Oil & Gas Bulletin

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Turkish Minister: Gas price talks with Russia promising

World Bulletin, *28.01.2015*

The negotiations between Turkey and Russia about pricing natural gas and a new gas pipeline look promising, a Turkish official said.

Taner Yildiz said that the two previous meetings were not successful, but that the ongoing negotiations with Gazprom's top official, Alexey Miller, looked promising. "With the oil price slump, natural gas prices are falling as well. This affects gas producing countries, like Russia, negatively, and puts a strain on the ongoing negotiations too," he added. Yildiz said that the current gas prices are at Nov. 2008 rates, despite the rise in value of the U.S. dollar.

Natural gas prices are mostly indexed to crude oil prices. Since gas contracts are renewed every six months, prices for new gas contracts are determined by past prices of crude oil. "We have also agreed with the Russian delegation in principle that we will move on to take more solid steps towards the new gas route through Turkey, instead of having non-binding agreements," Yildiz said. In December, Russian President Vladimir Putin scrapped the South Stream natural gas pipeline project planned to pass through Bulgaria to Europe, and announced that a new natural gas pipeline route through Turkey's northwestern Thrace region. He also announced that a natural gas hub on the Turkish-Greek border will be constructed. "The project named 'Turkish Stream' is planned to carry 63 billion cubic meters of natural gas annually.

Turkish Petroleum to cut drilling activities

Anadolu Agency, *28.01.2015*

Turkish Petroleum will reduce drilling activities if low oil prices continue, the head of Turkish Petroleum, Besim Sisman said.

State-owned Turkish Petroleum is an exception among companies in that it is negatively affected by low oil prices as Turkey is a net oil importer. However, the country expects the current budget deficit to fall by nearly 50 percent due to low oil prices. "Oil companies usually reduce worker numbers or cancel projects," said Sisman. "We will halt some activities while managing this process as we are reluctant to remove nearly 4,600 of our personnel" he added.

Sisman said this reduction in drilling is a temporary situation and even if the oil price is at $40 a barrel, the company will not face financial problems. He added that the target is to overcome the setback without loans. Turkish Petroleum will invest 1.4 billion Turkish liras in domestic projects and 2.3 billion lira in foreign investments in 2015, said Sisman, adding that they plan to drill 128 wells in total.

Turkish Petroleum has produced 12.3 million barrels of crude oil domestically in 2013 and the company's main strategy in the mid to long term is to increase production through new investments. "We will carry on our work in the Black Sea, the Mediterranean and onshore, but we must not forget to turn our direction abroad. We must make investments outside of Turkey," Sisman said.

Sisman, upon being questioned on the research activities in Southeastern Mediterranean, commented that they found the region tempting after the discovery of natural gas resources in Israel, and added that the dispute over the territories are politically motivated.

The Turkish seismic vessel, Barbaros Hayreddin Pasha is searching for oil offshore southern Cyprus. Turkish authorities say that both Turkish Cypriots and Greek Cypriots have rights to the offshore gas reserves around the island, while the Greek Cypriots have declared rights to what they call an "exclusive economic zone" in the waters off the south coast. Sisman also said there is a future for Turkish Petroleum in both southern and northern Iraq, and the recent relaxation of political tension looks promising.

Sefcovic: Turkey only gas transit will not work

Argus, *26.01.2015*

Sefcovic was addressing parliament's industry and energy committee. "The system they are proposing simply would not work. There are long-term contracts signed," said Sefcovic. He reiterated that the long-term gas contracts with Gazprom also specify the place of delivery.

"This is clearly not the Turkish-Greek border." The announcement by Gazprom chief executive Alexei Miller that the firm's proposed 63bn m³/yr Turkish Stream pipeline will be the only route for the delivery of Russian gas currently transiting Ukraine undermined the company's image as a reliable supplier according to Sefcovic.

Turkish gas shippers expect quarterly Gazprom price

ICIS, *29.01.2015*

Turkish natural gas shippers expect Russian producer Gazprom to quote a quarterly rather than annual price when invoices are sent out next month, sources told ICIS on Monday. Companies have been waiting for the Russian producer to inform private importers of their new import price for the full year by the end of January.

However, three sources active in the market said Gazprom may quote a price for Q1 '15, rather than for the entire year, fearing the volatility of the oil price against which Turkey's import prices are indexed. Crude prices have dropped more than 50% since last summer.

"We expect Gazprom to inform us of the new price by 6-7 February," a source said. "It is possible that they will be quoting a price for Q1 and then ask for a new price in Q2 and so forth," he said. Another source said the method would be "logical" but added that Gazprom would have to finalize the price for the state company BOTAS before agreeing on an import price for independent companies. The incumbent has asked for a 15% discount, although it is not expected by the wider market to be granted. This would be in addition to a 6% reduction that was approved last December. Gazprom could not comment on the issues.

Turkish buyers eye LNG as the market becomes attractive

ICIS, *29.01.2015*

Aliaga independent terminal operator EgeGaz was heard to be seeking one to two cargoes on the prompt, as the Turkish domestic market was expected to ramp up its gas demand, according to market sources.

Exact delivery windows were not confirmed, but could be sought through the March-April timeframe. EgeGaz is understood to be interested in the LNG cargoes for its trucking business or for delivery on the market where gas demand is likely to reach 50.8 billion cubic meters in 2015 from last year's 47.8bcm, according to data by the regulator EPDK.

As a result of dwindling demand from northeast Asia and South America, spot LNG prices have fallen to potentially attractive levels for Turkish buyers. The regulated tariff for eligible consumers for January is $8.832/MMBtu, but is likely to stay at similar levels in February and March. Meanwhile, the ICIS Turkey delivered ex-ship (DES) assessment for March ‘15 delivery was assessed at $7.40/MMBtu on 29 January.

Turkey imported 11 spot LNG cargoes between the beginning of November and the end of January, according to ICIS data. All of them are thought to have been bought by the incumbent BOTAS. Comparatively, BOTAS received only eight deliveries between November 2013 and the end of March 2014. Last year BOTAS concluded a strip deal with Qatargas for the delivery of nine cargoes between November and March. It has so far received four cargoes.

The fifth, the Q-sized 210,000cbm Al Ghariya was expected to arrive into Turkey’s Aliaga LNG terminal on 2 February, according to port data. The cargo on the vessel, loaded with Qatari-sourced volumes, is likely a spot transaction into Turkey, but the buyer could not be immediately confirmed. The vessel was currently positioned at the north end of the Suez Canal. Other concerns on curtailment of Algerian production this week could also complicate Turkish LNG deliveries, given that loadings have halted from the 4.5mtpa Skikda LNG plant in Algeria since 7 January. A cargo was heard to have been sold to a buyer in Turkey by France-based GDF SUEZ on a spot basis, although the transaction could not be immediately confirmed. One source said a GDF SUEZ-controlled vessel that loaded in Trinidad could have been diverted to Spain instead of delivering to Turkey as a result of the Algerian production outage.

“Turk Stream”- a paradigm shift between Russia and Turkey

Natural Gas Europe, *28.01.2015*

Russia is supplying gas to Ukraine and the EU according to plan, Ukraine’s Naftogaz said. “The information circulating in the media that Russian gas has stopped going to the EU through Ukraine dates back to 2009 and has nothing to do with the current situation. As of 2015, there were no breaks in Russian gas deliveries to the Ukraine GTS,” the statement said.

The CEO of Russia’s Gazprom gas giant said in mid-January that risks persist for gas supplies to Europe via Ukraine as the latter failed to import the necessary amounts of natural gas in November and December due to financial difficulties.

Last December, Gazprom’s killing off of South Stream and the bringing to life of “Turk Stream” was a paradigm shift towards Turkey, said Mr. Mehmet Ogutcu, Executive Chair, The Bosphorus Energy Club, in his address to delegates at the European Gas Conference this week in Vienna, Austria.

In the past, he explained, Gazprom never allowed Turkey to re export natural gas, but the company's position had changed because of the difficulties it has in regard to the EU, Bulgaria and global markets, and Turkey being one of the secure markets with growing demand. Meanwhile, Turkey has been disappointed and frustrated with the EU over the lack of progress in the country's EU accession process, which includes a section on energy.

"It's not in Turkey's interest either," he offered, "to go into the straight jacket of the EU acquis on energy matters, while it has so many other options and is flexing its muscles." Of the 63 BCM that would traverse Turk Stream, 49-50 BCM would arrive at the Turkish-Greek border, gas which would be sold to Europe. "First, of course, Europe has to accept that rather than it going through Ukraine, going through Turkey.

