Oil & Gas Bulletin
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Russian gas to Turkey via West Line falls by 40 percent

Anadolu Agency, *20.11.2014*

Russian natural gas volumes from the West Line to Turkey fell by 40 percent, said Turkey's Minister of Energy and Natural Resources. "Russia's daily natural gas delivery to Turkey decreased by nearly 40 percent said Taner Yildiz at a press conference at the Atlantic Council Energy and Economic Summit held in Istanbul.

Yildiz stated that the volume of gas from the West Line has fallen from 42 to 27-28 million cubic meters per day, while he did not comment on the reason for the decrease. "The amount should increase again to the contract level. Turkey pays its dues on time," he added.

Turkey imports six billion cubic meters of natural gas per year from Russia via the West Line over its northwest Thrace region from Russia, according to figures from the Turkish Petroleum Pipeline Corporation, BOTAS. Yildiz held a press conference with the U.S. Secretary of Energy Ernest Moniz at the summit after the signing ceremony of a Memorandum of Understanding between Turkey and the U.S. for improving wind energy. "The MoU is one more step towards a strong relationship between our countries for economic development, clean energy and addressing our mutual concerns on energy security," said Moniz. Yildiz said that they want the wind turbines to be manufactured in Turkey to target a $500 million worth of investment at least. "Turkey had an installed capacity of 19 megawatts twelve years ago. Now, this is up to around 3500-3600 megawatts," he added.

The Iraqi Federal Government in Baghdad and the Kurdish Regional Government in Erbil reached an agreement to resolve all outstanding issues between them. Relations between Erbil and Baghdad have been strained since the Kurdish Regional Government began exporting oil independently to world markets via pipelines through Turkey in January. "Iraq, as a whole, has tremendous energy resources, and we support the development of these sources within its constitutional framework," Moniz said. "The agreement they reached last week is a first step between Baghdad and Kirkuk to work together" he added.

Iraq's federal government had said the regional government exported Iraqi oil illegally without Baghdad's authorization, while Erbil argued the oil sales were in compliance with the new Iraqi constitution. "The shares from Iraqi oil revenues are determined by Iraq's constitution. Turkey helps Iraq by selling its oil to international markets in such times when it needs stability the most" Yildiz said. "Iraq is a whole and there is no difference in its north or south, in Erbil or Basra. The oil belongs to all of Iraq," he added. "We discussed the possibility of further collaboration this morning on nuclear power plants in Turkey," said Moniz. "In the U.S., we remain committed to nuclear power. We are promoting small reactors between 50-200 megawatts of power for the future," Moniz added.

Yildiz stated that U.S.' policies on nuclear, coal and renewable energy are praiseworthy, while nuclear energy is very important for Turkey to diversify its energy sources. Yildiz spoke on the tensions in the island of Cyprus, and stated that the natural gas resources around the island belong to all Cypriots. "If we say Iraqi oil belongs to all Iraq, we should hold the same argument for Cyprus too," he added. Israel plans to export its natural gas by one of two possible routes to reach the European market, according to energy experts. While one of the options is to deliver the gas through southern Cyprus to Greece and to Europe, the other viable option is to use the route through northern Cyprus to Turkey and then to Europe. "The future of natural gas in Israeli territories should be determined in the most feasible way. Experts on the issue know the best and most feasible way to deliver the gas to Europe. We believe, in time, the most reasonable solution will reveal itself," Yildiz concluded.

Turkey will receive its first Qatari LNG delivery this week under a nine-cargo winter strip deal

Argus, *18.11.2014*

The 216,200m³ Al Kharaitiyat will arrive at Turkey's 4.4mn t/yr Aegean coast Aliaga terminal later this week carrying a cargo from Ras Laffan. Turkey's state-owned Botas secured LNG supply equivalent to 2bn m³ of pipeline under short-term deals for delivery this winter, in addition to term cargoes from Algeria and Nigeria.

Part of that short-term supply is a strip deal to buy LNG equivalent to 1.2bn m³ of pipeline gas in nine shipments from Qatar to be delivered between November and March. The rest has been bought from a variety of suppliers, including BP, Shell and Norwegian state-controlled Statoil.

So far this month, Aliaga has received a Norwegian cargo on the 155,000m³ Arctic Voyager and a Spanish re-export on the 150,900m³ SS Explorer. Another Norwegian cargo is scheduled to arrive at Aliaga on the 155,000m³ Arctic Aurora on 27 November. Botas generally receives cargoes acquired under short-term deals at Aliaga and receives term cargoes from Algeria and Nigeria at the 6mn t/yr Marmara Ereglisi terminal near Istanbul. The additional LNG supply was booked after the Turkish system struggled to balance strong demand last winter. And it may help to offset supply shortfalls this heating season. Russian gas delivered through the Western Line, which passes through Ukraine, Romania and Bulgaria, has fallen around 30pc short of importers' nominations since mid-October.

Yildiz: Baghdad to start oil transit

Anadolu Agency, *18.11.2014*

The Central Iraqi government will restart transporting oil which was halted in March, Turkey's Energy and Natural Resources Minister said at an energy conference in Rome.

"Income from oil contributes towards the stability of Iraq, and Turkey argued from the beginning that it belongs to all Iraq both north and south. Turkey did its share of work to form and protect such a system," Turkey's Energy and Natural Resources Minister Taner Yildiz said at the "Building a Euro Mediterranean Energy Bridge" Conference in Rome. "We will witness oil transportation of 150 thousand barrels per day effective from the Central Iraqi government," Yildiz said.

Iraq and the Kurdish Regional Government had come to an agreement to resolve the conflict of oil exports and re-establish trust last Friday. The Kurdish Regional Government continued to sell oil to the world's markets from the Ceyhan port of Turkey via the Kirkuk-Ceyhan pipeline. The central government accused the Kurdish Regional Government of violating the constitution which stipulates that oil sales be administered directly from the capital Baghdad whereas the Kurds insist that it is their right to sell oil for their people's needs.

On a separate issue regarding the island of Cyprus, Yildiz said the energy resources around Cyprus belong to all the islanders, both the Greek Cypriot Administration and the Turkish Republic of Northern Cyprus. According to Yildiz, a sustainable move is to have cooperation in the eastern Mediterranean, and to this end, a political structure on the island needs to be set ensuring economic feasibility. The Greek-Cypriot Administration suspended talks over the divided island on October 7.Negotiations between Turkish Cypriots and Greek Cypriots resumed after a two-year pause in February 2013. The previous round of talks collapsed partly because of the impact of the Eurozone debt crisis on the government in Lefkosa. According to the Turkish Foreign Ministry, Prime Minister Ahmet Davutoglu will visit Athens on December 5 and 6 to attend a bilateral cooperation meeting.

EU seeks to expand energy cooperation with Turkey

USAK, *18.11.2014*

The 2014 Progress Report on Turkey was published on 8 October 2014. The Commission assess the progress made over the last year by candidate countries in EU accession via such progress reports.

Each report is based on the analysis of candidate countries' ability to take on the obligations of membership outlined in 33 acquis chapters, examples being free movement of goods and capital, information society and media, transport policy, etc. Here, the 2014 Progress Report on Turkey will be examined with regard to the Energy Chapter, which has not yet been opened due to the Republic of Cyprus's veto.

First of all, the Commission highlights the importance of Turkey's strategic location and the will of the EU to further cooperate with Turkey in the realm of energy security. The topics examined under the Energy Chapter are essentially: supply security, the internal energy market, renewable energy, energy efficiency, nuclear safety and radiation protection, and electricity networks. On the one hand, the progress Turkey has made in the aforementioned areas was evaluated and some deficiencies were indicated. On the other hand, the Report also mentions Turkey's approach towards Cyprus's hydrocarbon exploration in the East Mediterranean, recommending that the country change its current path.

According to the Report, decisions regarding final investments in Southern Gas Corridor projects including the Shah Deniz II field, the trans-Anatolian pipeline, and the trans-Adriatic pipeline contribute to Europe's energy supply security. In addition, the Report assess the importance of recent developments such as the granting of licenses for the import of 3.2 billion cubic meters of gas annually from Northern Iraq and for the export of gas to Greece.

Regarding the internal energy market, the Report stated that Turkey has made considerable progress in the field of privatization of the electricity market although the process is not yet complete. Particularly, the Report specified that Turkey's Energy Markets Operation Joint Stock Company (EPIAS) must continue to function smoothly and that the country must also assure the prevention of cross-subsidization between customers.

According to the Report, concerning renewable energy, Turkey promotes small-scale renewable energy sources, particularly wind power plants and solar energy sources, with implementation regulations issued under the Electricity Market Law. With respect to energy efficiency, the Report stresses that Turkey needs a comprehensive and detailed roadmap for aligning its legal arrangements with the EU Energy Efficiency Directive.

As stated by the Report, Turkey needs a framework law on nuclear energy and radiation as well as an independent regulatory authority. The Report also points out that the law on acceding to the Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management is still awaiting approval by parliament. Lastly, regarding electricity networks, the completion of electricity interconnection lines with Bulgaria and Georgia is found as an advantageous endeavor in terms of energy supply security.

The Report emphasizes the sovereign rights of EU Member States. According to the Report, Cyprus's hydrocarbon exploration and its entrance into bilateral agreements for such resource exploration should be acknowledged as the sovereign rights of Cyprus. Therefore, the Report stated that Turkey must respect these rights in order to prevent damaging good neighborly relations. Overall, the Report assess the progress of Turkey in the field of energy, especially in areas relevant to security of supply, the internal market for electricity, and renewable energy. Expert at USAK's Center for European Union Studies Fatma Yılmaz Elmas commented that the remarks in the Report referring to the Cyprus issue show that political consensus must be achieved before the application of technical conditions that align with EU legislation.

In addition, Elmas stated that considering the current state of relations between Turkey and Cyprus, it does not seem likely that the energy chapter will be opened anytime soon. USAK Director for Energy Security Studies Hasan Selim Özertem commented that the important references to the Southern Gas Corridor made in the Report suggest that Azerbaijan, Iraq, Iran and the Eastern Mediterranean region will be highly discussed in terms of energy. Özertem added that in order for these projects to be successfully implemented, the political tensions nested between the aforementioned countries necessitates political cooperation, and in this way, increased dialogue between the EU and Turkey will gain more importance.

Turkey to renew gas deal with Algeria

Anadolu Agency**,** *19.11.2014*

Turkey and Algeria will renew their liquefied natural gas deal which will expire by the end of 2014. Turkey has imported 4 billion cubic meters of liquefied natural gas, or LNG, every year from Algeria since 1988. The contract is set to expire by the end of this year.

Turkish President Recep Tayyip Erdogan and Energy Minister Taner Yildiz are on their way to Algeria, where among several other meetings they will renew the LNG deal. "The contract will be renewed for 10 years and 4.4 billion cubic meters of gas will be delivered per year," Yildiz said in Rome, where he met his Algerian counterpart, Youcef Yousfi.

Yildiz added that the deal will contribute to Turkey's energy supply security, while Algerian minister said the gas flow might increase to 6 billion cubic meters when technically possible. Turkey buys gas from Russia, Azerbaijan, Iran, Nigeria, Algeria and Qatar.

Privatization: Who will run Istanbul's gas grid?

Hurriyet Daily News, *15.11.2014*

The coming tender to privatize the distribution of Istanbul's gas to its 5.1 million customers should not be seen as a simple commercial transaction of "whoever pays the most in the bidding round will win the contract."

It is rather strategic for many reasons affecting Turkey's energy security, investment climate, environmental quality and trading ties. Most of all, it is strategic due to the magnitude of Istanbul, one of the world's largest cities. Any breakdown in the gas supply, infrastructure, distribution or operation would cause potentially immense consequences for the entire country.

Indeed, the Istanbul Gas Distribution Company (İGDAŞ) is currently the largest natural gas distribution company in Turkey. It sold 5 billion cubic meters of natural gas, had revenue of 4.6 billion Turkish Liras (about 1.65 billion euros) and posted a net income of 279 million liras in 2013. İGDAŞ is undoubtedly a prestigious and strategic asset both nationally and globally. Thus, it is expected to generate high interest from major local and international investors, despite the fact it comes at a time when investment levels are declining globally and geopolitical tension in gas producing countries and regions is on the rise. According to media reports, expressions of interest have already been received from Gazprom and Marubani Corp, as well as Turkish companies including EgeGaz, Enerya and Aygaz. There may also be other bidders stepping in once the tender specifications are published.

An uninterrupted and reasonably priced gas supply is a prerequisite for the success of İGDAŞ's future owner because it currently consumes more than 12 percent of Turkey's total gas demand. The significance of consumption rates will attract those upstream suppliers who aspire to be part of this attractive downstream business. Gazprom's chances to win the tender may not be so high, given Turkey's already excessive dependence on Russia's gas, nuclear, oil and coal supply. SOCAR, another major gas supplier, announced that it would not bid for this tender, but it might change its mind in the course of how things evolve.

