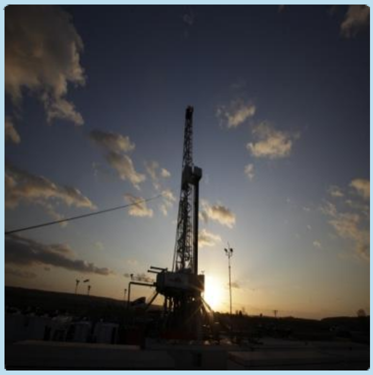
Priority to be given to shale gas for cheaper energy

Daily Sabah, *19.04.2015*



Turkey is focusing on cheaper and higher quality energy in the second progress period. While also increasing rich resources such as lignite, Turkey will focus more on searching for shale gas as well. Prime Minister Ahmet Davutoğlu announced that incentives for the privatization of the energy sector will continue.

While Turkey increased its installed energy capacity from 32,000 to 69,000 megawatts in the second progress period, more importance will be given to cheaper and higher quality energy. Additionally, more extensive research will be conducted on shale gas.

In searching for mines, critical raw materials will be a priority and certain limitations may be set for the mining of certain raw materials in order to be able to export rare mineral resources with higher added value. As a result, the period for selling raw materials for cheap and purchasing processed products for higher prices will come to an end. The capacity to store natural gas will increase along with the storage project for 1 billion cubic meters of natural gas under Salt Lake will be completed in 2017, and the second period will commence in 2019 with the Trans Adriatic Natural Gas Pipeline (TANAP) project. Through TANAP, Turkey will become the bridge between Asia and Europe, and a Special Energy Industry Zone with a capacity of 3,000 megawatts will be established on 6,000 hectares of land in Konya’s Karapınar district.

While the foundations for the nuclear power plant in Akkuyu has been set and the preparation period for the one in Sinop is completed, steps will be taken for the third nuclear power plant. Along with nuclear energy, support for renewable energy resources will be increased and the capacities of renewable energy resources, such as solar energy and wind energy, will be increased. Moreover, the Mineral Research and Exploration Institute will be restructured in order to support local firms with high global competitive power and bureaucratic limitations will be decreased. Coordination between related institutes will be supported, and support will be provided for exploration; research & development will be increased as well.

EU entices Turkey, gets ready for formal antitrust charges against Gazprom

Natural Gas Europe, *20.04.2015*

The European Union is laying the ground for an arm-wrestle with Gazprom by enticing Turkey and Azerbaijan. Maroš Šefčovic, who will debate the Eenergy Union with the European Economic and Social Committee (EESC), said that Brussels will support Turkey to realise the Trans Anatolian Natural Gas Pipeline. In an interview with Turkish Anadolu Agency published, he also said a cooperation between the EU and Turkey is of central importance.

According to Azerbaijani media outlet Trend, Šefčovic also said that the Turkish Stream should comply with European legislation.

Meanwhile, also, some rumours confirmed that Brussels is intentioned to continue its crack down on Gazprom. The Wall Street Journal wrote that the EU's competition regulator plans to file formal antitrust charges against Gazprom. The European Commission started investigation into Gazprom's practices in Europe in 2012.

Will Turkey choose the European or Eurasian Energy Union?

Natural Gas Europe, *22.04.2015*

The sixth meeting of the World Forum on Energy Regulation is scheduled to be held on May 25–28, in Istanbul, and is being organized by the Turkish Republic.

The competitive and dynamically expanding nature of the energy sector in Eurasia has been boosting Turkey's regional importance as it prepares to take on the role of a strategically important transit and energy hub country. December 2014 saw the reemergence of competition between rival pipeline projects in Eurasia similar to the earlier competition between the Nabucco, proposed by a consortium of European companies, and Russia's South Stream.

Currently, Russia's new proposed pipeline project Turkish Stream is challenging the Azerbaijani-initiated Southern Gas Corridor, which will carry Caspian-basin gas to Europe via the South Caucasus, Turkey and then across Southeastern Europe. Turkey is already signed on to the Southern Gas Corridor the Corridor's longest pipeline segment, the Trans-Anatolian Pipeline (TANAP), will cross Turkey from east to west but it is also being strongly courted by Moscow to host Turkish Stream. This growing significance of Turkey in competing large-scale energy transit projects across Europe and Eurasia has also opened up a discussion domestically regarding which prospective energy union the country should become part of European or Eurasian.

In particular, the Turkish media has been discussing the idea of an Energy Union for Eurasia since the beginning of the year. Gurkan Kumbaroglu, the Istanbul-based president-elect of the International Association for Energy Economics (IAEE), said that his organization aims to create an energy union that will include 18 countries and be under the supervision of Turkey, Russia and Azerbaijan. According to the IAEE, the formation of this regional entity was agreed at a meeting that included Kumbaroglu as well as representatives from the State Oil Company of Azerbaijan Republic (SOCAR).

Kumbaroglu said the IAEE's aim is to gather Turkey, Azerbaijan, Turkmenistan, Kosovo, Macedonia, Albania, Montenegro, Bosnia-Herzegovina, Russia, Romania, Kazakhstan, Greece, Croatia, Serbia, Bulgaria and Slovenia under the same project, particularly because many of these countries have cool or antagonistic relationships and have never effectively worked together before. "As the IAEE, we hope to invest in these countries, establish workshops and form business opportunities," Kumbaroglu explained. In addition, the Eurasian Energy Union has started discussions on the establishment of a common energy platform among Russia, Belarus and Kazakhstan within the Moscow-led Eurasian Economic Union.

Notably, the office headquarters for the IAEE's Eurasian Energy Union will be located in Istanbul, which SOCAR enthusiastically supports. According to Azerbaijani energy expert Fuad Alizade, "Turkey will be a good platform for Azerbaijan and Turkmenistan for establishing energy cooperation within the Eurasian Energy Union". Meanwhile, however, the European Union is currently in the process of creating its own Energy Union, which will replace its heretofore existent Energy Community (of which Turkey is an observer but not a formal member). Maros Sefcovic, the European Commission vice president responsible for the EU Energy Union, has noted that the Union will assist member states in their negotiations with important suppliers such as Russia for natural gas. And under its expansive energy strategy, the European Energy Union aims to support over 1 billion euros in investment in energy projects until 2020, as well as pass a strategically coordinated list of energy reform legislation. Sefcovic also declared that strategic cooperation with Turkey will be pursued within the European Energy Union in order to lay the groundwork for a genuine common energy market for Europe. The EU, he promised, will use all foreign policy instruments at its disposal to establish strategic energy partnerships with production or transit countries such as Turkey, Azerbaijan and Gibraltar, as well as other potential suppliers.

Turkey's central role within the Southern Gas Corridor and its potential relations with or even inclusion in an EU Energy Union structure is threatening to Russia's continued dominant position—particularly, in the energy sphere in the region Moscow considers its "near abroad." Consequently, Moscow has been pressing Ankara to agree to Russian proposals and trying to imply that Europe is not happy with the energy partnership between Russia and Turkey. Moreover, it has been working hard to convince Turkey that a closer partnership with Russia, over other regional players, will be most beneficial to Turkey over the long term.

Turkey is currently trying to decide which of the two similar though competing projects the Eurasian or the European Energy Union would be more beneficial for the country. Considering the partially overlapping memberships of the two structures, especially in the Balkans, it remains to be seen how viable it will be for both energy unions to exist simultaneously; or if, in fact, there can be some way to integrate both projects in the future. Moreover, Russia's attempts to build an ever closer relationship with Turkey and the latter's openness to such gestures will complicate regional energy geopolitics further. Thus, Brussels and Ankara are likely to disagree on strategically important energy security issues over the coming years unless Turkey and the EU can achieve tighter cooperation under the framework of the European Energy Union. But if Turkey instead starts to pursue a more independent policy, particularly one at odds with the European Union, the Eurasian region will experience ever more unstable and competitive energy geopolitics.

Analysis: Turkish thermal plants profits squeezed

Argus, *20.04.2015*

Stronger hydro generation in Turkey in the first quarter of 2015 has pressured spot power prices to far below expectations, and forced dark and spark spreads to record lows.

Improved hydrological conditions and an increase in installed hydro capacity since the beginning of the year have supported higher hydro generation year on year. Average daily hydro generation doubled to 10.8GW in 1-19 April, compared with just 5.4GW in the previous year. The healthy hydro situation has weighed on day-ahead prices, which averaged 97.97 Turkish lira/MWh in 1-19 April.

The day-ahead PMUM also hit a four-year low of TL43.69/MWh on 12 April. The higher hydro output, as well as rising installed wind capacity year on year has helped displace thermal plants out of the merit order and outweighed the effect of thermal maintenance during this period. Average daily coal and gas generation so far this month fell by 25pc and 29pc to 5.4GW and 9.3GW, respectively, compared with daily averages in April last year.

And gas burn by gas-fired power plants stepped down to 34mn m³/d on 1-12 April from 39mn m³/d in March. Power sector gas demand was 43mn m³/d in April 2014. This pressure on gas-fired generation is likely to continue as hydro levels are expected to remain "high" until August, according to the Turkish energy ministry's latest outlook. This expectation has also driven sharp losses in contracts for delivery in the rest of this quarter. May and June base loads traded at a respective TL123/MWh and TL144/MWh today, from TL143.75/MWh and TL148.50/MWh on 1 April.

The lower pricing has hit the profitability of thermal power plants. Spark spreads for the front month, based on state-owned Botas' industrial gas tariff, have turned negative since 8 April. Prices hit a record low of minus TL11 /MWh on 14 April for gas-fired plants with 55pc efficiency levels. This is TL63.20/MWh than its value at the year's start and 123pc lower month on month. Currently, only gas-fired plants with 60pc efficiency or higher would turn plant profitability levels to positive. Botas is selling pipeline gas to power plants and other industrial users at TL782/'000m³ this month, equivalent to around $289/'000m³ or $7.98/mn Btu at today's exchange rates. But private-sector importers have been billed $374/'000m³ ($10.30/mn Btu) for Russian gas received through the Western Line during the first quarter, while negotiations to reduce this price continue. Unlike spark spreads, dark spreads and LNG spark spreads are at present still positive, but they have also fallen substantially.

The average front-month LNG spark spreads fell to TL59.62/MWh and TL26.67/MWh during 1-17 April, or 22pc and 29pc lower month on month for 38pc and 55pc plant efficiency levels, respectively. And the LNG spark spread hit a six-month low of TL16.56/MWh on 15 April for 55pc plant efficiency. The price of spot LNG delivered to Turkey has fallen far enough to be competitive against pipeline gas for the first time since 2011, even taking into account regasification costs. Argus assessed prices for spot LNG delivered to Turkey in the second half of May hit $6.20/mn Btu on 17 April. But insufficient capacity in Aliaga LNG terminal during the first quarter made it impossible for private sector companies to import spot LNG. And even if more capacity becomes available at the terminal during summer months, muted demand is likely to deter any potential spot LNG cargoes from being delivered to the country. Front-month dark spreads — calculated using Argus assessed cif Iskenderun coal prices — also hit a record low of TL50.25/MWh on 14 April for coal-fired power plants with a 38pc efficiency level. This is 57pc lower compared to dark spread's value on 2 January.