"Secondly, Turkey has made it very clear that they will not get involved in the offshore pipeline bringing the gas to Turkish territory. There's also a possibility of building LNG as well, but Turks are very keen on using this leverage for negotiating better pricing with Gazprom," said Mr. Ogutcu, who recalled that Russian President Vladimir Putin offered a 5-6% discount, but Turkey is aiming for a minimum 15% discount.

He added, "There is a risk of undermining or weakening other options. Turks will not do anything which will undermine, for example, the Southern Gas Corridor, because of their shareholding in TANAP. With weak demand in Europe, he said, it is a question where this gas would go.

"So this is a question that I think Turkey has to handle with great care – energy diplomacy. This is what they are doing now, they haven't jumped on the horse yet," commented Mr. Ogutcu. Despite signing a letter of intent, the Turkish side of Turk Stream is a bit more downbeat in terms of price and other competing projects that Turkey is participating in.

"From what we know," he explained, "Turks are quite clear that they don't want to be just a transit country – they want to be a regional hub." Meanwhile, he added that Iran also contributes a significant amount of gas to Turkey, but Tehran is not the easiest partner as well as asking for a high price.

"The Southern Gas Corridor project is the one that's going ahead. It's a concrete one and the investment levels have been advancing. It's a $45 billion project, the largest gas project that's going ahead," said Mr. Ogutcu, which would transport Shah Deniz II gas to Europe. He added that it is set to be completed in 5 years, with Turkey as the second largest investor after BP.

Turkey, he said, is a country that is heavily dependent on global gas markets. "Turkey doesn't have any meaningful amount of oil or gas," he explained, adding that 98% of its natural gas was imported. Meanwhile, he said Turkey needs an estimated $120 billion in capital for its energy industry by 2023, the 100th anniversary of the founding of the state.

"Gas is a critical field for Turkey," said Mr. Ogutcu. "Clearly, the Turkish government is trying to reduce the share of natural gas in its energy mix, especially in power generation – at some point it was beyond 50%, but now it's down to 44-45% and the intention is to go down to 30%." This, he explained, would happen through use of lignite and renewable resources. Despite this, gas demand is set to nearly double in Turkey by 2024.

He offered, “This is a critical area for Turkey, a national security matter, because it’s a country with big ambitions and wants to become one of the top 10 economies of the world by 2023. It has a GDP of around $1 trillion already and is the biggest power culturally and militarily in the area where it is, so there’s a potential.”

Fortunately, quipped Mr. Ogutcu, Turkey has neighbors with enormous amounts of gas, like Russia from which it receives the bulk of its natural gas via Blue Stream which runs under the Black Sea. Turkey’s relationship with Russia, he noted, is not all about energy but also covers areas like defense, construction and tourism, as well as a nuclear reactor being built in Turkey by Rosatom – a project that is also set to displace a significant amount of natural gas.

Mr. Ogutcu reiterated, “Natural gas is a national security matter for Turkey. It is critically important for its ambitious economic-political projects, and if Turkey wants to become a regional hub beyond meeting its own gas supply requirements, we all agree that Turkey has to align its foreign policy with its energy policies, and never treat gas matters in isolation from geopolitics.”

Gazprom, Turkey agree on new route

The Natural Gas Europe, *27.01.2015*

Gazprom and Taner Yildiz agreed on the new route of the new gas pipeline connecting Russia and Turkey, on the basis of the preliminary feasibility study.

‘The four strings will have an aggregate capacity of 63 billion cubic meters a year. 660 kilometers of the pipeline’s route will be laid within the old corridor of South Stream and 250 kilometers – within a new corridor towards the European part of Turkey’ reads the note released on Tuesday. Gazprom said it will be the only entity responsible for the construction of the offshore section, adding that it should file its Front End Engineering Design for the offshore segment.

‘Turkish gas transportation facilities will be built jointly. The project stakes will be distributed in the course of the future talks. Botas is approved to represent the Turkish party. Gazprom and Botas will develop the project schedule within 7 days.’

The Russian company reinforced the idea that the majority of this gas is meant to be consumed in Europe. “Our priorities – to study the route’s options in Turkey, to define the location of the landfall facilities, gas delivery points for Turkish consumers and border crossings between Turkey and Greece” Alexey Miller said, adding that the first gas should be delivered in December 2016.

Gazprom to build Turkish subsea pipeline alone

Argus, *27.01.2015*

Gazprom will build the offshore section of its proposed 63bn m³/yr Turkish Stream gas pipeline alone, substantially increasing the firm's financial burden.

The first 15.75bn m³/yr leg of the pipeline could be commissioned by as soon as December 2016, Gazprom said. The new pipeline would follow the route of the abandoned South Stream project beneath the Black Sea for 660km, then follow a new route for 250km to the Turkish beach. According to the preliminary agreement, Gazprom and Botas would jointly build the infrastructure in Turkey required to accept up to 63bn m³/yr from the pipeline.

The firms are yet to agree on shares in the future joint venture that would be led by Botas. Gazprom hopes that the intergovernmental agreement between Turkey and Russia on Turkish Stream construction will be signed by July. The Russian firm does not say when the remaining three underwater lines could be commissioned.

The December 2016 deadline to commission the first leg of the subsea pipeline seems ambitious, given that the project was announced only in December. To meet the deadline, Gazprom must begin construction this year. But because it follows the same route as South Stream for much of its length, only the last 250km corridor needs to be redesigned. Gazprom plans to commission the design and survey works for the Turkish segment tomorrow.

Work preparing Russia's onshore infrastructure to accommodate transmission of another 15.75bn m³/yr from west Siberia to the Russkaya Black Sea compressor station is almost complete.

But the plans are complicated by the substantial investments Gazprom must make in the 38bn m³/yr Power of Siberia (PoS) pipeline and development of the 1.45 trillion m³ Chayandinskoye field in Sakha Yakutia to begin exports to China in 2019. Realising the two costly projects simultaneously could prove challenging, not least because Gazprom proposes to shoulder the costs of the offshore segment itself. Gazprom had expected to cover only half of the costs of the offshore section of South Stream, which was to cost €14bn ($15.7bn). Gazprom's overall capital investments for this year are close to €11bn.

The Turkish Stream: where to go from here?

Hurriyet Daily News, *29.01.2015*

The landmark agreement on the Turkish Stream reached shows Moscow's determination to avoid Ukrainian transit at all costs and start its implementation without delay.

If all goes well, natural gas currently flowing from Russia to the EU via Ukraine will in the future only be delivered via Turkey through the Turkish Stream. This decision followed an announcement of an important change in Gazprom's business model in Europe – the company is no longer eager to access downstream, plans to sell its gas at the EU's border and repatriated its head trading office from London to Saint Petersburg.

European energy market liberalization has removed the right of gas producers to own gas transport and distribution infrastructure, making it increasingly difficult for Gazprom to sustain its preferred model. With the Turkish Stream, the "energy game" has changed – now it is up to Europe to make important investment commitments.

EU energy companies will need to invest in a new infrastructure by 2019 to bring gas from the hub on the Turkish-Greek border to their home markets. For Brussels, there is also a political concern that gas flows would be controlled by Russia and Turkey – neither of which are viewed as favorable toward Europe at this moment. Unsurprisingly, during his recent visit to Moscow, EU Energy Commissioner Maros Sefcovic called on "Moscow to look at this option again and come up with a viable economic solution that is also acceptable to European partners."

Such concern is not limited only to Brussels. There are also concerns among other competing gas pipeline projects, either in the implementation phase or planned, targeting Turkish and high-value European markets that they might be crowded out by such a large-scale project. Turks have made it clear that they have no intention to undercut the Southern Gas Corridor, in which they have a vital stake.

On the contrary, the project received strong support from movers and shakers in Ankara and Moscow. In Turkey, despite some opposition due to the already excessive dependence on Russian energy, it is viewed also as a unique opportunity for Ankara, which goes beyond a purely commercial rationale.

This move brings Turkey a step closer to its dream – becoming the key regional energy hub. It will also help Turkey to significantly boost its geostrategic importance. In turn, Moscow, which is going through a rough time of sanctions and low oil prices, hopes to consolidate its foothold in Turkey and work with a difficult, but trusted, predictable country for selling its gas.