As for local partners, they will be hungry for financial back-up. Considering the immediate cash generation prospects of a mature and expanding business involving 14.2 million people, I would not be surprised if strategic financial investors, such as pension funds and sovereign wealth funds, take a keen interest in this tender. Turks have a more or less good track-record in privatizing their city gas distribution assets, the latest one being Başkent Gas in Ankara, which served 1.3 million customers in 2013. The Ankara privatization tender attracted China's ENN Group, which controls gas distribution in more than a hundred Chinese cities, a Saudi Arabian-based investment fund and local groups such as Akfen, Aksa, Kolin-Cengiz-Limak, Aygaz, STFA, Torunlar and Global Yatırım. The Torunlar Group ultimately won the tender for $1.1 billion.

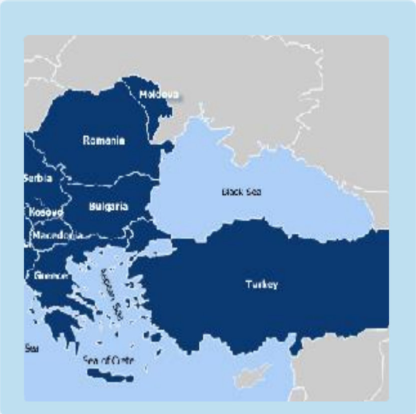
Although a similar path may be pursued, Istanbul could also be different in some respects. It is the largest city in Turkey, serving as the business and cultural heart of the country. It is also one of the largest agglomerations in Europe and the fifth-largest city in the world in terms of population within its city limits. It is growing bigger every passing year and gas demand will be accordingly on the rise during the coming decades. Normally, green field city gas distribution projects are exposed to high execution risks because of the long construction period involved, the extensive approvals required and the state support needed in terms of land allocation and scaling up of sales. However, İGDAŞ offers a mature, completed and functioning asset ready to generate cash from day one.

On top of that, the privatization process may not take too long and can be speedily completed for two reasons. First, the government needs fresh cash to be injected into its Treasury coffers for relief before the parliamentary elections due in May 2015. Second, there are sufficient benchmarks of privatization to learn from. İGDAŞ was slated for privatization back in 2012 and lots of work has already been done to pave the way for a smooth process. Citigroup and Burgan Yatırım have been retained to advise on the privatization of the gas grid. Together with the Privatization Administration, they are finalizing preparations for İGDAŞ's tender announcement soon. Separating the Asian and European distribution activities is also an option under consideration. The price has not yet been announced, but if Başkent Gas' final value is any guidance, İGDAŞ's price tag could be above the $5 billion mark.

Furthermore, the draft of the Natural Gas Market Law includes provisions and exemptions intended to increase bidders' appetites. Accordingly, usage and transportation fees will be fixed at the lira equivalent of $0.062378/m3 and $0.001480/m3, respectively, for 10 years. Investors will, therefore, enjoy decade-long predictability and protection against currency fluctuations. On an absolute basis, natural gas will see the biggest growth of any energy resource over the next decade. Whether that benefits natural gas producers or consumers will depend on the price of gas. Whoever wins the İGDAŞ tender will no doubt touch on the lives of Istanbulites, and be viewed as a global strategic gas player or, if already so, enhance its competitive position significantly.

Efforts to establish a gas trading hub in Southeast Europe

Natural Gas Europe, *17.11.2014*



Over the past few years in countries such as Greece, Bulgaria and Turkey, a discussion has been enacted regarding the viability of the establishment of a peripheral natural gas virtual trading hub that will enable flexibility for the local markets, along with considerable price reductions, especially in times of great demand such as in the winter period.

The Greek Energy Ministry is already looking into this prospect, as well as, the IENE (Institute of Energy for South East Europe), an energy and analyses institute that recently issued a complete report regarding the establishment of a natural gas hub.

For the moment, basic requirements for such a course of action to be materialized is to have interconnectors in place such as the Interconnector Greece-Bulgaria (IGB), which is scheduled to be operational in 2016, along with the flow of the Azeri gas from the Trans-Adriatic Pipeline (TAP), due around 2019-2020. The concept as envisaged by governmental figures and industry experts is also based on the upgrade of the Greek LNG terminal infrastructure in the North of the country and close to the regional markets. Under these terms it has already assessed that no gas hub could be effectively operational before 2020, making Southeastern Europe the only region in the EU without these mechanisms for liberal gas transactions, whilst there are already nine operational hubs across the Continent, which handle more than 40% of the total gas volumes on annual basis.

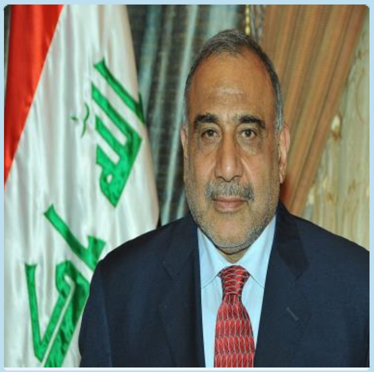
The Greek Energy Ministry gas assessed that things could move forward sooner through the creation of a large underground storage facility for gas in the Kavala region able to store around 1 bcm per year, along with the concurrent Bulgarian upgrade of its own deport for similar amounts by 2017-2018. Moreover, Turkey is moving along to catch up with the rest of the countries, aiming to establish a hub in Istanbul, betting on the introduction of the Trans-Anatolian Pipeline (TANAP) by 2018 and the increase in gas volumes from Iran, and also Russia, through the recent agreement to upgrade the Blue Stream pipeline. Turkey is also steadily creating an international import scheme from countries such as Algeria, Nigeria and Qatar of LNG shipments and is eying to have also a steady flow of Kurdish natural gas supply.

Turkey has created the EPIAS Energy Exchange, which deals in the electricity market and has as a final goal to enter into gas trade. In that sense, Turkey already has a lead compared to both Greece and Bulgaria, while the quantities that will be available by 2018 for trading in Istanbul will amount to at least 10 bcm per annum, compared to not more than 1-1.5 bcm in Greece after 2020. Infrastructure needed for LNG terminals and storage facilities will require a hefty investment of capital that will certainly need to be sourced from abroad in times of uncertainty with respect to Greece's current economic situation.

IENE has assessed that Greece could have two hubs, one in Athens linked to the Athens energy stock exchange and one in Thessaloniki that will act as supplementary to that of Istanbul. Lastly, it should be noted that the central European hub in Austria, which constitutes a landmark of success for these types of transactions, is betting on a large inflow of gas from the South Stream pipeline project, along with the introduction of more Russian gas through the Nord Stream, indirectly via the OPAL pipeline. At the same time Hungary is upgrading its storage facilities and Serbia is looking into integrating in the central European energy market and not in the Southern Balkans. These are parameters may effectively Greek plans and remain neutral with regards to Turkish expansion.

Iraq to Assume Oil Price at $80 in 2015 Budget

Anadolu Agency, *18.11.2014*



Iraq's oil minister told parliament that he expects next year's budget to be based on an oil price of $80 per barrel, as the country is losing millions of dollars in revenue due to falling crude prices. The country's 2014 budget was based on $90 per barrel, but it has still not been approved by parliament due to political turmoil.

The brent crude benchmark has tumbled by about 30 percent since June and is now hovering around $78 per barrel, which is hurting countries like Iraq who depend on oil as their largest budget contributor. Iraq's oil ministry has said the country lost 27 percent of this year's expected revenues.

"Iraq will be affected by falling oil prices," oil minister Adel Abdul Mahdi told the Iraqi parliament on Monday, according to a statement released by his ministry. He said the ministry was reviewing public spending because it was currently unsustainable. Abdul Mahdi defended the recent agreement reached with the Kurdish Regional Government regarding oil exports from the region. "It is not about giving an amount of money for an amount of oil. It is an important agreement aimed at reaching a final agreement between the central government and the region," the minister said.

Last week, Baghdad agreed to transfer $500 million to the Kurdish Regional Government and, in return, the northern Iraqi region will export 150,000 barrels per day of crude oil for the central government. The two sides have yet to reach a final settlement to the long-standing dispute that led Baghdad to stop transferring the region's share of the national budget. In response, the Kurdish Regional Government started exporting oil from the north independently -- denying the central government any of its revenues.

Abdul Mahdi said that 150,000 barrels were starting to arrive at the Turkish port of Cihan in order to be exported in the name of the Iraqi government. The Kurdish Regional Government now uses its own pipeline to pump crude oil to Cihan and then export it to world markets. Meanwhile, the central government's exports from the northern city of Kirkuk to Cihan have stopped amid battles between the Iraqi army and the Islamic State in Iraq and Levant which took over Mosul, Iraq's second largest city. Abdul Mahdi said the agreement that Baghdad is trying to reach to export oil through Kurdish pipelines would benefit all provinces of Iraq, "especially because Kirkuk pipelines would not be fit for operation even if Mosul was liberated."

Saudi oil policy uncertainty unleashes the conspiracy theorists

Reuters, *19.11.2014*

If Saudi Oil Minister Ali al Naimi wants to stop conspiracy theories spreading before a crucial OPEC meeting next week, it's too late.

Naimi's intervention last week after a two-month silence failed to address a question energy markets want answered: is the OPEC leader no longer willing to defend oil prices and is it pursuing new commercial or even geopolitical goals? Despite Naimi's insistence that Riyadh wants stable markets, diplomatic and market sources say Saudi officials told recent private briefings that the kingdom can live for some time with current, or even lower, levels.

Reading Saudi oil policies has long been like Kremlinology - understanding the politics of that other secretive power, Russia. The next OPEC meeting on Nov. 27 is taking this art to a new, higher level. A number of explanations have been offered to fill the information vacuum on Riyadh's intentions and they aren't all from the usual conspiracy theorists in Russia and Iran, which are at loggerheads with the kingdom. Oil market watchers are divided on the outcome of the meeting in Vienna. Predictions range from a large OPEC production cut to revive prices through a small cut to none at all. Even those who have known Naimi for decades are puzzled. "For the first time, I really do not know what is likely to happen at the meeting. It is not clear," said a long-serving senior OPEC delegate.

When Naimi finally spoke on Nov. 12, he said Riyadh's desire for stable markets had not changed. "Saudi oil policy... have been subject a great deal of wild and inaccurate conjecture in recent weeks. We do not seek to politicize oil ... For us it's a question of supply and demand, it's purely business," he said. According to four market and diplomatic sources, who asked not to be named, Saudi officials briefed OPEC watchers privately in New York and Riyadh in September and October. Nasser al-Dossary, Saudi Arabia's national representative to OPEC, Naimi's deputy Prince Abdulaziz bin Salman and the kingdom's OPEC governor Mohammed Al-Madhi attended at least one of these meeting to give the message that, with its large currency reserves, the kingdom was prepared to withstand oil prices as low as $70-$80 per barrel for up to a year. Most members of the cartel apart from Saudi Arabia need much higher prices to balance their budgets but ironically are unable or unwilling to reduce their output to counter a global glut caused by slowing economic growth in China and Europe, just as U.S. oil production booms.

Should the Saudis tell fellow OPEC members, badly suffering from the oil price collapse, that they will not cut output, debate will intensify on what prompted the policy shift. One possibility is Riyadh wants to see off U.S. shale oil, which is believed to need much higher prices than conventional production to remain competitive. “They are after U.S. shale,” said one participant in the meetings with Saudi officials. However, the source added that the Saudis might also regard low prices as an opportunity to put even more pressure on Iran and Russia for supporting Syrian President Bashar al-Assad, an arch-enemy of Riyadh, in the country’s civil war.

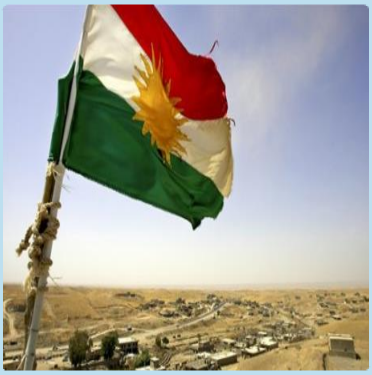
Several Saudi oil sources have denied over the past month that geopolitics are now driving the policy, but they have failed to stifle theories that Riyadh and Washington are working together to hold down prices. “What is the reason for the United States and some U.S. allies wanting to drive down the price of oil? To harm Russia,” Nicolas Maduro, president of fellow OPEC member Venezuela, said last month. Masoud Mirkazemi, an Iranian lawmaker and former oil minister, said Riyadh was helping the G20 group of major economies. “Saudi Arabia, which intends to manage OPEC, serves the interests of the G20 group,” he said.