Turkish thermal coal imports are expected to remain largely flat this year — despite the addition of almost 2GW of new installed coal generation capacity during 2014 — thanks to slower power demand growth. Coal imports dropped for a second consecutive month in February, reflecting a shift in the merit order, although a 600MW imported coal-fired unit was off line for maintenance during the month. Year-on-year thermal coal imports were still up by 13pc to just under 4.5mn t in the first two months of the year, compared with the previous year. Utility Zorlu announced today that it had applied to regulator EPDK for the licence cancellation of its 163MW Kayseri gas-fired plant, following related "technical and financial evaluations". The plant's installed capacity had been reduced to its current level from 190MW in July last year.

The company had "cancelled its investment plans" for the 1.1GW Kirklareli gas-fired plant and its 1.2GW Manisa coal-fired plant in January. And energy regulator Emra cancelled Zorlu's generation licence of its 50MW Ankara gas-fired power plant because of the plant's low efficiency in October last year. Should power prices remain depressed, even after the general election at the beginning of June and through the peak summer period, more closures of inefficient power plants may be likely, as the country's stock of renewable capacity continues to grow.

Turkish gas sector playing catch-up on liberalization

Interfax, *20.04.2015*

Turkey has taken giant steps towards reforming its electricity market, but its gas sector is lagging behind. While Ankara has implemented key measures on the power front, including third-party access to grids and unbundling of transmission and supply entities, Turkey's gas-related shortcomings become plainer by the day.

"The gas sector is far [behind], but the electricity sector in Turkey is really advanced," Juraj Nociar, head of the cabinet of the European Commission's Vice President for Energy Union Maroš Šefcovic, told a ENTSO-E event in Brussels last week.

Growing demand for gas in Turkey has shone a spotlight on the sector. The country receives most of its gas from Russia, and this import dependency at least partly explains why market liberalisation in the gas sector has been slow. Turkey imported around 26 billion cubic metres of gas from Russia in 2013, more than half of its domestic consumption. "We are extremely dependent on foreign gas, especially Russian," Metin Kilci, undersecretary at the Turkish Energy Ministry told the ENTSO-E event. "We cannot expect full liberalisation soon – it will take time." Import restrictions are another obstacle blocking market liberalisation. Under current arrangements, private companies cannot import gas from other countries – including Russia – if state-owned Botas already has an import agreement with that country. A new law that could reduce Botas's monopoly on imports is being drafted. However, the legislation is not expected to be passed until after the general election in June.

The growing significance of gas to Turkey cannot be overstated. Gazprom's Turkish Stream pipeline could see Turkey replace Ukraine as a corridor for gas to the EU as soon as 2019. The plan is to export Russian gas to the Turkish-Greek border. In addition, the Trans-Anatolian Pipeline is expected to bring gas from the Shah Deniz development offshore Azerbaijan to Turkey and the EU from around 2020. It will connect to the Trans-Adriatic Pipeline also at the Turkish-Greek border.

Market observers hope an agreement formalised by ENTSO-E and Turkish transmission system operator TEIAS, to extend its continent-wide electricity grid to Turkey, will lead to more cross-border electricity trade between the country and its neighbours. Turkey has interconnections with Greece and Bulgaria and can import 550 MW of electricity and export 400 MW. There are plans to increase this, but it is expected Turkey will be a net importer of electricity from the EU – not a net exporter. The country experienced a blackout on at the end of March that required it to increase imports to restore power. Around 44% of electricity generation in Turkey is gas-fired. Coal-fired generation and hydropower are also significant, with 27% and 25% shares respectively, according to the Turkish Statistical Institute.

Nuclear power could also play a role from 2020. Russia's Rosatom plans to build a nuclear power plant at the Mediterranean port of Mersin, in southern Turkey. A consortium involving Japan's Mitsubishi Heavy Industries and GDF Suez also plans to build a nuclear power plant in Sinop by the Black Sea. This is significant for Turkey, which currently has no nuclear power and is hoping to reduce its dependence on fossil fuel imports. One sore point for Brussels is that Turkey is not a member of the Energy Community, which extends EU energy policy to non-EU countries. Turkey has observer status, but is not expected to apply for membership anytime soon. "The energy union should not be a union of 28 but a union of at least 36, including our neighbours in the Energy Community. Turkey should be part of the energy union," Jerzy Buzek, MEP and chairman of the European Parliament's energy committee, told the ENTSO-E event. Turkey's growing focus on energy has not gone unnoticed by Brussels. In March, Šefcovic and Turkish Energy Minister Taner Yildiz agreed to hold a high-level energy dialogue – a meeting at the ministerial level – at least once a year. This year's meeting is expected to take place in July. Turkey has been a candidate to join the EU since 1999. Negotiations on accession started in 2005, but membership seems unlikely in the foreseeable future. Turkey's continued refusal to extend diplomatic recognition to EU member Greek Cyprus is one of several sticking points.

Turkey right to reject Iranian gas offer

Trend, *20.04.2015*

Recently, Iranian oil Minister Bijan Zanganeh said that Tehran has offered Turkey to double gas import from Iran instead of discounts in gas price. However, Turkey rejected the offer.

Iran is selling about 27 mcm per day of natural gas to Turkey, but the sides dispute the quality-quantity and price of natural gas. Turkey filed two complaints with the International Court of Arbitration accusing Iran of overcharging as well as citing the low quality and quantity of delivered gas. Taner Yıldız said earlier that the court is set to issue its final verdict on the dispute in May. Turkey rightly rejected the Iranian offer, Sohbet Karbuz told.

Almost 10 billion standard cubic meters per year supply contract of BOTAS with Iran will expire in July 2026, he said, adding that entry point of Eastern Anatolia pipeline (from Iran) at Gurbulak, Agri in Turkey is only sufficient to accommodate the existing contract. “For any additional import quantity this pipeline capacity should be expanded, which means additional cost,” he observed. “Karbuz asserted that Turkey should accept such an offer only provided that the new contract has non-oil-indexed elements, or preferably hub-based; and has no destination clause which would enable Turkey to re-export it if she wishes,” said Karbuz. “Otherwise there is no point for Turkey of doubling the gas imports from Iran with outrageous price tag. At least for the price and diversity of supply reasons Turkey should intensify its efforts for bringing north Iraqi gas to the domestic market.”

The expert also answered a question a statement by Russia saying that Presidnet Vladimir Putin signed an oil-to-good deal with Iran on April 13 and Kremlin ratified that today. As for the potential oil-to-good deal between Russia and Iran, I would see it more of an oil swap-to good deal that would benefit Iran until the sanctions are removed or not removed, he said. He pointed out that for both Tehran and Moscow the deal would mean also re-energizing the petrodollar Hugo Chavez and Mahmoud Ahmadinejad(Venezuelan and Iranian former presidents) once wished.

Iraq may press Turkish gov. for shipping KRG oil

Anadolu Agency, *22.04.2015*

This might be a time for the new Iraqi government to press the Turkish government in stem the Kurdistan Regional Government, KRG oil shipments via Ceyhan port in Turkey, said John VanPool.

VanPool said that the general topic of the Iraqi president’s visit to Turkey may be security issues but as an aside the other items might be the KRG-Iraqi Central Government dispute over oil export revenues. Fuad Masum will visit Turkey and hold bilateral talks with Recep Tayyip Erdogan to discuss issues including the fight on terrorism in the region and energy issues.

“The oil issue between KRG-Iraqi Central Government has died down somewhat recently, but with the KRG running short on funds due to the oil price drop and the recent agreement between Marine Management Services and Baghdad for the latter to stop shipping Kurdish oil, this may be the time to press the Turkish government,” VanPool said. The Kurdish Regional Government is $17 billion in debt since the federal Iraqi government in Baghdad only paid a portion from the federal budget to the regional government in Erbil. The federal government cut KRG’s share within the budget after accusing them of illegal oil exports, last year.

In September 2014, the federal government of Iraq, in Baghdad filed a $300 million case against the KRG's oil tanker shipping partner, Greece's Marine Management Services, MMS. Baghdad claimed that MMS was participating illegally in the sale of Iraqi oil without Baghdad's approval. On April 3, Baghdad won the lawsuit and MMS agreed to stay away from Kurdish oil, which is not approved by Baghdad.

Energy minister rejects poor assessment of natural gas prospect

Cyprus Mail, *21.04.2015*

Energy minister Giorgos Lakkotrypis denied reports that oil and gas companies are all but on their way out of Cyprus after coming up dry in their prospecting.

The minister was responding to a report in the latest edition of the Middle East Economic Survey (MEES). The publication had noted that the two back-to-back drilling duds for the ENIKOGAS consortium in offshore block 9 appeared "to mark the end of the road for exploration offshore Cyprus possibly for several years." The consortium's exploration contract expires in February 2016, and until then they will not be undertaking further drilling operations.

The government could agree to extend and revise the agreement. "MEES understands that if ENI seeks an extension then Nicosia will grant it, but 'this is a big if'," the publication said citing a source. On the Aphrodite play in the block 12 concession, MEES cast doubt on whether the prospect can be monetised, at least at this stage. It noted for example that whereas the partners are poised to present their development plan for Aphrodite, Delek has made it clear they do not intend to pay for a pipeline to Egypt. Though Lakkotrypis was evidently responding to a synopsis and translation of the MEES item as carried by the Cyprus News Agency a day earlier, he dismissed the notion that Cyprus' natural gas plans have reached the end of the line. "As far as exploiting the Aphrodite reservoir, we have repeatedly stated that a huge effort is underway. You can see the developments, they are methodical and gradual," the minister said. "There is intense regional interest for the purchase of natural gas, and naturally I do not share the views expressed in the report," he added.

On ENI-KOGAS, Lakkotrypis said the companies have asked for more time to re-assess their geological model, and the government is considering their request. The government has meantime reached agreement with Total, whereby the French energy giant has been given leeway to conduct further surveys "to better evaluate Block 11." In January Total let it be known it had identified no drilling targets in its two offshore concessions, and was considering pulling the plug on their operations. The government, keen to keep the company here, agreed to renegotiate their initial contract, under which they were obligated to drill two wells.

Similarly ENI were required to drill at least four wells by February 2016. But after two misses, and having spent in excess of $300m, they have put their programme on the backburner. However Politis reports that the Italians and the government are close to an agreement to extend the contract by two more years, up to February 2018. The extension request is being viewed positively by the government and its petroleum consultants, Beicip Franlab. According to the daily, a senior ENI official will be on the island next week to meet Lakkotrypis, the purpose being to put the final touches to a deal. ENI are now proposing to carry out the two drills they 'owe' Cyprus in 2017, Politis said. Speaking to the Cyprus Mail earlier, energy experts hazarded a guess that should ENI again bore down into the bedrock, this would likewise be in Block 9, but at a different site, closer to the geological formation within which lies the successful Aphrodite prospect. That location is in the southern section of Block 9, just above adjoining Block 12.