But the Turkish Stream does not exist in a vacuum. Creating a gas hub on the Greek-Turkish border and the necessary transportation infrastructure from there to the delivery point concerns the EU. It is not possible for Ankara and Moscow to send 50 billion cubic meters of gas without the endorsement of Brussels and the EU's patron countries.

Europe seems to be rather skeptical and is not shy from expressing its displeasure. The abundance of gas supply, including flexible LNG shipments, makes Brussels reluctant to commit itself to this new project. Added to this are sanctions against Russia and geopolitical frictions in Europe's neighborhood.

Of course, Ankara and Moscow can go ahead and create a reality on the ground to take care of their own interests. Yet, if we get rushed into a hasty decision without the EU on board, we may run the risk of making an error that will be difficult to redress in the future. The Turkish Stream can offer a great deal of advantages and opportunities to Russia, Turkey and the EU only if it is well planned, a balance of interests have been achieved, price flexibility is provided and vested regional interests of both countries including other competing pipeline projects are taken into account in the long-term planning.

In light of such divergent views and the recent Ankara-Moscow decision to step up the process by signing an Intergovernmental Agreement in the second quarter of this year for gas delivery in December 2016, there is a pressing need to launch a depoliticized, mutually beneficial and forward-looking Turkish-Russian-EU dialogue on gas supplies and future European and global energy security architecture.

Turkey's gas imports to climb in 2015

Anadolu Agency, *29.01.2015*

Turkey's natural gas imports for 2015 are projected to reach 52.2 bcm, an increase of 9.6 percent compared with last year. Gas consumption has been increasing continuously in Turkey because of the country's developing economy, industry and increasing population, and Turkey imported 47.6 bcm, in 2014.

BOTAS, will import 20 bcm gas from Russia via the West Line and Blue Stream pipelines. Another 10 bcm will come from Iran and 6.6 bcm will be imported from Azerbaijan. The company also plans to import some 5.6 bcm from Algeria and Nigeria as LNG.

Additionally, other companies apart from BOTAS will import some 10 bcm from Russia. Turkey uses most of its natural gas for its electric power sector which accounts for nearly half of the country's natural gas consumption. The industrial and residential sectors each account for approximately 20 percent. According to energy ministry, Turkey's electricity generation relies on natural gas at around

45 percent, 25 percent from hydro plants and 12 percent each from domestic coal, lignite and on coal exports and the rest on other resources.

Russia's new Turkish Stream gas strategy more bark than bite

The Moscow Time, *22.01.2015*

Although officials in Moscow have trumpeted the cancellation of the South Stream natural gas pipeline as a major blow to Europe.

After years of work on a gas pipeline meant to cross southeastern Europe and bring fuel to the heart of the EU, sidestepping troubled Ukraine, Gazprom last week confirmed a change in strategy was under way. Instead of stretching a pipeline across Europe and dealing with prohibitive EU legislation that requires infrastructure be open to third parties, Gazprom said it will transport the gas to a hub in Turkey, from which the EU can take it or leave it.

"[South Stream] is closed. The Turkish Stream is the sole route. There are no other options," Gazprom CEO Alexei Miller was quoted as saying by news agency TASS. Analysts interviewed by The Moscow Times on Wednesday, however, said that Russia's ultimatum is undermined by declining demand in the EU and the fact that Europe can turn to other suppliers, as well as a lack of concrete projects Russia can rely on in negotiations with Turkey.

"Gazprom's negotiating position is weak. It is backed by nothing other than statements that Europe cannot do without Russian gas. Unfortunately, it can," said Sergei Pikin, director of the Energy Development Fund, a Moscow-based think tank. President Vladimir Putin's announcement in December that the $45 billion South Stream project would be cancelled due to the EU's "unconstructive" position was initially met with disbelief.

The leaders of both Bulgaria and Serbia — countries that rely heavily on Russian gas supplies — at the time expressed their confidence that the project might still be carried through. But Russia's position has been adamant. Both Gazprom's Miller and Russia's Energy Minister Alexander Novak have even said that the EU should step up and quickly build a pipeline network to the Turkish border on its own.

The gas transit contract with Ukraine expires in 2019 and Russian officials have suggested they may not prolong it, meaning 40 percent of Russian gas supplies to Europe may go elsewhere. "This is a very tight schedule. To comply with it, work for the construction of new gas pipelines should be started in EU countries right now. Otherwise, these gas volumes may be redirected to other markets," Miller said.

European energy officials appeared utterly shocked by this announcement. “We don’t work like this,” news agency Bloomberg quoted Maros Sefcovic, the European Commission’s vice president for energy union, as saying last week.

According to Pikin of the Energy Development Fund, EU officials are only worried about the Eastern European countries that rely heavily on gas supplies from Russia. “But if pressed, within the next 10 years Europe can completely abandon unstable gas supplies from Russia,” Pikin said. Currently, the volume in question is 60 billion cubic meters of gas per year, which is about 10 percent of the EU’s total annual gas demand. Today, natural gas makes up 23 percent of Europe’s total energy mix, down from 25 percent in 2010. Prompted by earlier supply disruptions, Europe has been making efforts to decrease its dependency on gas in general and on Russian gas in particular. Eurogas, an agency that represents the interests of the European gas industry, expected demand for the fuel to contract by 8 percent in 2014. Demand may decrease even further as the EU continues to step up its use of renewable sources of energy. Moreover, the EU’s gas storage facilities could be filled up with liquefied natural gas from places other than Russia. “This fuel will not be much more expensive than pipeline gas now, as sinking oil prices are bringing down the prices for gas as well,” Pikin said.

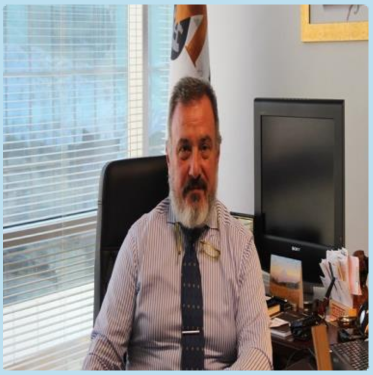
As for the proposed Turkish Stream pipeline, analysts were skeptical about its prospects, at least in the form trumpeted by Russia. Out of the 63 billion cubic meters (bcm) per year of capacity that Gazprom announced for its new pipeline to Turkey, 14 bcm would be taken out for Turkey’s own needs, leaving 49 bcm destined for Europe.

“The most important problem is that there is simply not enough capacity to deliver these volumes from the Greek-Turkish border into the heart of Southeastern Europe in order to reach the consumers that Gazprom planned to reach with South Stream,” said Jack Sharples, an associate professor and lecturer in energy politics at the European University in St. Petersburg. Unless new pipeline capacity is built to deliver the gas onward from the Turkish-Greek border to consumers in the EU, it will simply be a project without a purpose, he said.

And even as officials in the EU are only now beginning to discuss this possibility, Turkey’s own position on the pipeline is still unclear. “Turkey does not seem to have a clear vision on Turkish Stream, and it has not decided where [Turkey] should stand and what her role should be in this project,” said Gulmira Rzayeva, a research associate at the Oxford Institute for Energy Studies. “There are many uncertainties and no legally binding documents signed yet,” she said.

Turkey works hard to fully use domestic energy resources

Anadolu Agency, *27.01.2015*



Turkey's recent energy laws along with the support from Turkey's administrative and regulatory authorities have created a favorable and supportive environment both for foreign and local investors, General Manager of Marsa Energy's Turkey branch said.

The legal structure makes the royalties that companies have to pay reasonable and attractive for investment as subsidiary companies from countries which Turkey has double taxation agreements with are not required to pay double tax. "Turkey wants to use its domestic resources to the highest level, and administrative authorities are supporting both foreign he told.

Marsa Energy is an oil and gas exploration company which operates in the Thrace Region within the boundaries of its exploration license. The company announced on Jan. 7 that the company's total probable plus proved (2P) reserves in the Poyraz Ridge gas field amounts to 600 million cubic meters. Turkey's domestic natural gas production equaled to 537 million cubic meters in 2013 - only around 1 percent of its total supply, according to Energy Market Regulatory Authority.

He also emphasized that since the formations and structures in Turkey where the gas is discovered, especially in the Thrace Basin, fluctuates in relatively shallow fields and result in lower costs for drilling and allow for a diminished investment risk which are encouraging for all investors.

