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Turkey takes Russian gas price dispute to arbitration

AA Energy Terminal, *27.10.2015*

Turkish Energy Minister said the natural gas price dispute between Turkey and Russia was taken to the arbitration court. "We demanded discount from Russia and the arbitration court will decide on it," Alaboyun said speaking at a launch of an electricity generation ship in Istanbul.

Russia announced a 6 percent discount on natural gas purchases from Turkey last December, however Turkey, which is the second biggest importer of Russian gas after Germany, demanded a further decrease in prices. Russia then raised the discount rate to 10.25 percent, but this was never realized between BOTAS and Russia's Gazprom.

Since there was no discount implementation after December, Turkey gained the right to take the discount case to the International Arbitration Court after June this year based on a clause in the gas deal between the two sides. Alaboyun said Russia ignored Turkey's calls for the price settlement since June, which led to the dispute been taken to the arbitration court. The energy minister explained that Turkey and Russia were previously due to take cases to the International Arbitration Court, but these cases were settled outside of court before the hearings took place.

Energy Minister: Turkish gas prices to remain unchanged

AA Energy Terminal, *14.10.2015*

Domestic natural gas prices in Turkey are to remain unchanged at the moment, but gas prices may rise in future depending on oil prices, Turkish Energy Minister Ali Riza Alaboyun said. "Due to low oil prices, there is no rise in natural gas prices for now. However, if oil prices climb too high, gas prices could be affected," he said in a press conference at Nevsehir in central Turkey.

Like most countries in the world, natural gas prices are fixed to oil prices in Turkey. Since oil prices have fallen around 60 percent since mid-2014, gas prices around the world have also decreased during that period.

“Price of natural gas is determined by the market conditions. We buy natural gas within a certain framework from gas exporting countries. Gas prices are determined periodically, every three months,” Alaboyun explained. The energy minister also talked about the importance of boron, a chemical element which Turkey has the world’s biggest proven reserves. “There are two million tons of boron used in the world today, and Turkey produces 70 percent of that amount,” Alaboyun said during his visit to a factory of Boren Bor Optik in Acigol’s organized industrial zone.

Boron is used as a material in more than 250 fields, such as telecommunications, transportation, and nanotechnology in various industries including the health, scientific and defense sectors as well as space technologies. Noting that boron is also used in glass materials and solid fuels of rockets, Alaboyun said “It can help rockets to reach a higher trajectory, faster. We can also produce batteries by using boron. In fact, we used that battery in our unmanned aerial vehicle, and flew it four hours longer.”

“Boron is also used in producing armor plates due to its strong resistance against piercing objects. Boron carbide is very hard material, close to diamond,” he added. The energy minister reiterated that precautions against electricity failures and shortages are taken nationwide for Turkey’s general elections this coming. “There are more blackouts during summer since Turkey’s energy consumption is higher. However, there are no electricity shortages in winter except planned maintenance. Turkey has around 1.2 million kilometers-long distribution power lines. Most of them are taken care by maintenance companies,” he said.

“We have teams with helicopters that can respond fast to malfunctions and failures. We also have a live maintenance method where our teams can work safely on 400,000 volts lines,” the energy minister added. Alaboyun also visited a local school where he informed young students about energy efficiency. “Let’s encourage our families to use appliances that have high energy efficiency. If we can use energy efficiently, we can save energy two times the Keban hydropower dam produces every year. Therefore, we don’t have to build two additional dams,” he explained.

Canceling Turkish Stream could cost Russia billions

AA Energy Terminal, *26.10.2015*

RA possible abortion of the Turkish Stream natural gas project could cost Russia's gas giant Gazprom more than $2 billion, John Roberts, a senior fellow at Atlantic Council. Turkish officials said that one pipeline of the project has been approved to bring gas to Turkey; while an agreement for the remaining construction is still pending on approval from the EU.

The project, which was initially proposed as a four-lined pipeline for 63 billion cubic meters, is planned to halve its capacity to 32 billion cubic meters of natural gas through two pipelines.

"It can cost Russia $2 to $3 billion, possibly a lot more," Roberts said on the sidelines of Black Sea Offshore Conference, adding that it could damage the company's reputation should it not go ahead. "If they abort it, then they will have lost at least 1.2 billion euros on the contract for the pipeline," the expert said as the company has already received the required pipes for the first phase and has given orders for the second.

Roberts also said it would make more sense to build two pipelines rather than four as the latter one would require Russia to engage in further construction through Europe. Roberts explained that $5-6 billion is needed to build a pipeline to Italy, and if it is extended to the hub of Baumgarten in Austria, it would require a further $9-$10 billion. Bilateral relations between Turkey and Russia have been tense following Russia's operations in Syria and peaked when Russian jets violated Turkish air space in mid-October. These recent developments may have consequences on the Turkish Stream's future if the two sides do not reach political consensus, according to Roberts.

Expert: Russia extends energy impact to Turkey's south

Trend News Agency, *16.10.2015*

Russia's activities in Syria has extended its influence to Turkey's south and not just to its own northern neighbors, according to Tugce Varol from 21. Century Turkey Institute and associate professor of International Relations at Istanbul's Uskudar University.

Turkey should consider Russia not just as a northern neighbor but also as a formidable southern neighbor with participation in the East Mediterranean energy, according to Varol. Varol explained Syria is not the only country in which Russia's has made energy inroads but has also exerted political clout in Algeria, Argentina, Venezuela and Vietnam.

"The Syrian issue shows that Russia is there to stay and is decisive about that. We shouldn't forget that the natural gas pipeline, which will carry Israeli gas, must use the route of Syria. Therefore we can say that Russia is in the Eastern Mediterranean energy game, and from now on, not just as a northern neighbor of Turkey, but also in the south," Varol said.

Russian President Vladimir Putin decided to make changes to Russia's national security strategy. The Kremlin press service said the new strategy will prevent Moscow from being closed off from the rest of the world, while envisaging a proactive foreign policy. "There isn't a sharp change in Russia's geopolitical strategy. Russia has set eyes on countries which have energy resources and this isn't a coincidence. After Ukraine now we see that Syria is a vanishing point for transmission lines and the Mediterranean is the output line," she said.

Varol stressed that Russia's military presence in Syria may create economic collaboration with Russian companies in oil and natural gas projects in Iran and Iraq. "There is already an incomplete natural gas pipeline project between Iran, Iraq and Syria, and there is also an oil pipeline which should be renewed. Iran will be in a normalization process after the sanctions lift, when there will be no obstacles to the realization of the projects," Varol added.

Gareth Jenkins, a senior fellow with the Central Asia-Caucasus Institute and Silk Road Studies Program said in recent years Russia has become more involved beyond its borders although it has tended to be more reactive than proactive. "I expect Moscow will continue to react to perceived threats to its own interests. If there is any difference, it will be that Russia may react earlier, before the perceived threat to its interests becomes critical – which was when it reacted in Ukraine and Syria," Jenkins said adding that it's in interventions in Ukraine and Syria were the product of other considerations rather than energy, Jenkins reminded that Russia still has access to huge energy resources and is a net energy supplier rather than a net consumer. "It doesn't feel the same need as some states to intervene in other countries purely to try to protect its energy supplies.

It is possible to envisage a hypothetical scenario in which it might feel the need to intervene more forcibly in, for example, Central Asia if it felt its interests there were at risk. But I would imagine that it would focus on applying political pressure rather intervening military," Jenkins stressed.

David Mack, Middle East Institute scholar and former U.S. ambassador to the United Arab Emirates said that Putin may hope that a political agreement, as suggested by U.S. Secretary Kerry and by the Russians themselves during Syrian President Assad's visit to Moscow, will enable him to declare a victory without actually continuing to risk Russian military assets in Syria. "People in the know tell me that the Russians will be much more careful in the future about intruding into Turkish air space, as they now fear losing a Russian aircraft and a pilot in the process," Mack said.

"As to energy matters, the fact is that greater stability in energy producing areas of the Middle East and North Africa is likely to lead to increased exports by OPEC producers with resultant downward pressures on the returns from Russian oil exports that are so critical to Russia's economy," he said and added: "You could conclude from that fact that instability serves Russian economic interests." According to Russian news agency Sputnik, the amended version of the National Security Strategy should be returned to Putin for review by the end of 2015.

EU welcomes Turkish Stream if it meets regulations

AA Energy Terminal, *24.10.2015*

EU welcomes the proposed Turkish Stream natural gas pipeline project if it meets regulations, Eurogas President Lankhorst said according to Sputnik. "If Turkish Stream brings gas into Europe, you have to look at whether the partners in that project comply with European regulations.