Envoy: Iran can offer $30B investments if sanctions end

Anadolu Agency, *23.04.2015*

Iran can offer $30 billion worth of energy investment opportunities if sanctions related to its nuclear program are removed, Iranian ambassador to Turkey told. Ambassador Alireza Bikdeli said: "We can offer an investment chance of $30 billion to companies in the energy sector."

Bikdeli said that the Iranian energy sector had not gotten investments it deserved because of the international sanctions. Earlier this month, Iran and the world powers group called P5+1 reached a framework agreement that gave hope for a final agreement, which would lift the sanctions on Iran in exchange for curbs on its nuclear program.

Since the framework deal has been announced, global energy giants have been announcing their intent to invest in Iran's lucrative energy resources. The envoy also said that Iran's vast natural gas reserves could be utilized to transfer energy to Europe through Turkey. "A basis for transferring Iranian gas through Turkey has been established and details are still being worked out," Bikdeli said. European countries, which are willing to diversify their energy sources because of a row with Russia, are leaning towards such a project as part of the Southern Gas Corridor. Earlier this month, Miguel Arias Canete, EU's energy commissioner, said they were open to import Iranian gas, which could break their dependency on Russia that supplied one third of the total gas that Europe consumed. Turkey has launched the Trans Atlantic Natural Gas Pipeline that will carry Azerbaijan's gas through Georgia to the western borders of Turkey, from where it will reach European countries. Iran is also eager to add Turkmenistan's natural gas to the project, while another line under the Caspian Sea to Azerbaijan is also on the cards. "We are also willing to be a transit line to transfer Turkmen gas to Turkey," the Iranian ambassador said. "This would help in improving trilateral economic ties," he added.

Kuwait discovers 4 new oil/gas fields

Anadolu Agency, *20.04.2015*

Kuwait has discovered and plans to develop four new oilfields in the resource-rich country despite tumbling oil prices, according to the head of the national oil company. "The development will start immediately and production is planned to take place very soon," Hashim Hashim, the CEO of Kuwait Oil Co., said.

Based on a preliminary examination, the discoveries could result in the production of light crude oil and gas. The reserves have the potential for "huge commercial volumes" following a two-year search activity, according to the oil official, who did not give further details.

According to Energy Information Administration, in 2013 Kuwait produced around 2.8 barrels of oil per day oil and aims to raise this up to 4 million bpd by 2020 to hold onto their status as a top oil producer.

Dangerous games of Greece

Trend, *21.04.2015*

More and more excitement flares up around the issue of gas supplies to Europe. In particular, all the attention is focused on Greece and it seems that the country is not ready to cope with this role.

One would think there hardly could be any room given the fact that Brussels announced a policy of diversification of sources, and, moreover, has already begun construction of the Southern Gas Corridor, initiated by Azerbaijan. But no, the new Greek government decided upon a weird game, on the one hand, by telling partners on the Southern Gas Corridor about its commitment to the project.

Of course, it would be naive to be surprised by the fact that the words of the new Greek government do not meet actions, but there are certain contractual obligations, which it will have to fulfill. The stir is also fueled by the fact that the meeting of the head of Gazprom Alexey Miller with Prime Minister Alexis Tsipras and Energy Minister Panagiotis Lafazanis will be held April 21 in Athens, following the results of which many people are waiting for some statements. The news about the fact that Greece has invited Russia to participate in the development of oil and gas fields in the Greek offshore area, emphasizes the "special relationship" of Athens and Moscow in energy policy.

The Turkish Stream is currently at the stage of negotiations. The agreement on the discount for Russian gas delivered to Turkey hasn't been signed so far and the project hasn't even been discussed with the EU, the ultimate buyer. Moreover, the remarks made by Maros Sefcovic, vice-president of the European Commission, in charge of Energy Union, suggest that in fact, Gazprom simply confronted Europe with an accomplished fact: Russian gas will be delivered to Europe through the Turkish Stream and the EU will have to construct gas pipelines to Turkish coast in order to get this gas. A similar situation was observed in the South Stream project, which wasn't discussed with the EU as well and everybody is well aware of the results.

The most interesting thing is that all this is happening against the backdrop of the information saying that the European Commission is going to file charges against Gazprom on April 22 for the violation of anti-trust law. The division of the market, unfair gas prices, and hindering the purchase of fuel from the independent suppliers are among the suspected violations. If found guilty, the Russian monopolist can face multiple sanctions and who knows, how can this affect its gas supply to Europe in the future. This is while the Southern Gas Corridor project fully complies with the EU Third Energy Package and Brussels has repeatedly expressed support to its implementation. Apparently, Greece plays “dangerous games” instead of making every effort for the implementation of the Southern Gas Corridor project. These “games” are first of all dangerous for the energy security of Greece itself and the entire EU.

Bulgaria in the midst of opposing gas strategies

Natural Gas Europe, *21.04.2015*

The Bulgarian government has made strides over the past few months in its atempts establish itself firmly at the centre of the natural gas route game in the Balkans. It has nevertheless found itself in the uncomfortable position of being unable to accommodate diverging energy policies.

Energy Minister Petkova met with the US representative Melanie Kenderdine. Ms. Kenderdine is the Director of the Office of Energy Policy at the US Department of Energy and Energy Counsellor to the Secretary. Both officials emphasized that closer relations between the two countries should be sought in the gas sector.

The US side focused on diversifying Bulgaria's gas flows from Gazprom and emphasized that they will back up all policies towards that aim. Interconnections with neighbouring states was discussed, as well as the planned hydrocarbon explorations in Bulgaria's Black Sea coast and the Trans Adriatic Pipeline (TAP).

This meeting contrasts with comments by former Bulgarian President Georgy Parvanov, who stated that the country is heading towards isolation from regional gas projects, citing the cancellation of South Stream. These arguments were opposed by Bulgarian Foreign Minister Daniel Mitov who placed the utmost importance on the Sofia-EU relations as a cornerstone for the energy security of the country in terms of future gas flows. In the meantime, Bulgarian Premier Boyko Borisov opened up a channel of communication with France after his meeting with French President Francois Hollande and invited Paris to have a future stake in Bulgaria's plans, which include the offshore exploration by France's Total SA, along with Repsol and OMV for potential gas reserves in the country. Most importantly, the Sofia's strategy of creating its own gas hub with the help of France was touched upon as well. Exploration for potential gas reserves are planned to take place in the Silistar and Teres offshore blocks, however an exact timetable is not known. The drop of the world energy price index has hindered the effort of the foreign multinationals to speed up the process.

It is of interest to note that since the cancellation of the South Stream project and the exclusion of Bulgaria by Russia from the newly proposed Turkish (Turk) Stream, political and business life in Bulgaria is becoming increasingly polarized between "pro-Russian" and "anti-Russian" factions, a phenomenon easily recognizable by numerous editorials and media reportages by the competing groups. Despite Bulgaria's sound state finances, it faces a chronic issue of wide spread poverty and social exclusion of a large segment of its population, while a mass migration movement over the past 20 years has resulted in a spectacular brain drain of its most qualified youth. Due to all the above both domestic and foreign evaluators of political movements are fearful for a "gas-based political discontent" with clear geopolitical dividing lines. Cooperation between Bulgaria and its neighbors though could produce productive developments, since all natural gas pipeline projects of regional nature to proceed, need an environment of long-term stability and continuity regardless of each country's clashing interests.

Azeri official: TAP requires second gas supplier to be expanded

Natural Gas Europe, *20.04.2015*

Amid speculations about Iran, Russia, Turkmenistan and even Iraqi gas flowing via the Trans Adriatic Pipeline (TAP), Azerbaijan says it will fulfill its own commitments for realization of the project.

TAP is a part of Southern Corridor Pipeline, aimed to transit Caspian Sea littoral gas reserves to Europe. TAP's initial capacity of 10 bcm of gas per year is equivalent to the energy consumption of approximately seven million households in Europe, is expected to be supplied by Azerbaijan by 2020. The future addition of two extra compressor stations will double the supplement amount to more than 20 bcm.

The Vice President of The State Oil Company of Azerbaijan Republic (SOCAR) for Investments and Marketing Elshad Nasirov told Natural Gas Europe that there is no problem in delivering the first 10 bcm/a of Azeri gas to TAP, however, European Union's Third Energy Package put restrictions on doubling gas delivery to TAP by Azerbaijan. "Then, there is needed the second gas supplier to join this project for meeting this project to the EU's laws," added Nasirov. The Third Energy Package outlines a set of rules regulating the European gas and electricity market and aims at increasing competition on the energy market, allowing other players to join the sector and liberalizing energy prices.

Nasirov said that Azerbaijan is fulfilling its own obligations completely in all spheres like managing, organizing, financial and legal commitments. He confirmed that the European part of Southern Corridor Pipeline (i.e. TAP) has faced obstacles, but did not provide a detailed explanation. However, Greece has previously indicated that it eyes a new arrangement with TAP. The SOCAR vice president added that in the initial gas supplement to TAP upto 10 bcm/annum can be commenced without any restrictions from the Third Energy Package, but for expanding this project in future, the addition of another gas supplier besides Azerbaijan is inevitable.

Ukraine's gas market: A thorny way to liberalization

Natural Gas Europe, *21.04.2015*

The Ukrainian parliament took a long-awaited step towards a competitive and secure energy plan in Ukraine. By an overwhelming majority of votes, the Parliament adopted a new gas market law.

It might not be immediately clear for larger European audiences why the adoption of a single law, or the implementation of a single EU directive, suddenly deserves so much attention. However, one should not forget the very special place of natural gas in political agenda. The significance of this law for the energy sector and ultimately for the entire economy can hardly be overestimated.

In fact, the European Commission has welcomed the new legislation as a powerful component of energy reforms in Ukraine. According to Janez Kopač, Director of the Energy Community Secretariat, the newly adopted Ukrainian law is compliant with the EU's Third Energy Package. The gas market law pursues two noteworthy objectives. Firstly, it is aimed at ensuring proper market functioning, meaning equal conditions for market players and non-discriminatory access to storage and transportation of natural gas. The second important objective is the implementation of EU laws in Ukraine and, ultimately, the establishment of a legal framework that enables integration of Ukrainian and EU energy markets.

Gas market liberalisation is made possible through the adoption of complex requirements of corporate unbundling with regard to storage, transportation, and supply of natural gas. The new law takes a tremendous step towards de-monopolization of the Ukrainian gas market by eliminating the vertically integrated corporate structures that control different levels of Ukraine's gas industry. In addition, the establishment of equal access for undertakings to the market is very beneficial for consumers. For instance, consumers are newly empowered by the right to choose and change their gas supplier. The latter is truly revolutionary for Ukraine where the gas supply market has been fiercely monopolized, which, in turn, has provoked numerous instances of the abuse of a supplier's dominant position which have hurt consumers. Fortunately, the gas market law pays special attention to consumer protection.