In Russia, the idea of a Saudi-U.S. plot against Moscow has become common currency as the economy struggles under the effects of low oil prices and Western sanctions imposed over its annexation of Crimea and support for rebels in eastern Ukraine. Leonid Fedun, a co-owner of private oil firm Lukoil, cited President Barack Obama’s visit to Riyadh in March. “Obama traveled to meet the king of Saudi Arabia just after the Crimea events to push him to these actions (to lower the oil price),” Fedun, whose firm has large U.S. assets, said last month.

Russia and Iran routinely allege U.S. plots against their economies, but the conspiracy theories are spreading. “Is it just my imagination or is there a global oil war underway pitting the United States and Saudi Arabia on one side against Russia and Iran on the other?” New York Times columnist Thomas Friedman, wrote last month. U.S. Secretary of State John Kerry sidestepped the issue after a trip to Saudi Arabia in September. Asked if past discussions with Riyadh had touched on Russia’s need for oil above $100 to balance its budget, he smiled and said: “They (Saudis) are very, very well aware of their ability to have an impact on global oil prices.”

Genel Energy signs deal to develop two gas fields in Kurdish Region

Natural Gas Europe, *14.11.2014*



UK based Genel Energy announced that it has reached an agreement with the Ministry of Natural Resources 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, Austria based company, to acquire its 36% operated stake in the Bina Bawi gas field for $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, and these agreements represent a win-win in the commercialisation of Miran and Bina Bawi Genel said.

"It materially de-risks the value of Genel's gas business, gives attractive project returns whilesignificantly lowering our capital exposure, and provides revenues from early oil production. For the KRG, it unlocks the Miran and Bina Bawi gas resource and will enable it to satisfy domestic gas demand and its obligations under the KRG-Turkey Gas Sales Agreement," Tony Hayward, chief executive of Genel Energy, said. The company expects that a final investment decision for the development of the fields will be made in the first half of 2015. Genel's current estimate of combined gross mean raw gas resources at Miran and Bina Bawi is 11.4 trillion cubic feet (tcf), which is expected to deliver gross mean sales gas of 8.4 tcf.

Iran's NIGC, Russia's Gazprom sign gas coopeartion deal

Natural Gas Asia, *17.11.2014*

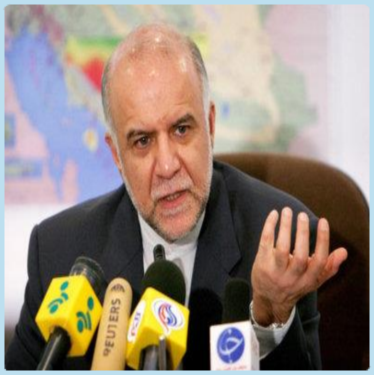
National Iranian Gas Company (NIGC) and Russian energy company Gazprom have signed a cooperation agreement, Iran's Mehr News Agency reported. Hamid Reza Araqi, Iran's Deputy Oil Minister, told.

Mehr News report that the cooperation agreement would not only cover development of gas projects but would also take training and international activities between two parties to new levels. Araqi stressed that the agreement however is not an orchestrated attempt by Iran and Russia to "shape the global gas market".

"Iran has great technical and engineering capabilities in CNG (compressed natural gas); and would export technical services to Russia as well," Mehr News quoted Araqi as saying. "We predict that many facets of Iran and Russia gas cooperation would only be realized when the final draft of agreement is signed by two sides," he said.

Iran taps into National Fund to counter oil price impact

Anadolu Agency, *17.11.2014*



Iran has tapped into a national fund to offset the impact of falling oil prices, while criticizing some countries for "fabricating pretexts" to keep their oil production high.

"By drawing upon its National Development Fund to reimburse contractors active in upstream projects, Iran will make up for the impact of oil revenue decline on these projects," the country's oil ministry's news agency SHANA quoted the oil minister Bijan Namdar Zangeneh. The National Development Fund is a sovereign fund created in 2011 to allocate a portion of the country's oil revenue to productive investments to preserve oil wealth for future generations.

"Iran intends to adopt a contradictory monetary policy for the next (calendar) year and raise tax revenues to compensate for the impact of the oil price slide," Zangeneh added. The oil minister's announcement underlines how badly his country is suffering from falling oil prices. Iran needs an oil price much higher than $100 per barrel to balance its budget. The benchmark Brent crude oil currently trades around $78, representing a 30 percent decrease in the past four months.

Zangeneh visited large oil-producing countries such as Kuwait and Qatar this month and plans to visit the United Arab Emirates on Tuesday to discuss "ways of curbing the downward trend" of crude prices. However, it is not clear whether Zangeneh has discussed potential production cuts by those countries to aid oil prices. He said the visits were part of "conventional consultative trips" made ahead of the OPEC annual meeting which is scheduled to be held in Vienna on November 27. Zangeneh accused unnamed oil-producing countries of fabricating excuses to justify their refusal to cut their production to help stabilize prices. The accusation apparently refers to Saudi Arabia who is keeping production high while cutting prices to some customers. "Certain countries raised their production after the exit of several countries from the cycle of oil production. Now it is difficult for them to reduce their production for market stability and they are fabricating different pretexts for their action," SHANA quoted Zangeneh.

Oman plans to spend $2 billion on gas exploration

Natural Gas Asia, *17.11.2014*

Petroleum Development of Oman (PDO) plans to invest between $1.5 billion and $2 billion from next year for gas exploration, the company said Monday. "We are currently producing some 90 million cubic feet, but from next year we are going to invest between $1.5 billion and $2 billion for gas exploration," Raul Restucci, PDO's Managing Director told Times of Oman.

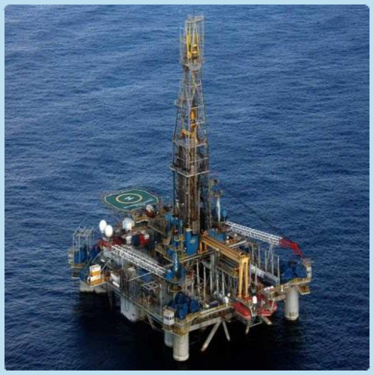
The Sultanate's national oil company has recorded an average production of 1.25 million barrels of oil equivalent per day in 2013. Also, the total natural gas-developed reserves increased by 1.3 trillion cubic feet last year.

Oman is working on some major gas projects. Sanctioned in December 2013, the Khazzan project represents the first phase in the development of one of the Middle East region's largest unconventional tight gas plays. Khazzan has the potential to be a major new source of gas supply for Oman for many decades, according to BP. BP is the operator of Block 61 and holds a 60% interest. The Oman Oil Company for Exploration and Production (OOCEP) holds remaining 40% interest.

OOCEP is also preparing to bring its Abu Butabul tight gas field in Block 60 into commercial production. The project will be Oman's first unconventional hydrocarbon project to become operational. 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.

US underlines importance of Cyprus natural gas cooperation

In Cyprus, *18.11.2014*



The US State Department's Acting Special Envoy and Coordinator for Energy Affairs Amos Hochstein has said that the best way to commercialize Cyprus` natural gas is by looking at the Eastern Mediterranean as a whole, noting that "we have to identify a way for taking advantage of existing infrastructure".

Hochstein was asked if natural gas resources in Cyprus are too small to play any role in the European supply. He replied that "I do not think it is too small", noting that "we are at the beginning of the process of identifying what the size of the reservoirs of recoverable gas is in Cyprus".

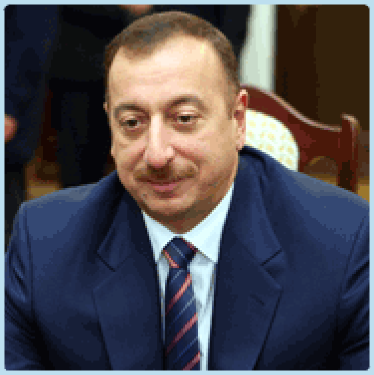
He recalled that "there is a drilling going on at the moment by Italian company ENI in association with their partners from Korea (KOGAS). We will have to see what the results from that are". Asked about the best way to get the Cyprus natural gas to Europe, he said the best way to look at this issue is "by looking at the Eastern Mediterranean as a whole", from Israel to Cyprus, Egypt, Turkey, Greece and "potentially in the future maybe Lebanon as well". "The key to commercializing and monetizing these great new exiting discoveries is working together. We have to work on the political process obviously, we have to identify a way for taking advantage of existing infrastructure and not trying to replicate each country on its own very costly projects", he pointed out.

Hochstein said that "the more we can work together that would contribute to getting better results for the stability, security and prosperity of the region". He also pointed out that each of the above mentioned countries have aligned and similar interests. Replying to another question, he said that the Eastern Mediterranean is a great example "where if you get the politics right, the payoff is going to be quite considerable and impressive". The region, he went on to note, could be a source of supply for global markets and specifically for Europe. The consortium of Noble Energy and Delek drilling holds the right to explore Cyprus' offshore block 12, in the Republic's Exclusive Economic Zone (EEZ) as well as Leviathan and Tamar gas fields of Israel.

In late 2011, Noble announced a discovery offshore Cyprus with estimated gross mean resources of 5 Tcf, and is currently studying options for development. The consortium`s successful exploration wells offshore Israel and Cyprus has resulted in the discovery of more than 40 Tcf of new gas resources for this region. Consortium ENI/KOGAS has been awarded exploration licenses in Cyprus` EEZ, namely in Blocks 2,3 and 9. ENI completed 2 seismic surveys, and is planning to drill 6 wells in the coming 18 months. President Anastasiades decided to suspend his participation in the UN backed negotiations for a solution of the Cyprus problem, after Turkish seismic exploration vessel Barbaros entered last month Cyprus` Exclusive Economic Zone a few days after Turkey had issued an illegal maritime order (NAVTEX) for the area.

The prospects of delivering Azerbaijani gas to Hungary

Natural Gas Europe, *18.11.2014*



Through which route is it possible to deliver Azerbaijani gas to Hungary? Azerbaijani President Ilham Aliyev answered this question in his interview to Hungarian National Television on the 11th of November:

“Concerning our mutual relations in the energy field, today we discussed this issue with the Prime Minister Viktor Orban and there are reasonable prospects for our cooperation” Azerbaijani President stated. According to him, Azerbaijan considers Hungary as a partner in the field of energy cooperation and assesses the possible of routes of delivering its natural gas to Hungary.

“This might be either Bulgaria-Romania-Hungary route, or Ionia-Adriatic pipeline project, which will pass through Balkan countries, and then will go to Hungary from Croatia. It needs to be evaluated, which route suits all of us. Taking into account the “South” gas pipeline project that we are implementing and Azerbaijan’s gas reserves, I have no doubt that, Azerbaijan and Hungary will become partners in this field” Azerbaijan President ended his statement.

Then when, in fact, Azerbaijan can send its gas to Hungary? Firstly, it needs to be determined, how much gas Hungary wants from Azerbaijan? There was no talk about this during Ilham Aliyev’s Budapest visit. But previously, Hungarian government revealed its intentions regarding this matter to Azerbaijani side. We need to go a bit further back for this: when Nabucco and Nabucco-West projects were the matters of discussions, official Budapest revealed its intention to buy up to 3 billion cubic meters of gas per annum (bcma) from Azerbaijan. And this was the time when, Hungary was consuming 12,5 bcma of gas.

But right now, gas consumption decreased to 10 bcma. In any case, Hungary’s demand for Azerbaijani gas won’t increase, and also we need to take into account its interests in alternative energies and its steps in preventing the energy losses. In October 2014, Bogdan Iliesku, a member of the management board of the company called “Transgaz” of Romania, told the media that, in the future his country intends to buy Azerbaijani gas through Bulgaria. “As part of Trance Adriatic Pipeline (TAP) project Bulgaria will import Azerbaijani gas from Shah Deniz Stage 2 gas field using the pipeline which will pass through Greece. Therefore, we can start importing Azerbaijani gas when the infrastructure is ready.” Bogdan Iliesku stated.

It is viable to think that, later on Azerbaijani gas can go even further into Europe via the connecting pipeline between Romania and Hungary. But the problem is that, this has been overlooked in Europe so far. Firstly, politicians think that the construction of a pipeline, and operating it and delivering the gas to a consumer is a thing that happens in a blink of an eye – just like delivering the electric power. From this standpoint, producing the first cubic meters of natural gas in the last quarter of 2018 as part of Shah Deniz Stage 2 project does not mean that, the gas will reach Europe at that exact same time. It is crucial to remind that, in the October of this year, Lutz Landwehr, director of TAP consortium, in his interview to DW radio station, told that the commercial sales of the gas from Shah Deniz Stage 2 will start in 2020. Through this pipeline, 10 bcma of gas will be delivered to Europe which has been sold already based on contracts. So far, there is no gas left to buy. Shah Deniz Stage 1 began operations in 2006. It has the capacity to produce about 9 billion cubic meters of gas per annum (bcma) and the second phase of Shah Deniz gas field is projected to be operational until 2019, aimed to deliver 6 bcma of gas to Turkey and 10 bcma to EU.