"Investment becomes attractive especially when combined with close-zero sales cost apart from the investment that needs to be made for pipelines and production and metering facilities, because of exceptionally high local demand rate," he said.

"Even one cubic meter of natural gas can easily find a market in Turkey; thus the product can immediately be sold and the company can recoup its investments in a relatively shorter period compared to other countries," Kadioglu emphasized.

"We have so far invested around $40 million since 2010 and are planning to drill six more wells in Poyraz Ridge under our existing exploration license in the Thrace Region in 2015. We will conduct additional seismic campaigns as well. Our aim is to hot-tap BOTAS's pipeline in mid-2016 and commence mass production of natural gas," he said.

Georgia can carry Iranian gas to Europe, Rouhani says

Natural Gas Asia, *27.01.2015*

Georgia can be a transit route for Iran to deliver its natural gas to Europe, said Hassan Rouhani, Iranian President on Monday, according to Iran's Petro Energy Information Network SHANA.

"Georgia can be a transit route for Iran's gas exports to Europe and on the other hand, North-South Corridor and Iranian Railroads can connect Georgian ports to the Persian Gulf and the Sea of Oman," Rouhani said at a meeting with Georgian parliament speaker Davit Usupashvili in Iran. The North-South Corridor is the transportation system linking India to Europe, via Central Asia and the Caucasus.

Rouhani said that Iran and Georgia could also cooperate with regard to all regional issues. "There is no option but cooperation for stability and security," he added. Underlining that the mutual cooperation between Iran and Georgia has reached a good level over the years, Georgian parliament speaker Davit Usupashvili said especially the relations between the ministries of economy and oil of the two countries' have greatly improved. Georgia uses Batumi Port, in southwest of the country, to transport Azeri and Kazakh oil into Europe and Asia. Diplomatic relations between the two countries were established in 1992.

Iran to increase export by 150 mcm a day in coming years

Natural Gas Europe, *26.01.2015*

Iran will capitalise on growing production from South Pars to add 150 mcm of gas per day to its export capacity, said Alireza Kameli, Managing Director of NIGC.

'Kameli stated that with regard to the good markets in the region and increase in export capacity in the coming years, there will be no problem for signing new contracts and export of gas' reads a note published on NIGC. Iran could export gas to Kuwait, UAE and Oman. Kameli said that negotiations are progressing. As for the export of gas to Afghanistan, Kameli said export of gas to this country due to the need for construction of lengthy pipeline does not seem economical.

However, he added, currently export of gas to Afghanistan is being considered in the form of CNG and studies have been conducted in this regard but not finalized yet.

KRG and Iraq dispute over Kirkuk oil volumes

Anadolu Agency, *29.01.2015*

Kurdish Regional Government and the federal government in Baghdad have some issues over oil export volumes in Kirkuk, said KRG official.

"There is a disagreement with Baghdad who thinks that we can send them more oil than we agreed upon," KRG Prime Minister Nechirvan Barzani said. "We told the federal government of Iraq that we cannot send more oil than what is already agreed for the time period," he added. Reminding that Kurdish region is facing an economic crisis, Barzani stressed that KRG will take the necessary precautions against any possible disagreement with Baghdad.

President of Economy and Finance Commission and Kurdish Member of Parliament Dr. Izzet Sabir told The Anadolu Agency on Jan. 13 that KRG needed $10 billion to overcome the economic downturn, calling it the 'biggest crisis in the last 22 years.' The two sides reached an agreement on Dec. 2, stating that the KRG will send 250,000 barrels of oil per day, and Kirkuk province will export 300,000 barrels per day, while Baghdad will send $500 million to the KRG from the federal budget of Iraq. However, the Kurds send 200,000 barrels of Kirkuk oil to Turkey's Ceyhan port every day to export it to international market. Meanwhile, the Iraqi federal governments requests the KRG to compensate the remaining 100,000 barrels of oil per day from their own resources.

Greek Cyprus and TOTAL: break or break-up?

Natural Gas Europe, *29.01.2015*

TOTAL may be pulling out from Greek Cyprus for not having found potential drilling targets has not yet been fully confirmed. It remains unclear whether TOTAL is pulling out all together, reconsidering its participation.

The plunging oil prices may have also played a role in TOTAL's reluctance to drill in Greek Cyprus in 2015 and invest large amounts of funds without the certitude of the commerciality of the endeavour. It is expected that the arrangement discussed between the Greek Cypriot Government and TOTAL will be finalized and announced soon.

TOTAL's (perhaps momentary) withdrawal does not mean all hydrocarbon related activities have halted off the island's coast. Noble energy is in fact in talks with the Cypriot government over the exploitation of the Aphrodite field discovered by the Texan company in 2011 in Block 12 of the island's Exclusive Economic Zone and estimated at 4.54 trillion cubic feet (tcf). Despite the commercial size of the field, the island has not yet developed the adequate infrastructure to export its newly-found riches. An onshore LNG terminal project has been put on hold until further quantities are discovered.

In the meantime, Cyprus may be looking into the regional market as a destination for the natural gas discovered in its Aphrodite field. Neighbouring Jordan is struggling to meet its domestic demand as it undergoes a severe energy crisis triggered by the disruption in the flow of natural gas from Egypt to Jordan. Reliant on imports to satisfy 96% of its energy needs, Jordan is a potential customer for Cyprus and Israel. In 2014, Cyprus' minister of energy Yiorgos Lakkotrypis met with senior officials in Jordan where he signed a memorandum of understanding to the effect of cooperating in the field of energy.

Despite the continued presence of a Turkish vessel in its waters, Cyprus also continues its offshore activities. The Italian and South Korean consortium ENI/KOGAS is pursuing its search for gas in Block 9 of Cyprus' EEZ. Additional encounters would allow the island to invest in the necessary infrastructure to access far-reaching export markets.

TANAP, significant project to ensure Europe's energy security

Azer News, *27.01.2015*

The Trans-Anatolian gas pipeline project is of particular significance for ensuring Europe's energy security, Hungarian Foreign Minister Peter Szijjarto said. He made this remark at a meeting with Mevlut Chavushoglu.

Szijjarto also noted Hungary is confident that the project will be one of the most important energy projects. TANAP, developed by SOCAR in collaboration with Turkish BOTAS and TPAO, will deliver Shah Deniz gas to the Turkish-Greek border from eastern Turkey. The initial capacity of the pipeline will be 16 billion cubic meters of gas a year. TANAP will link up with TAP pipeline on the Turkish-Greek border.

About six billion cubic meters of gas will be delivered to Turkey and the rest to Europe. The costs of the TANAP project are estimated at $10 billion to $11 billion.

Caucasus geopolitics shake up the energy game

Natural Gas Europe, *26.01.2015*

Over the past few months and in the midst of the Ukraine crisis, a shift of great geopolitical and energy importance is taking place in the Caucasus region. In particular, an alignment between Moscow and Baku, should it be fruitful, might shake up the entire gas route plans of the West with plans for a Russo-Turkish, alignment - Turk/Turkish Stream.

Azerbaijan's President Ilham Aliyev is anticipating a 'colour revolution' in the country. His right hand man, Ramiz Mehdiyev, Head of the Presidential Administration, recently published a 60-page widely circulated manifest accusing the US that it is forming a "fifth column" in the country.

Mehdiyev explains that the role of NGOs is to overthrow current political establishments and concludes that a strong Azeri Presidency is required. Moreover, he adds that Washington is the major culprit behind instability in international relations and called for an independent and balanced foreign policy for Baku. The manifest was written in Russian and was also widely read in Moscow as well.

Furthermore, in mid-December 2014, the premises of Radio Free Europe in Baku were raided by Azeri security forces who seized equipment and files. The station is subsidized by US state department and various quasi-official American agencies. Washington condemned the event and the arrests of several other independent and oppositional journalists in the country. Around 100 opposition figures were arrested in 2014, the vast majority of which are somehow related to American media or the government. Meanwhile, pro-Aliyev state-owned media frequently debates negatively the US role in international affairs.

Azerbaijan plays a key role in supplying oil and gas to the Republic of Georgia, who would otherwise be totally under Russian energy influence. More importantly, the Trans Anatolian Natural Gas Pipeline (TANAP) and its spur, the Trans Adriatic Pipeline (TAP) constitute the Southern Gas Corridor route, which the US is confident will play a significant role into the diversifying the Europe’s gas supplies and decrease the Continent’s dependence on Gazprom.

