-Egyptian company BG Egypt held talks with Greek Cypriot administration's company CHC last month to discuss the possible export of Cyprus' natural gas to BG`s infrastructure in Egypt. Egypt's President Abdel Fattah El-Sisi is scheduled to hold a meeting with the Greek Prime Minister and with the leader of the Greek Cypriot administration in Cairo next Saturday. Discussions of energy cooperation are on the agenda, among other issues. Egypt is also seeking to make greater use of coal in factories and power plants because of the natural gas shortage. Egypt's Orascom Construction announced plans to build a 2000 megawatt to 3000 megawatt coal-fired power plant in the country in partnership with United Arab Emirates' International Petroleum Investment Company. On the same day, Egypt's cabinet approved an agreement with a private UAE company to build a coal-fired power plant in the country with a capacity of 2,640 MW.

Japan, China's agreement to change energy geopolitics

Anadolu Agency, *11.11.2014*



The head of an International Energy Association says four-point principled agreement between China and Japan can completely change energy geopolitics in the region.

Chinese President Xi Jinping and Japanese Prime Minister Shinzo Abe held a meeting Monday on the sidelines of an Asia-Pacific summit hosted by Beijing, after a two-year suspension of high level talks over territorial claims of a disputed Diaoyu island. The four-point agreement includes mutual benefits for China and Japan. The two sides have agreed to gradually resume political, diplomatic and security dialogue through various multilateral and bilateral channels.

The agreement is important for Japan in terms of energy supply security as the world's biggest liquefied natural gas importer, according to Gurkan Kumbaroglu, the president of the Ohio-based International Association for Energy Economics, IAEE. After the Fukushima disaster in Japan in 2011, natural gas particularly liquefied natural gas became a very important energy source for Japan, according to Kumbaroglu.

The dispute between China and Japan is also said to be primarily regarding oil and natural gas reserves in the East China Sea. The EIA estimates that the East China Sea has about 200 million barrels of oil in proved and probable reserves and 30 billion cubic meters of proved and probable natural gas reserves. Chinese sources claim that undiscovered resources can be as high as 70 to 160 billion barrels of oil, and as much as 7.5 trillion cubic meters of undiscovered natural gas resources in the entire East China Sea. "If China's estimations are right, this region can be considered an oil reserve similar to Iran, and in terms of natural gas, like Saudi Arabia," he underlined. Myanmar has a key role in the region as well because of the China-Myanmar deal in 2009 which could allow Japan to get its piped natural gas through China if the deal is implemented, according to Kumbaroglu.

"Both China and Japan are interested in extracting hydrocarbon resources from the East China Sea to help meet domestic demand. However, the unresolved territorial and maritime claims and limited evidence of hydrocarbon reserves make it unlikely that the region will become a major new source of hydrocarbon production," said the U.S. Energy Information Administration.

China was the second-largest net oil importer in the world in 2013, behind the United States, and the world's largest global energy consumer, says the U.S. agency. Japan is the third-largest net importer of crude oil behind the United States and China, as well as the world's largest importer of liquefied natural gas, owing to the country having few domestic energy resources.

Japan Extends UAE Oil Storage Deal

Oil & Gas Eurasia, *11.11.2014*

Tokyo has agreed in principle to allow the UAE to store crude in Japan for at least three more years, the trade ministry said on Monday, giving the No. 2 crude supplier to Japan continued access to a supply depot. The agreement allows UAE easy access to Asian markets while giving Japan priority access to reserves if Japan is in short supply of crude.

Japan has been giving UAE free crude storage for five years since 2009, and the memorandum of cooperation, signed on Sunday between Japan and Abu Dhabi's Supreme Petroleum Council, extended the arrangement by three to five years, a trade ministry official said.

The deal allows UAE to get free crude storage space of 6.29 million barrels at Kiire oil terminal in Kagoshima, southern Japan. Currently Japan lends storage of 4.4 million barrels to the UAE, the official added. Japan has a similar arrangement with Saudi Arabia under which Saudi can store 6.29 million barrels in Japan.

Mexico has potential to more than double oil production

ICIS, *10.11.2014*

Mexico has the potential to more than double oil production from a current 2.5m bbl/day, to 5.5-5.6m bbl/day, the former Energy Secretary of Mexico said.