Can Azerbaijani gas be delivered to Hungary via "interconnectors"?

In order to achieve this, gas needs to pass through countries like Bulgaria and Romania. As mentioned before, as part of Deniz Stage 2 project, Bulgaria, Romania and Hungary want to buy 1 bcbma, 1,5-2 bcma and up to 3 bcma respectively. This means, the pipeline that will take separate route from TAP in Greece needs to have a discharge rate of 6 bcma in order to achieve this goal.

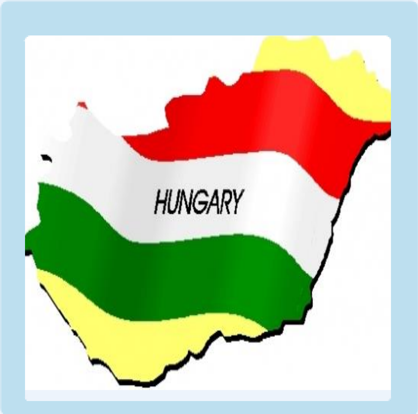
But from financial standpoint, how beneficial is this to consortium and to Azerbaijan?

When Shah Deniz Stage 2 consortium declared a tender in 2012 about creating an infrastructure between TAP and Nabucco-West in order to deliver Azerbaijani gas to Europe, one of the terms was that, the pipeline was agreed contractually to have an annual discharge of 10 bcm and later on this could be increased to twice that amount. This means that, the winner of the tender was assured by the Shah Deniz consortium that, this infrastructure will provide twice the amount of gas that will be delivered to the market when compared to the worth of the investment.

Azerbaijan really sees Balkan countries as a future potential market. Hence, the leaders of the countries around the Adriatic Sea constantly utter their interests for Azerbaijani gas. It can be predicted that, in the future another branch of TAP in Albania will be constructed which will be called Adriatic-Ionia. Demand of those countries for Azerbaijani gas is not high, approximately 1 bcma or slightly more each. From this standpoint, the stage of delivering 10 bcm of gas to Europe might coincide with the start of operating the Azerbaijan's second biggest gas field – "Absheron", which is planned to start after 2020. Production in that field will become real as late as 2023-2024. Because at the exact same time, the second stage expansion of TANAP-TAP pipelines will commence. Next stage will start in 2026.

Hungarian energy policy: alarm bells are ringing

Natural Gas Europe, *17.11.2014*



Recently, the Hungarian government passed a law to enable it to push ahead with building the Hungarian section of the Russian South Stream natural gas pipeline project. The day after, Hungarian Prime Minister Viktor Orbán said his country would press ahead with the project, despite objections by the European Union, signalling Hungary's increasingly close ties to Moscow.

"If I had to use one word, I would use 'alarming,'" says the Atlantic Council's Dávid Korányi, Director, Eurasian Energy Futures Initiative, in describing Hungary's new, eastward-looking energy policy.

A Hungarian himself, and a former foreign policy advisor of then Prime Minister Gordon Bajnai, Mr. Korányi possesses keen insights into his homeland's geopolitical situation. He says, "It is quite remarkable how Hungarian energy policy has transformed in the past 4 and a half years from something that was very constructive - pro western, pro-European, transatlantic, pro diversification to turning the country's energy security into an opaque and ominous direction."

It's that direction that's cause for concern, contends Mr. Korányi, who says it builds upon an alleged strategic relationship with Russia that is in stark conflict with Western attitudes these days, in the wake of the Ukraine crisis and Russia's destructive behavior on the international stage. Moreover, he says, he's concerned that Hungary can be a weak link in a strategy that the European Union seems to be serious about: reinforcing its energy security, lessening natural gas dependence upon a single supplier and lessening exposure for countries in Central & Eastern Europe to monopoly supply.

According to him, the Hungarian government's pursuit of building the South Stream pipeline as well as commitment to Russia's Rosatom building two new reactors at the country's Paks nuclear facility without a tender and against market signals, go contrary to Hungary's strategic considerations, both in Brussels and Washington. "That's not just contrary to the interests of the NATO alliance, of the European Union in general, but contrary to the strategic interests of Hungary," he says. "We definitely have a broader relationship with the Russians," observes Andras Deak, Senior Research Fellow at the Hungarian Academy of Sciences' Institute of World Economics, who is responsible for post Soviet countries and energy issues. "We have a nuclear plant, a pipeline, gas contract – we had a gas supply cut to Ukraine, which was also part of the deal. So in the last year we have established a full-fledged relation with the Russians: quite a business-like relationship. I don't see it as a love affair; it's give and take," he explains.

It’s a difficult position to defend, adds Mr. Deak, given the current high level of tensions between Russia and the West. Part of the problem, he says, is that, the actions in the energy sector have not been transparent, and Prime Minister Orban has turned Hungarian policy into an ideological issue. He explains, “From the highest levels we hear harsh anti-EU, anti-Western rhetoric; maybe it’s not related to Russia, but the Prime Minister has been speaking of illiberal democracy and Russia is one of the models for Hungary, according to him.”

Many critical mistakes have been committed, he says, making it difficult to understand why Hungary has engaged the Kremlin and what the motives behind it are. Mr. Korányi opines that Hungary would be ill advised to follow a “grand bargain” logic and enter into another all-encompassing, long-term, oil-indexed gas contract with Gazprom. Ditching the market logic would undermine Hungary’s positions and competitiveness in an increasingly unified and liquid European gas market, where over time hub pricing becomes more dominant even in the east.

He acknowledges the pragmatism involved on the part of Hungarian policymakers to guarantee supplies of natural gas if, for example, Russian supplies are cut for deliveries running through Ukraine this winter. He and others, he admits, have been in favor of South Stream as a route diversification project before, but in a dramatically different geopolitical context. “I would be in favor of South Stream should it actually comply with European legislation – the Third Energy Package – and thus it becomes a pipeline not just for Russian gas but one that also accommodates other sources, potentially coming from the Caspian, Eastern Mediterranean, perhaps one day Iraq and Iran. “In a way, if you think about it, if there were third party access for South Stream and it gets built, you’ve essentially got the Russians building the Nabucco pipeline for Central and Southeast Europe, because you’d have a major trunkline into which additional sources of gas could be fed into,” he offers. “But South Stream in its current form does not comply with European regulations. For Hungary or any other country to go bluntly against an adopted European policy is self-defeating.” He adds, “We’ve seen what happened in Bulgaria, how the European Commission and the major European states as well as the United States reacted to Bulgaria proceeding with South Stream, regardless of all these issues and concerns at the European level. I expect the same happening to Hungary and rightly so.”

Now, he contends, it is important for Europe to seriously consider the role of Russian gas in the overall energy mix. “While Russia will inevitably remain an important gas supplier for Europe for the foreseeable future, we have to make sure we decrease our dependency levels and create competition, not lock ourselves into a vulnerable position for another 15-20 years,” he says. Prime Minister Orban, meanwhile, says he’s not choosing sides, but protecting Hungarian interests. Mr. Korányi observes, “There is high level political pressure on the government, but Orban rarely listens these days. Meanwhile, the relationship between Russia and the West will likely further deteriorate. The government’s eastward leanings and even open admiration for Putin’s regime will have repercussions within the alliance.”

He opines that recent sanctions against a handful of top civil servants in Hungary’s public administration are undoubtedly connected with Hungary’s overall strategic direction, as well as the rampant corruption. “They are a strong signal that Orban’s direction does not conform with the strategic intentions of the transatlantic alliance and Europe.” As for the prospect of other countries involved in the South Stream following Hungary’s lead, he says it’s unlikely given the backing down of Bulgaria and Serbia in the wake of pressure from Brussels.

According to Mr. Deak, Hungary's pursuit of the South Stream investment can be understood in two ways: that they have a very firm commitment to the Russians, as part of some sort of deal; or simply the Hungarian government has a broader agenda with the EU, even with the US, and would like to use this as a bargaining chip. He adds, "You've got to think seriously about a pipeline that has no connections at either end – this is a big commercial, regulatory and political risk for anyone, so I don't see any kind of benefit from this action."

Given what is known about the intergovernmental agreements with Hungary and others regarding South Stream, and Russian-style contracts, he says maybe it make sense to build the pipeline as the Russians would like, as Gazprom has all the capacity. "The only problem with this is that the European Commission can fine us and launch a quite serious investigation into this issue, because DG Energy and DG competition possess all of the instruments to penalize MVM for this section," he remarks. This, he says, mandates an agreement between the European Commission and Russia. Moreover, rather than build the pipeline in separate sections, Mr. Deak opines that a framework is needed for the entire project.

Last week, Hungary's prime minister hosted his Azerbaijani counterpart and the two discussed the prospect of delivering Southern Corridor gas to Hungary and its neighbors in Central & Eastern Europe. Mr. Koranyi comments: "Azerbaijan will hopefully become a major player in European diversification efforts by the mid-2020s. But expectations have to be managed: the initial 10bcm of Azeri gas from Shah Deniz 2, he notes, has already been locked in by contracts to Italy, Greece and Bulgaria. Declarations of "strategic partnership" won't bring a single molecule of gas to Hungary anytime soon.

"The countries which are located on the South Stream route are all in a very difficult position," observes Tatiana Mitrova, Oil and Gas Department head at Energy Research Institute RAS, of Hungary, Bulgaria, Serbia and Austria. She explains, "They are trying to avoid making this choice between Russia and the European Union, but they are being forced on both sides to take more clear positions." It's a huge challenge for their governments and populations, she says, because on the one side there is "European solidarity" - a bit of an unclear sentiment. "If the European Commission says that several rules on South Stream are not desirable, then the countries have to comply with that; on the other hand, member states or member potential candidates can see quite well the potential benefits, quick benefits from the construction and operation of this pipeline."

This, according to Ms. Mitrova, makes for a very difficult choice. She says, however, she finds it surprising that the Commission is refusing a project which provides additional energy security, lowers transit risk and would be completely financed by the supplier, Gazprom. "Europe is not taking any financial or other risk at all," she remarks. "The distribution of risks and benefits is very asymmetrical, in favor of the European Union, but the EU says the project is not desirable."

The fairytale that wasn't: The Iasi-Ungheni Gas Interconnector

Natural Gas Europe, *18.11.2014*

The Iasi-Ungheni Interconnector the pipeline designed to connect the Republic of Moldova to the European gas markets – seems to have reached a rough patch in its way to finally becoming fully operational. Though it was finalized and officially inaugurated this August, gas volumes are yet to be transported through the pipeline, mostly due to regulatory conundrums within the Republic of Moldova.

The Iasi-Ungheni interconnector is a 43 km long pipeline meant to transport up to 1.5 bcm of gas per year from Romania to the Republic of Moldova, under the Prut River that constitutes the border between the two countries.

Construction works only took one year, but they followed three years of talksbetween the two parties. Costs reached a total of €26.4m, most of which was covered by Brussels and Bucharest. Romania produces around 11 bcm of natural gas per year through two main companies, OMV Petrom and Romgaz Mediaş. This covers about three quarters of Romania's annual consumption, with the rest being imported from Russia. The Iaşi-Ungheni Interconnector is the first export route for Romanian gas before reverse flow is implemented on the Szeged-Arad interconnector and construction of the Bulgaria-Romania interconnector is finished.

For the Republic of Moldova, the pipeline finally connects it physically with European gas markets, which means that this is a first step towards reducing its dependence on Russian gas. Since 2010, the Republic of Moldova has been a member of the Energy Community, which aims at extending the European Union energy rules and infrastructure to neighboring countries.

The Republic of Moldova uses about 3-3.5 bcm of gas per year, but only around 1 bcm is used in the Chişinău-controlled portion of the territory. The rest is used up by the separatist region of Transnistria. The entire volumes have up to now been imported from Russia, with the Republic of Moldova neither producing gas of its own, nor owning any gas storage facilities. Gas imports have until 2011 been agreed upon through a four-year contract between Chişinău and Gazprom, at an oil-indexed price of around $400 per thousand cubic meters. When the contract expired in 2011, Gazprom refused to sign a new one, agreeing instead only to several extensions, the most recent of which will last until December 2015.

Gazprom is refusing to sign a new contract in order to pressure Chişinău into exiting the Energy Community, whose norms represent a threat to the Gazprom monopoly in the Republic of Moldova. This is because the legislation of the Energy Community, which Chişinău is to transpose domestically by 2020, requires the implementation of the European Union's Third Energy Package, adamantly opposed by Gazprom. Under this Package, Chişinău would have to make sure that production, transport and distribution of gas are not made by the same company.