Nevertheless, feasibility is an issue due to the fact that the Corridor was meant to be the first stage of the introduction of Central Asian gas through the Caucasus into Turkey-EU via the Trans-Caspian pipeline. Due to effective opposition by Russia, China, Kazakhstan and Iran, this project will be extremely difficult to materialize.

Under these circumstances, Azerbaijan realizes that its energy importance for the West is not as great as presumed. On the other hand, the spread of Western know-how and influence leads to strong calls for multi-party democratic institutions that will erode Aliyev’s family establishment, hence the anti-US rhetoric.

Concurrently, Baku is entrenched for decades in a cold war with Armenia, a staunch ally of Russia, whilst it relations with Iran can be summarized as lukewarm in the best of cases. Thus, it needs actual and pragmatic Russian guarantees for its own territorial integrity, taking into account that the geopolitical placement of the country gravitates to isolation from any meaningful assistance by the ‘Naval powers’ in geopolitical terms.

For the above reasons it agreed into procuring arms from Russia worth $1 billion, whilst security services of both countries have started boosting their cooperation. Economic relations are also improving and alignment between the two has been achieved, somewhat. The aforementioned developments happen during a time when careful, behind the scenes negotiations are happening between Russia and Georgia. The latter seeing its so-called ‘Eurasian political elite’ gaining considerable ground against the ‘Western-leaning’ one. In short, the geopolitical landscape in the Caucasus is seriously tilting in favor of Moscow and in parallel with the addition of the Turk Stream that will shift the natural gas hub of the EU to Turkey, supplied mostly with Gazprom’s supplies.

Continuing to Greece, there has been a change of governmental guards, with the win of the SYRIZA leftist party in the early nationwide elections on 25 January. This plays an additional role since already this party has agreed to proceed with the introduction of a spur for the Turk Stream, based on the previous plans of the Interconnector-Greece-Italy (ITGI). Moreover, SYRIZA tends to favor in general a balanced approach based on cordial relations between Russia and the US - with a diminished German-EU role. There is a considerably softer stance concerning Turkey’s role in geo-energy affairs of the region, which simply implies that projects such as the East Med Pipeline from Israel to Greece will be lowest on the priority scale. Lastly, a leading SYRIZA advisor and senior governmental figure commented exclusively to Natural Gas Europe :

Our future government will follow a pragmatic stance in international affairs and the energy ones, based on the needs of the people and the national interests, which dictate that a multi-dimensional policy is needed without constraining or embargoing relations with any state that can provide Greece with benefits, energy security included.

It should be noted though that a spur of Turk Stream into Greece is far from certain since the most economical route would be the one through the Balkans and into Austria/Italy large gas hubs, where originally South Stream was about to end. Thus a ‘pragmatic’ stance by a future SYRIZA government may indeed mean that it will follow a strategy based on LNG owing to the country’s favourable maritime environment and industry to offer a diversified source to the Balkans and in that sense that will follow the energy role model which is actually being implemented with the current Greek governmental coalition and which for sure is backed by Washington in most respects.

In general, the Ukrainian crisis is degenerating to a partial loss of US geo-energy influence in the wider South eastern European region. This is coupled with strong anti-Western movements in Bulgaria and Serbia, although not reported in the international press, and omission of the great difficulties into resolving Iran’s perennial nuclear problem. In fact, although Iran would be the key to diversifying gas supplies to the EU, it is late for such a grand geopolitical turn, since both the Sunni Kingdoms and Israel are adamant into recognizing an emergence of an Iranian axis stretching all the way from East Mediterranean (Lebanon) to Kandahar (Afghanistan) and from the Caucasus to the oil rich Eastern Saudi regions in the Gulf. That would make Teheran the ultimate hegemon of the most important region in the world and it is mathematically impossible that the other important players would accept this without a fight.

To conclude, the Caucasus area will play a significant role in the coming period into the shaping of EU gas supplies as Russian supplies may increase rather decrease. Furthermore it can be certain that Germany, the Continent’s largest economic and political power, but one lacking energy resources, will get more energetically involved in the landscape as it works to secure its own supplies. This will include further involvement of other EU powers, most notably the UK and France, who already have a great stake in the Southern Corridor and Azeri fields through BP and Total. A diplomatic spotlight for 2015 will most certainly be on Baku with Istanbul being placed as a major intermediate stop.

As Ukraine moves towards militarization, possible gas crisis reemerges

Natural Gas Europe, *26.01.2015*

Ukraine's President Petro Poroshenko stated that Kiev will file a suit to the Hague Tribunal to "investigate into these crimes against humanity," echoing recent declarations of European authorities. In this sense, as said by EU High Representative Federica Mogherini, the escalation in Mariupol could lead to a worsening of relations between Moscow and Brussels. More gravely, Ukraine and Russia keep drifting away in a very delicate moment.

Keeping in mind that the two former allies were supposed to hold negotiations for new gas deals, it seems clear that Kiev will be increasingly dependent on foreign countries.

According to GIE data, Ukraine withdrew 0.58% of its remaining stored gas on Monday. At the moment, it has 9,909.11 mcm of gas left in its UGS facilities, which are 30.21% full. In percentage terms, the Ukrainian UGS facilities are emptier than similar structures in any other country in Europe. Hungary follows with a 47.60%. On the opposite end of the spectrum, Spain is the country displaying the fullest facilities (81.34%). All in all, the situation is not yet tragical. Indeed, Ukraine remains the third country for stored gas after Germany and Italy. At this point, the winter seems the least thorny period - Kiev will make it through, but the following months will be particularly dangerous for the whole regions and the gas markets too. Ukrainian authorities recently said the country could reduce its reliance on Russia to 15%. But also getting just 15% of its gas needs could soon be a problem.

"This further escalation of the open armed conflict has tragic consequences for a population greatly suffering already for far too long. It would inevitably lead to a further grave deterioration of relations between the EU and Russia" said Mogherini, calling on Moscow to "stop any form of military, political of financial support." A deterioration of economic ties seems already underway. Russian Deputy Prime Minister Dmitry Rogozin said on Monday that the country will being "squeeze out foreign-produced aircraft" from Russia market. He announced the country will increase its mid-range passenger jets over the next two decades, hinting at a contemporary decreased reliance on imports. In this sense, also Germany's recent calls for a normalisation passed unheard. Russian declarations seem to go in the opposite direction of Angela Merkel's offer to negotiate common trade areas with the EU. The proposal was conditional to Moscow refraining from any activity contrary to the Minsk Agreement.

Kiev has to deal with security problems and energy security problems too. The country keeps more gas than planned by the national oil and gas company of Ukraine. According to Naftogaz, the amount of gas used by industrial consumers, government financed institutions, district heating companies, and households was 17% above the targets set out by a recent Government Decree for

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the first 20 days of January. This could pave the way to further price increases over the next weeks. Last September, Naftogaz announced energy price increases up to 300%.

Gazprom mothballs extension of Nord Stream pipeline

Reuters, *28.01.2015*

Gazprom has put an expansion of its Nord Stream gas pipeline on hold, rowing back for the second time in two months on plans to extend its European network as relations between Russia and the West fester over Ukraine.

Existing capacity through Nord Stream, which runs under the Baltic Sea and serves Germany, was enough for now and there was no immediate need for an expansion, the state-controlled firm said. Gazprom Chairman Viktor Zubkov said a weak gas market was forcing the firm to defer projects. “When the price is decreasing... is difficult to realise these projects and sometimes it’s even not possible,” he told.

Crude prices, to which many long-term gas deals are indexed, have fallen more than 50 percent since June while day-ahead gas prices in Britain, one of Europe’s most traded markets, are off 25 percent since November. Sources at Gazprom said the decision was also related to the “complicated” political situation. The firm said last year it could expand the pipeline with a supplementary feed to Britain. But “we were not allowed access to (German pipeline) Opal. Why build two more arms? We are not building them,” one Gazprom source told Reuters.

Nord Stream has two pipes with annual capacity of 55 billion cubic metres, around 10 percent of the European Union’s natural gas needs and which the mothballed plan would have doubled. In early December, Russia abandoned its South Stream project, which was to supply gas to southern Europe without crossing Ukraine, citing European Union objections. It instead proposed an undersea pipeline to Turkey.

Nord Stream is currently running at around half capacity because Gazprom has gained only limited access to Opal, which connects to Nord Stream in Germany and runs to the Czech Republic and has also been operating at half capacity. The EU has repeatedly delayed ruling on whether to grant Gazprom greater access to Opal, which it is seeking as part of efforts to bypass Ukraine as a distribution point. A decision is now due by end-January.