"That would put Mexico in the top 5-7 producing nations in the world. That is our future with this historic decision of energy reform that has not yet been assimilated," said Jordy Herrera Flores, the former Energy Secretary of Mexico and current consultant. Herrera spoke to delegates at the Latin America Petrochemical Association (APLA) conference. "This is a new area of prosperity and growth for Mexico," he added in the conference.

With additional investment of $10bn in exploration and production, Mexico can reach 3m bbl/day of oil production "relatively quickly", said Herrera. Plus there is more than 2bn bbl/day of potential production from tapping unconventional resources such as shale oil/gas and Deepwater hydrocarbons. It could cost another $20bn to develop these resources, he noted.

In deepwater in the Gulf of Mexico, the US produces 1.5m bbl/day of oil while Mexico has not yet started drilling, Herrera pointed out. “With reform, Mexico should attract investment,” said Herrera. “Mexico’s energy resources are much richer than we take for granted,” he added. In terms of years of reserves, Mexico currently has enough oil and gas for 40 years of consumption, a figure that could more than double to 80-100 years with proper investment, said Herrera. He called the Ethylene XXI project in Mexico to produce polyethylene (PE) from natural gas liquids “the most important project in Mexico in 40 years”.

Mexico has a current $20bn/year trade deficit in petrochemicals which has grown in the past 30-40 years because of lack of investment, he noted. Further upstream and in other products, Mexico currently imports 1.4bn cubic feet/day of natural gas (20% of demand), 400,000 bbl/day of gasoline (50% of demand) and 80,000 bbl/day of liquefied petroleum gas (30% of demand), according to Herrera.

TransCanada moves ahead with Vaughan pipeline project

Oil & Gas Journal, *11.11.2014*

TransCanada Corp., Calgary, reported that it is moving forward with its Vaughan pipeline project and associated facilities as part of $475 million pipeline and facility expansions within the Eastern Triangle portion of the Canadian Mainline system.

Construction of TransCanada’s Kings North Connection, Parkway West Connection, and Hamilton Area Project are expected to cost $255 million and be in-service in November 2015. The Vaughan pipeline and associated facilities are expected to cost $220 million and be in-service in November 2016.

“This is the next step of development for natural gas infrastructure in southern Ontario and is the result of collaboration between TransCanada, Enbridge Gas Distribution, Gaz Metro, and Union Gas,” TransCanada said. “Over the past year, TransCanada has announced plans to invest almost $2 billion in facility enhancements to allow growing supplies of Marcellus gas to reach Ontario and Quebec markets,” said Russ Girling, TransCanada president and chief executive officer. These projects are backed by long-term, binding agreements, TransCanada said, and are subject to regulatory approval.

Brent falls to around $80; OPEC expects lower demand in 2015

CNBC, *13.11.2014*

Brent crude traded around $80 a barrel on Thursday, near its lowest since 2010, after OPEC said demand for its oil would fall next year, while Saudi Arabia remained silent about a possible cut in production. Global demand for oil from OPEC will drop to 29.20 million barrels per day (bpd) next year, almost 1 million bpd less than it currently produces, the cartel said in its monthly report.

Brent broke below $80 a barrel for the first time since 2010 on Wednesday before settling at $80.38, down $1.29 on the day. Brent crude for December delivery, had shed another 38 cents to $80.00 a barrel as of 0314 GMT.

“There are not many bullish factors to lift the market now,” said Avtar Sandu, senior manager for commodities at Phillip Futures in Singapore. “But it’s not a one-way street down. Those who have been selling want to take profits around this area,” he said. U.S. crude for December delivery was down 16 cents at $77.02 a barrel.

The spread between the two benchmarks has narrowed more than $3 in the past week. The recent sharp decline in oil prices may cut investment in U.S. shale oil by 10 percent next year, the International Energy Agency (IEA) said. Brent’s premium to U.S. crude narrowed to $2.98 on Thursday from as much as $6.42 last week.