If that is the case, then we would be happy with that project," said Lankhorst which represents actors from the European gas industry. The project dubbed as South Stream, which was planned before introducing the Turkish Stream, was cancelled on Dec. 2014 by since it was not conforming to EU regulations.

The Russian-proposed Turkish Stream project initially planned to carry 63 billion cubic meters (bcm) of natural gas from Russia under the Black Sea to Turkey's Thrace region to reach Greece and further deliver gas to Europe. However, Russian state-owned gas firm Gazprom's CEO Alexei Miller said October that the company plans to supply only up to 32 bcm via the Turkish Stream since it aims to expand the Nord Stream gas pipeline, from the Baltic Sea to Germany. Lankhorst said he welcomes any pipeline projects towards the energy supply security of Europe. "In general, I welcome all new investments in pipeline systems for Europe, whether they come from the north, or they come through Turkey.

It is very good to have more possibilities for international trade in gas," he said. "I think, if there are private parties that want to invest in an extra pipeline that could bring what Russia has to Europe, that is a good initiative and we should be happy with it," he added. Europe imports around 30 percent, 150 bcm, of its total gas consumption from Russia every year. Meanwhile, Russian state-owned oil company Rosneft CEO Igor Sechin said Friday that the firm can offer European energy companies $100 billion for joint projects. "According to our estimates, Rosneft can offer its European partners to join projects worth $100 billion to build energy bridges between Russia and Europe, and Russia and the Asia Pacific region," Sechin said at an event in Italy, according to Sputnik.

Stonewalling of Turkish Stream project explained

AA Energy Terminal, *24.10.2015*

The natural gas pipeline project, Turkish Stream, which is due to carry Russian gas to Europe through Turkey, became an moot project when Turkey and Russia's long-awaited sign offs failed to materialize.

Negotiations for the natural gas pipeline project Turkish Stream have continued over an 18 month period, in parallel with discussions between Turkey and Russia over Russia's discount on natural gas to Turkey. Technical progress has been made in the negotiations and the natural gas discount issue between the two countries had been agreed but has not come into effect so far.

On May 25, 2014, Russian President Vladimir Putin said for the first time that he sees Turkey as an alternative route to the redundant South Stream Project which was to carry 63 billion cubic meters (bcm) of Russian natural gas annually to Europe via Bulgaria. On Dec. 1 2014, after Putin's visit to Turkey, he announced that Russia cancelled the South Stream Project. On the same day, Gazprom's CEO Alexey Miller announced the plan to construct a pipeline with a capacity to transfer 63 billion cubic meters of natural gas through Turkey.

The Turkish Stream name was officially given to the project by former Turkish Energy Minister Taner Yildiz on Dec. 11, 2014. Yildiz said the project would not merely be for gas transmission through Turkey, but rather would aim to turn Turkey into an energy hub. On Dec. 30, 2014, Yildiz declared that Turkey wanted a discount of more than 6 percent on natural gas prices from Russia. As both the natural gas price project and the Turkish Stream project were discussed in parallel with each other, the Turkish Stream's fate was linked to negotiations on the natural gas price. On Jan. 27 Yildiz announced that Russia and Turkey planned to lay the Turkish Stream pipeline by the end of 2016. On Jan. 20, Russian Energy Minister Novak called on his European counterparts to construct the required infrastructure for natural gas destined for the transfer of gas to Europe via the Turkish Stream project after 2019.

Six days later, Hungary’s Foreign Relations and Foreign Trade Minister Peter Szijarta said that Hungary is ready to buy natural gas in from the Turkish Stream pipeline. On June 2, Slovakia’s Prime Minister Robert Fico said that Hungary, Romania and Bulgaria proposed a mutual project on the Turkish Stream to Russia. Greece was the main country that showed interest in the project and on June 19, Russia and Greece signed a Memorandum of Understanding (MoU) protocol in St. Petersburg to extend the Turkish Stream natural gas pipeline project to Greece. Previously, on May 7, Putin said that Russia is ready to financially support Greek companies that would participate in the Turkish Stream during a phone conversation with Greek PM Alexis Tsipras.

On June 20, Novak said that Bulgaria wants to build a storage facility for the natural gas from the Turkish Stream. Works on the technical details of the project started in February 2015. On Feb. 8, Yildiz and Gazprom’s Miller had a four hour helicopter tour for technical inspections of the Turkish Stream in Istanbul. The two officials discussed the possible route of the project during which Yildiz stressed that discount on the natural gas prices from Russia to Turkey was a key point while also asserting that the Turkish Stream was significant for the country.

On April 3, Yildiz said the Turkish Stream would have four phases with the aim of having the project completed in 2017. One of the phases would ensure that Turkey would be supplied with 16.5 bcm of gas. On May 8, the head of Russian natural gas company Gazprom declared that the company had decided to begin construction of the offshore section of the Turkish Stream pipeline.

On June 10, Turkey said that it is waiting on confirmation for the geographic coordinates from Russia for the completion of the Turkish Stream pipeline project deal. Additionally, Yildiz said on July 14 that Russia’s attitude on the project had changed. “Russia has diverged away from the originally agreed plan for the Turkish Stream natural gas pipeline which was designed to have Turkey as a pivotal energy hub and not merely a transit country. Russia and Turkey both agreed at the beginning of talks on the Turkish Stream deal that Turkey should not be a transit country for Russian gas but play a key role as an energy hub,” Yildiz explained.

Gazprom announced on June 22 that the Turkish government had given permission to conduct engineering surveys for the offshore part of the Turkish Stream natural gas pipeline project. However, Yildiz said that the permission granted was not for the construction but was for feasibility studies for the project. On June 26, Gazprom completed research on the sea phase of the project. On July 24, PM Medvedev said that Russia planned to sign an intergovernmental agreement for the Turkish natural gas pipeline project with the new Turkish government which until then had not been possible with the inconclusive results from the June 7 election in which a new government could not be formed.

During this time period, some news agencies and some world media organizations claimed that the “Turkish Stream project was cancelled.” Umit Yardim, Turkey’s ambassador to Russia said on July 31 that negotiations for the Turkish Stream project were continuing and there was no problem with the project. On the same day, Russian Energy Minister Alexander Novak confirmed that Gazprom and Turkey’s state-owned pipeline corporation BOTAS agreed on a 10.25 percent discount on gas deliveries. On Aug. 4, Yildiz blamed Russia over the delay of the project; claiming that Russia delayed the delivery of the coordinates for the construction route. On Sept. 7, Russian energy producer Gazprom denied rumors that the Turkish Stream pipeline project had been cancelled by Turkey.

Aleksandr Medvedev, deputy chairman of the management committee at Gazprom, issued the denial at a press conference and refuted that Turkey withdrew from the construction of the project’s second, third and fourth leg. Additionally, Yildiz, no longer the interim government’s energy minister was duly compelled to pass his duty to the new interim energy minister Ali Riza Alaboyun. Alaboyun made his first speech on the Turkish Stream on Sept. 11 and said the interim government would not progress the natural gas project, but would wait until after the Nov. 1 elections when a new government would be voted in. On Sept. 14, Gazprom announced that the Turkish Stream would be delayed.

Construction of the pipeline had been due to start in June but the Russian and Turkish governments have yet to sign an agreement. The pipeline was originally scheduled to open in late 2016. On Sept. 16, Russia’s Foreign Ministry said that Russia expects to restart negotiations on the Turkish Stream pipeline project. Recently on Sept. 23, Turkey’s President Recep Tayyip Erdogan went to Moscow and met with Putin. When there, Erdogan said Turkey wants all four pipelines of the project to be constructed, while Russia prefers only the initial build of the first line.

However, Russian energy minister Alexander Novak told Anadolu Agency on Oct. 2 that Russia plans two phases of the project with a capacity of 31.5 billion cubic meters of natural gas. “The first phase’s capacity of 15.75 billion cubic meters is for Turkish domestic consumption and the other phase is for southeastern Europe consumers,” he explained.

After Novak’s announcement on Oct. 2, Gazprom’s CEO Alexei Miller said that Gazprom plans to supply only up to 32 bcm via the Turkish Stream because the company aims to expand the Nord Stream gas pipeline, from the Baltic Sea to Germany. In addition on Oct. 7, when Miller met with journalists in response to questions over Russia’s Syria operations which resulted in Russia invading Turkish airspace, he denied that any political factors would negatively affect work on the ongoing draft intergovernmental agreement for the Turkish Stream contract.

Furthermore, Turkey’s Alaboyun attended Anadolu Agency’s Editorial Desk on Oct. 14 and said that the possibilities on the realization of the Turkish Stream project are open whereby Russia could go ahead with the project, offer another alternative or renounce it. Now, the project awaits the results of Turkey’s Nov. 1 general elections.