Currently, transport and distribution of gas are both undertaken by Moldovagaz, which is jointly owned by Gazprom (51%), the Moldovan state (36.6%) the Property Management Committee of Transnistria (13.4%) and some individual investors (Moldovagaz, 2014). This distribution of shares gives Gazprom control over all pipelines in the Republic of Moldova. This control is to stop only after Moldovagaz is unbundled, as envisaged by the Third Energy Package.

However, in order to hold its monopoly over the pipelines, Gazprom is also conditioning the signing of a new gas contract on Chişinău paying the $4bn debt that Transnistria has acquired by not paying for the Russian gas it had consumed. Gazprom considers Chişinău liable for this debt, on account of a 2006 Protocol between Gazprom and the Republic of Moldova, which makes Chişinău the guarantor of Moldovagaz' debts. Pressure so far paid off for Moscow, which has persuaded Chişinău to postpone the implementation of the Third Energy Package by five years – implementation that was supposed to start in 2015.

In order to bypass Moldovagaz in transporting gas through the newly built interconnector, Chişinău has built a new Transmission System Operator (TSO), Vestmoldtransgaz. Several obstacles, however, lie in its path to becoming fully operational. First, it has yet to acquire its license in order to legally operate on the Moldovan market, though documentation has already been submitted to the Regulatory Authority for Energy (ANRE). Tariffs for the use of Moldovagaz' pipeline system, too, are yet to be set by the ANRE.

In addition, Vestmoldtransgaz needs to hire competent personnel to operate the 11 km segment of the pipeline that crosses the territory of the Republic of Moldova, as well as its measuring station, which is at present handled by Romanian experts. Access to consumers also needs to be sorted out. Although the ANRE Administrative Council has approved the necessary regulation regarding the procedure for changing the gas supplier by final consumers (thus creating the necessary premises for free competition on the gas market), the document is yet to enter into force.

Moreover, consumers are now being serviced solely by Moldovagaz, through its regional branchUnghenigaz, which is unlikely to willingly give up its clients in favor of Vestmoldtransgaz, once the latter is authorized. Quite the opposite, pressure from Moldovagaz is expected on consumers who want to change their gas supplier. With many industrial consumers owing money to Moldovagaz for the gas they purchased, it is expected that Moldovagaz will condition the termination of their contracts on the payment of these debts.

Furthermore, the gas price is still being negotiated between Romanian gas producers on one side, and Energocom, a state-owned supply company designated to handle the deal, on the other side. Though Romanian producers proposed a delivery price that is 20% lower than the one paid for Russian gas (Economica.net, 2014) a deal is yet to be reached. All these show that the rushed inauguration of the pipeline, undertaken symbolically on the Day of Independence of the Republic of Moldova (27 August), was rather a political event arranged by the Romanian and Moldovan prime ministers. Both were then in the midst of electoral campaigns in their respective countries.

Furthermore, even after all of these obstacles will have been surpassed, another more expensive and longer-term one is to take center stage. In order to work at full capacity, the pipeline must be extended on Moldovan territory by 130 km, all the way to Chişinău, the capital city, where most gas consumption takes place. In addition, a compressor station needs to be built on Romanian territory in Oneşti County in order to ensure adequategas pressure in the pipeline.

In its current form, the pipeline can only service up to 3% of the Moldovan population – the approximately 35,000 people living in the small town of Ungheni. According to the Moldovan Economy Minister, the feasibility study for the new section of the pipeline is to be concluded in spring 2015 with construction approximated to last another four or five years after that.

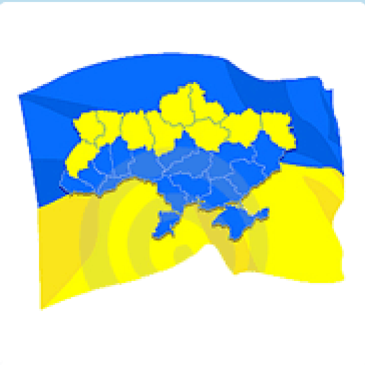
However, the total construction cost of the pipeline is estimated at €70m, with the European Union pledging just €10m. Another €150m will have to be paid for the construction of the gas compressor station in Romania along with the necessary infrastructure to pump the gas into the Interconnector – the Leţcani-Gherăeşti-Oneşti pipeline.

Yet another variable is the result of the elections that will take place on 30 November in the Republic of Moldova. Should the current center-right governing coalition fail to secure another mandate, the future of the pipeline looks bleak, as does Chişinău's status within the Energy Community. Gazprom would find a much more flexible partner in the Moldovan Communists, now in opposition, who could easily find means of stalling construction plans for the pipeline for the next four years, should they be in office.

In conclusion, the future of real diversification from Russian gas looks rather uncertain for Moldova, at least until the end of the decade. A possible lack of political will on the Moldovan side, combined with a need for expensive investments, as well as pressure from Moscow are all factors that the European Union will have to consider when dealing with Chişinău and its energy sector in the years to come. Though promising, the Iaşi-Ungheni Interconnector is only a first step that the European Union has made towards helping the Republic of Moldova exit Russia's sphere of influence.

Ukraine's gas balance still tight after deal with Russia

Natural Gas Europe, *19.11.2014*



Ukraine's supply-demand balance remains tight, despite the recent deal brokered by European authorities. "For Ukraine this 4 bcm of Russian imports eases concerns about meeting its winter gas demand, but it is no panacea - Ukraine's winter (October to March) gas balance is still tight. We estimate that Ukraine winter demand will be 31 bcm under normal weather conditions, a level similar to last winter's demand.

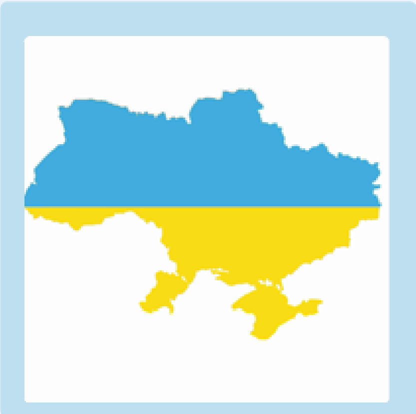
Domestic supply will be 10 bcm and we expect imports through the new Slovakia-Ukraine pipeline to continue to run at full capacity through the winter and provide 4.5 bcm of gas," reads the press release.

Wood Mackenzie estimates that Ukraine's gas consumption might remain on the level registered last year, despite Kiev is trying to push demand down, through a mix of awareness campaigns and price hikes. According to Wood Mackenzie's calculation, a cold winter would leave Ukraine with less than 4 bcm. This would push Kiev to work on a deal with Russia in the coming months. "Ukraine will require a new deal with Russia to ensure sufficient deliveries through summer 2015 to replenish storage stocks to meet demand for winter 2015/16." This might soon translate into serious problems, as diplomatic ties between Kiev and Moscow remain wobbly. The international chessboard equally resembles a minefield.

"Prime Minister Abbott noted that all leaders of the democratic world have unambiguously demonstrated support of Ukraine and its territorial integrity in the course of the Summit. He emphasized that Ukraine was fighting for freedom and democracy and the whole civilized world supported Ukraine in that struggle," the office of Ukraine's Petro Poroshenko wrote. "We won't engage in direct negotiations with the Russian terrorists. To guarantee peace it is required a format which is acceptable to the entire world and, first of all, to Ukraine", Prime Minister of Ukraine Arseniy Yatsenyuk added at a Government meeting a few hours later.

Ukraine's Energy Future

Natural Gas Europe, *17.11.2014*



Now that Ukraine and Russia have agreed to natural gas supplies for this winter, what about Ukraine's energy supplies for the coming decades?

Russia's annexation of Crimea and the intensifying conflict with Russian-backed separatists in Ukraine's eastern Donbass region are not only attacks on the country's territorial integrity they put Ukraine's energy future in peril as well. Its offshore oil and gas resources are mostly near the Crimean peninsula, and much of its onshore resources are in the Donbass. Important energy investment projects are now on hold.

Royal Dutch Shell and ExxonMobil have tabled negotiations on a $10 billion investment to develop the Skifska offshore gas field near Crimea. Shell has also put on hold its exploration activities in the Yuzivska shale gas field, which lies directly in the conflict area outside Donetsk. In its 23 years of independence, Ukraine has achieved little to build its energy security. Ukraine imports over 60% of its natural gas consumption and over 80% of its crude oil consumption, mostly from Russia. Yet its abundant energy resources could provide for more than 100 years of natural gas consumption and transform the country into a net exporter of energy.

When Vice President Joe Biden visited Kiev in 2009, he said, "Your economic freedom depends more…on your energy freedom than on any other single factor." This still holds true. Ukraine will require billions of dollars in investment in natural gas and crude oil production, as well as in energy efficiency improvements, to secure its energy future. More than two decades since gaining independence, foreign investment projects represent less than 10% of the country's oil and gas production.

Given its vast potential, how has Ukraine managed to achieve so little in developing its energy resources? We collaborated on energy-related projects in Ukraine during much of the 1990s and 2000s. This was a period of lost opportunities, where the country's Byzantine, corrupt government structures and infighting among local interests forestalled initiatives of U.S. and European strategic investors in the energy sector. Ukraine's first and only offshore oil and gas production-sharing agreement, for example, was awarded in 2006 to Vanco Energy of Houston in a much-heralded tender that followed Ukraine's Orange Revolution. When Yulia Tymoschenko took over as prime minister from Viktor Yanukovitch in 2008, she withdrew from the agreement, claiming it to be "a corrupt agreement concluded by the previous government."

Ukraine is now at a critical crossroads – with its unresolved territorial conflicts with Russia, an economy on the brink of collapse and yet a new parliament that is decidedly pro-European. In this context, how must Ukraine proceed in order to secure its energy future?

There is no “silver” bullet that will extricate Ukraine from this crisis. While containing the conflict in Eastern Ukraine, the country’s President Petro Poroshenko and Prime Minister Arseniy Yatsenyuk, will need to engage in decisive, concerted actions to establish Ukraine’s energy sector as a reputable place for foreign investors to do business.

Five key immediate and long-term initiatives to achieve energy sector reform and replicate the successes of western European economies in developing their natural resource bases are:

1. Build momentum by assuring that private-sector projects already established in undisputed territories proceed. This includes allowing emergency budget legislation that doubled the tax rate on natural gas production to 55% to expire at years end.

2. Improve the country’s attractiveness for energy sector investments by instituting market prices for industrial and residential energy use, as has already been agreed with the International Monetary Fund, and reforming tax and regulatory policies to incentivize investment.

3. Develop innovative solutions for energy supply diversification, including the intensified development of renewable energy sources.

4. Develop investment programs to improve energy efficiency in the industrial, commercial and residential sectors, where Ukraine’s energy intensity per unit of GDP is 3.2 times higher than the OECD average.

5. Establish a dedicated financing vehicle for energy-sector projects with international financial institutions (i.e. the EBRD and World Bank Group), with a special oversight group to safeguard against corruption and assure the transparency and progress of such investments.

For now, Messrs. Poroshenko and Yatsenyuk will enjoy an unprecedented mandate to pursue such measures. Their newly formed political parties each received 22% of the vote in Ukraine’s October parliamentary elections. Yet they should take heed: Mr. Yanukovitch’s Party of Regions has virtually disappeared, as has the Our Ukraine party of Ukraine’s former president Viktor Yushchenko. Amidst all this turmoil, the Ukrainian people have proven themselves to be the final arbiters of their government’s success. They expect results.

Naftogaz's oil and gas business in Egypt more revenue stream than energy source

Kyivpost, *18.11.2014*

Ukraine's state energy company Naftogaz is finally reaping the rewards of his overseas prospecting ventures, as the company announced that it can now start extraction of oil and natural gas in Egypt.

In September-October alone, Naftogaz reported that it had extracted 19 million cubic meters of natural gas, or about 300,000 cubic meters per day. The pipelines have been laid and the infrastructure will be completed in 2015. Once the infrastructure is fully operational, the company projects daily natural gas extraction of 700,000 cubic meters per day, which would come to over 255 million per year.

Taking into consideration the first quarter 2015 price for gas agreed with Russia's Gazprom on Oct. 30 of $365 per thousand cubic meters, the relative value for Ukraine of one year's worth of Egyptian gas comes to around $93 million. In addition, Naftogaz expects to produce 260,000 tons of oil this year in Egypt, or 11-12 percent of the annual oil production in Ukraine. Once all the gear is in place, the expectations is that extraction will rise form 740 tonnes of oil per day to 950, according to Naftogaz.