Saudi Arabian Oil Minister Ali al-Naimi broke months of silence on Wednesday to reaffirm the kingdom’s long-standing policy of seeking stable global markets, dismissing talk of a price war. However, al-Naimi offered no insight on the kingdom’s response to tumbling oil prices, leaving investors guessing about the outcome of OPEC’s next meeting on Nov. 27.

U.S. crude stocks fell by 1.5 million barrels last week to 373 million, compared with analysts’ expectations of an increase of 800,000 barrels, data from industry group the American Petroleum Institute showed. The U.S. government’s Energy Information Administration will publish its weekly data at 1600 GMT. Libya abandoned an attempt to restart production at the El Sharara oil field on Wednesday after a pipeline blockage, state-run National Oil Corp said.

Oil price plummet won't help U.S. with Iran or Russia

Reuters, *11.11.2014*

Plummeting oil prices down more than 25 percent since June to three-year lows should relieve pressure on consumers at the pump. But is it pushing oil-exporting regimes past the breaking point?

The answer is no. Despite their reliance on oil revenue, the governments of Russia, Iran, Saudi Arabia, and Venezuela are not teetering. This is no "oil Arab Spring," where cratering prices topple governments, spreading like wildfire from one dependent authoritarian state to another. In fact, the price drop won't even change their stances on the geopolitical issues Washington cares most about.

Cheaper oil won't shift Iran's posture in nuclear negotiations. Despite the looming deadline, there is still a huge gulf between the two sides. Iran refuses to eliminate most of its existing stockpile of enriched uranium and centrifuges; Washington insists that any proposal without those concessions would be stillborn. Yet, Iran doesn't feel pressured to cede ground, particularly when Moscow has offered support to Iran if there is no sanctions relief. And Iran's economy has stabilized somewhat: since President Hassan Rouhani took office last year, inflation has dropped from 40 percent to 21 percent. A deal could still happen, but it would be the result of creative diplomacy and deeper compromise on both sides not oil forcing Iran to capitulate.

Nothing will deter Vladimir Putin in his bid to destabilize and maintain influence over Ukraine. Russia can stomach the economic consequences inflicted by Western sanctions and cheaper oil for the foreseeable future. Despite massive capital flight and a battered ruble, Putin still has the will, the foreign reserves, and the popular support his approval ratings are near historic highs to continue his offensive.

For the time being, Saudi Arabia remains the oil supplier of last resort. It can cut and expand production to alter global supply-demand dynamics. Riyadh has amassed an enormous rainy day fund to weather storms such as this. Saudi Arabia will participate in Washington's anti-Islamic State campaign only insofar as it aligns with its own aims. A sectarian anti-Shi'ite stance is the guiding force in Saudi Arabia's foreign policy; cheaper oil will have no bearing on that.

Lower oil prices are an additional strain on Venezuela's ailing economy. But $75-80 oil won't send the country into default. President Nicolas Maduro is committed to servicing Venezuela's external debt and he has room to maneuver: Venezuela will likely implement a managed devaluation of its currency and unlock additional liquidity from things like asset sales and changing the terms of its loans with China. Caracas can handle the economic pain for now, without ushering in social dislocation or political upheaval that would make the military withdraw its support for Maduro.

Longer term, it’s very clear that these regimes’ overdependence on oil revenue could threaten their survival. But each regime faces unique stresses, and the breaking points, should they come at all, are neither imminent nor interconnected. When it comes to regime stability, don’t read much into this price drop just yet.

But there is an overarching trend affecting all of these petrostates: a shifting energy landscape will make them dramatically more dependent on China. It’s already on display in Russia and Venezuela. Venezuela relies on loans from China that it repays in future oil exports; pushing for more lenient terms of these loans is part of Caracas’ strategy for dealing with the recent oil price drop. Moscow has hedged against its cratering relations with the West by sidling up to Beijing. In May, the two countries completed a 30-year, $400 billion gas deal after Russia dropped its asking price; they inked additions to that agreement over the weekend.

Two structural changes will accelerate Russia’s tack to China in the years to come. First, as Russia continues to wield its energy as a political weapon, it will alienate European consumers who will actively seek out new supplies of natural gas that don’t carry such a hefty geopolitical price tag. Second, the North American unconventional energy revolution will help provide that source—and undermine Russia’s pricing power by offering alternatives and boosting global supply.