Expert: Turkey's joining EDB would mostly benefit Russia

AA Energy Terminal, *23.10.2015*

The Eurasian Development Bank's plans to expand its membership to Turkey, Korea, China, India and Iran will become an advantage for founding member Russia, according to an expert from Washington-based Brookings Institute.

Richard Kauzlarich, the co-director at the Center for Energy Science and Policy at George Mason University and who also served as the U.S. ambassador to Baku from 1994 to 1997, told Anadolu Agency that Russia will use Turkey's potential membership as a political plus for Russia, underscoring that it is a political bank, and not a development bank.

The EDB was established by Russia and Kazakhstan in January 2006 to increase development of the economies of its members. "Russian companies benefit the most from the Eurasian Development Bank and Moscow will not give up business for Turkish companies," Kauzlarich said. The bank's chairman Dmitry Pankin said on Tuesday that the bank plans to increase its members to countries including Turkey, Korea, China, India and Iran.

"They claim to have an energy focus and there are several electrical power projects. Still I can't say how Turkish membership would affect either the Akkuyu nuclear plant or the Turkish Stream natural gas project," he stressed. Russia plans to build a natural gas pipeline, the Turkish Stream, to bring gas to Europe across the Black Sea bypassing Ukraine and emerging close to Turkey's border with the EU. Akkuyu power plant will be Turkey's first nuclear plant, and will be built in the country's southern province of Mersin with the cooperation of Turkey and Russia.

"If Turkey joined the Bank, one could argue that it was supporting Bank projects in Armenia. I encourage more Turkish-Armenian contact but I'm not sure this is the most effective way to accomplish this," Kauzlarich said. Alicia Garcia Herrero, a senior fellow at Bruegel and Chief Economist for Asia Pacific at French corporate and investment bank NATIXIS said that EDB is considering engaging in large scale infrastructure projects, which require recapitalization to the tune of at least $10 billion. "So it's normal that it is looking for new members even if it sometimes they may not be necessarily the best friends in the world," Herrero said.

According to Herrero, Russia's push to invite Turkey to become a member is logical. "The inclusion of Turkey into EDB would help solidify their partnership and more projects in Turkey to channel Russia's output," she said, adding that Armenia cannot veto Turkey's entry if it is ruled in by the majority of the bank's members. She stressed that Russia is now formidable after its action in Ukraine and now in Syria and therefore, because of its influence to vote member countries in, Turkey has a very good chance of joining the bank.

Petr Topychkanov, an associate from Carnegie Moscow Center, said the key idea behind Pankin's statement could be that the EDB can neither be Eurasian nor successful without the membership of major economies like Turkey, Korea, China, India and Iran. Topychkanov asserted that Pankin's statement on the bank's desire to expand its membership will not have any impact on the relationship between Russia and Turkey, including bilateral and multilateral energy projects.

"Yet the most interesting question is how interested these countries [potential member countries] are in joining? All of them already belong to several global and regional economic institutions. They may not be ready to take additional economic obligations necessary to joining a new institution," he added. According to the EDB Strategy for 2013-2017, the bank will focus its efforts on financing projects to develop power generation, transport and municipal infrastructure. The bank also funds project to promote better energy efficiency. Russia, Kazakhstan, Armenia, Tajikistan, Belarus and Kyrgyzstan are members of the bank whose equity capital totals around $1.5 billion.

Rouhani: Sanctions on Iran to be lifted by year end

AA Energy Terminal, *27.10.2015*

Iranian President Hassan Rouhani announced Tuesday that sanctions against his country will be removed by the end of 2015, "Sanctions against Iran will be lifted by the end of this year, according to our plans," he said during his meeting with new Spanish Ambassador to Tehran, Eduardo Lopez Busquets.

However, Iran may have to wait until Dec. 15 when the International Atomic Energy Agency (IAEA) will finalize a report on Iran's nuclear program, the country's past and present nuclear activities and the program's possible military dimensions.

Meanwhile, Tehran expects sanctions to be lifted as soon as possible in order to have foreign investment begin flowing to its domestic industry and energy sector to revive its economy. So far, officials and trade missions from Germany, Italy, Japan, France, Austria, Spain, Poland, Denmark and Russia have visited Tehran to establish economic relations and invest in Iran's untapped oil and gas resources.

The country has one of the biggest oil and natural gas reserves in the world, and due to the sanctions, those fields remain unexplored. But, Iran's oil sector is estimated to need more than $250 billion investments during the next decade to bring up production volumes. "During 2016-2025, our upstream sector needs $176 billion, and the downstream sector needs $77 billion of investment," Iran's Deputy Managing Director of the National Iranian Oil Company for Investment and Finance Ali Kardor said Tuesday, according to Iran's petro energy information network Shana.

"Average finished price of crude oil in Iran is around $5 per barrel, and does not exceed $10 a barrel. Iran has the cheapest oil produced in the world," he added. Production costs from Iran's oil fields are lower compared to most other oil reserves in the world. This is also a major advantage for the country in attracting major international energy companies.

Iran, 6 countries agree on creating new transit corridor to Central Europe

Trend News Agency, *27.10.2015*

Iran and six countries have reached preliminary agreement on creating a new transit corridor, connecting Iran to Central Europe.

Mohammad Javad Atrchian, director of transit and border terminals department of Iran's Road Maintenance and Transport Organization, said that Iran has negotiated with Azerbaijan, Armenia, Georgia, Turkey, Bulgaria, and Greece to create the corridor and has reached preliminary agreement with the six countries, Mehr news agency reported. A cooperation document has been recently signed by Iran and Greece for further studies on the project, he said.

Based on the plan, trucks can reach the Black Sea through passing the countries and then go to Bulgaria and Greece using Roll-on/roll-off (ro-ro) ships, he noted. Also, trucks that are heading toward Italy can start from southern Greece port and use ro-ro ships, he added. The new corridor will be a parallel route for Turkey's route to Europe, Atrchian said, hoping transport ministers of the mentioned countries would endorse the creation of the corridor by next year.

Perspective of Iran's role in GECF

Trend News Agency, *27.10.2015*

The meeting of the Gas Exporting Countries Forum (GECF) on 23 November brings together such major producers as Russia, Qatar and Algeria as well as Iran. Together, the GECF's 12 member countries account for 67% of the world's gas reserves, for 64% of global LNG exports and for 42% of cross-border pipeline trade.

Iran will be hosting the meeting in the wake of the deal reached with the "5 + 1" group of major powers on the country's nuclear development, an agreement that, once ratified, paves the way for the lifting of a broad range of international sanctions on Iran.

Iran hopes the lifting of sanctions will start in the first half of 2016 and that it will lead to a country that is the world's number one gas holder, with 34 trillion cubic metres (tcm) in proven reserves, transforming itself from being not just a major gas producer but a major gas exporter as well. "Iran would be able to export 200 mcm/d (million cubic metres a day) of gas in four years," said Managing Director of the National Iranian Gas Company (NIGC) Hamid Reza Araqi. That's the equivalent of 73 bcm/y (billion cubic metres a year) – or roughly half the size of the 147.7 bcm that Russia, the world's biggest gas exporter, supplied to Europe in 2014.

Iran certainly possesses the resources to make this happen. Alongside the supergiant South Pars field, operated by the Pars Oil and Gas Company and containing some 14 tcm, Iran has dozens of fields under development or waiting to be developed. The Iranian Central Oil Fields Company (ICOFC) which operates 14 gas fields and 11 oil fields and produces 93 bcm/y of gas, has operational rights in 30 undeveloped gas fields as well as 19 oil fields. To date, the company has prioritized development of South Gisho, Khartang, Halgan, Sepid baghoon, Zire and Gordan gas fields with the aim of producing more than 40 mcm/d (14.6 bcm/y) of gas in the next few years.

The National Iranian South Oil Company (NISOC) also produces 16 percent of Iran's gas, while alongside a plan to gather 6.2 mcm/d of flaring gas, this company have projects to increase gas production as well. Iranian Offshore Oil Company is also planning to gather 10.2 mcm/a of flaring gas. Overall, Iranian gas production (including flared and recycled gas) is expected to reach 1,000 to 1,100 mcm/d (365 to 400 bcm/y) by 2020.

Currently, Iran has a capacity to produce 680 mcm/d (about 248 bcm/y) of gas (including flared and recycled gas), while its sweet gas output capacity is about 550 mcm/d (200 bcm/y). Around 300 mcm/d (109.5 bcm/y) of Iran's total sweet gas production came from South Pars and this volume is expected to double by 2020. Where will Iran's exports go? Iran currently exports around 8.9 bcm/y to Turkey and should soon add Iraq as a second major market, with Pakistan and Oman also likely to be supplied with Iranian gas by 2020. Overall, Iran has new agreements to export about 80 mcm/d (almost 30 bcm/y).