The objective of the implementation of the EU law in Ukraine has a strong geopolitical dimension. It is an important tool for solidifying Ukraine's commitment to further integration with the EU. The adoption of this law shortly after the European Commission had presented its strategy for the establishment of a Resilient Energy Union in the EU is a very positive signal. To be sure, the energy-driven relationship between Ukraine and the EU already has a complicated history. Since Ukraine joined the Energy Community while still being represented by the now infamous ex-President Yanukovych, there have been many ups and downs in this relationship. With the legislative implementation of the Third Energy Package Directive, Ukraine has demonstrated a strong commitment to real integration with the EU in the field of energy for the common goal of achieving competitive, secure, affordable, and sustainable energy. It is quite symbolic that Ukraine implemented its first comprehensive energy directive at a time when the 'Energy Union' banner was put up in the Schuman square in Brussels. There is hope that the success story of implementing the EU energy law will be an example for other legislative initiatives in the Parliament of Ukraine.

The legal framework established by the adopted law has a lot of added value apart from the gas market liberalisation as such. Particularly, the ability of the government to intervene in the market will now be put within specific legal boundaries. The exercise of additional and exceptional powers by the state in case of emergency will now be subject to compliance with the requirements of the gas market law. The law introduces a special mechanism of the 'national plan of action' in case of emergency in the gas supply. Clear-cut regulation of previously exceptional state powers brings certainty and security to the market. The clarity of regulation is a vital legal disincentive for the abuse of power by the government.

Finally, a very significant meaning that even partial implementation of the Third Energy Package has in Ukraine is its importance in the fight for what might be called the 'de-oligarchisation' of Ukraine. New conditions of market transparency and, most importantly, guarantees of non-discriminatory market access have hit hard the unconditional control of Ukrainian oligarchs over strategic shares of the energy sector pie. There is hope that the liberalisation of energy markets will make a meaningful contribution to the prospects of transforming energy oligarchs into law-abiding big businesses challenged by legally equal competitors.

To add a bit of context to this discussion, it should be clarified that the adoption of this law is only the conception of a functioning gas market in Ukraine. For this market to actually be born, much more than simply a law is needed. First of all, the law itself requires adoption of numerous regulations, guidelines, and reporting mechanisms from the Cabinet of Ministers as well as from other state agencies such as the National Commission for State Energy and Public Utilities Regulation. But even more importantly, apart from implementing new rules by state agencies, the reaction of the market itself is vital in this regard. The Ukrainian gas market will be fully functional only once we see actual changes in market shares and a real unbundling of vertical structures. As with any other law on market liberalisation, this piece of legislation creates a legal framework for such liberalisation and shows political will to this end; the Parliament of Ukraine has done its part. Now the ball is in the hands of the executive branch, and, ultimately, the incentive should shift to the market itself.

Naftogaz statement in response to European Commission statement of objections against Gazprom

Naftogaz, *22.04.2015*

The action announced today by the European Commission is an important step in safeguarding European energy security. Gazprom's actions on EU territory inflict serious damage to competition in the entire region.

Naftogaz has for years faced the detrimental effects of Gazprom's dominant position in both EU and Ukrainian markets. At present, Gazprom is refusing to provide Naftogaz with shipping code pairs which prevents the signing and implementation of interconnection agreements compliant with EU energy regulation that would allow establishing virtual reverse flows between Slovakia and Ukraine.

With the support of the European Commission, last year Ukraine and Slovakia managed to establish unobstructed physical gas flows between the countries in the west-to-east direction through a bypass pipeline (which has supplied the bulk of Ukraine's gas imports in 1Q 2015). Before this solution was launched, Gazprom used its monopoly position to charge Ukraine prices up to double the market level. By blocking virtual reverse flows in Slovakia, Gazprom deprived European suppliers of their potential share of the sizeable Ukrainian market over the past years. EU natural gas suppliers still have limited ability to compete for the Ukrainian market. This infringement on competition is created by Gazprom unlawfully performing some of the key functions of a TSO in Slovakia and by its refusal to provide Naftogaz with shipping code pairs which are necessary to remedy the situation.

The competition infringement concerns not only the Ukrainian market. Naftogaz and Ukrtransgaz, the Ukrainian TSO, have received requests from EU gas trading companies to organize gas flows through Ukraine between Hungary, Poland, Bulgaria, Greece and Turkey. Therefore, because of Gazprom's uncompetitive behavior EU companies cannot use the available infrastructure to freely trade in other EU and non-EU markets.

Gazprom said to get EU antitrust complaint on gas this week

Bloomberg, *20.04.2015*

OAO Gazprom will get an antitrust complaint from the European Union as soon as in a two-year-old probe into gas pricing that's been delayed amid political tension in Ukraine, according to an EU official.

The EU, which relies heavily on Russian gas, will send a statement of objections to Gazprom that lays out where regulators see possible violations of competition law, according to the official, who asked not to be identified because the decision isn't public. The EU has been examining whether the company's contracts unfairly link oil and gas prices and prevent customers from reselling gas.

"What we're looking at is whether customers are getting the best prices or if a dominant company is using its remarkable strength to get different prices for different customers," EU Competition Commissioner Margrethe Vestager told Bloomberg TV in New York. "It means quite a lot for a country if it pays more for its gas than maybe it ought to do." The complaint would be the second in as many weeks for Vestager, who escalated a probe into search-engine giant Google Inc. The 47-year-old Vestager said last week that she planned to act "decisively against energy companies that harm rivals" and "block energy flows from one EU country to another." Sergei Kupriyanov, a spokesman for Moscow-based Gazprom, declined to comment as did Ricardo Cardoso, a commission spokesman. Vestager also declined to comment on whether objections would be sent, saying no decision had yet been made. Settlement talks with Gazprom, which is owned by the Russian government, froze as tensions escalated about Russia's actions in Ukraine, where it annexed the Crimea region and was accused of supporting an insurgency that's threatened to split the country apart. Russia's relations with the U.S. and the EU have sunk to post-Cold War lows since the crisis.

Europe imported 27 percent of its natural gas from Russia last year. The 28-nation bloc imports 53 percent of the energy it consumes at a cost of about 1 billion euros ($1.08 billion) per day, according to the commission. The antitrust probe is “unequivocally” not payback for Russia’s actions in Ukraine, Vestager told Bloomberg TV. “For me it is important that any case can stand up in court. And a court doesn’t like opinions or emotions, they want facts and that’s what I’m here for,” she said. While Gazprom is “a very commercial company” that behaves as other businesses in a market, it is “very dominant.” The EU’s antitrust case against Gazprom hit the headlines in 2011 with raids on Gazprom and its customers. Regulators opened a formal probe the following year, saying sales contracts that linked natural gas to oil prices may no longer be justified because gas was increasingly being traded on spot markets as a shale gas boom expanded supplies. The EU was also examining concerns that Gazprom’s contracts may have prevented gas from being traded between countries and thwarted customers seeking to find new energy providers.

Russian LNG: A five year window and it’s closing

Natural Gas Europe, *20.04.2015*

Russia has a five year window, at best, to successfully enter the global LNG markets and even that window is closing fast.

Experts said Russia has only this limited time period to capture a significant share of the LNG market given growing global competition from North America, Australia and North Africa, as well as smaller markets such as Papua New Guinea and Indonesia. The general consensus is the next decade will be difficult for the Russian gas industry; a stagnating European market, high-cost Asian projects and Western sanctions which have shut the door for investment and technology transfers.

The challenge for Russia’s fledgling LNG industry is perhaps even greater. Victor Timoshilov, Head of the East-Oriented Project Coordination Directorate Gazprom, speaking at the Congress noted that “the producers of LNG cannot be in a comfort zone as shocking price mutations affect everyone”. This news does not bode well for the Russian economy as a whole, considering its dependence on energy goods and services.

Nevertheless, the Ministry of Energy is planning to increase Russian global LNG levels from its current 4.5% share to 15% by 2035, which will require a highly improbable yearly increase of almost 84 bcm. Most of the gas will be delivered to Asia, China in particular, though other customers will include South Korea and Japan. Some portion of the LNG is destined for Europe to go pari passu with pipeline-delivered gas. Yet, this optimism will be tempered by the fact that demand from China is also weakening, the result of slower economic growth, which has dropped from a recent high of 13% in 2007 to approximately 6% in 2015.

The Kremlin's ambitious plans will face numerous additional challenges, for instance Russia's lack of capacity in the LNG field. There is only one liquefied gas plant in the country – Sakhalin II, of which Gazprom owns a 50% share together with Royal Dutch Shell (27.5%), Mitsui (12.5%) and Mitsubishi (10%). Sakhalin II's yearly throughput capacity is 12.4 bcm, although Gazprom wants to increase this to 20 bcm after the launch of a third pipeline. The plant was constructed with considerable help of Western technology provided by Shell, which leads to another problem for Russia – lack of experience and technology in LNG infrastructure construction. Russian LNG experts admit that the sector is highly dependent on the West for technological know-how. To solve this problem, Russia needs considerable external investment and technology transfers in its LNG sector, though Western sanctions targeting the country's finance and energy sectors, have limited this option. Ultimately, Russia finds itself in a situation where investors are reluctant to commit to an unstable economy of a perceived political aggressor.

The future of another project, Vladivostok-LNG, with a planned 20.7 bcm capacity, remains uncertain, as Gazprom canceled the project to redirect funds for the Power of Siberia pipeline, which is contracted to deliver 38 bcm to China by 2020. On the positive side, Russia's view on Gazprom's monopoly status is evolving: Rosneft and Novatek were approved for LNG exports, a benefit previously available only for the state-owned giant. Rosneft is considering its own plant in Sakhalin, while private company, Novatek, is planning to launch its Yamal project in 2017, estimated to cost $27 billion with a capacity of 22.8 bcm a year. Yamal is a promising project, though analysts are not clear whether Novatek will export the LNG through the Arctic sea lanes or via more traditional Pacific sea routes.

In light of the dominant position of its global competitors, the Russian LNG sector has no time to waste; to adapt to changing reality, the country needs to rethink its strategy. This includes Russia's determination to maintain oil-indexed pricing in favor of a more flexible model based on the spot market.

Russia could supply gas to North Korea soon

Anadolu Agency, *20.04.2015*

Russia may soon start exporting natural gas to North Korea, the South Korean newspaper Joongang Ilbo reported. Russia's potential deal to send gas from its far eastern city of Vladivostok to North Korea could be clinched during North Korean leader Kim Jong-un's planned visit to Russia.

A pipeline connecting Vladivostok to North Korea's sea port of Rajin could partly alleviate North Korea's electric power shortage, according to newspaper Joongang Ilbo which cited a government official in Seoul. The two countries have recently stepped up their efforts in cooperation. In May 2014, Russia wrote off 90 percent of North Korea's debt.

Russia also has plans to send as much as 10 billion cubic meters of gas annually to South Korea, via a pipeline that would cross North Korea.

Statement of OAO "Gazprom" with respect to the adoption of "statement of objections" by the European Commission under the antitrust investigation

Gazprom, *22.04.2015*

The European Commission published a press release on its official website, according to which the European Commission adopted a "statement of objections" in the course of ongoing antitrust investigation of OAO "Gazprom" activity in the European Union (EU).