The European Commission had taken note of the Nord Stream decision, a spokeswoman in Brussels said. A spokesman for the Nord Stream pipeline operating company in Switzerland said it was a matter for the shareholders. Gazprom holds 51 percent, Wintershall Holding and E.ON Ruhrgas hold 15.5 percent each, and Gasunie and France’s GDF Suez 9 percent each.

Gazprom looks at ways to store natural gas in Hungary

Portfolio, *28.01.2015*

Gazprom is examining ways to keep natural gas in Hungarian underground storage units. Sergei Kupriyanov told the paper that although "it is not a big investment project, this is a good co-operation and we will keep working towards this deal".

The paper asked experts what possibilities Russia has to "play the gas card", as Russia's natural gas resources and its exports look like a card game, the author noted. Taras Fomchenkov reminded that Gazprom CEO Alexei Miller has declared that Turkish Stream, the gas pipeline planned to be built on the basis of an agreement between Moscow and Ankara is the only route to ship 63 bcm of gas from Russia.

Gazprom to buy LNG from Yamal to supply to India

Natural Gas Asia, *24.01.2015*

Yamal LNG has agreed to sell LNG to a Gazprom subsidiary, which will supply the fuel to to the Asian-Pacific region, primarily to India.

Yamal Trade Pte Ltd and Gazprom Marketing & Trading Singapore Pte Ltd signed a long-term Supply and Purchase Agreement on the supply of 2.9 million tons of LNG per annum produced by Yamal LNG, with the LNG price indexed to crude oil, according to a statement by Yamal LNG. The Yamal LNG project envisages the construction of a LNG plant with a capacity of 16.5 MTPA based on the hydrocarbon resources of the South-Tambeyskoye field.

The start of LNG production is planned for 2017. Yamal Trade is a wholly owned subsidiary of Yamal LNG.

OMV, Gazprom agree on amendment to existing gas supply contract

Natural Gas Europe, *28.01.2015*

Russia Austria's OMV and Russia's Gazprom sealed a deal for amended gas supply contracts, not disclosing the contract details.

'In view of strengthening their longstanding partnership OAO Gazprom and OMV have agreed today on an amendment for the existing gas supply contract. The long-term contract has thereby been placed on a new footing that reflects changing market conditions' reads a note released. The importance of the contract is proven by the signatories. The amendment to the contract has been signed by Alexander Medvedev and OMV CEO Gerhard Roiss.

"Gazprom and OMV have taken an important step to secure long-term gas supplies to Austria. When signing the document, both partners also underlined the role of Baumgarten as an essential hub for Russian gas exports" Roiss commented.

Lancashire country council postpones decision on Cuadrilla's plans by eight weeks

Natural Gas Europe, *28.01.2015*

UK's Lancashire County Council accepted Cuadrilla's proposal to defer the decision on the company's applications for shale gas exploration at Preston New Road.

The Council postponed its decision by eight weeks, after Cuadrilla asked for some more time. The company asked for a deferral to allow the Council to consider the revised plans and the additional information. Last week, Cuadrilla wrote to Lancashire County Council's Development Control Committee, communicating the measures to address the noise and traffic issues that led planning officers' to argue that County Council should reject Cuadrilla's requests.

The Development Control Committee had been due to make a decision on the proposed sites this week. Cuadrilla confirmed its commitment to the exploration of shale gas in Lancashire. 'The additional information we have provided on further mitigation measures will, we believe, fully address the noise and traffic concerns raised by the Planning Officer's in their recommendation to refuse planning permission for both sites. This additional information will be assessed by the Planning Officers and there will now be an opportunity for the public to properly review and comment on this' the company wrote in a press release. The decision triggered reactions of local councillors, who spoke out against the central government's firm resolve to support shale gas explorations in the country.

LITGAS signs second contract for gas supplies to Estonia

Natural Gas Europe, *28.01.2015*

LITGAS signed its second contract for gas supplies to Estonia on Wednesday. According to the deal signed with Eesti Energia, the Lithuanian gas supply and trading company will start supplying gas in March.

"We are delighted to have concluded an agreement with Eesti Energia, which is one of the largest natural gas consumers in Estonia and contributed to beginning of the diversification of Eesti Energia's the supply portfolio. We hope our relations will develop further and into a long-lasting cooperation in gas supplies," Dominykas Tučkus, general manager of LITGAS, commented in a note.

LITGAS, which already signed a contract with Reola Gaas from Alexela Group, reported it is in talks with other Estonian companies. "The first test quantities of gas were supplied to Estonia in December last year. Test supplies confirmed that it is possible to trade gas via alternative importers and that this system is working," Heikko Mäe, the head of Eesti Energia energy trade department, said. LITGAS confirmed it will supply first gas to Estonia from February 1, 2015.

US-EU deal could shape gas future, role of LNG, and the US advantage

Natural Gas Europe, *28.01.2015*

The new European energy interconnections could benefit the American oil and gas industry, as the infrastructures would create apt conditions for LNG exporters, ExxonMobil's Richard Scrase told.

"Given the existing LNG import and pipeline infrastructure available in Europe, there exists a ready market to receive shipments from the US and further diversify European energy supply sources" Scrase said. The company, operator of PNG comments on geopolitical questions, but explained that the potential role of US as a LNG global leader has to do with its capacity to accelerate projects to export gas to Europe.

"Of course, because of competition from around the world, how much LNG ultimately gets exported from the United States depends on how quickly the country can build the facilities to liquefy and export the gas. The U.S. LNG industry needs to capture its space in the global market by signing up customers now, before rival projects do" he commented.

According to a recent report, the export of US gas to Europe could be accepted by European authorities in light of increased energy security. 'Although the negotiations are currenly on-going, the analysis shows that the TTIP will improve the EU's security of energy supply through adding liquidity and competition to the natural gas market' reads the report recently released by European authorities.

Referring to energy, some analysts commented that the Transatlantic Trade and Investment Partnership (TTIP) would not bring along significant advantages for Europe. The main purpose of the TTIP is to remove non-tariff-measures (NTMs) between the US and the European Union. The negotiation process has been 'very secretive and only small quantities of information have been communicated to the public.'

Despite the uncertainties and the necessary doubts, some signs of vitality already emerged in the European LNG market. Recently, GDF Suez LNG said that it 'recorded on January 12th its 1000th LNG (Liquefied Natural Gas) truck loading in Europe at the Elengy terminal of Montoir-de-Bretagne on the western coast of France.' Also the High Representative of the European Union's remark at the Brookings Institute, goes in this 'euphoric' direction.

'We had last December an EU-US energy council that was an excellent opportunity to take stock of how far we have come and where we can move forward together. And I think we should strengthen trans-Atlantic energy trade by removing barriers to our trades. This would open new export markets for the US, for the producers, and help the European Union face the pressures from other suppliers. On LNG export restrictions, while lifting would not immediately address European dependence on

Russian gas, it would send the right signals to global markets and it would encourage further investment upstream and downstream” said EU’ High Representative Federica Mogherini.

The first-mover advantage remains significant also in the current context, in which price volatility and climate framework uncertainties raise eyebrows among the industry. This viewpoint is reflected in recent events, signalling that the LNG market could be the next big thing. Several countries did indeed show interest for the LNG option.

For instance, despite its economic problems and the serious test for the entire industry represented by the next 18 months, Russia’s National Wealth Fund granted $2.462 billion to Novatek’s Yamal LNG project in December 2014. In this sense, the slim margins are endangering new projects, but several countries don’t want to miss out on the long term opportunities.

Moscow is also looking at developments in the Leningrad Region. On Thursday, Gazprom confirmed its intention to build an LNG facility near the seaport of Ust-Luga, about 110 kilometres west of St. Petersburg. A few hours later, Gazprom Marketing & Trading Singapore signed a long-term sales and purchase contract for 2.9 million tons of LNG a year from the Yamal LNG project. The gas will be delivered for 20 years to the Asia-Pacific markets, mostly to India.

Apart from Russia, also Australia, Canada and Mozambique potentially are strong competitors on a global scale. Nonetheless, as pointed out by Leonardo Maugeri in a recent report, all those countries are stumbling upon growing difficulties: cost overruns in Australia, lack of final investment decision in Canada and some poor planning in Mozambique are increasing the odds of an American leadership.