These include a contract with Iraq, signed in 2013 for delivery of 25 mcm/d (9.125 bcm.y) to serve three power stations in Baghdad, while two countries are negotiating to supply a further 35 mcm/d (12.8 bcm/y) to the southern Iraqi city of Basra. It also has an agreement to supply Oman with 10 bcm/y and an agreement to supply 8.0 bcm/y (22 mcm/d) to Pakistan. Another Gulf neighbor, the UAE, is also being targeted as a possible customer.

Oman and the UAE are themselves both gas producers and members of the GECF, but with export facilities that cannot always be filled with their own gas. Iraq, too, has substantial gas resources and is an observer at GECF. All this helps ensure that Iranian gas relations with many of its neighbors are on a cooperative, rather than competitive, basis.

It is, at least partly, a rival to Qatar. Qatar is currently the world's biggest exporter of liquefied natural gas (LNG), supplying 103.4 bcm to world markets in 2014. But now Iran is looking to become an LNG exporter. In particular, it considers LNG, rather than pipelines, as the best way to get to markets in the European Union. It has already invested $2.5 billion in a 10 million-tonnes-a year LNG plant due to enter service in three years' time, with 50 percent of the project already completed. It will be entering a crowded market. Several GECF members already produce substantial volumes of LNG, notably Qatar, Nigeria, Algeria, Russia and Trinidad & Tobago, together with GECF Observer member Oman. And with several major Australian LNG projects due to come on line by 2019, there are expectations of a glut in the global LNG market.

Iran appears to be taking a more sceptical line concerning possible pipeline exports to Europe. Iran considers that it would cost $6 billion to develop IGAT IX (the 9th cross-country pipeline) from South Pars towards Turkey, while developing a new system to connect IGAT IX to the EU would cost additional $10 billion. It is reluctant to consider using the Southern Gas Corridor, currently being developed to carry Azerbaijani gas to Europe, because the free space available on the TANAP line across Turkey and the TAP line from Turkey to Italy is only 14 bcm/y and 10 bcm/y respectively, while Iranian officials say the transit fees would be high.

Russia, which is not an LNG supplier to the EU, does not seem to be directly concerned about Iran's LNG export plans. Nor does Iran appear to be a rival in Asia-Pacific markets that Russia is seeking to develop. Russia is looking to China, northern Pakistan, while Iran is eying central Pakistan and India.

In this context it is worth noting that the Iran-Pakistanpipeline – commonly termed 'The Peace Pipeline' could also be used to serve the Indian and Chinese markets. Speaking on 30 September, Indian President Pranab Mukherjee said: "We must make full use of opportunities offered by the recent Iranian nuclear deal" to bolster India's commercial relations with Iran, adding: "The Iran-Pakistan-India pipeline can also be revived since Iran has already built section of the pipeline in its territory." The President added: "Such energy projects could also prove to be game changers for geo-strategic stability."

As for China, it is preparing to invest $2.5 billion to construct LNG import terminals and piping from Gwadar Port (80 km away from Iran's borders) towards Nawabshah, a potential route that could be connected with the Peace Pipeline, which could then be used to transit Iranian gas alongside Qatari LNG, towards eastern China and India.

There will be a need for upstream development to serve LNG and pipeline exports. Iran is preparing to open up 45 oil and gas fields to foreign companies in order to attract $185 billion in investment. The natural and associated gas output of these fields could add about 190 mcm/d (70 bcm/y) of gas to Iran's raw gas output. In addition, Iran plans by 2020 to gather as much as 19.827 mcm/d (7.2 bcm/y) of gas that is currently being flared. At present, some Iranian oil fields are flaring huge amounts of gas, such as Yadavaran (1.84 mcm/d), Salman (2.64 mcm/d), Forouzan (5.6 mcm/d) and Azadegan (0.68 mcm/d).

For more than 20 years, the country's gas consumption has kept pace with production, leaving little or no surplus for export. So unless Iran can optimize its consumer sectors, its ability to realize its current gas export deals will be in question. In 2014, according to the BP Statistical Review, Iran produced 172.6 bcm and consumed 170.2 bcm, with Iranian figures suggesting that current consumption and production are both around 20 -25 bcm/y higher than this.

Natural gas already accounts for 67 percent of Iran's primary energy consumption, with around 125 bcm/y supplied to some 73,000 industrial units and around 19 million households. But the next few years are expected to see the gas grid extended to a further 19,000 industrial units and three million households. An extra 20-25 bcm/y will be required for power stations. The country is also planning to double the petrochemical plants' output over the next 5 years, requiring an extra 25 bcm/y of gas to raise output to 120 million tons a year. At the same time, plans to double the amount of gas for reinjection will require an additional 70 bcm/y.

Iran thus expects gas consumption to increase by 130-150 bcm/y to reach around 330-350 bcm/y in 2020, while production is expected to climb to around 400 bcm/y. Below is Iran's actual fossil energy consumption per day according to the data derived from National Iranian Oil Refining & Distribution Company's (NIORDC) annual report. The government wants to promote energy efficiency. It has a $200-billion program to halve energy intensity. Hamid Reza Araqi, the Managing Director of the National Iranian Gas Company (NIGC), said on September 3 that Iran is optimizing the gas consumer sectors to decrease domestic consumption by 50 mcm/d (18.2 bcm/y).

If Iran can improve the efficiency of its consumption sectors significantly, then it should be able to become a major gas exporter in coming years, possibly reaching, eventually, as much as 200 bcm/y, thus rivalling Russia, which had net exports of 177.7 bcm in 2014, and Qatar, which exported 123.5 bcm.

Official: Iran to join global LNG market in two years

AA Energy Terminal, *26.10.2015*

Iran will join the global liquefied natural gas (LNG) market in two years' time as it plans to export gas via LNG instead of pipelines, an Iranian official said Monday.

"We have begun negotiations with countries possessing technology of gas liquefaction and production of LNG units," Rokneddin Javadi, Iran's deputy oil minister and managing director of the National Iranian Oil Company said, according to the country's Tasnim news agency. "Once sanctions are fully lifted, the project can establish Iran as one of the LNG exporting states with a production capacity of 10.5 million tons of LNG per annum," he added.

Javadi stated that LNG projects require advanced technology and big investments, but stressed that LNG production is more efficient economically, given the market's current state, according to his calculations. In comparison to constructing pipelines, it is more economical to transfer gas via LNG tankers if the distance between the seller and buyer is long. However, LNG projects, in general, are much more costly, and facilities take longer to build.

As for the gas market, the oversupply of natural gas in Asia is also bringing down gas prices in the region. While Australia will raise LNG exports and the U.S. will begin exports next year, Asian spot gas prices are expected to fall. Iran can export long-distance LNG to Asian countries and Western Europe. However, pipeline options are still viable, especially considering Turkey's existing gas pipeline infrastructure that can deliver Iranian gas to Eastern Europe, and China's plans to buy Iranian gas by building a pipeline through Pakistan.

Having the biggest gas reserves in the world with 34 trillion cubic meters, Iran ranked fourth in gas production last year with 172.6 billion cubic meters of output, according to BP Statistical Review of World Energy published in June. However, Tehran aims to increase its gas production significantly by attracting foreign investment in the post-sanctions era.

Italy to add political muscle to East Med gas?

Natural Gas Europe, *27.10.2015*

Italy might become involved politically and support natural gas exports from Israel to Union Fenosa Gas' LNG facility in Damietta, Egypt, according to Israeli TV broadcaster i24news.

The report claims that following a push from Matteo Renzi, the Italian PM, a delegation of Eni executives is expected in Israel this week for a meeting with the Israeli PM Benjamin Netanyahu. In the last few days Mr. Netanyahu has increased his efforts to get an approval for the natural gas regulatory framework. A meeting with Eni delegation, although it will be only and initial stage in possible commercial negotiations, might help Mr. Netanyahu to pass the framework.

Eni has a 50% stake in UFG, which in turn has 80% stake in the LNG facility in Damietta. Mr. Renzi held a press conference with Mr. Netanyahu in Florence, just hours after Eni had announced its huge Zohr discovery. Afterwards he suggested to Netanyahu cooperation amongst Egypt, Israel and Greek Cyprus in promoting the gas deal.