"Gazprom" considers the claims brought by the European Commission to be unsubstantiated. In the meantime, the adoption of the "statement of objections" by the European Commission is just one of the stages of the antitrust investigation and does not imply holding OAO "Gazprom" liable for any violation of the EU antitrust legislation.

OAO "Gazprom" strictly adheres to all the rules of international law and legislation in the countries where Gazprom Group operates. Operation of Gazprom Group on the EU market, including applicable principles of gas pricing, meets the standards that are used by other producers and exporters of gas. We expect that within the framework of the investigation our rights and interests arising from both EU law and international law will be adequately observed, and special attention will be paid to the fact that OAO "Gazprom", being established outside of the jurisdiction of the EU, is a company which in accordance with the Russian legislation performs functions of public interest and has a status of strategic state-controlled entity. OAO "Gazprom" expects the situation to be resolved in accordance with the agreement reached earlier between the Government of the Russian Federation and the European Commission on finding on the intergovernmental level of mutually acceptable solution on the issue of antitrust investigation.

Gazprom guarantees 47 bcm of gas to Europe via Greece

Anadolu Agency, *22.04.2015*

Alexei Miller said Gazprom guarantees the transfer of up to 47 bcm of natural gas through Greek territory.

Miller spoke after holding talks with Alexis Tsipras and Panayotis Lafazanis, and said, "The Greek government is supporting the project involving the construction of a gas transit infrastructure from the border with Turkey, which could be implemented by a Russian-European consortium." Miller said a Russian-European consortium would be able to attract the necessary finance of two billion euros to build this infrastructure and the pipeline would be implemented in strict accordance with European law.

"No agreements were signed today… Russia and Greece will sign an agreement on the pipeline construction soon," Lafazanis said after the meeting with Miller in Athens. Putin announced on Dec. 1 that Russia was canceling the South Stream gas pipeline project.

Margrethe and the bear

The Economist, *25.04.2015*

Gazprom revelled in its untouchability. It was the main supplier of imported gas to the European Union, benefiting both from close Kremlin patronage and from a web of business and political relationships in countries it sold gas to, notably Germany. Alternatives to Russian gas were scant, as was customers' willingness to resist Gazprom's dominance.

Now the EU is taking on the Russian gas beast. The first blow fell on April 22nd when the EU's competition commissioner, Margrethe Vestager, sent the company a long-expected "statement of objections" alleging market abuses.

The unpublished document runs to hundreds of pages. They detail the murky world of Russian gas exports, featuring lucrative intermediary companies with unknown beneficial ownership, deals struck by politicians not businessmen, and a hefty dose of geopolitical favouritism. The EU claims Gazprom is “pursuing an overall strategy to partition central and eastern European gas markets.” It curbs customers’ ability to resell gas, which allows it to charge “unfair prices” in five countries: Bulgaria, Poland and the Baltic states of Estonia, Latvia and Lithuania. Moreover, the EU says, Gazprom abused its dominant market position to try to keep control of the Yamal transit pipeline across Poland, and to bully Bulgaria into supporting South Stream, a now-cancelled Kremlin project to bring gas across the Black Sea into the EU.

Gazprom had put out feelers to Brussels in previous months to see if it could reach a settlement. But those talks broke down amid the freeze in East-West relations over Ukraine. Now Gazprom has 12 weeks to deal with the charges—by rebuttal, concessions or both. If it fails to satisfy the commission, the next stage is enforcement. This could mean fines of €1 billion ($1.1 billion) or more—in theory up to 10% of its turnover—and legally mandated changes to its business model. Such options are still in reserve. “All roads are open,” says Ms Vestager. “We would like Gazprom to answer and we would like to talk.” Gazprom’s initial response was icy. It said the EU’s complaint was “unfounded”, insisted that it already abides by international law and the domestic legislation of the countries where it does business, and argued that the dispute should be settled at a governmental level. Gazprom was established “beyond the jurisdiction of the EU”, it noted. Revealingly, it said that Russian law gave it “special, socially significant functions…and the status of a strategic government-controlled business entity”. Back in 2012 President Vladimir Putin banned such “strategic” companies from disclosing information to foreign regulators or obeying their orders.

The EU began its move against Gazprom with the launch of the “Third Energy Package” in 2007. That was a deceptively bland title for a series of measures that “unbundled”—in fact, upended—Europe’s energy market. The main effect was to ban the same company from owning both the gas pipelines and the molecules that flow through them. Russia objected harshly to this, seeing it as a politicised, unprovoked and confiscatory attack on Gazprom’s assets and business model. However, rather like Microsoft, which fell foul of EU competition law for bundling its Internet Explorer browser with its Windows operating system, the company and its political masters did not grasp the EU’s ferocious prosecutorial powers. And the more the EU looked at Russian gas imports, the less it liked what it saw. In 2011, in the biggest antitrust raid in the EU’s history, officials with search warrants seized documents and computers from dozens of offices belonging to Gazprom and its affiliates. In 2012 the EU followed this up by opening a formal investigation.

The statement of objections has been largely ready since 2013, but was subject to a long and timorous delay. Ms Vestager’s predecessor, Joaquín Almunia, repeatedly promised to launch charges, but left office in November with that pledge unfulfilled. Senior people in the commission thought a deal would be better than worsening relations with Russia. Now Europe is in a more robust frame of mind. Ms Vestager, a steely Dane, insists that her directorate is part of the justice system and acts without fear or favour.

The move against Gazprom came only a week after it launched a statement of objections against another corporate giant, Google. For Gazprom the most petulant option would be to ignore the EU. That brings speedy penalties—and also potential lawsuits from customers who have been overcharged, notes Alan Riley, a British law professor. Another option is to mount legal challenges—including ones claiming abuse of property rights. Vaclav Bartuska, the Czech Republic's energy envoy, forecasts a climbdown, masked by a showy but empty deal on future exports to China to show the Russian public that the Kremlin is punishing Europe for its impudence.

Russia may also press ahead with Turk Stream, a Black Sea pipeline which would deliver gas just as far as the Turkey-Greece border, to avoid the EU rules that stymied South Stream. The Kremlin is wooing Greece to support the project, with a $5 billion sweetener. More such divide-and-rule tactics in Europe are likely: Russia's pipelines export political influence even when they are still mere lines on a map. But turning off the gas taps, to punish the EU, seems unlikely. Russia is losing market share in Europe already, and cannot afford to annoy its customers or endanger its $40 billion export revenues.

Worries about dependence on Russian gas have in any case diminished. Not only is the winter over but Europe is generally in better shape to withstand a Russian tantrum. It has improved storage, and built north-south gas links, so that a cut in shipments across, say, Ukraine, can be made up with other supplies. Lithuania, once wholly dependent on Russian gas, has built a terminal to import liquefied natural gas (LNG), gaining a swift price cut from Gazprom. This year America will start LNG exports, creating yet more supply options. For Mr Putin, the commission's move underlines the scale of Russia's isolation. Trust and patience have ebbed, even in Germany. His friends are fewer in number. By using energy as a weapon, he has prompted defence and counter-attack. The bear is not as feared as it was.

EU charges Gazprom with abuse of market dominance

Argus, *22.04.2015*

The European Commission sent a statement of objections to Gazprom over alleged abuse of dominant market position.

EU competition commissioner Vestager's preliminary view is that Gazprom is hindering competition in Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland and Slovakia. Gazprom is breaking EU anti-monopoly rules by pursuing a strategy of partitioning central and eastern European markets, she said. The commission specifically alleges that Gazprom may be using its dominant market position to force wholesalers to make "unrelated" commitments concerning gas transport infrastructure.

The commission also alleges that Gazprom's territorial restrictions in supply agreements with wholesalers and some industrial customers may result in higher gas prices and allow Gazprom to pursue an unfair pricing policy in five countries — Bulgaria, Estonia, Latvia, Lithuania and Poland. Prices charged to wholesalers there are "significantly higher" compared with Gazprom's costs or benchmark prices. "We'd like to focus where we have the strongest case. That does not mean that you don't see an effect on the Hungarian market," Vestager said. Vestager added that she has no wish to politicise the case. She declined to "speculate" on possible remedies such as freeing pipeline capacity, revoking problematic clauses or just delivering the gas to the EU border. Gazprom has first to respond to the commission's preliminary view of what is a "very dominant" position, she said.

The commission started formal proceedings in August 2012 and has looked at alleged anti-competitive practices in contracts between Gazprom and gas buyers in central and eastern Europe. The investigation has centred on resale prohibitions, destination clauses and the company's insistence on oil-indexed prices in its long-term contracts. Vestager emphasised that the charges should not be interpreted as a ruling against justifiable price differences. "We do not want to decide on prices. We do not want to pick the winners." "It is not oil indexation in itself but the way of applying it in concrete contracts where we have an issue. It contributes to the fact that prices are so much higher that you can say they are unfair." Vestager added that if no solution is found then EU fines can reach a maximum of 10pc of the concerned company's global turnover. Gazprom has 12 weeks to reply to the commission's statement of objections. The company may also request an oral hearing to present its arguments. There is no deadline for the commission to complete its investigation.

Ed Davey orders Russians to sell North Sea petroleum licences

The Telegraph, *20.04.2015*

The Government has ordered a group of Russian billionaire investors led by Mikhail Fridman to sell North Sea petroleum licences amid concerns over the UK's energy security.

LetterOne acquired the licences earlier this year as part of a €5bn (£3.6bn) deal to buy RWE Dea. Energy secretary Ed Davey informed LetterOne that "he proposes to revoke Dea UK's North Sea petroleum licences unless LetterOne arranges for a further change of control of the Dea UK gas fields in the North Sea". The decision by Mr Davey is likely to set up a legal challenge from LetterOne, which hired former BP veteran Lord Browne in February.

The company said in March that it would reserve the right to challenge any decision by the Department of Energy and Climate to strip it of the licences after a review of the acquisition by Mr Davey was launched. A spokesperson for LetterOne declined to comment. Mr Fridman's move to acquire the North Sea assets as part of the Dea deal has been complicated by the political fight between the European Union and Russia. President Vladimir Putin has repeatedly threatened to cut off gas supplies to Europe in retaliation for his ongoing dispute with the West over eastern Ukraine. Mr Davey is understood to have been concerned about the possible impact on North Sea oil production that could arise from a potential tightening of economic sanctions. LetterOne now has six months to "effect a further change of control" of the licences.

SABIC signs deal to use U.S. shale gas at British plant

Reuters, *19.04.2015*

SABIC has signed a deal to use shale gas from the United States at its Teesside petrochemical plant in Britain, acting chief executive Yousef Abdullah al-Benyan told. "In fact we did sign the contract - we have not yet agreed with the supplier to publicly announce it, but we did firm up a contract for gas supply," Benyan said, declining to name the supplier.