The project, located in the El Alam Shawish East field in the Western Desert of Egypt, was initiated in 2006 with a concession agreement between Naftogaz and the Egyptian government and the Egyptian General Petroleum Corporation. After drilling 16 prospecting, 12 exploratory and 12 production wells, the first output of the 80 tonnes of oil per day, or 588 barrels, began to flow in 2009. Until this past September, total production has been 680,000 tonnes of oil.

However, all of the oil and gas produced by Naftogaz in the Western Desert is sold in Egypt, not in Ukraine. Naftogaz has expressed a desire to bring Egyptian gas in a liquefied form to Ukraine. However, while Egypt has two export-oriented liquefied natural gas terminals capable of liquefying as much as 10 billion cubic meters of natural gas, according to the Oxford Business Group, Ukraine does not have a regasification facility needed to turn the liquefied gas into the state that's used in the industry.

However, political tension in Egypt that started yet in 2011 during the Arab Spring has had a negative impact on the economy, which is why the energy exports have been down. Last year, Egypt exported just 3.7 billion cubic meters of LNG in 2013, while in 2010 the figure was 6.9 billion cubic meters. It has signed contracts with Algeria and France to import LNG. Energy specialist Andriy Chubik of the think tank XXI Strategy sees this latest stage of the Egyptian project as a "positive example for going forward with renewed interest in Naftogaz's overseas investments."

He noted that it would be very difficult to bring the gas to Ukraine, as described above, but more importantly the project creates an invaluable revenue stream for the company, which is heavily in debt and short of cash. Naftogaz reported $4.2 billion of net losses for nine months of this year, which is more than six time last year losses for the same period in dollar terms.The fact that the Egyptian gas is coming out the ground in large volume now is no coincidence. Naftogaz CEO Andriy Kobolev has made such projects a company priority, says Chubik. Before, the company had been dragging its feet in the Middle East, starving projects there of investment.

So far, the Western Desert field is the only overseas project of Naftogaz that is producing. The company created a subsidiary called Naftogaz Middle East to develop hydrocarbons in the United Arab Emirates in 2004, but to date nothing has come of it. The company also developed a plan for a Euro-Asian Oil Transportation Corridor to get oil from the Caspian Sea to European markets in order to avoid transport bottlenecks in the Dardanelles and diversify supply. However, this project too is moribund. Now, however, with the renewed enthusiasm for energy diversification, similar projects could be soon in the works. Ukraine has long-standing relationships with the countries of North Africa from Soviet times to provide technical assistance, explains Chubik of XXI Strategy. The hydrocarbons there are plentiful and easily accessible as well.

Ukraine consumed 48 billion cubic meters of gas last year and imports most of it from Russia’s Gazprom and this year is going to be likely 42-43 billion, according to the Cabinet of Ministers. Public companies accounted for 90 percent of natural gas output in 2013 in Ukraine, or 18.7 billion cubic meters, while private companies extracted 2.3 billion cubic meters. With the Russian annexation of Crimea in March, Ukraine lost control of the state company Chornomornaftogaz, which produced 1.65 billion cubic meters in 2013. The country’s proven conventional gas resources were estimated at 1,092 billion cubic meters by the U.S. Energy Information Agency. The latest Gazprom deal notwithstanding, Naftogaz will need all the gas it can feed its pipelines, since as of Nov. 11 until Feb. 28, 2015 the company became the monopoly supplier of natural gas to all industries and energy-producing companies. This was done by Cabinet decree on Nov. 7, although originally the plan was for the monopoly status to be assumed on Dec. 1.

Gazprom ends European Gas injection campaign

Argus, *15.11.2014*

Gazprom completed its European gas storage injection campaign, after adding another 1.2bn m³ to inventories since mid-October to lift stocks to 5bn m³. The stocks should give the firm European withdrawal capacity of up to 80mn m³/d.

Gazprom had not intended to build its European inventories to 5bn m³ before 2015. Deputy chief executive Medvedev said that the firm only planned to have 3.7bn m³ of inventory and 60mn m³/d peak withdrawal capacity by this winter. But Gazprom intensified its injection programme this year because of continuing tensions with Ukraine's Naftogaz over their gas contract and the risk of another transit crisis.

To increase its European storage capacity Gazprom made agreements with some of its customers to use their storage facilities, including Austria's OMV and Hungary's FGSZ. And last month the firm, jointly with Germany's VNG, commissioned the 10mn m³/d Katharina gas storage facility in the German state of Saxony-Anhalt. German regulators are allowing Gazprom and VNG to use half of Katharina's capacity. In the longer run, the firm plans to have 8bn m³ in EU storage, although it is unclear when this will be achieved.

Russian gas monopoly in Lithuania is over

Anadolu Agency, *18.11.2014*

The Russian gas monopoly in Lithuania is over with the opening of the liquefied natural gas terminal in Lithuania's third city of Klaipeda, said Dalia Grybauskaite, the President of Lithuania.

In an interview with The Anadolu Agency in Lithuanian capital Vilnius, Grybauskaite said that Lithuania's energy independence is becoming a reality. "It has moved from energy isolation to full participation in the international gas market. This ensures a secure supply of natural gas not only for Lithuania but, if necessary, to other Baltic States as well" Grybauskaite said.

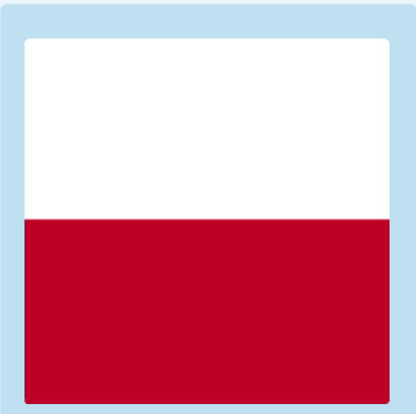
Grybauskaite also spoke on the country's progress in diversifying its energy resources. She explained that electricity links between Sweden and Lithuania and between Poland and Lithuania will be completed by the end of 2015. Through these links, she said that for the first time Lithuania will be connected with continental European and Scandinavian electricity systems. In 2015, Lithuania also expects to see an increase in the use of biomass for municipal heating purposes. "As our energy sources become more diverse, our energy security gets stronger. Lithuania has consistently worked to de-politicize energy supplies and eliminate geopolitical pressures as much as possible. Today we see the results," she stressed.

In response to a question on Lithuania's leadership in the Baltic region which includes Lithuania, Latvia and Estonia who are members of the EU and NATO, Grybauskaite explained that "the Baltic States' relations are based on principles of equality and democracy. The time of 'big brothers' is over because each country in the Baltics contributes to the security and welfare of the region." She emphasized that Klaipeda's LNG terminal can cover up to 90 percent of the natural gas needs of all three Baltic States. She further said that Lithuania is ready to provide secure supplies to Latvia and Estonia, if required. As part of its strategy to have an energy mix, Lithuania is developing a gas infrastructure inside the country and building an interconnection with Poland, which is expected to be completed by 2020.

Grybauskaite said that the LNG terminal will allow Lithuania to buy gas from all around the world, particularly from Norway. "The price, availability and geopolitical situation will determine the source of our supply," she said, adding that Lithuania will buy 0.54 billion cubic meters of natural gas from Norway while it consumes two to three billion cubic meters annually. The country plans to widen the LNG terminal's capacity to more than 5 billion cubic meters. Up until this month when the new LNG terminal became operational, the country was 100 percent dependent on Russia for natural gas. However, Grybauskaite said that she is not against trading with Russia provided the price is fair and competitive and is on similar pricing terms to neighboring countries.

Poland's shale gas dreams put on hold

Financial Times, *17.11.2014*



The Poland's much-hyped shale gas boom could take as long as six more years to become commercially viable, as foreign oil and gas companies abandon their exploratory plans, citing bureaucratic tangles and an unfriendly investment climate.

Global petrochemical companies such as ExxonMobil, Total and ConocoPhillips flocked to the country, snapping up concessions and making Poland Europe's biggest shale gas market by drilled wells. But instead exploratory wells have failed to meet expectations and many drillers have grown impatient with regulatory delays that executives say have smothered their ambition.

TAP replaces South Stream in Italy's energy priorities

Anadolu Agency, *20.11.2014*

The South Stream gas pipeline project is no longer one of Italy's strategic energy priorities, said Economic Development Minister Federica Guidi. Formerly, Italy had been one of the strongest supporters of the planned South Stream pipeline, with an estimated capacity of 60 billion cubic meters. The pipeline is expected to transport Russian natural gas through the Black Sea to Bulgaria and through Serbia, Hungary, Slovenia and on to Austria.

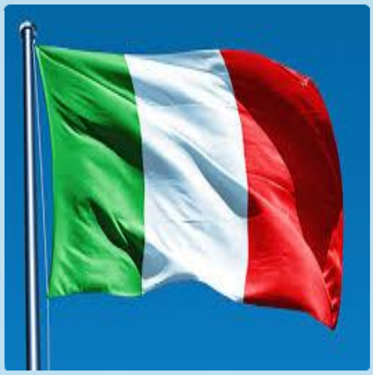
However, Italy appears to have withdrawn support for the South Stream gas pipeline in favor of the TAP project which seems to offer a better alternative for the country.

TAP will run from the border between Turkey and Greece, near Kipoi. From there it will cross through Greece, Albania and the Adriatic Sea before terminating in Italy. It will be 539 miles (867 kilometers) long, and it is expected provide a new source of gas for Europe. Construction will start in 2016. In a written statement from the minister's press officer, Enrico Romagna Manoja told The Anadolu Agency although the TAP project effectively diversifies routes, it does not diversify the source of the gas from Russia although it will not flow through Ukraine.

Manoja dismissed claims by some media outlets that Italy has withdrawn support for the South Stream project, and said, "There has been no U-turn by Italy but a simple declaration of what our priorities are today." He added that Guidi is obviously aware that other countries, such as Bulgaria who are entirely dependent on Russian gas coming through Ukraine, are strongly supportive of the South Stream project. The European Commission opposes the project, citing a breach of EU anti-trust law and its construction is now frozen.

Italian October natural gas demand down 5.2% year on year to 4.556 bcm

Platts, *06.11.2014*



Gas demand in Italy in October stood at 4.556 billion cubic meters, down 5.2% year on year, gas and power exchange manager GME said. The decrease was mainly due to lower power plant consumption, which was down to 1.628 Bcm.

Meanwhile, demand from industrial sites and local grids fell 5.3% and 1.8%, respectively, to 1.092 Bcm and 1.639 Bcm. Exports and grid losses rose 17.9% to 197 million cu m. On the supply side, imports decreased 16.6% to 4.160 Bcm, driven by a drop in Algerian and Russian gas flows into the Mazara del Vallo and Tarvisio entry point by 87% and 33.2%, respectively, to 1.527 Bcm and 151 million cu m.

Estonia, Finland to construct two LNG terminals

Anadolu Agency, *19.11.2014*

Finland's Prime Minister Alexander Stubb and Estonian Prime Minister Taavi Rolvas reached an agreement to construct two LNG terminals between the two countries by 2019.

The two Prime Ministers agreed on a roadmap to improve the countries' gas infrastructure, which includes a natural gas pipeline and LNG terminals. "I am very satisfied that we have reached an agreement. With the implementation of the planned measures, Finland will become integrated into the European gas network and will be able to improve the country's gas-based energy security," Finland's Prime Minister Alexander Stubb said.

The natural gas connections between the two countries, known as "the Balticconnector" will include three different steps. Firstly, large scale LNG terminals will be constructed between Finland and Estonia followed by the construction of small-scale terminals. Thirdly, a pipeline will be laid to link gas markets in Finland to Estonia.

Wintershall admits delays at Maria Field

Natural Gas Europe, *19.11.2014*

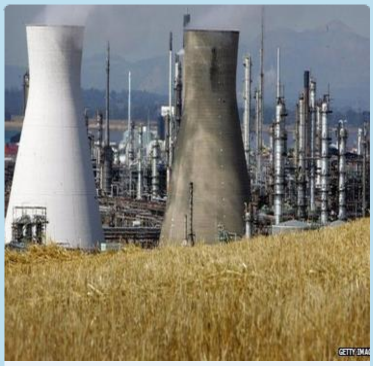
Germany's Wintershall will postpone the submission of the development plan of its Maria field offshore Norway. The company, which is increasing its Norwegian exposure, was originally meant to carry out this preparatory activity by the end of the year.

Bernd Schrimpf, the managing director of the firm's Norwegian unit, admitted the delay, saying that the company plans to submit the development plan in the first half of 2015. It is not clear whether the delay might impact on the development of the field located in the Norwegian Sea, on the Halten Terrace in blocks 6407/1 and 6406/3.