That 'new' initiative is, actually not new at all, since Tamar consortium signed an MOU with UFG for exporting gas from Israel through its facility in Egypt 17 months ago. So it seems as if the new initiative should just inject a bit more energy and urgency into the stalemate in the Mediterranean natural gas industry. One of the motives for the deal, according to the report, is enmity towards Turkey's Erdogan, shared by "everyone together, including Greek Cyprus and Greece… and this [deal] will enable all this east Mediterranean hub to basically bypass Turkey and enjoy energy independence and of course a lot of income as well."

Japanese companies ready for long-term co-op with Azerbaijan in oil, gas projects

Trend News Agency, *28.10.2015*

The Japanese companies Itochu and İnpex intend to continue cooperation with Azerbaijan within the framework of a project to develop the Azeri-Chirag-Guneshli block of oil fields in the Caspian Sea, the Minister of Economic Recovery of Japan Amari said with Energy Minister of Azerbaijan Aliyev, the ministry reported.

Aliyev highly appreciated the activities of Itochu and Inpex within the framework of the ACG contract as well as the participation of Mitsui in the project of development of "Dan Ulduzu-Ashrafi" unit of deposits. "This cooperation is very important for both sides," the minister said.

"By means of loans allocated by the government of Japan, Shimal and Shimal-2 power stations were built in Azerbaijan. In addition, the Japanese companies are involved in the construction of the Star refinery in Turkey. In turn, Japan through the SOCAR Trading company annually imports 240,000 tons of Azerbaijani oil. In the context of ongoing processes of geopolitical and economic crisis in the world, both countries should support each other." He said that the ACG has large reserves and potential.

"Modern conditions of use of these deposits make it necessary to extend the contract on ACG with existing partners, including Japan," said the minister. "In addition, Azerbaijan till 2032 plans to completely modernize the sphere of oil and gas processing, as well as oil and chemical products through the creation of a new oil and gas processing complex OGPC. Japan can play an important role in the construction of this complex that will meet the latest standards." In turn, the minister of economic recovery of Japan expressed gratitude to Azerbaijan for the support shown for Itochu Corporation in its successful participation in the ACG project and the Baku-Tbilisi-Ceyhan (BTC) pipeline project for over 20 years.

"The current contract for ACG expires in 2024 and I would like to ask the ministry of energy of Azerbaijan to support Itochu and Inpex companies to continue their activities within the framework of development of the unit, as well as support the Itochu company in its activities within the framework of the OGPC construction," said Amari. Earlier, the first vice-president of SOCAR company Khoshbakht Yusifzade said that signing of the contract on further development of the ACG between SOCAR and the partners will take place before late 2015.

The contract for development of ACG field was signed in 1994. The proved oil reserves at these fields are estimated at approximately 1 billion metric tons. The shareholders of the project are: BP (operator in the Azeri-Chirag-Guneshli) - 35.78 percent, Chevron - 11.27 percent, Inpex - 10.96 percent, AzACG - 11.65 percent, Statoil - 8.56 percent, Exxon - 8 percent, TPAO - 6.75 percent, Itocu - 4.3 percent and ONGC - 2.72 percent. Earlier, SOCAR vice president for economic issues

Suleyman Gasimov said that the company has offered a number of Japanese companies to take part in the establishment of a new Oil-Gas Processing and Petrochemical Complex (OGPC) in Azerbaijan. The total cost of the first phase of the OGPC project is estimated at $7 billion (including interest on loans - $8.45 billion). The payback period of the project will last four to five years. Furthermore, 30 percent of the project will be implemented with the state funds (the funds will be allocated in parts throughout five years), while 70 percent of the project will be implemented with the borrowed funds.

The OGPC will be located 60 kilometers from Baku and will consist of three processing enterprises and a thermal power plant. The project’s implementation will improve the product quality, enhance the export potential of the country and help protect the environment of the capital. The annual capacity of the refinery within OGPC will be 8.5-9 million metric tons; the gas processing plant - 12 billion cubic meters, petrochemical production - over 1 million metric tons (the capacity of the plant for production of polyethylene will be 800,000 metric tons, polypropylene production unit – 300,000 metric tons).

BP expects production increase in Azerbaijan

Trend News Agency, *27.10.2015*

BP is ready to enter a new era of growth after resolving most of the 2010 Gulf of Mexico spill costs even as it adapts to a long period of low oil prices, BP Chief Executive Officer Bob Dudley said, Reuters agency reported.

“We are ready now to enter a new era,” Dudley said. BP agreed this month to pay more than $20 billion in fines to five Gulf states, including Alabama, Florida, Louisiana, Mississippi and Texas to resolve nearly all claims from its deadly Gulf of Mexico oil spill, bringing its total bill to nearly $55 billion. Chief Executive Officer Dudley said BP could incur further costs.

“Of course, with the new oil price, the number one priority is to retool the company and rebase the cost structure for the industry and BP,” he said. Oil prices have more than halved since June 2014 to around $50 a barrel and oil companies have slashed spending as they brace for an extended period of depressed oil prices.

Dudley said that following nearly $55 billion of asset sales in the five years following the deadly Gulf of Mexico spill, BP can grow the company, grow dividend and progressively increase cash flow. And while BP might invest in new assets to expand existing production, Dudley ruled out big acquisitions. BP announced a third cut this year to its 2015 spending budget to $19 billion as well as further asset sales and restructuring costs.

Dudley said BP can now focus on growing production which is expected to increase by 800,000 barrels of oil equivalent per day (bpd) by 2020 from projects in Azerbaijan, Egypt, Oman, the North Sea and the US Gulf of Mexico. BP in Azerbaijan is the operator of the Azeri-Chirag-Guneshli offshore oil and gas field and Shah Deniz gas condensate field, and it is planned to supply gas to Europe within the second stage of its development. The company also participates in such pipeline projects as the Baku-Tbilisi-Ceyhan oil pipeline and South Caucasus gas pipeline.

Azerbaijan can become center for transit from north to south, says expert

Trend News Agency, *27.10.2015*

Azerbaijan has good potential for transit transportation not only from east to west, but also from north to south, Vladimir Yevseyev, director of the Russian Center for Public Policy Research, told Trend. "Azerbaijan, on the backdrop of improving relations with Russia, has an opportunity to review on a practical plane the issue of becoming a transit country," says Yevseyev.

"No need to look only to the west," Vladimir Yevseyev director of the Russian Center for Public Policy Research further noted. "Azerbaijan has good potential in terms of the North-South corridor running from Russia to Iran."

The expert also said there are a number of promising projects in this area, noting in particular Russia's capability to carry out natural gas swaps with Iran through Azerbaijan's territory. "I believe this is one of the possibilities that can be used to improve the social and economic situation inside Russia," said Yevseyev. "It is necessary to establish the transit of gas not only to Europe, but also to Iran via Azerbaijan."

He said that the reason why this project has not been implemented yet is not with Azerbaijan, but in the fact that Iran is not yet ready for it, including in terms of infrastructure. Furthermore, Yevseyev believes the transit from Russia to Iran through Azerbaijan can also be carried out in the field of rail transportation. "It seems to me that this area is underestimated," said the center's director. "Too much attention is paid to the use of transit opportunities from the west to the east, but few from north to south." The expert expressed satisfaction with the improvement of Russian-Azerbaijani relations, which is observed in recent years, and noted that this will open new opportunities for Azerbaijan.

Greece turns to us for LNG

Natural Gas Europe, *27.10.2015*

The ever changing dynamic in the Southeast European natural gas sector is seeing a shift by the Greek government, which is pressing hard for the introduction of prospective supplies of US LNG moving into Europe, via the Balkans. Following on this initiative, Bulgaria government is stepping closer to establish a mini-diversification route in the Balkans.

Bulgarian government is proceeding of its underground gas storage facility in Chiren, to enlarge capacity by 20% in the coming two years. Bulgarian energy minister Petrova to diversify gas imports via establishing in full interconnectivity with Serbia, Romania and Greece facilitated by IGB.

US diplomacy is engaging with its Greek counterparts to further Bulgaria's diversification efforts. Victoria Nuland, the US Assistant Secretary of State for European and Eurasian Affairs, visited Athens and met with the Greek Prime Minister to discuss the diversification project in advance of a visit to Athens by the Secretary of State John Kerry in mid-November 2015.

The evolving scenario will see a new floating LNG reception, storage and regasification unit built in the Alexandroupolis region close to the borders with Bulgaria, a project facilitated by the GasTrade Company belonging to Copelouzos group, an entity, in an interesting twist of interconnections between big powers, with close ties with Gazprom.

GasTrade, together with the Greek DEPA Company and the US based Cheniere, will establish a mutual holding corporation that will manage the installation and import of LNG sourced from US shale gas. Once gas reaches Greece, it will be gasified, transferred within the Greek internal transmission system and then exported to Bulgaria via IGB route. The final aim of the project is to create a gas trading hub via the future introduction of additional alternative gas sources from Central Asia or from the Eastern Mediterranean.