He said the timing and other details of the project, which he described as the first use of shale gas exported from the U.S. Gulf in Britain, should be available by next quarter. "It is going to meet our full demand for the next ten years and is renewable beyond ten years," Benyan said.

SABIC has previously said scarce gas supplies at home have forced it to look at investment opportunies abroad. Last year, the company said it planned to upgrade its Teesside cracker to capitalise on shale gas opportunities in the United States. Benyan also said on Sunday that SABIC was still considering a proposal to build a plant able to turn crude oil directly into chemicals, without first having to refine the oil. The proposal was originally announced by oil minister Ali al-Naimi early last year. Asked if talks had been held with companies to develop the project, Benyan said that ideally SABIC would like to do the project by itself, and that any partner would need to make an important contribution and help to spread risks.

BG acquisition kick starts a fulcrum year for mega gas

Natural Gas Europe, *20.04.2015*

2015 may well be remembered as the year when natural gas truly announced itself as the major energy fuel source. With the announcement that Shell are targeting a $70bn deal for BG Group, and in doing so increasing their current LNG capacity to around 33 million tons per annum, the big dollars to secure gas capacity are coming into sharp focus.

Should the acquisition complete, Shell will have access to gas resources from Trinidad & Tobago to Tanzania. BG's Queensland Curtis LNG project could also provide a viable option to develop the major Arrow coal-seam gas development in Australia.

Elsewhere in Australia, Chevron is expecting to see first production from the defining Gorgon project by Q3 this year. A massive LNG project with estimated capacity of 15.6 million tons per annum, Gorgon is expected to boost the company balance sheet for 40 years. Described as a black hole for Capex following well known cost overruns – expected to approach 50% of the initial $37bn budget – safe and timely execution this year will be critical not only for the company but for the future of Australian supply capacity. Similarly, 2015 is a big year for the Wheatstone LNG sister project as major modules are completed and project integration continues prior to 2016 operation.

After much anticipation, the world's first floating LNG vessel is also expected to begin operations for Petronas in Q4. The FLNG 1 represents a major technological advancement in the monetization of offshore gas assets. The success or otherwise of this unit, along with that of the under-construction Prelude (to begin operations for Shell in 2016), could signal the beginning of an era where stranded gas, marginal fields and major offshore gas discoveries can be processed offshore. Acquisitions, major capital projects and large-scale technical developments suggest that 2015 is a fulcrum year for global gas supply.

Ministry: Shale gas exploration in Poland did not significantly affect the environment

Natural Gas Europe, *20.04.2015*

Explorations for shale gas in Poland had 'not significantly affected the state of the environment', reads a report.

The work performed by national research institutes and universities before, during and after the operations suggested that hydraulic fracturing, or fracking, did not have a significant impact on groundwater and surface waters. 'The investigations … did not identify any significant and permanent changes in the chemical composition of groundwater and surface waters, or a deterioration of the soil parameters in agricultural terms, or higher concentrations of radioactive elements in soil' reads the communiqué.

The analyses indicates that acoustic and environmental consequences were of short duration. 'The operations did not affect, either, the status of groundwater resources (they did not lower the groundwater table). In several cases, the parameters analysed were found to grow on a temporary basis in the soil air.

PEGAS to launch new physical gas futures on Italy's PSV

Natural Gas Europe, *21.04.2015*

Powernext-operated PEGAS said on Tuesday that it will launch new physical natural gas Futures contracts on the Italian Punto di Scambio Virtuale (PSV) on 17 June 2015.

'The range of products will include trading for the next 3 Months, the next 3 Quarters, the next 2 Seasons and the next Calendar Year. Furthermore, PEGAS will introduce a location spread between PSV and TTF as well as a spread between the existing financial product and the new physical product for PSV on all Futures maturities' reads the note. According to Powernext, the offer will strengthen both PEGAS and the PSV.

“The launch of the new products follows the request from market participants and will support the development of PSV as one of the most important gas hubs in Europe” Richard Katz, Powernext’s Director of Sales & Communications, commented, explaining that his company worked in close cooperation with European Commodity Clearing (ECC) and Italian Transmission System Operators AEEG and Snam Rete Gas. PEGAS started offering PSV financial futures on March 26. It also plans to introduce spot market products for the PSV market in the fourth quarter of 2015, along with Spot and Future products for the UK’s National Balancing Point (NBP) and for Belgium’s Zeebrugge Beach (ZEE). PEGAS, which presents itself as an attempt to create a pan-European gas market, is also related to the Third Energy Package.

Climate Action & Energy Commissioner Miguel Cañete said that Brussels will incentivise modern and competitive energy markets. “For me modernisation is the key theme of our debate today. Because business as usual is not an option for Europe” he said at the Euro Economic Congress, in Katowice (Poland). Estimating the investments needed to modernise the energy sector in Europe at €1 trillion, Cañete said that Brussels has to send the “right … signals” to unlock the necessary funds. “Reform efforts – including the Third Energy Package - have taken longer than expected to have an impact on the ground. As part of the Energy Union we will step up the enforcement of the Third Energy Package - in particular as regards unbundling and the independence of regulators” he said.

EC: Croatia’s market penalizes gas

Natural Gas Market, *23.04.2015*

The European Commission has warned that Croatian Law on the gas market does not encourage competition, and that such a situation could jeopardize further integration into the European energy market, as well as projects such as the LNG terminal on the island of Krk.

The Commission identified a disturbing practice of discouraging consumers to change their gas supplier, because Croatia has transferred gas supply of households from the hands of INA-Industrija nafte (INA, d.d.) to the public Croatian Electricity Company (HEP), which will take another two years.

‘Poor investment climate negatively affects the development of projects of common interest, such as the LNG terminal,” the report warns. A number of non-functional solutions in the Croatian gas market, says the European Commission, has led to the fact that the gas is too expensive for the Croatian economy. The document also outlined that between 2008 and 2012, Croatia’s gas prices rose by 45% and 94% for domestic and industrial consumers respectively. The growth was due to a VAT increase (25% for both electricity and gas), and a major rise in the natural gas shipping rate. In 2013, industrial consumers paid 12.9 EUR/GJ on average, which is more than industry pays for gas in North West Europe. High prices negatively impact competitiveness of the Croatian economy.

This trend contributes the chaotic situation in a market which began its transition to an entry/exit model on 1 January 2014. Brussels highlights that currently there is no commodity exchange or gas hub operating and wholesale gas trading is based on bilateral contracts. On a positive note, the conditions for a de facto opening of the gas market have been met with the construction of the interconnecting gas pipeline between Croatia and Hungary which became operational on 3 August 2011.

This does not mean free market is really functioning because certain provisions in the Gas Market Act represent a serious obstacle to cross border gas flows, by obliging domestic gas producers to offer their gas primarily to suppliers of customers in the territory of Croatia and obliging public service suppliers to primarily purchase gas from domestic producers. While gas grid operator Plinacro has been separated from INA for more than a decade, its certification is still pending. Gas is distributed by 36 companies which operate at a local level, of which 13 have unbundled their supply and distribution operations. Key issues highlighted by the EC in its report are the very limited competition in Croatia’s energy market, the strong need for improving the investment climate and creation of incentives for new entrants, the need for deregulation of wholesale prices and prices for end-users, completion the unbundling process and effective enforcement of EU law including competition and State aid rules and the removal of barriers to the export and import of gas. These changes should impact Croatia’s entire energy sector, a country with a long tradition of gas production covering over 70% of its annual domestic demand.

Norwegian momentum continues with Polarled and Ivar Aasen Field

Natural Gas Europe, *22.04.2015*

The Polarled pipeline will transport its first gas from the Aasta Hansteen project to Norway’s coasts in 2017, Germany’s Wintershall said, continuing the momentum for the Norwegian gas industry that started two weeks ago.

‘Good news from the far North: the large-scale project Aasta Hansteen develops very positive’ reads a note released by BASF’s subsidiary Wintershall. According to the company, the development of the project will be of strategic importance for the future development of the region. ‘The pipeline is designed to transport up to 70 million cubic meters of gas per day.

Until August of this year the pipeline will be laid, then the first gas is set to flow to Nyhamna facility in 2017.’ In September 2014, Wintershall increased its exposure to Norway, acquiring a package of assets from Statoil for US $1.25 billion. Det norske, operator of the Ivar Aasen field, completed drilling of two appraisal wells, showing optimism for activities on Norwegian waters further south, close to the border with the United Kingdom.

‘Det norske oljeselskap AS has completed drilling of appraisal wells 16/1-21 S and 16/1-21 A on the Ivar Aasen field’ reads a note released by the Norwegian Petroleum Directorate, adding that those are the fourth and the fifth well in production licence 001, carved out of production licence 001 in 1999. “The operation has given us a greater understanding of the field, and the results will be used in the efforts to determine the final location of the production- and injection wells”, Tor-Ole Jøssund, Subsurface Manager Ivar Aasen, said in a separate press release. According to Det norske, Ivar Aasen field will be developed with a total of 15 wells - eight production wells and seven water injection wells.

European companies confirm commitment to operations in North Africa despite crisis in Mediterranean

Natural Gas Europe, *20.04.2015*

While the European diplomacy and political elite gathered in Luxembourg to get ready for an extraordinary European Council centred on the situation in the Mediterranean Sea in the aftermath of the latest migrant drownings off the coast of Libya, Spain’s Repsol and Italy’s ENI reiterated their commitment to operations in North Africa.

Meanwhile, the daily La Repubblica reported that a mission to safeguard strategic infrastructures including those in the oil and gas production areas is one of the five options presented by EU Foreign Policy Chief Federica Mogherini to solve the crisis in Libya.

Repsol made its third gas discovery in the Illizi basin, in southeastern Algeria, on the border with Libya. According to a note released on Monday, the Spanish company plans to drill other wells to appraise the previous discoveries within the Sud-Est Illizi block. ‘The discovery in Tan Emellel Sud-Ouest-2 (TESO-2) exploration well in the Sud-Est Illizi block is the continuation of an already very successful exploration campaign in the high-potential area’ the company wrote on its website. Repsol is the operator of the the licence, with a 52.5% stake. Italy’s Enel and France’s GDF-Suez are the partners, with 27.5% and 20% interest respectively. Algeria’s Sonatrach will then hold a 51% stake in the development and production phases, with the three European companies maintaining their existing proportions in the remaining 49%. Eni wrote that it has doubled production in the Western Desert. The Western Desert covers about 700,000 square kilometres, spanning from the Nile River Valley to the Libyan border. ‘Eni reached a record level of production of 70 thousand barrels of oil per day in the Western Desert of Egypt, doubling its level of production in the area in just three years. Such result was achieved mainly thanks to the Melehia development lease, located 290 kilometers west of Alexandria’ the six-legged dog said on Monday, adding that it will start exploration activities on the deep plays in the Melehia Southwest block by the end of the year.

European officials are discussing a common position on the situation in the Mediterranean. During the Foreign Affairs Council in Luxembourg - where Libya was the first item on the agenda - European heads of state spoke about the need to meet and discuss a concerted strategy to avoid more loss of lives in the Mediterannean. “After what happened in the Mediterranean the night before last I felt it was our moral duty to concentrate our responsibility, as Europeans, to prevent this kind of tragedy from happening again and again” Mogherini said.