The North American unconventional energy revolution (from fracking, tar sands and other sources) will rattle geopolitics in the Middle East above anywhere else. The U.S. Energy Information Administration predicts that by 2020, more than four-fifths of the oil the United States consumes will come from the Western hemisphere. By that point, America could be the world’s largest oil producer, and energy self-sufficient by 2035 (according to the International Energy Agency). A reduced reliance on energy from the Middle East will make the US less dependent on the world’s most volatile region—and less interested in getting involved in its geopolitical flare-ups. Meanwhile, to feed its expanding economy and growing middle class, China will become increasingly attached to Middle Eastern energy producers—and vice versa.

Petrostates’ tectonic shift away from the United States towards China will have far-reaching ramifications for these governments, their neighborhoods, and the global energy picture. A risk-averse Chinese leadership will not address the geostrategic issues and security concerns that go hand in hand with energy production in volatile Eurasia and the Middle East. While Washington doesn’t have a formal strategy to intervene on behalf of American energy companies, U.S. engagement does coincide with these linkages. For example, robust energy ties between the United States and Saudi Arabia have underpinned the strategic alliance. That will not be the case with China as it increasingly inherits the United States’ role as the world’s principal energy importer. China will work to engage commercially with no strings attached: it will gladly ink sweetheart energy deals with Russian leadership, but that doesn’t commit Beijing to any deeper geostrategic engagement. That is a very different style of “partner” indeed.

China will likely choose to maintain this more transactional approach to diplomacy, contributing to an expanding power vacuum in these regions. Interventionist diplomacy beyond the Asia Pacific region is new for the Chinese, and meddling in distant countries is particularly troublesome for a leadership that so adamantly believes sovereignty is sacrosanct as it safeguards its own internal affairs against outside intervention. The only thing more problematic than an absence of leadership could be an inconsistent and opaque Chinese presence.

Don’t overestimate the near-term impact of oil prices in free fall. Yet, even if cheaper oil doesn’t upend these regimes — or align them with Washington — it will accelerate their deepening dependence on China. That is a recipe for greater instability and a more volatile global energy landscape.

Announcements & Reports

► *Short-Term Energy Outlook*

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

► *World Oil Transit Chokepoints*

Source : EIA
Weblink : http://www.eia.gov/countries/analysisbriefs/World_Oil_Transit_Chokepoints/wotc.pdf

► *Drilling Productivity Report*

Source : EIA
Weblink : http://www.eia.gov/petroleum/drilling/pdf/dpr-full.pdf

► *World Energy Outlook 2014*

Source : IEA
Weblink : http://www.iea.org/publications/freepublications/publication/WEO_2014_ES_English_WEB.pdf

► *Energy Codependency*

Source : CSIS
Weblink : http://csis.org/files/publication/Chow.pdf

► *The New Energy Revolution and the Gulf*

Source : CSIS
Weblink : http://csis.org/files/publication/121114_Barnett_GulfEnergy_Web.pdf

► *The Shale Revolution and the New Geopolitics of Energy*

Source : Atlantic Council
Weblink : http://www.atlanticcouncil.org/images/publications/Shale_Revolution_and_the_New_Geopolitics_of_Energy.pdf

Upcoming Events

► *Middle East Upstream Forum*

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

► *EU Energy Policy*

Date : 17 November 2014
Place : Brussels - Belgium
Website : http://ec.europa.eu/energy/events/doc/201411_energy_policy_conference.pdf

► *Remaking American Power: The Energy Market Impacts of EPA's Clean Power Plan*

Date : 18 November 2014
Place : Washington - USA
Website : http://csis.org/event/remaking-american-power-energy-market-impacts-epas-clean-power-plan

► *3rd Romania Oil & Gas Conference*

Date : 18 - 19 November 2014
Place : Bucharest - Romania
Website : http://www.romania-og.com/

► *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

► *Shell distinguished lecture series*

Date : 19 November 2014
Place : Houston - USA
Website : http://bakerinstitute.org/events/1675/

► *Perth Energy Forum 2014*

Date : 20 November 2014
Place : Houston - USA
Website : http://bakerinstitute.org/events/1683/