Greek foreign minister Nikos Kotzias met with his Bulgaria counterpart Daniel Mitov and then relayed to the press that the US gas is the cheapest in the world and that it made financial sense to bring it into the Balkans. The Bulgaria politician was more reserved, but expressed his point of view which is for a swift introduction of the IGB and closer ties between Sofia and Athens.

Nevertheless what it should be noted is that LNG imported from US even with current low price would be significantly higher than gas imported via pipelines from Russia. There is also the fact the Greek plan may potential affect the pricing strategy of the Southern Corridor partners regarding the flow of Azeri gas via the Trans-Adriatic pipeline (TAP). In short there is a new change of policy from Greece which sees US LNG as the best bet to shore up Athens's position as preferred gas hub in the region. A similar position is being argued by Croatia via its Krk LNG terminal, pointing out that it would be located closer to larger EU markets such as Austria, Hungary and even Poland.

The question remains whether private investors will be able to raise funding for the development of a new LNG terminal. However, expect more twists and turns from the Greek Administration in the "gas hub" race with Croatia, Turkey and potentially from Egypt.

Russia's Gazprom expects lower export price

Argus, *26.10.2015*

Russian state-controlled Gazprom has maintained its expected average export price to Europe and Turkey for this year. But this will require the firm's average realised price to drop in the fourth quarter.

The 2015 average price to Europe — excluding the Baltic states — and Turkey will be around $238/'000m³, including reimbursements for buyers, deputy chief executive Alexander Medvedev said. Gazprom in August expected an average price of $235-242/'000m³. But the company has reduced this since 9 June, when Medvedev said the price would be "no less than $240/'000m³".

Oil has fallen since 9 June, which could reduce prices in Gazprom's crude-linked contracts toward the end of this year. Gazprom's averaged realised price has declined steadily in 2015, dropping to $223/'000m³ last month from $305/'000m³ in January. Prices will need to slip further in October-December to average $238/'000m³ over the year, given that Gazprom sold 80.4bn m³ at $269.50/'000m³ in the first half.

The firm's average realised price may need to be below $200/'000m³ in the fourth quarter to average $238/'000m³ over the full year, although this will depend on the amount of supply sold over the period, the amount sold each month and the contracts gas is delivered under. Gazprom expects to sell 158bn m³ to Europe and Turkey in 2015, although this is dependent on the weather, Medvedev said. The total requires sales of 36.6bn m³ in the fourth quarter, down from 41bn m³ in July-September.

Sales in line with the third quarter will take the total for the year to 162.3bn m³, which would be up from 146.6bn m³ in 2014 and the firm's previous record high of 161.5bn m³ a year earlier. Lower realised prices in the fourth quarter could encourage Gazprom's customers with flexibility in their contracts to maintain or increase strong receipts. Oil-indexed import costs are likely to fall in the coming months, and be at their lowest in March, considering prevailing values. Monthly average crude-linked prices could be around 12pc lower in 2016 compared with last month, which could take Gazprom's average realised price to $195/'000m³. But the firm's 2016 average realised price will depend on its monthly sales distribution, movements in crude markets, exchange rates and European hub prices. It has introduced more gas-on-gas indexation in its contracts in recent years, as well as other pricing mechanisms, such as Dutch TTF hub-linked corridors.

And 39pc of Gazprom’s long-term contracts are denominated in euros, with others settled in pounds sterling, which could affect its revenue in dollars. A price of $200/’000m³ would equate to about €18/MWh ($20/MWh), given today’s exchange rates. The TTF calendar 2016 contract closed at €18.275/MWh.

Gazprom’s gas sales to Europe, Turkey rise

Argus, *27.10.2015*

Gazprom’s gas sales to Europe and Turkey are on course for their highest so far this year. Sales to Europe, excluding the Baltic states, and Turkey increased by 40.6pc from a year earlier to 12.3bn m³ on 1-26 October. Deliveries rose to 473mn m³/d over the period, up from 437mn m³/d in September.

Gazprom’s exports were considerably higher than a year earlier. The firm delivered less supply than was nominated to some of its customers in early September 2014-6 March. Demand for Russian supply has been strong in 2015, because of low storage stocks, largely resulting from the Russian shortfalls.

European hub prices have pushed above oil-indexed values to encourage a strong call on Russian gas by firms with crude-linked contracts and delivery flexibility. Gazprom’s fourth-quarter sales to Europe and Turkey will reach 43.5bn m³, if this month’s brisk deliveries are maintained in the remainder of this year.

The total would be up from 32.3bn m³ in October-December last year and at its highest since the first three months of 2011, when sales stood at 44.2bn m³. Sales for the whole of 2015 will stand at 164.9bn m³ — up from 146.6bn m³ last year and 2013’s 161.5bn m³ record — if Gazprom exports 43.5bn m³ in the fourth quarter. But Russian deliveries to western Europe appear to have slowed this month. Aggregate flows through the Nord Stream pipeline, at Mallnow on the Polish-German border and at the Ukraine’s border with Slovakia slipped to 295mn m³/d on 1-25 October, down from 314mn m³/d last month.

Gazprom said to seek Baltic pipes from June amid EU criticism

Bloomberg, *27.10.2015*

Russia's Gazprom PJSC will take delivery of as much as $3 billion of pipes starting as early as June as it pushes ahead with a natural gas link direct to Germany in the face of opposition from transit countries including Ukraine and Poland, according to two people with knowledge of the matter.

A project company called Nord Stream 2 AG started a tender for the pipes this month and may sign deals with the winners in February or March, the people said, asking not to be identified as the information isn't public. Gazprom's press service declined to comment.

The Baltic Sea link has faced criticism since the Moscow-based exporter signed in September an agreement on the project with five European energy companies including Royal Dutch Shell Plc and EON SE. The pipeline risks concentrating 80 percent of the European Union's Russian gas imports on one route, European Energy Commissioner Miguel Arias Canete said. The pipe-supply contracts would be worth as much as $3 billion, according to estimates by Oleg Petropavlovskiy, a BCS Financial Group analyst in Moscow.

Gazprom has previously ordered pipes for a link, only to see it scrapped over political issues, when Russian President Vladimir Putin canceled the South Stream pipeline through the Black Sea last year, citing EU opposition. Gazprom ordered pipes for the first line of the link worth about 1 billion euros ($1.1 billion) and has been paying to store them in Bulgarian ports.

The state-run gas exporter, which supplies about 30 percent of the EU's gas needs, owns 51 percent in the Nord Stream-2 project and plans to start fuel deliveries in 2019. Shell, EON, BASF SE's Wintershall unit and OMV AG hold 10 percent each, while France's Engie SA owns the remaining 9 percent. While the undersea route isn't subject to EU energy rules, the bloc's regulator may set limits for its overland connections in the region. Gazprom is currently able to use only 50 percent of the Opal pipeline in Germany linked to the working Nord Stream as EU rules demand third-party access. The Nord Stream-2 investors need a clear framework on building the onshore network before starting construction on the offshore link, OMV Chief Executive Officer Rainer Seele said.

Reducing energy dependence on Russia ‘Wrong method’ for EU

AA Energy Terminal, *26.10.2015*

Politically motivated efforts to reduce European dependence on Russian natural gas is the wrong approach for the European Union, Eurogas President Gertjan Lankhorst said.

“There is a strong sentiment in Central and Eastern Europe, that the real danger comes from Russia and that political interference has to make the dependence on Russia lower. I think this is the wrong method,” Eurogas President Gertjan Lankhorst said at a Brookings Institute discussion on Europe’s energy future. In recent years, the European Commission has increasingly emphasized energy independence as a political necessity.

Langhorst argued that Europe has a long history as a net energy importer, which will not change in the near future. The European Union energy market is approximately 30 percent dependent on Russian energy exports and pipeline infrastructure, according to the EU Commission.

Ukraine meets 80 pct of its gas needs from Russia

AA Energy Terminal, *26.10.2015*

Ukraine imported 1.7 billion cubic meters of natural gas in October, 80 percent of which came from Russia, spokesman of Ukrtransgaz, Ukraine’s gas pipeline operator said.

According to Russian news agency Tass, Kiev imported 1.4 billion cubic meters of Russian gas while 0.3 billion cubic meters of natural gas were delivered from countries in the European Union, namely Slovakia, Poland and Hungary, according to spokesman Maxim Belyavsky. Currently, Ukraine imports 110 million cubic meters of natural gas from Russia daily, 14.3 million cubic meters from Slovakia, and 0.6 million cubic meters from Hungary and Poland.