According to the document presenting options for the European Union to assist transition in Libya, one strategy is reportedly a mission to Libyan coasts. The paper, already prepared by Mogherini’s team before a boat capsized off the Libyan coast killing hundreds of migrants, envisages European warships in the area to combat oil and arms smugglers, according to Reuters. Also Donald Tusk, President of the European Council, took an active step to create the conditions for European leaders to meet. “I have decided to call an extraordinary European Council this Thursday to address situation in Mediterranean” reads a tweet on his official channel.

Additionally, also the UK voiced its interest to increase efforts to solve the migration issue. Prime Minister David Cameron - addressed by The Guardian on Monday as the head of the ‘cruellest British government in living memory’ - supported a knee-jerk reaction. “He agreed with both [Italy’s] Prime Ministers Renzi and [Malta’s] Muscat that the establishment of a National Unity Government in Libya was essential for a sustainable solution. The leaders welcomed today’s urgent meeting of Foreign and Interior Ministers in Luxembourg, and the Prime Minister backed Prime Minister Renzi’s call for an emergency European Council” Cameron’s spokesperson said in the afternoon. The UK previously advocated to cut the main rescue operation Mare Nostrum to reduce costs. The drowning of migrants off the coasts of Libya will have an impact on oil and gas operations, directly or indirectly. It is still unclear how. A strong European reaction could support oil and gas production in the area or further increase local tensions. On the other hand, it is crystal clear that an inconsistent approach from Brussels would affect European interests negatively. That is sure.

Eni doubles its production in Western Desert of Egypt

Anadolu Agency, *20.04.2015*

Eni doubled its oil production in three years and is now producing 70 thousand barrels of oil per day from the Western Desert of Egypt. The Italian energy giant reached doubled its production thanks to the Melehia development lease, located 290 kilometers west of Alexandria, according to Eni’s press release.

Eni proclaimed its production in Melehia has reached 54 thousand barrels of oil per day following exploration successes. The company is currently carrying out intensive exploration, research and production optimization activities in the area.

The remaining part of the production comes from other three development leases in the area including the Ras Qattara, Raml and West Razzak, according to the press release. Eni signed a new Concession Agreement in January to operate in the Melehia Southwest block, where exploration activities on the same deep plays will start within the year. The company, through its subsidiary International Egyptian Oil Company, IEOC, holds a 76 percent stake in the Melehia's license while Lukoil is the other partner with a 24 percent stake. The operator is Agiba, and is equally held by the IEOC and the Egyptian General Petroleum Corporation, EGPC. Eni has been present in Egypt since 1954, where it operates through its subsidiary IEOC, and is the market leader with an equity production in 2014 of approximately 210 thousand barrels of oil equivalent per day.

Eni: Mozambique gas will be very competitive due to low extraction cost

Natural Gas Asia, *22.04.2015*

LNG produced in Mozambique will be very competitive because of low extraction cost of natural gas in the country, Eni's Chief Executive Officer Claudio Descalzi said.

Eni's LNG facilities would become operational in Mozambique in 2020, Descalzi said. "Mozambique is good because the upstream side is not very expensive," Reuters quoted him as saying. "It is fast and cheap, so it can be very competitive in the market." In its 2014 annual report published earlier this month, the Italian firm said it plans to make final investment decision regarding the Coral FLNG project in Mozambique during the second of this year.

"In Mozambique, where Eni has made the greatest discovery in its exploration history with a mineral potential of about 2,500 billion cubic meters of gas in place, we plan to finalize gas contracts and obtain the necessary production licences, in order to make a final investment decision for the project Coral floating LNG in the second half of 2015," Eni said in the annual report. The Coral project scheme comprises construction of a floating unit for the treatment, liquefaction and storage of natural gas (Floating LNG - FLNG) fed by subsea wells. The development plan was formally submitted to the local authorities at the end of 2014. The award of the relevant EPCIC contracts for the construction, installation and commissioning of the floating unit is expected by the end of 2015 and production start-up is expected for the end of 2019, Eni said. As part of the Mamba development plan, the first stage would involve construction and commissioning of two onshore LNG trains and the drilling of 16 subsea wells. Eni expects to make the FID regarding the Mamba project in 2016-2017.

Japan's LNG imports in 2014-15 hit another record

Natural Gas Asia, *23.04.2015*

Japan's LNG imports in fiscal year 2014-2015 (Apr-Mar) hit another record with the country importing 89.07 million mn tons of fuel, up 1.5 percent on year, Ministry of Finance's preliminary data showed.

The value of LNG imports during the month was also at a record-high of 7.78 trillion yen in 2014-15, up 5.9 percent on year. LNG imports were 8.14 million tons, up 1.2 percent from a year earlier. Japan, world's biggest importer of the fuel, has been importing record LNG in last few year as demand for the fuel continued to see strong rise due to shut down of its nuclear stations since the Fukushima disaster in 2011.

Output from Sinopec's South Yanchuan cbm block tops 200,000 cu m per day

Natural Gas Asia, *23.04.2015*

Sinopec's daily production of coal bed methane from South Yanchuan block has topped 200,000 cubic meters as Xinhua Finance reported citing a company statement.

The Chinese state owned energy major plans to produce 100 mcm of CBM in 2015 vis-a-vis earlier target of 200 million cubic meters. Currently, Sinopec has 321 wells in operation with 898 CBM wells put into operation in total, Xinhua Finance said. So far this year, CBM output from the block totalled 18.06 mcm, the company statement stated. Located in northwest China's Erdos basin, South Yanchuan block has over 20 bcm of proven CBM reserves.

Bass Strait Oil identifies new oil, gas targets in Victoria, Australia

Natural Gas Asia, *19.04.2015*

Bass Strait Oil Company said it has identified new oil and gas opportunities in Gippsland Basin in Victoria, Australia. The new targets are similar to and on trend with the Longtom, Basker/Manta/Gummy and Kipper fields.

Bass has identified a number of follow up oil targets on trend with Bass' wholly owned Leatherjacket oil discovery contained in Vic/P68 permit. In the Gippsland basin, Bass is focused on the Rosedale Fault Trend on the northern margin of the basin. The company has high equity interests and operates two permits, Vic/P41 and Vic/P68 along the trend and these contain both appraisal and exploration targets.

US crude oil stocks, imports increase, production falls

Anadolu Agency, *23.04.2015*

Crude oil stocks in the U.S. increased for the 15th consecutive week, however domestic oil production fell and crude oil imports rose, the U.S. Energy Information Administration, EIA, data revealed.

Commercial crude oil inventories in the U.S. rose by 5.3 million barrels in a week, to reach 489 million barrels for the week ending April 17, from 483.6 million barrels for the week ending April 10. Crude oil stocks are also 91.3 million barrels higher from a year earlier, EIA data showed. However, despite the crude oil inventory increase, domestic oil production fell and crude imports rose compared to the previous week

Domestic oil production in the U.S. fell to 9.37 million barrels a day for the week ending on April 17, from 9.38 million barrels per day from the previous week. The U.S. crude oil imports increased, averaging 7.76 million barrels per day for the week ending April 17, which is up by 617,000 barrels per day from the previous week when it was 7.15 million barrels a day. EIA emphasized that crude oil imports averaged around 7.6 million barrels per day in the last four weeks, and the latest data of imports is above that level.

Oil prices challenge Cheniere's LNG export plan

USA Today, *19.04.2015*

The collapse in oil prices has shaken up executives from oil and natural gas companies, large and small among them, Charif Souki. Not that Souki is in any imminent trouble. His company, Cheniere Energy, is on the verge of beginning the first exports of liquefied natural gas from the U.S. mainland, with customers locked up in Asia and Europe.

But the president, CEO and chairman of the Houston-based company knows that building his business further will be more difficult now that the price of oil has fallen by about half since last June, and oil and gas markets seem likely to remain volatile for some time.

The reason? The oil-price decline relative to U.S. gas prices has eliminated the price advantage of U.S. LNG projects, reversing wide differentials that prompted Asian buyers to seek out LNG linked to the U.S. Henry Hub price. "We're all going to have to adapt," Souki said at an Atlantic Council event in Washington. "I think it's pretty unsettling, as it is now. I really can't imagine anything that gets worse, and I speak from experience."

By experience, he means Cheniere's brush with bankruptcy in 2008 when the company's multibillion-dollar plans to import LNG into the U.S. ran afoul of the sudden surge in U.S. gas production from shale reserves. With his company on the brink of folding, Souki decided to retool his projects on the Louisiana and Texas coasts to export some of the growing volumes of U.S. gas. Now, Cheniere is on the verge of becoming one of the world's major exporters of LNG, likely to account for 10% of that market by the end of the decade, according to Souki. The new challenge for Cheniere and other prospective U.S. LNG exporters is building market share without the price advantage they have enjoyed for the past several years.

In a recent report, Moody's Investor Service said the drop in oil prices will not interrupt projects already under construction, like Cheniere's Sabine Pass site in Louisiana. But lower oil prices will lead to the cancellation of most of the nearly 30 proposed projects in the U.S. "At the current Henry Hub gas price of below $3 per million British thermal units and the Brent oil price in the range of $50 per barrel, U.S. LNG linked to U.S. gas prices would cost roughly $10 per MMBtu (Million British Thermal Units) to deliver to East Asia, slightly more than the almost $9 per MMBtu estimated for LNG under traditional oil-linked terms," Moody's said. "With spot LNG prices in East Asia currently about $10 per MMBtu and about $7 per MMBtu in Europe, U.S. gas-linked supplies would be near break-even levels in Asia and unprofitable in Europe."

Souki acknowledged that the price advantage his company used to get its LNG-export business off the ground is disappearing. “We were very successful with that formula,” he said. “But today, the arbitrage doesn’t look quite as obvious.” So, how does Cheniere adjust to the changing market conditions? Not surprisingly, Souki didn’t divulge specific plans. But he said he remains confident that new sales opportunities will emerge as the U.S. continues to produce more gas than it can consume and other nations look for reliable suppliers of gas. “We’re stuck in an industry where we make investments for 40 years, and things change every five years,” he said. “It’s not a very comfortable situation. But if you do it right and you look at all the options, you can determine where the opportunities are and try to take advantage of them.”

Are optimistic forecasts for gas industry compatible with North American problems?

Natural Gas Europe, *20.04.2015*

Despite optimistic forecasts for the gas industry in the coming months, companies keep suffering. While consultancy Douglas-Westwood wrote that 2015 could mark a change of pace for the gas industry, Halliburton reported that North America experience an unprecedented decline in drilling activity during the first quarter.

‘2015 may well be remembered as the year when natural gas truly announced itself as the major energy fuel source’ Douglas-Westwood wrote, concluding that acquisitions, major capital projects and large-scale developments hint at a positive year for gas.