The discovery is expected to produce around 130 million barrels of oil and just over 2 billion standard cubic metres (Sm3) of gas. Wintershall Norge is the operator, with a 50% share. The other licensees are Petoro with 30% and Centrica with 20%. Norway is trying to decrease the probability of a decrease in investments. Reuters reported on Wednesday that the country hopes to launch its 23rd offshore licensing round before Christmas. The awards were originally scheduled for the first quarter of 2015.

Ineos to invest £640m in UK shale gas exploration

BBC, *20.11.2014*



The company plans to use the gas as a raw material for its chemicals plants, including Grangemouth in Stirlingshire. Grangemouth is currently running at a loss, but Ineos believes shale gas will transform the economics of the plant.

Shale gas extraction is promoted as an important potential energy source, but has sparked opposition from environmental groups. Ineos chairman Jim Ratcliffe said he wanted his company "to become the biggest player in the UK shale gas industry". The firm added that "substantial further investment would follow if the company moved to development and production".

Eni, Angola's Sonangol sign energy cooperation deal

Natural Gas Asia, *17.11.2014*

Eni and Angola's Sonangol have signed a deal to cooperate in the field of oil and gas. Under the agreement, the two companies will set up a joint team aimed at studying the potential of the non-associated gas present in the Lower Congo Basin offshore Angola.

The scope of the study is to analyze the different gas valorization options both internationally and in the domestic market, where gas will have a crucial role in order to sustain the local economy, Eni said Monday. Moreover, the companies will be committed to develop projects on the mid-downstream business to be carried out in Angola.

"This agreement will strengthen the prolific cooperation between Eni and Sonangol, confirming Angola as one of the key countries for the company's organic growth strategy", Eni CEO Claudio Descalzi said. "In the coming years, Angola will become one of the most important oil and gas hubs for the sub-saharian activities of Eni".

Norway's Statoil pegs future to East African gas

UPI, *17.11.2014*

Norwegian energy company Statoil said it was putting an emphasis on natural gas developments in sub-Saharan Africa.

"Statoil has over the past few years made significant gas discoveries offshore Tanzania and we are excited about the opportunities we see for a natural gas and LNG development," Statoil acting Chief Executive Officer Eldar Saetr said in a statement. Statoil and its joint venture partner, Exxon Mobil, in October announced the discovery of about 1.2 trillion cubic feet of natural gas in place at the Giligiliani-1 exploration well offshore Tanzania

Saetr pointed to a report from the International Energy Agency, which said the sub-Saharan economy could grow by as much as 30 percent by 2040 with the right investment climate in place.

Last year, energy consultant group Wood Mackenzie reported Tanzania was among the growing number of emerging producers in East Africa. Despite the discoveries and opportunities, Statoil said much of the region's population still lacks access to reliable forms of energy.

Saetr said operating in East African basins comes with responsibilities. "This is about developing a sound, sustainable and profitable business that gives the government revenues necessary for economic growth and development," he said. "It is about contributing to local capacity building, and about contributing to openness and transparency."

Nigeria: An alternative energy source for the European Union?

Eurasia Review, *19.11.2014*

Recent events in Ukraine and the threat posed by the European Union's dependency on Russian energy has led Brussels, and EU's city-capitals, to consider alternative sources towards alleviating the dependency.

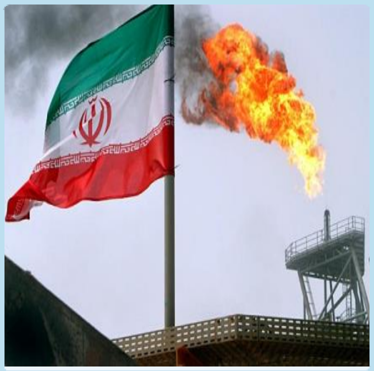
Beyond Russia and European indigenous production — which accounts for 33% of the EU's usage of natural gas— Europe's five largest partners are Norway (22%), Algeria (9%), Qatar (6%) and Nigeria (2%).1 One can notice that the small share of Nigerian natural gas out of the total European imports does not correspond to Abuja's real capacity and potential in becoming a strategic energy partner.

In fact, the Nigerian government aspires to do just that. On the sidelines of the ministerial meeting of the EU-OPEC energy dialogue, which took place in Brussels in June 2014, Nigeria's Petroleum Minister, Diezani Alison-Madueke, said "[t]he Federal Government restated its resolve to support the long term gas supply security for the European Union countries as part of measures to expand the nation's gas market".

This strategic approach towards the European market is, on the one hand, a sign that the government in Abuja recognizes Europe's energy market potential the EU's aspiration to diversify energy sources has motivated such an approach and, on the other hand, is a product of recent developments in the global natural gas market. Among these developments the United States' shift to the domestic exploration of shale gas, and Mozambique's affirmation as a major player in the natural gas market4 are key. Being one of the most promising African countries, in terms of energy, the fact that Mozambique is located on the Indian Ocean's shoreline has driven Asian powers to increasingly focus their attentions towards Maputo.5 Also worth noting is that Asia currently represents Nigeria's main natural gas export market.

Turkmenistan to hike gas exports to Iran

Natural Gas Asia, *19.11.2014*



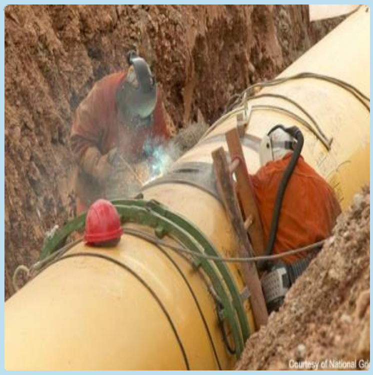
Iran and Turkmenistan are expected to sign an agreement under which latter would increase gas supplies to Tehran in winters, according to Mehr News.

Iran's Deputy minister Hamidreza Araqi told Mehr News that the amount of gas supplied would go up to 30 million cubic meters per day. Turkmenistan has been exporting about 24 - 25 million cubic meters of natural gas to Iran per day. "According to agreements signed, there is currently no barrier blocking the flow of gas from Turkmenistan," Iran's Deputy minister Hamidreza Araqi said.

In August, Iran's Petroleum minister Bijan Namdar Zanganeh said his country will stop importing gas fromTurkmenistan by March 2016. Iran would no longer need to import gas from Turkmenistan as its gas production will increase by 200 mcm/d by that time, Shana news agency quoted him as saying. Iran has been looking to boost domestic gas production, especially that of South Pars gas field.

Indian Minister in Turkmenistan to discuss TAPI pipeline

Natural Gas Asia, *18.11.2014*



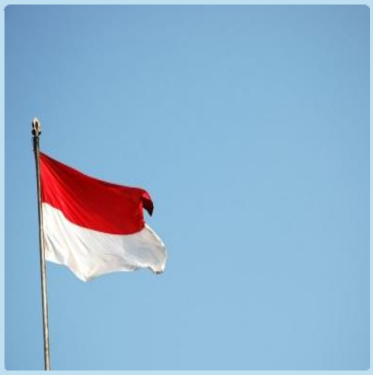
Taking a step closer to realising the Turkmenistan-Afghanistan-Pakistan-India (TAPI) natural gas pipeline, India's Minister of State for Petroleum & Natural Gas Dharmendra Pradhan left for Turkmenistan to attend the 19th Steering Committee meeting of TAPI project. Besides attending the TAPI meeting Pradhan is scheduled to discuss bilateral oil and gas cooperation issues with the Government of Turkmenistan, the government said in a statement.

Gas companies of Turkmenistan, Afghanistan, Pakistan, and India have established a company that will build, own and operate the planned 1,800-kilometer gas pipeline.

Turkmengas, Afghan Gas Enterprise, Inter State Gas Systems, and GAIL (India) Limited own equal shares of the company. ADB was appointed the transaction advisor for the TAPI gas pipeline project in November 2013. In that role, ADB advised on the establishment of the TAPI pipeline company as an integral part of the larger goal of identifying and selecting a commercial consortium leader to spearhead the construction and operation of the pipeline. When selected, the commercial consortium leader will take a substantial stake in the company. The TAPI pipeline will export up to 33 billion cubic meters of natural gas a year from Turkmenistan to Afghanistan, Pakistan, and India over 30 years.

Japan, South Korea to finance Donggi-Senoro LNG project

Natural Gas Asia, *16.11.2014*



Japanese and South Korean banks are likely to lend $1.5 billion to Mitsubishi Corp's Donggi-Senoro LNG project in Indonesia, according to news agency Bloomberg. Sumitomo Mitsui Financial Group Inc. is leading the group of lenders, sources have told Bloomberg.

State-owned Japan Bank for International Cooperation will commit $764 million. Mitsubishi UFJ Financial Group Inc., Mizuho Financial Group Inc. and Sumitomo Mitsui will provide a total of $382 million, while Export-Import Bank of Korea, Korea Exchange Bank and Nonghyup Bank together are committing the same amount.

Mitsubishi owns 45 percent, the largest stake, in the Donggi-Senoro LNG project on the central island of Sulawesi in Indonesia. The facilities in Sulawesi are scheduled to begin operations in the middle of next year, and will have annual capacity of 2 million tons, Bloomberg said.

China's gas imports via Central Asia gas pipeline crosses 100 bcm

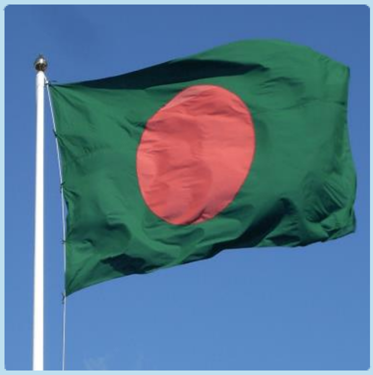
Natural Gas Asia, *16.11.2014*

China National Petroleum Corporation has announced that cumulative gas imports into China through Central Asian pipeline has crossed 100 billion cubic meters. Central Asian gas pipeline connects Central Asia and China's gas pipeline network. Currently there are three lines, A, B and C, in operation while D line is also under construction.

The 1,000 km D line starts from Turkmenistan and would pass through Uzbekistan, Tajikistan, Kyrgyzstan and to reach China. Once complete it will have an annual capacity of 30 bcm.

Bangladesh: Asia's New Energy Superpower?

The Diplomat, *15.11.2014*



Imagine you are a major energy magnate, poring over maps to find the world's next natural gas superpower. Where would you invest?

Even though Bangladesh just hit an energy mother lode in July – winning the rights to 20,000 square kilometers of natural gas-rich waters from India in a U.N. territorial arbitration, chances are you probably wouldn't think of it. To most, the territory still looks like a high-risk investment, given the political tenisions, pervasive poverty, and highly subsidized economy which undermines growth and limits spending on energy infrastructure.

Yet, looking the part isn't everything: Nigeria, Chad, and Venezuela have fared well in oil markets despite endemic poverty and violence; but Bangladesh's troubles could help explain why investors haven't been biting. In fact, quite the opposite; Australia's Santos pulled the plug on Bangladesh's only offshore gas field last year, citing poor production. With the help of KrisEnergy, a Singaporean company, Santos plans to begin drilling in shallow waters later this year. PetroBangla, the national oil company, attracted just two bidders in a 2012 auction for offshore drilling rights: India's Oil & Natural Gas Corporation and Houston-based ConocoPhillips.

Interest in “dispute-free” offshore oil blocks, which PetroBangla opened for auction last April, has proven sparse. Companies have complained about the lack of access to onshore blocks, and the terrible terms for drilling offered by PetroBangla. Earlier this year, Conoco and Russia’s StatOil paired up to bid on three of Bangladesh’s deepwater oil blocks, 30,000 feet below sea level. Conoco later attempted to win an agreement on two more deepwater blocks. Yet outside of these handful of companies, few are betting on Bangladesh.

It might be a smart time to place a wager. With its new territory, Bangladesh’s natural gas reserves are now estimated at 200 trillion cubic feet, the largest supply in the Asia-Pacific. PetroBangla will auction off 18 new oil and gas blocks by the end of the year. “Assuming Bangladesh could recover all of that, it would make it one of the largest natural gas producers in the world,” says Neil Bhatiya, a Policy Associate at the Century Foundation.

That’s a big if. Robin Mills, head of consulting at Manaar Energy, says there’s no way to be sure what’s there. “We just don’t know whether 100 to 200 trillion cubic feet, or indeed anything at all, will be discovered in the new area.” Bangladesh’s gas reserves are probable, not proven, so that estimate is a fifty-fifty proposition, based on existing geological and engineering data.

Bangladesh needs a comprehensive plan to survey and derive this energy, but the government lacks basic competencies to drill in deep water, from trained oceanographers to laws that safeguard against spills. Bangladesh’s Petroleum and Exploration Company has done experimental gas drilling, but it lacks the money and the energy infrastructure needed to explore the new territory.