“If U.S. LNG is held back by regulatory inaction, the opportunity for enhanced economic growth and environmental benefits both in the U.S. and abroad could be much diminished. In this regard the DOE should expeditiously evaluate and act upon LNG export applications, and allow the competitive market to direct investment and capital expenditures. At present, the agency/regulator has over 25 projects waiting for approval with only a handful approved to date” said Scrase. Regulation remains the key point for future developments in the US. In case of a green light from the national authorities, ExxonMobil could export “American” LNG in 5 years.

“Through our partnership with Qatar Petroleum, we are seeking regulatory approval from the DOE to be able to export LNG from the Golden Pass LNG terminal in Louisiana. If developed, construction is projected to take approximately five years to complete. A final decision on the proposed $10 billion investment will be made following government and regulatory approvals” ExxonMobil’s Media Adviser told Natural Gas Europe.

Golden Pass Products, which is a partnership of ExxonMobil and Qatar Petroleum International affiliates, is proposing to add export capabilities to its LNG import terminal in Sabine Pass, Texas. It is waiting for regulatory approval, which many commentators expect very soon. At the moment, the best positioned company remains Cheniere, which is already working on its second project to export LNG. The American debate had been mainly focused on the impact of LNG exports on domestic prices and on net economic benefits for the country. The sentiment is more favourable than some months ago. As said by Scrase, the agency/regulator has over 25 projects waiting for approval. Here the list.

In this sense, in the next weeks, US decisions will unravel, with possible consequences on the global market, the European market and some geopolitical equilibria, too. Scrase also repeated ExxonMobil's forecast for natural gas, saying that natural gas will become the world's fastest growing major energy source by 2040. Now much will depend on government and regulatory approvals. Some might say that the first-mover advantage is at stake. Some might even add that the next months will also sketch the future of gas in Europe and worldwide.

Polish oil and gas company includes Romania in expansion plans

The Diplomat, *27.01.2015*

PGNiG wants to expand production capacity among the countries taken into account in this year Romania and Croatia, as well as some States of Asia and America, news for news-round.com reads.

According to the news, by this strategy, PGNiG wound take advantage of lower prices for gas and oil, and expand operations for exploration of gas outside Poland, aimed at the purchase in many parts of the world. Polish company, which conducts operations on exploration of shale gas in Poland, plans to spend 530 billion dollars for the study and exploitation of gas this year.

Polskie Gornictwo Naftowe i Gazownictwo (PGNiG), literally: Polish Petroleum and Gas Mining) is a Polish state-controlled oil and natural gas company, which deals with the exploration and production of natural gas and crude oil, natural gas import, storage and distribution and sales of natural gas and crude oil. PGNiG is one of the largest companies in Poland and is listed on the Warsaw Stock Exchange.

Investment and development budgets to fall by 11%, says analysis

Natural Gas Europe, *27.01.2015*

Investment and development budgets for upstream in Europe are expected to fall from US$6.9 billion in 2014 to US$5.8 billion in 2015 as a consequence of the drop in oil prices, wrote on Tuesday consultancy Wood Mackenzie.

"Looking ahead to 2015, upstream activity will undoubtedly be influenced by oil prices, and we expect a direct impact on exploration and development budgets - with discretionary spend most at risk. However, with several licensing rounds and high-profile exploration wells expected, it is likely to be another exciting year for the region" James Webb commented.

The report said that significant investments in 2014 targeted Hejre and South Arne Phase III project in Denmark, Total's Tempa Rossa in Italy and OMV Petrom's offshore project in Romania. Speaking about production, the report staid that the majority of the decrease in gas production has to do with the decline occurred in the Netherlands.

'The Netherlands accounted for much of the gas decline as 2014 saw lower production caps being implemented at the country's Groningen gas field. Additional cuts to Groningen will impact production in 2015, but will be somewhat offset by the first volumes from Shell's Corrib project in Ireland which is due to come onstream.' The analysis also mentioned a revival of projects in Netherlands as a consequence of the E&A activity in the country, which accounted for almost 30% of Europe's exploration and appraisal wells. European shale gas will bear the brunt of changed market conditions.

'Unconventional exploration across the region will continue to decline in 2015 following a number of high profile company exits from Poland such as Eni, Marathon and Total, as well as disappointing well results last year. Key regional hotspots are likely to emerge in 2015, with high impact conventional exploration in the Black Sea, and Eastern Mediterranean, as well as Denmark's first shale well expected to be spudded by Total in early 2015.' Wood Mackenzie referred to new opportunities coming from Croatia, Denmark and Greece.

College of commissioner to adopt energy union strategy in 1 month, says Sefcovic

Natural Gas Europe, *27.01.2015*

European energy policies are unsustainable in every sense of the term, European Commissioner for Energy Union Maroš Šefčovič said, adding that ten percent of European households are energy-poor.

Šefčovič said that the European Commission is working to ensure security of supply despite geopolitical instabilities. He confirmed that the College of Commissioner should adopt the Energy Union Strategy in about a month, adding that Europe will soon come up with a strong energy diplomacy too. A strong single voice would allow Europe to get the message through, the Slovak Commissioner suggested.

“The current geopolitical situation on our eastern border, however unfortunate in itself, has put Europe’s energy security even higher on the agenda” the Commissioner commented. The solution presented by Šefčovič on Monday hinges on five pillars: i. supply security, ii. single internal energy market, iii. energy efficiency, iv. decarbonisation, v. investments in research and innovation for renewable energies.

According to the European Vice-President, only concerted efforts will bring to these results. In this context, Foreign Affairs will play a key role in enhancing Europe’s supply security. “Let’s inject more transparency in the opaque gas contracts and, together with HR Mogherini, let us design an assertive and coherent energy diplomacy at the EU level.” Šefčovič did not explicitly mention Russia, but the reference was quite easy to read.

According to Šefčovič, regional cooperation agreements will bring down technical and regulatory barriers among Member States, which will then translate into European integration. “Our energy system is fragmented into 28 national silos and some parts of our continent are still insufficiently integrated in the energy system” Šefčovič said.

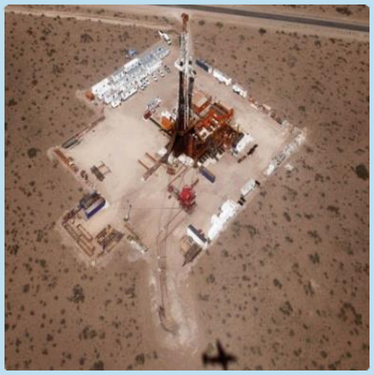
Additionally, energy efficiency will allow Europe achieving its goals. The European Commission is expected to present fresh actions to support investments, and the Slovak Commissioner did not forget this point. “I was struck by two meetings I recently had: in the first meeting I was told that 90% of our housing stock is energy inefficient. In the second meeting, some private investors told me they are eager to invest in energy efficiency in the building sector. Let’s take action to connect the dots.”

At the end of his speech, Šefčovič reiterated the importance of a Market Stability Reserve, asking all the negotiators to be ambitious. He also said that Europe should decarbonise the transport sector. “The Energy Union should be the world number one in renewables. This means – inter alia –

accelerating our efforts to decarbonise the transport sector, a sector with a growing share of GHG emissions.”

Algeria’s president intervenes to defuse tensions over shale gas plans

Natural Gas Europe, *28.01.2015*



“Exploitation of this new energy is not yet on the agenda” Algeria’s President Abdelaziz Bouteflika said. Bouteflika asked the Government to inform local population about the country’s plan, remarking that drilling tests in In-Salah “will end very soon.” At the same time, the Algerian politician did not rule out future shale plans.

“If the exploitation of these new national hydrocarbon resources proves to be necessary for the energy security of the country in the long terms, the Government will ensure the respect of the law by the involved operators for the protection of the population health and the environment.

Egypt to import more LNG for $2.2 billion

Anadolu Agency, *26.01.2015*

Egypt, once an exporter of natural gas, has resorted to importing LNG in deals worth $2.2 billion awarded to four international companies to import 75 cargoes of LNG over two years, according to Egyptian Natural Gas Company.

An oil and gas producer itself, Egypt continues to suffer from chronic electricity shortages, particularly during the summer season. The companies will supply LNG cargo to Egypt every month for over two years, Khaled Abdel Badie of EGAS, told Reuters. Although Badie did not identify the names of the four companies that won the tender, BP applied for the tender in October 2014.