The consultancy mentioned the Shell’s decision to proceed with a $70 billion deal for BG Group, Chevron’s Gorgon project in Australia, and the Petronas’ operations. ‘The big dollars to secure gas capacity are coming into sharp focus. Should the acquisition complete, Shell will have access to gas resources from Trinidad & Tobago to Tanzania. BG’s Queensland Curtis LNG project could also provide a viable option to develop the major Arrow coal-seam gas development in Australia.’ Halliburton beat analysts’ expectations and rose as much as 4.4%, but registered a fall in revenue and operating profit in North America, which accounts for half of its activities. As a result, income from continuing operations for the first quarter of 2015 was $418 million, down 32% with respect to the same period of 2014.

‘Primarily as a result of the recent downturn in the energy market and its corresponding impact on the company’s business outlook, Halliburton recorded approximately $823 million, after-tax, or $0.97 per diluted share, in company-wide charges during the first quarter of 2015 related to asset write-offs, inventory write-downs, impairments of intangible assets, severance costs, and other charges’ reads a note released.

Operations in Middle East, Asia and Latin America had supported the company, but North America sent negative signals. ‘North America experienced an unprecedented decline in drilling activity during the first quarter, which drove pricing pressure and margin compression across all product lines. First quarter revenue declined 9% and operating income declined 54%.’

War, hedge funds and China: Why oil will hit $100 a barrel

The Telegraph, *20.04.2015*

It wouldn’t be the first time that oil experts have got it spectacularly wrong when predicting the price of crude. Goldman Sachs went against the prevailing mood in 2008 when it famously predicted that crude would hit $200 per barrel within months. Instead, oil crashed to levels around $40 per barrel as the global financial crisis punctured world demand.

This time around, the US investment bank decided to follow the consensus view on Wall Street when earlier this year it downgraded its short-term forecast for the price of a barrel to around $40 per barrel.

But instead of falling, oil has rallied strongly. Brent crude now trading above $63 per barrel is up 36pc since reaching its year low in early January. At this rate oil will be back at $100 per barrel by the end of the summer driving season in the US when middle-class America hits the great open roads to visit their ‘Aunt Agatha’ in Pennsylvania. Lower prices have started to filter through to boosting growth in the world’s most advanced economies and with it demand for gasoline, which is once again on the rise.

Here are six reasons why oil is heading back to $100: The market is tighter than you think: World demand for crude oil is beginning to rebound. After growth in consumption slowed last year the early signs are that demand is beginning to pick up led by developed markets that are responding to a period of lower prices. The Organisation of Petroleum Exporting Countries (Opec) expects demand for oil to grow by 1.17m barrels per day (bpd) in 2015 but this is a conservative estimate. Another 500,000 bpd of crude would erase the current 1.5m bpd surplus in the market. Remove this tight surplus and oil is back above $100 in a heartbeat.

War in the Middle East threatens supply: Gulf countries, which account for a fifth of the world’s oil supplies, are under siege. In Yemen, a shaky Saudi-led coalition is battling to turn the tide on Iranian-backed Houthi rebels with airstrikes. Abdel-Malik al-Houthi, leader of the rebels who are the brink of seizing Aden, is already being described by Iranian media as the “supreme leader of the Arabian peninsula. In the north, Islamic State continues to pose a threat to the Gulf in Iraq. The region, which controls most of the world’s oil is in turmoil and any further escalation in conflict could easily push crude back to $100 per barrel and beyond.

Hedge funds are betting on oil: The vultures of global markets smell a killing and have started to turn bullish once again on oil heading back to $100. Investors have increased their net-long position on West Texas Intermediate (WTI) crude by more than 9pc in the first few weeks of April as the number of traders still betting on a further price collapse dwindles. Oil traders are beginning to turn bullish, which has already pumped up WTI by 36pc in the last six months.

China to unleash massive stimulus: The leaders of the world's second-largest economy and biggest importer of crude have finally woken up to the dangers of a potentially catastrophic slowdown. The People's Bank of China started the week by pushing more money into the system by cutting the amount of money that lenders must hold against reserves. Crude oil immediately responded. China will account for roughly two-thirds of Opec's forecast increase in demand this year and a major push by Beijing to revive growth could easily push oil back above $100.

Barbarians at the gate: Royal Dutch Shell's game-changing £47bn bid to buy BG Group is a good sign that 'big oil' sense that prices could once again be about to turn back towards $100. No one wants to catch a falling knife and Shell have obviously timed their move just at the point when crude prices have started to turn. More takeovers in the industry are expected with BP persistently linked as a target for Exxon Mobil. Such deals would also drag more free cash away from investment into drilling new oil wells and expanding capacity, which eventually can lead to demand outstripping supply. America's shale oil revolution is over: The number of rigs working in US oil fields has fallen for a record 19th straight week as drillers continue to cut back in response to the lower prices of the last six months. Although, US oil production if expected to reach a record 9.65m bpd average in 2015 this could represent the high watermark for the industry in North America. Shale oil needs prices above $100 per barrel to grow.

Why two Wall Street giants recommend investors buy oil and gas now

Forbes, *20.04.2015*

T Credit Suisse and Bank of America Merrill Lynch are recommending investors buy oil and gas stocks now. They believe oil prices have bottomed as producers scaled back output significantly and when analysts are overwhelming bearish, the stock market tends to go against the crowd.

Credit Suisse recommends overweighting the energy sector because of attractive valuations and earnings revisions are starting to rebound off historical lows. What's more, it was deeply oversold on fourth quarter 2014 and the "least loved industry group among large caps and one of least loved among small caps."

“ Sell-side bullishness has collapsed and is at 10-year lows in small-cap (energy stocks) ,” Credit Suisse wrote in a report released April. 23. “(Energy is) deeply out of favor on the buy side. The percent overweight in long-only funds hit a new 10-year low in fourth-quarter 2014. Retail (investor) flows have been strong, but haven’t appeared extreme.” Oil firms are cutting back massively. They’ve announced plans to lay off 100,000 workers globally. At least 91,000 people have already lost their jobs, the Wall Street Journal reported. Oil producers have taken half of their oil rigs offline in the past year. Latest U.S. rig count hovered at about 950, down a from a peak of 1,900. “The sheer scale of activity reduction, which portends a faster decline in U.S. oil output for the balance of the year than will be evident from first quarter 2015,” Doug Leggate, an analyst at Bank of America Merrill Lynch, and his colleagues wrote in a client note April 20. “Finally we expect confirmation that costs reductions being realized by the industry are coming faster and deeper than initial expectations at the start of the year. “On the whole this is a backward looking quarter that we believe will mark the bottom of this oil cycle.”

First-quarter earnings are expected to drop 95% year over year and 48% quarter over quarter, according to BofA ML. West Texas Intermediate Crude oil averaged $49 a barrel in first quarter, down 51% year over year. Internationally traded Brent Crude averaged $54 a barrel in Q1, down 50% year over year. U.S. oil output is expected to drop by 55,000 barrels a day in May, BofA ML stated citing data from the Energy Information Administration. “With global demand estimates moving higher on the margin we maintain our view that the market is running out of reasons to push oil lower,” BofA ML stated.

Among all sector exchange traded funds, energy has been the only one to see significant buying lately. Energy equity ETFs had the largest four-week inflows at $2.9 billion, amounting to 11.6% of assets , and the largest returns, +7.6%, in the four weeks ended April 21, according to TrimTabs Investment Research, which tracks ETF and mutual fund flows. Trading speculation on crude oil prices rose for a third week straight. iShares U.S. Oil Equipment & Services ETF (IEZ), Market Vectors Oil Services (OIH) and SPDR S&P Oil & Gas Exploration and Production (XOP) each vaulted 13% in the past four weeks, as of April 23. Energy Select Sector SPDR ETF (XLE) and Vanguard Energy ETF — the two largest ETFs in their category by assets — jumped nearly 8% the past month, far outperforming the SPDR S&P 500, which barely gained 1% over the same period. Energy ETFs have yet to break above a key technical level at their 200-day moving averages. Energy stocks and the oil prices could be staging a counter-trend rally in a longer-term downtrend. “There is more uncertainty as Saudi Arabia and Kuwait are clearly adding to their production capacity,” said James Williams, president of WTRG Economics in London, Arkansas, “That may be an indicator that they are willing to endure relatively low prices for an extended period.”

Saudi Arabia’s oil rig count is at an all-time high of 125 as of March. Kuwait with 53 rigs is also at new high. At 36, Abu Dhabi is only one rig short of its highest level going back to mid-1983. As the big producers in the GCC (Gulf Cooperation Council), they have spare capacity to produce even more oil more oil, thereby lowering prices, Williams added. “They did not reduce quotas over the objection of almost all of the other members. Combined they are responsible for more than half of OPEC’s production,” Williams added. “For the foreseeable future, oil prices will be a GCC decision. If sanctions are lifted on Iran they may not accommodate the additional oil from Iran with a cutback.” Demand for oil hasn’t increased in response to cheap prices because of new technologies and environmental mandates, Forbes contributor Chip Register wrote Thursday. Electric cars and increased fuel efficiency lowered demand in developed countries. Emerging market demand has slowed along with economic growth. Solar and other types of clean energy are increasingly replacing fossil fuels in generating electricity. Trang Ho is the founder of Key Financial Media LLC, which produces content and thought leadership for financial advisors and investment strategists.

Announcements & Reports

► *Key Determinants for the Future of Russian Oil Production and Exports*

Source : OIES
Weblink : http://www.oxfordenergy.org/wpcms/wp-content/uploads/2015/04/WPM-58.pdf

► *FT Special Report: Energy*

Source : Financial Times
Weblink : http://im.ft-static.com/content/images/04c614e8-e4b8-11e4-a4de-00144feab7de.pdf

► *Prime Supplier Report*

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

► *This Week in Petroleum*

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

► *Natural Gas Weekly Update*

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

Upcoming Events

► *FT Energy Strategies Summit*

Date : 14 May 2015
Place : New York - USA
Website : https://live.ft.com/Events/2015/FT-Energy-Strategies-Summit

► *Wood Mackenzie 11th Annual Exploration Summit*

Date : 26 – 29 May 2015
Place : Johannesburg - South Africa
Website : http://www.woodmac.com/public/events/12526247

Supported by PETFORM

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

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

► *Offshore Production Technology Summit*

Date : 01 - 02 June 2015
Place : London – United Kingdom
Website : http://offshore-summit.com/

► *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/

► *World Gas Conference*

Date : 01 – 05 June 2015
Place : Paris - France
Website : http://www.wgc2015.org/

► *6th OPEC International Seminar*

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

► *FLNG*

Date : 11 - 12 June 2015
Place : London – United Kingdom
Website : http://www.mioge.com/RPGC-Congress/About-the-Conference.aspx

► 12^{th} Russian Petroleum & Gas Congress

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

► 13^{th} Moscow Inernational Oil & Gas Exhibition

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

► 7^{th} South Russia International Oil & Gas Exhibition

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

► 22^{nd} 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

► 3^{rd} East Mediterranean Gas Conference

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

► 23^{rd} Kazakhstan International Oil & Gas Exhibition and Conference

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