Drilling also presents an environmental risk: cabinet secretaries have promised to deploy the government’s few tools to guard against environmental disasters, but they will need to import talent from energy majors to prevent methane leaks into the bay. Bhatiya says that problem can be mitigated using production agreements with Conoco and StatOil to extract the gas safely.

PetroBangla’s chief, Hossain Monsur, echoed that notion in a statement released just after the U.N.’s decision in July. But to achieve this, Bangladesh must first make nice with international oil majors, reconciling disputes that Petrobangla has enflamed over the price of gas, which Prime Minister Sheikh Hasina has fought to keep down. “Bangladesh may be willing to fast-track pricing reform if they think it’ll lead to the large-scale extraction of these resources,” Bhatiya says.

In the Bengal Delta, where poverty is pervasive, pricing reform may prove unpalatable. Families that depend on government subsidies to keep the lights on and put food on the table will not be able to stomach higher bills. If Dhaka pays the bumped-up tab itself, those expenses could wreak more havoc on the belabored economy: boosting inflation, hiking the trade deficit, and chewing up big bites of tax revenue. Energy subsidies alone cost Bangladesh $1.9 billion in 2013, and much of the food subsidy has been choked away by corruption in recent years. By going further into the red to subsidize its poor, Bangladesh would tack onto its budget deficit, a mess that the tax base couldn’t possibly clean up.

With foreign investors clamoring to get involved in the gas industry, and the presence of corruption lurking throughout Bangladesh’s ministries, rated some of the worst in the world by Transparency International, much of the energy, and revenue won from the U.N. settlement may not get back to the poorest citizens. That means the pain of energy shortages could persist, abetted by corruption in the state sector, and cause lasting damage. Political instability is also a grave threat: hundreds died in violence leading up to January's election, the bloodiest campaign since Bangladesh declared independence in 1971. With Prime Minister Sheikh Hasina and the rival Bangladesh National Party still at loggerheads, that tumult could flare up again.

More money begets more problems. Still, Bangladesh's new territory also puts it in an advantageous position to win concessions from China and India, its two primary benefactors, who are both increasingly hungry for new sources of energy. China has already invested a significant amount of money to build an airport at Cox's Bazar, just south of Chittagong, a tab that continues to increase. Bangladesh remains a key part of Beijing's strategy of encircling India with development money, and the infusion of natural gas should reaffirm that status.

Major energy finds in the Bay of Bengal could make a huge difference in pushing the economy forward, sending a rush of foreign investment into the country and helping growth rebound. "With natural gas consumption expected to grow worldwide, but particularly in the developing countries in South Asia, there is likely to be a strong market for the gas," Bhatiya notes. Bangladesh's oil riches are its best opportunity to rise from poverty, creating an equitable distribution of wealth to stabilize the government and the country. Dhaka must seize the moment.

CNPC and Myanmar signs energy deals

Anadolu Agency, *17.11.2014*

China's National Oil Company (CNPC) and Myanmar's Ministry of Energy signed a memorandum of understanding on expanding oil and gas cooperation on Monday in Nay Pyi Taw, Myanmar's capital.

The national oil company CNPC and Myanmar's Ministry of Energy will strengthen communication in energy policies, technology, oil and gas projects and trade in order to avail of more cooperation opportunities to promote the development of Myanmar's oil and gas industry, according to the agreement.

The deal enables both countries to cooperate in oil and gas exploration and development, refining, and chemicals, and carry out preliminary studies on natural gas utilization and refinery construction projects, the statement said. China's National Oil Company is China's largest oil and gas producer and supplier, as well as one of the world's major oilfield service providers and a globally reputed contractor in engineering construction. Burma's natural gas production has increased substantially over the past decade, rising from 1.7 billion cubic meters in 1999 to 11.6 billion cubic meters in 2012, according to the U. S. Energy Information Administration.

Brazil first-half November LNG imports down 18% as Northeast backlog persists

Platts, *17.11.2014*

Brazilian LNG imports declined 18% during the first half of November compared to the same period in October as a backlog of LNG vessels offshore the port of Salvador de Bahia in Brazil's Northeast continues to keep previously contracted volumes from being offloaded.

During H1 November Brazil imported a total of 577,600 cubic meters of LNG, down from 707,004 cu m imported during H1 October. Over the last month, a backlog of LNG tankers has accumulated offshore from the regasification terminal at Salvador. Last week, the 138,000 cu m Excelerate offloaded a cargo from Qatar in line since October 15.

At the port of Salvador de Bahia, imports during the first 15 days of the month totaled just 279,200 cu m, down nearly 35% from imports of 427,004 during the same period in October. At the port of Pecem, Ceara no imports arrived during H1 November, compared with a single cargo of 155,000 cu m during H1 October. At Guanabara Bay in Rio de Janeiro imports rose to 298,400 cu m during the first half of the month, up 139% from a single shipment of 125,000 cu m received during the first half of October.

Argentina, Chile state firms aim to boost offshore natural gas output

Platts, *17.11.2014*

Argentina's state-run energy company YPF and Chile's state-owned ENAP agreed Monday to invest around $200 million to boost offshore oil and natural gas production in southern Argentina. The goal is to ramp up gas output to 4 million cubic meters/d from 2.4 million cu m/d over the next three years, and to increase output of associated liquids to more than 7,000 b/d from 5,000 b/d, YPF said in a statement.

The partnership will allow the companies "to share financing to accelerate the process," YPF CEO Miguel Galuccio said after signing the deal with ENAP General Manager Marcelo Tokman in Buenos Aires.

US department of Energy approves two LNG export projects

Anadolu Agency, *18.11.2014*

The U.S. Department of Energy has issued two final authorizations for the Freeport LNG Expansion, LP. and Freeport LNG Liquefaction LLC. to export domestically produced LNG overseas. The Freeport LNG terminal in Quintana Island, Texas is authorized to export LNG for a total volume of 1.8 billion cubic feet (54 million cubic meters) per day for a period of 20 years, said the department on a statement.

BP has a liquefaction tolling agreement at the Freeport LNG project for more than 4.4 million tonnes per year of LNG for a period of 20 years, according to its website.

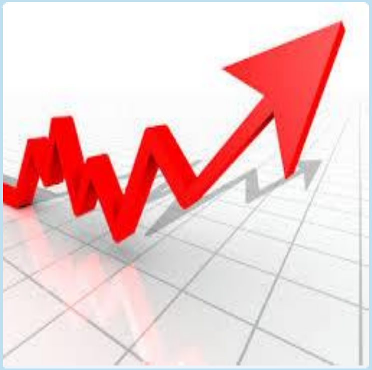
“The development of U.S. natural gas resources is having a transformative impact on the U.S. energy landscape, helping to improve our energy security,” said the department. “The Energy Information Administration forecasts a record production rate of 75 billion cubic feet (2,250 million cubic meters) of gas in 2014,” the department added.

The companies must be granted authorization before they can export natural gas to countries that the U.S. does not have a free trade agreement with, while the Department of Energy must acknowledge that the exports are consistent with the public interest.

The U.S. Republican Party is expected to expedite the authorization of LNG export projects by limiting the reviewing time of the U.S. Department of Energy. The Republican Senator John Hoeven of North Dakota prepared a bill that would force the department to make a decision about the proposed LNG projects within 45 days. However, Hoeven decided to hold back the bill last week in order to get more support for the industry and especially from Energy Secretary Ernest Moniz before he presents it to the Senate.

Oil prices slide on New York, London markets

Oil & Gas Journal, *18.11.2014*



US light, sweet crude oil prices settled below $76/bbl Nov. 17 on the New York market and Brent oil prices settled below $80/bbl on the London market upon expectations that the Organization of Petroleum Exporting Countries will not act to reduce ample oil supplies worldwide.

OPEC is scheduled to meet in Vienna Nov. 27. Traders expect the cartel, especially Saudi Arabia, will refuse to reduce its production quotas despite falling prices. Saudi and OPEC officials told The Wall Street Journal that Ali al-Naimi, the Saudi oil minister, is expected to say at the OPEC meeting that Saudi Arabia won't cut production on its own.

Carl Larry, Frost & Sullivan director of business development for oil and gas, said OPEC is under pressure to change because the US is importing less oil thanks to increasing domestic oil production, largely from unconventional plays. "Essentially they have lost their biggest customer (US) and are falling over each other to try to get to the next biggest consumer in line (China)," Larry said of cartel members. "If there's any challenge with OPEC, it's within OPEC."

He noted that Japan appears to be falling into a recession, which means the whole Asian area comes under pressure. "This will add to OPEC's dilemma as it heads into its last meeting of the year," Larry said. "Focus has shifted not only into those that can buy oil, but those that need to buy oil. The issue at hand with OPEC is not only about cutting production, but with who is willing to cut and if they can afford to cut." He noted that refinery maintenance will start soon in Europe, dampening oil demand even more. "OPEC will need to consider whether or not they are flooding the market," Larry said. "In the past, they have relied on the US or China to clear any oversupply, but the US continues to feed its own demand within North America, and China has yet to return to the glory days of double-digit growth."Elsewhere, traders are watching to see if Iran and Western world powers will reach a nuclear deal by a Nov. 24 deadline. Diplomats involved in the talks say that it is likely another deadline extension will be needed.

The New York Mercantile Exchange December crude oil contract fell 18¢ on Nov. 17, closing at $75.64/bbl. The January 2015 contract dropped 16¢ to $75.66/bbl. The natural gas contract for December increased by 32¢ to a rounded $4.34/MMbtu. The cash gas price at Henry Hub, La., was $4.22/MMbtu, up 18¢. Heating oil for December delivery was down 1.2¢ to a rounded $2.40/gal. Reformulated gasoline stock for oxygenate blending for December delivery fell 1.6¢ to a rounded $2.03/gal. The January 2015 ICE contract for Brent crude oil was down 10¢ to $79.31/bbl. The February 2015 contract dipped by 11¢ to $79.94/bbl. The ICE gas oil contract for November dropped 25¢, settling at $697.75/tonne. The average price for OPEC's basket of 12 benchmark crudes on Nov. 17 was $73.90/bbl, up 43¢.

Global gas demand grew less than oil demand in 2013, says Cedigaz

Natural Gas Europe, *19.11.2014*

Global gas demand rose slower than oil demand in 2013, confirming the difficulties the industry is going through. At the same time, gas has been the only fossil fuel to record lower growth in 2013 than in 2012. Those are two highlights of a new report released on Thursday by Cedigaz, which also advocates a significant increase in CO2 prices in Europe.

"In 2013, growth in worldwide gas demand decelerated, up by only 1% versus 2.4% in 2012. This is less than the 3% growth achieved by coal and, most remarkably, less than that of oil (1.4%)" reads the report. In the last decade, gas' average growth was around 2.8% per year.

"This disappointing performance is partly due to supply side issues, including acute gas shortages in several gas producing countries. Many of the latter, e.g. Egypt, India and countries in the Middle East, have seen low, regulated gas prices stimulate gas demand while discouraging the investments needed to boost production."

Cedigaz called emerging economies to carry out a reform of their regulated gas prices. At the same time, it asked some form of intervention. "As seen in Europe, the double whammy of cheap coal and an increasing share of renewable power seriously undermines the business model of gas-fired power plants. Left solely to market forces, gas cannot compete with coal for base load power and its role is limited to meeting peak load demand. However, in mature electricity markets presenting little, if any, growth in demand, the introduction of a growing share of renewable power puts pressure on wholesale prices and displaces gas during peak hours when solar power is at its maximum. In this context, gas cannot make a significant contribution to electricity generation without a significant upswing in CO2 prices." According to the Paris-based organisation, gas will not displace coal without policy incentives. This counts for Europe, but also for emerging economies.

Announcements & Reports

► *EIA's U.S. Crude Oil Import Tracking Tool: Selected Sample Applications*

Source : EIA
Weblink : http://www.eia.gov/petroleum/imports/samples/pdf/tracking_tool.pdf

► *Refinery Outages: Fall 2014*

Source : EIA
Weblink : http://www.eia.gov/petroleum/refinery/outage/pdf/refinery_outage.pdf

► *Monthly Oil Market Report*

Source : OPEC
Weblink : http://www.opec.org/opec_web/en/publications/338.htm

► *Japan's Nuclear Fuel Cycle Futures*

Source : CSIS
Weblink : http://csis.org/files/publication/141120_Report_Japan_Nuclear_Fuel_Cycle_Futures.pdf

► *Remaking American Power*

Source : CSIS
Weblink : http://csis.org/files/publication/141107_Ladislaw_RemakingAmerPower_Web.pdf

Upcoming Events

► *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

► 166^{th} (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

► 8^{th} 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/

VI.WFER
Istanbul 2015
25-28 May

► *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