Russia's outlook of gas supply prices to Europe has been adjusted upwards by around 14 percent to $199 for a thousand cubic meters for 2015, Russian Economic Development Ministry announced. The previous outlook predicted that gas supply prices for non-commonwealth of independent states (non-CIS) would be $174 per thousand cubic meters.

The outlook for gas supply prices to Europe was also adjusted upwards by around 5 percent to $250 per thousand cubic meters for 2015. The natural gas price was forecast at $239 per thousand cubic meters in the previous outlook for 2015. In addition, Gazprom's Deputy CEO Alexander Medvedev said earlier that the average price of Russian gas supplies to Europe was $238 per thousand cubic meters at the end of August 2015. Russia's gas exports in 2015 will total 170 bcm and the forecast for 2016 is set to be 174.7 bcm.

Iran, Russia agree on multi-billion dollar joint projects

AA Energy Terminal, *23.10.2015*

Russia and Iran will implement joint mid-term projects worth between $35 billion and $40 billion, Russian Energy Minister Novak said. "In my view from agreements and discussions Thursday, we have moved on to some sort of a list of projects," Novak was quoted as saying by Sputnik and Tass.

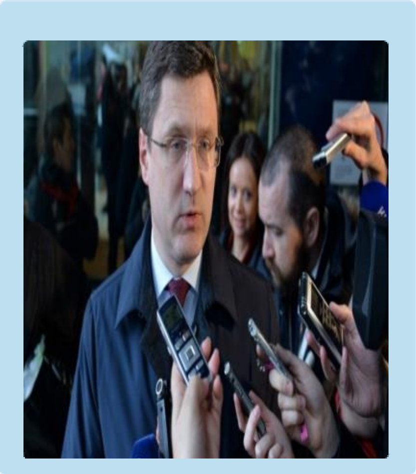
Novak explained that the multi-billion dollar deals were not for just one year, but highlighted that some deals were long-term projects. Iran and Russia's railway projects are estimated to cost around $5 billion, while the construction and modernization of steam power plants are said to be worth around $6 billion.

Also, the Russian state-controlled oil company, Zarubezhneft, is said to be considering several projects worth around $6 billion. The Iranian side also submitted a list of 21 projects, including development of transport logistics worth around $25 billion. Novak visited Tehran for two days between Wednesday and Thursday along with officials from 50 Russian companies that are active in oil, natural gas, petrochemical, power plants and railway sectors.

Iran's Guardian Council of the Constitution approved the final nuclear deal that the country signed with world powers P5+1 group on July 14. Iran anticipates that foreign trade and investments will increase with the removal of international sanctions.

Russian oil output forecast to rise 0.8 percent in 2015

Reuters, *19.10.2015*



Russia's oil production is forecast to be 0.8 percent higher compared to 2014, Russian news agency Sputnik reported. Oil production in the country is expected to reach 531 million tonnes metric tons in 2015, according to Russian Duma's federal budget documents, Sputnik said. The budget documents also revealed that Russia's oil exports are forecast to reach 237 million tonnes by the end of 2015, and to surpass 233 million tonnes in 2016.

Meanwhile, gas production in the country is anticipated to reach 626 billion cubic meters by the end of 2015, while natural gas export is expected to be around 170 billion cubic meters at the end of this year, and 175 billion cubic meter by the end of 2016.

According to the documents, Russian federal budget is expected to increase by 195 billion rubles ($3.16 billion) in 2016 if the current rate of export duty on crude oil is maintained at 42 percent, Sputnik said. Russia is one of world's top-three producers in oil and natural gas. Meanwhile, Russian Energy Minister Alexander Novak said Friday that additional oil production from Iran in the post-sanctions era will affect the supply-demand balance in the oil market.

"This extra oil from Iran should be taken into account in the overall balance," Novak said in interview with the Rossiya-24 television channel, according to Sputnik. However, the energy minister added that each oil exporting country in the world has the right to make its own decisions about the volume of oil it produces and sells. Due to oversupply and low global demand, oil prices are currently around 60 percent lower compared to their June 2014 level.

Iran has repeatedly said that it is planning to increase its oil production by 500,000 barrels a day on average after sanctions on the country are removed, and is projecting to raise it by another 500,000 barrels per day soon after. The additional oil output from Iran is expected to add to glut of supply in the market and push oil prices even lower.

Snam to invest 5.1 billion in Italy, eyes investments in Europe

Natural Gas Europe, *27.10.2015*

Snam is considering new investments in transport, distribution and storage, explaining it will pour 5.1 billion euro into Italy in the 2015-2018 period, while working together with Fluxys in order to maximise the value of its international assets. On an international level, Snam said it will focus on two main European gas corridors: the East-West and the North-South.

'Snam will also closely monitor the marketplace in order to capture possible opportunities to complete its exposure to the North-South and East-West corridors' reads a report published by the Italian company on Monday.

The company holds a 84.47% interest in Austria's TAG, and a 40.5% in France's TIGF. Together with Fluxys, it also controls a 31.5% interest in Interconnector UK, owner and operator of the subsea gas pipeline between the UK and Belgium. In the document released, Snam focused on TIGF, saying that the asset is of strategic importance in light of high hopes for the East-West energy corridor.

'In the transport business, it is likely that additional investments will be incentivised, in order to unify the French market and achieve better interconnection with the Spanish market.' Snam did not speak about its intentions to buy a 20% interest in TAP. In June, CEO Carlo Malacarne said that BP and Statoil might have an interest in leaving the consortium also comprising SOCAR (20%), Fluxys (19%), Enagas (16%) and Axpo (5%).

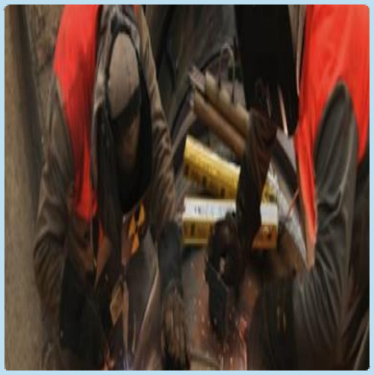
'The 3.1 billion euro investments that Snam has planned in the transport sector in Italy represent approximately 61% of the overall investment plan of 5.1 billion euro for the 2015-2018 period. The investments are aimed at strengthening both import and export infrastructure, facilitating a bi-directional physical flow of gas in the coming years' Snam said it intends to expand the entry capacity in Southern Italy, while continuing in its strategy to strengthen the network infrastructure in the Po Valley with approximately 450 kilometres of newly-operating pipeline and two new compression stations.

'The "tailes" of certain development projects, in particular those aimed at expanding the entry capacity from the South, will go beyond the investment plan horizon (2019-2021), with estimated spending of approximately 1.7 billion euro.' Snam also committed to replace 800 kilometres of existing gas pipeline for a planned investment of around 900 million euro, while investing 450 million in its Smart metering project.

Another 10% of its 5.1 billion planned investments will be directed to strengthen the storage infrastructure, increasing peak capacity. ‘New capacity development will moreover provide a solid foundation for the Italian storage system to play a key role in the creation of a “strategic” gas reserve at a European level, by sharing part of current national reserves of each country, with the objective of limiting as much as possible the risk of any decrease in imports.’

Market environment takes toll on BP, BASF, Maersk oil

Natural Gas Europe, *23.10.2015*



UK-headquartered BP reported underlying replacement cost profit of $1.8 billion for the quarter, compared with $1.3 billion for the previous quarter and $3.0 billion for the third quarter of 2014, proving once more that the current market conditions are taking a toll on energy companies around the world.

‘Compared with a year earlier, the result primarily showed the impact of sharply lower oil and gas prices but also the benefits of a continuing strong downstream environment and performance and steadily lower cash costs throughout the Group’ reads a note released by the British company.

BP said that its capital expenditure in the next two years should be lower than in 2015. ‘BP expects organic capital expenditure will be in the range of $17-19 billion a year through to 2017, closer to $19 billion in 2015. Expectations for 2015 capital expenditure were $24-26 billion a year ago and under $20 billion in the second quarter of 2015.’ The British company said it divested assets for $7.8 billion so far, while its 2015 target was $10 billion.

‘BP expects to agree a further $3-5 billion divestments in 2016 before returning to a rate of around $2-3 billion a year thereafter.’ BP expects a $60 per barrel Brent oil price environment in 2016. “We are now in action to rebalance our financial framework in this new price environment” Group chief executive Bob Dudley commented. Other energy-related companies posted similar results.