► *The future of Argentina's energy policy*

Date : 20 November 2014
Place : Houston - USA
Website : http://bakerinstitute.org/events/1683/

► *International Energy Congress and Fair / EIF 2014*

Date : 24 – 25 November 2014
Place : Ankara - Turkey
Website : http://energy-congress.com/2014/

► *7th International Energy Congress Expo*

Date : 24 - 25 November 2014
Place : Ankara - Turkey
Website : http://www.energy-congress.com

► *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

► *Ashgabat Energy Charter Forum: Reliable and Stable Transit of Energy*

Date : 08-09 December 2014
Place : Ashgabat - Turkmenistan
Website : http://www.encharter.org/index.php?id=676&L=0

► 8th Transparency Workshop

Date : 11 December 2014
Place : Brussels - Belgium
Website : http://www.entsog.eu/events/entsog-8th-transparency-workshop#welcome

► Kurdish – Iraq Oil & Gas

Date : 16 – 18 December 2014
Place : London – United Kingdom
Website : http://cwc-news.com/S3A-2TCLY-E1BYMVHYA9/cr.aspx?v=0

► Middle East and North Africa Energy

Date : 26 January 2015
Place : London – United Kingdom
Website : http://www.chathamhouse.org/events/Mena-Energy2015

► Middle East and North Africa Energy

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

► 4th Erbil Oil & Gas International Exhibition

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

► Ukrainian Energy Forum

Date : 02 – 05 March 2015
Place : Kyiv – Ukraine
Website : http://www.ukrainianenergy.com/

► 14th Turkish International Oil & Gas Conference

Date : 18 – 19 March 2015
Place : Ankara – Turkey
Website : http://www.turoge.com/Home.aspx

► 14th Georgian International Oil, Gas, Infrastructure & Energy Conference

Date : 25 – 26 March 2015
Place : Tbilisi – Georgia
Website : http://www.worldoils.com/showevents.php?id=3945&event_name=14th%20Georgian%20International%20Oil,%20Gas,%20Infrastructure%20&%20Energy%20Conference%20(GIOGIE)

► 9th Atyrau Regional Petroleum Technology Conference

Date : 14 – 15 April 2015
Place : Atyrau – Kazakhstan
Website : http://www.oiltech-atyrau.com/About.aspx

► 14th North Caspian Regional Atyrau Oil & Gas Exhibition

Date : 14 – 16 April 2015
Place : Atyrau – Kazakhstan
Website : http://oil-gas.kz/en/

Supported by PETFORM

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

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

► OGA 2015

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

► 22nd International Caspian Oil & Gas Exhibition and Conference

Date : 02 – 05 June 2015
Place : Baku – Azerbaijan
Website : http://www.caspianoilgas.az/2015/

► 6th OPEC International Seminar

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

► 12th Russian Petroleum & Gas Congress

Date : 23 – 25 June 2015
Place : Moscow – Russia
Website : http://www.mioge.com/RPGC-Congress/About-the-Conference.aspx

► 13th Moscow Inernational Oil & Gas Exhibition

Date : 23 – 26 June 2015
Place : Moscow – Russia
Website : http://www.mioge.com/mioge-exhibition/about-the-exhibition.aspx

► 7th South Russia International Oil & Gas Exhibition

Date : 02 – 04 September 2015
Place : Krasnodar – Russia
Website : http://www.oilgas-expo.su/en-GB

► 22nd Annual India Oil & Gas Review Summit and International Exhibition

Date : 09 – 10 September 2015
Place : Mumbai – India
Website : http://www.oilgas-events.com/india-oil-gas

► The Energy Event 15

Date : 15 – 16 September 2015
Place : Birmingham – United Kingdom
Website : http://www.theenergyevent.com/Content/MAIN-SF-W2L-enquiry-form

► 3rd East Mediterranean Gas Conference

Date : 22 – 23 September 2015
Place : Paphos – Greek Cyprus
Website : http://www.oilgas-events.com/East-Med-Oil-Gas

► 23rd Kazakhstan International Oil & Gas Exhibition and Conference

Date : 06 – 09 October 2015
Place : Almaty – Kazkhstan
Website : http://www.kioge.kz/en/conference/about-conference