The country reached an agreement with Algerian Energy Company Sonatrach in December 2014 to supply six shipments of Algerian LNG during the period between April and September 2015. According to the U.S. Energy Information Administration, Egypt turned from an exporter of natural gas to an importer in the last few years. The country’s natural gas production declined by an annual average of three percent from 2009 to 2013, In 2013, gas production was almost two trillion cubic feet (50 billion cubic meters).

India's ONGC expects its gas output to jump 81% by 2019

Natural Gas Asia, *28.01.2015*

India's state-owned energy firm Oil and Natural Gas Corp (ONGC) expects its natural gas output to jump 81% to 116 million standard cubic meters per day by 2019.

The company expects the rise as it bring newer fields in western and eastern offshore into production. "Gas production will rise from 64 mmscmd to 116 mmsmcd by 2019," ONGC Chairman and Managing Director Dinesh K Sarraf said at the India Energy Congress being held New Delhi, Press Trust reported. The increased production will come from Krishna Godavari basin gas block KG-DWN-98/2 as well as western offshore discoveries.

China's December gas pipeline imports hit record high 3.41 bcm

Platts, *26.01.2015*

China imported a record high 2.47 million mt of natural gas via pipelines in December, up 33.4% year-on-year and 39.8% on the month, data released.

The customs department reports natural gas trade data in metric tons, similar to LNG imports. December's pipeline imports equate to about 3.41 bcm. China's gas pipeline imports from Turkmenistan last month soared 26.5% year-on-year to 1.89 million mt, the highest to date, bringing total imports from Turkmenistan in 2014 to 18.74 million mt. While this was a 5.8% rise from 2013, it was less than the 30 bcm/year agreed between state-owned companies in 2007.

The two companies have since then agreed to boost China's imports of Turkmen gas to 40 Bcm/year by this year and 65 Bcm/year by 2020. China's overall gas pipeline imports last year rose 14.7% from 2013 to 23.02 million mt, buoyed also by an exponential increase from Myanmar. The average delivered price of pipeline imports was $9.70/MMBtu last year, according to customs data, up from $9.45/MMBtu in 2013. Gas imports from Myanmar were the costliest at $11.56/MMBtu, while Turkmen volumes cost an average $9.69/MMBtu last year.

Taking into account LNG imports, which tumbled 17.2% on the year in December to 2.02 million mt, China's total gas imports in the month were 4.49 million mt, up 4.7% year-on-year. Gas exports to Hong Kong and Macau totaled 0.12 Bcm in December, while domestic production rose rose 8.9% to 12.15 Bcm, according to data released earlier by the National Bureau of Statistics. This means mainland China's apparent gas demand in December -- domestic production plus net imports -- in December was 18.22 Bcm, up 10.4% on the year and 15.6% on the month, according to Platts calculations. China is in peak gas demand season as heating cranks up in winter.

Last year, China's LNG imports were 10.3% higher than a year earlier at 19.89 million mt, bringing total gas and LNG imports to 42.91 million mt, or 59.22 Bcm, a 12.6% jump on the year. Adding domestic production of 123.41 Bcm and discounting exports of 2.61 Bcm, China's total apparent demand for gas last year rose 8.9% to 180.02 Bcm, according to Platts calculations. Growth has slowed from 2013, when apparent gas demand expanded 17.1%. Analysts believe China's gas demand growth will likely slow to under 10%, largely because of massive increases in non-residential gas prices in the last two years.

Japan imported record LNG in 2014

Natural Gas Asia, *25.01.2015*

Japan imported record LNG in 2014 as demand for the fuel continued to see strong rise due to shut down of its nuclear stations since the Fukushima disaster in 2011.

Last year, the country imported 88.51 million tons of LNG, up 1.2 percent on year, data from Ministry of Finance showed. Japanese LNG imports have hit record for the fifth year in a row. In 2013, import of LNG was 87.49 million tons. Japan, the biggest LNG importer in the world, paid a record 7.85 trillion yen ($66.67 billion) last year for LNG, up 11.2 per cent from a year earlier. In the month of December, the imports were 8.2 million tons, up 2.1 percent on year.

Oil giants join forces to explore Gulf of Mexico

Anadolu Agency, *28.01.2015*

The U.S. oil giant Chevron announced that it will work with big oil companies like BP, ConocoPhillips, and Petrobras to explore and appraise 24 jointly-held offshore leases in the deepwater Gulf of Mexico.

The announcement comes at a time when crude oil prices have fallen around 60 percent since June, and reached their lowest level since March 2009. While most of the oil companies have lowered their capital expenditures for 2015, some major oil firms join their capabilities to share the burden of high exploration and production costs, and to focus their spendings to maximize their oil output.

“By collaborating across several prospects and discoveries, we expect to develop these fields in the most cost effective way and shorten the time to final investment decision and first production,” said Jeff Shellebarger, President of Chevron North America Exploration and Production Company.

The U.S. oil company has 31 percent ownership for Tiber discovery, and 36 percent for Gila and Gibson fields in the Gulf of Mexico. For Guadalupe discovery in the Gulf of Mexico, Chevron and BP have 42.5 percent ownership each, while Venari, an American offshore exploration and production firm, holds 15 percent. BP has 31 ownership percentage for Tiber discovery, and 34 percent each for Gila and Gibson fields in the Gulf of Mexico, while it discovered Tiber in 2009 and Gila in 2013, according to a statement on its website. Richard Morrison, president of BP’s Gulf of Mexico business, said in a statement that those agreements will enable BP to share development costs and increase its focus on maximizing production.

Meanwhile, ConocoPhillips, another U.S. oil giant and the world’s largest independent exploration and production company, has 18 percent ownership for Tiber, and 30 percent each for Gila and Gibson fields. Tiber field’s remaining 20 percent is owned by Petrobras, the multinational energy corporation headquartered in Brazil. Chevron will be the operator in all of those four fields in Gulf of Mexico.

Halving of US gas prices allows for cheap gas overseas

Anadolu Agency, *29.01.2015*

The falling natural gas prices may open the door for cheap gas for world markets, as the U.S. prepares for LNG exports by the end of the year. According to energy experts, the U.S. gas exports overseas can wean Europe's dependency off Russian gas, and may capture the rising gas demand in Asian markets as well.

Natural gas prices in the U.S. fell more than 50 percent and dipped to their lowest level said EIA. Despite the cold winter weather, Henry Hub spot and futures prices of gas fell to $2.92 and $2.88 per million British thermal unit respectively the lowest level in more than two years, the agency said.

The fall in gas prices came after Henry Hub prices peaked to a monthly average of $6 per million British thermal units in February 2014 - a five-year high, said the administration. The recent price decline in gas prices marked more than a 50 percent fall in less than a year.

The agency said that although gas inventories fell by 162 billion cubic feet (4.54 billion cubic meters) towards the end of November, natural gas stocks increased to 2,637 billion cubic feet (73.84 billion cubic meters) on Jan. 16, according to the U.S. agency's Weekly Natural Gas Storage Report released on Jan. 22. Cheniere Energy's Sabine Pass project in Louisiana will kick off the U.S.' LNG exports when completed by the end of 2015. In addition, Dominion Resources' Cove Point LNG project in the state of Maryland, Carib Energy's facility in Florida, and Sempra Energy's Cameron LNG facility in Louisiana are the other terminal projects to export LNG to world markets.

Announcements & Reports

► *Monthly Energy Review*

Source : EIA
Weblink : http://www.eia.gov/totalenergy/data/monthly/pdf/mer.pdf

► *Natural Gas Weekly Update*

Source : EIA
Weblink : http://www.eia.gov/naturalgas/weekly/

► *This Week in Petroleum*

Source : EIA
Weblink : http://www.eia.gov/petroleum/weekly/

► *Prime Supplier Report*

Source : EIA
Weblink : http://www.eia.gov/petroleum/marketing/prime/

► *Regional and Global Energy Series*

Source : Wilson Center
Weblink : http://www.wilsoncenter.org/publication/regional-and-global-energy-series

Upcoming Events

► *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/

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

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

► *OGA 2015*

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

► 22nd International Caspian Oil & Gas Exhibition and Conference

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

► 6th OPEC International Seminar

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

► 12th Russian Petroleum & Gas Congress

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

► 13th Moscow Inernational Oil & Gas Exhibition

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

► 7th South Russia International Oil & Gas Exhibition

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

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

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

► The Energy Event 15

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

PETFORM

► 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