Germany’s BASF reported sales for €17.4 billion in the third quarter of the year, which represents a 5% decrease with respect to the same period in 2014. ‘It is unlikely that the BASF Group will achieve the slight sales growth forecast for 2015. BASF now expects sales to decline slightly’ the company wrote. Sweden-headquartered PA Resources held an extraordinary general meeting. The company then said it will continue operations.

‘The board of the company has prepared a second balance sheet for liquidation purposes which shows that the company’s registered share capital has been restored. The general meeting resolved that the company must not go into liquidation’ PA Resources said.

Maersk Oil announced its intention to implement workforce reductions amounting to 10-12% of roles across its business. “We are operating in a materially changed oil price environment and have taken necessary decisions to reduce activity levels through 2015, and ensure we focus where we can see adequate returns from our most robust projects” Maersk Oil CEO Jakob Thomasen stated.

OMV buys partners’ shares in Econgas, bets on downstream

Natural Gas Europe, *23.10.2015*

OMV (64.25%), EVN (16.51%), Wien Energie (16.51%) and Energie Burgenland (2.73%), agreed to change the shareholder structure of EconGas GmbH. The Austrian company led by Rainer Seele will buy all the shares currently held by its partners.

‘The main pillars are OMV´s takeover of shares held by EVN, Wien Energie and Energie Burgenland, representing a total stake of 35.75% in EconGas, and the continuation of the existing client relationships with EVN, Wien Energie and Energie Burgenland. A contractually binding agreement is set to be concluded by the end of the year’ reads a note released.

OMV reported that the transaction is subject to approval by the supervisory boards of the respective companies and the antitrust authorities.”The planned takeover is another step in the restructuring of OMV Group’s natural gas business. We expect that this will yield a significant increase in the efficiency of our natural gas trading business” OMV Executive Board member Manfred Leitner, responsible for Downstream.

EconGas is the joint gas trading subsidiary specialised in direct natural gas sales to European business clients, European distributors and in trading natural gas on international hubs, mainly in Austria.

Centre for policy studies says methane leakage in shale 'seriously over-estimated'

Natural Gas Europe, *26.10.2015*

The Centre for Policy Studies released a report that previous estimates of methane leakage in shale gas production have been seriously over-estimated. This comes before the Tory Government is expected to try to revise the rules in drinking water production zones, key wildlife sites and national parks.

'The threat of fugitive methane is low, and could be made even lower by addressing the small number of super emitters, primarily through regulations that require industry best practice at all wells. Because of the short 8.6-year half-life of methane in the atmosphere, the legacy danger of fugitive methane is tiny' read the conclusions of the report.

According to the London-based organisation, gas is more environmentally friendly than coal, unless over a 100 year time span, 'an implausible 12% of the produced natural gas used today would have to leak.' The two researchers - Elizabeth and Richard Muller - said that the current estimate for the average leakage across the whole supply chain are below 3%. Methane has a high greenhouse potential.

Meanwhile, Labour politicians are expressing their opposition to a change in the current rules for fracking in the UK. 'In a committee room in the House of Commons, the government will try to sneak through fracking regulations that are totally inadequate, completing their u-turn' Lisa Nandy and Kerry McCarthy wrote in a letter to The Guardian. The two British politicians said that if the regulations are voted through, companies would be allowed to drill for shale gas in drinking water protection zones and important wildlife sites, and other heritage sites across the country.

Goldman: Lack of oil storage may lead to weaker prices

AA Energy Terminal, *26.10.2015*

Lack of crude oil storage capacity and high levels of storage utilizations may lead to weaker oil prices, Goldman Sachs said. The lack of storage capacity can lead to "sharp weakness" in oil prices, the multinational investment banking firm said in The New Oil Order, adding that "This was well illustrated in the springs of 1998 and 2009."

"Distillate storage utilization in the U.S. and Europe is nearing historically high levels, following near record refinery utilization, only modest demand growth (especially relative to gasoline), and increased imports from the East on refinery expansion and Chinese exports.

This raises the spectre of 1998/2009 when distillate storage hit capacity, pushing runs and crude oil prices sharply lower," the report explained. Refineries are some of the largest crude consumers in the world, taking in crude oil and turning it into refined oil products. When distillate storage is high, oil refineries have less capacity to intake crude oil, thus lowering their crude demand. When their demand falls, it creates a downward pressure on oil prices.

Due to low demand and oversupply, oil prices fell around 60 percent since June 2014 and it is not yet clear when supply and demand will reach a balance. "Financial stress remains the most likely forcing mechanism to rebalance the global oil market, with sustained low prices near current levels required through 2016 to end the oversupply," Goldman Sachs said in its report.

Many companies in the oil industry are having a hard time financing new projects since their expenditure and investment are negatively affected by low prices. However, fewer investments will lead to lower production and less supply for the oil market, thus trimming global oversupply while slowly bringing balance to the market.

Global oil demand growth expected to fall in 4Q15

AA Energy Terminal, *22.10.2015*

Global oil demand growth is expected to fall to 0.8 million barrels per day (mbpd) in the fourth quarter of 2015, according to London-based energy market consultancy Energy Aspects' report released. According to the Oil Fundamentals October report, global oil demand growth year-on-year averaged 2 mbpd in the first quarter of this year, 1.9 mbpd in the second quarter and 1.8 mbpd in the third quarter of 2015.

"We forecast a sharp slowdown in global oil demand across the fourth quarter at 0.8 mbpd, which marks the slowest pace of growth in five quarters," the report read.

While Energy Aspects expects global oil demand to average 94.39 mbpd in the final quarter of this year, it noted that Chinese and Japanese oil demand weakened in September. The energy consultancy forecasts non-OPEC oil supply to average 57.34 mbpd, and anticipates OPEC supply to average 31.02 mbpd in the fourth quarter of 2015. Energy Aspects stressed that most oil decline within non-OPEC countries came from Canada and the U.S., and added that the pace of decline in the U.S. is expected to accelerate. "We maintain our long-held view that U.S. production will exit the year lower compared to 2014 levels," it said.

With regards to the market finding a supply-demand balance, the report said "the road to rebalancing is a long one...it will take at least 12 months, if not more, to run the crude stocks down as supplies start to fall." The consultancy anticipates the price of global benchmark Brent crude oil to average $56 per barrel in the fourth quarter of this year, $68 a barrel in 2016 and $98 per barrel in 2017.

Furthermore, the American benchmark West Texas Intermediate is forecast to average $51 per barrel in the fourth quarter of this year, $62 a barrel in 2016 and $93 per barrel in 2017. In September, Russia exported an average of 986,000 barrels of oil per day to China, surpassing Saudi Arabia as the Kingdom exported an average of 964,000 barrels of oil a day to the Asian giant, according to the report.

Oman was the third biggest exporter to China with an average of 772,000 barrels per day during September. In August, Saudi Arabia was the top oil exporter to India, supplying an average of 916,000 barrels per day while Iraq and Nigeria followed in second and third place with 595,000 and 568,000 barrels a day of average, respectively.

Announcements & Reports

► *Oil in Uganda*

Source : OIES
Weblink : http://www.oxfordenergy.org/wpcms/wp-content/uploads/2015/10/WPM-601.pdf

► *Natural Gas Weekly Update*

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

► *This Week in Petroleum*

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

Upcoming Events

► *Gastech 2015*

Date : 28 – 29 - 30 October 2015
Place : Singapore
Website : http://www.gastechsingapore.com/

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► *Abu Dhabi International Petroleum Exhibition & Conference*

Date : 09 - 12 November 2015
Place : Abu Dhabi - United Arab Emirates
Website : http://www.adipec.com/

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► *CIS Oil and Gas Transportation Congress* *(in Turkey)*

Date : 11 – 12 November 2015
Place : Istanbul - Turkey
Website : http://www.theenergyexchange.co.uk/event/cis-oil-and-gas-transportation-congress-2014/attend

17 th Annual
CIS OIL AND GAS TRANSPORTATION CONGRESS

► 20th Turkmenistan Oil and Gas Conference

Date : 17 - 19 November 2015
Place : Ashgabat – Turkmenistan
Website : http://www.oilgasturkmenistan.com/

► Israel's 2nd Annual International Oil & Gas Conference

Date : 17 - 19 November 2015
Place : Tel Aviv - Israel
Website : http://www.universaloilgas.com/

► European Autumn Gas Conference

Date : 17 - 19 November 2015
Place : Geneva - Switzerland
Website : http://www.theeagc.com/

► Atlantic Council Energy & Economics Summit

Date : 19 – 20 November 2015
Place : Istanbul - Turkey
Website : http://www.acsummit.org/

► Project Financing in Oil and Gas Conference

Date : 23 - 24 November 2015
Place : London - UK
Website : http://www.smi-online.co.uk/