Oil & Gas Bulletin
▶ 19.02.2016

PETFORM Chair: Turkish gas liberalisation more likely now

ICIS, *18.02.2016*

Turkey's gas sector may stand a greater chance to be liberalised under the new government, as officials are beginning to recognise the link between the country's energy security and need for reform, the chairman of the Turkish gas lobby group told ICIS. Aytac Eren, who was re-elected as Petform chairman last week, said there were no clear indications about the measures that the new government would pursue in the upcoming months.

However, he said: "Since security of supply and market liberalisation are [now] mentioned in the same sentence, we are optimistic."

Although Turkey initiated a series of reforms in the sector 15 years ago, few of the initial goals – including the unbundling of the incumbent BOTAS, the removal of gas subsidies, the creation of a balancing and day-ahead market – have been achieved. Amendments to the initial law have been redrafted 10 times in recent years and have been waiting parliament approval since 2014. One of the sector's priorities has been the launch of a balancing market. But even that has been embroiled in complex discussions and delayed for two years. Now, Eren said Petform had drafted a 55-page paper related to the balancing market, putting forward suggestions to the initial draft regulations proposed by the regulator.

"In one proposal, for example, we suggest that there should be zero tolerance for imbalances [rather than penalties] in order to make the price itself act as a penalty," he explained. Eren also noted that a major problem in the market was related to the fact that BOTAS was allowed to determine a reference [balancing] price because of its dominant position. "Since price optimisation is considered as a secondary issue, the current mechanism causes more costs to the economy and inhibits innovation. Therefore, the market structure should be designed to serve both consumer needs and to [guarantee] security of supply."

The problems caused by the government's inability to reform the sector so far have been compounded by complex price negotiations for the import of Russian gas. For the first three months of 2015, Russia's Gazprom asked private companies to pay prices above the regulated tariff that they could sell at, causing them millions of dollars' worth of losses. Eventually, private importers and Gazprom reached a compromise, but not before sparking fears of bankruptcies. Eren said Gazprom has reimbursed the extra cash taken for Q1 '15, bringing some relief to stakeholders.

However, falling demand, particularly in the electricity sector is now raising questions about the viability of thermal production and the future of the gas business in Turkey. Yet Eren remains optimistic that current European gas prices of $160-$190.00/kcm are competitive enough to allow the Turkish gas sector to thrive.

Gulf investors eye Turkey's energy, building and health

AA Energy Terminal, *18.02.2016*

Gulf countries are eyeing investment potential in Turkey's energy, construction and health sector particularly after the Nov. 2 general elections, general manager of Turkey's Finance Participation Bank said.

In an exclusive interview with Anadolu Agency, Osman Celik, Turkey's Finance Participation Bank's general manager, said that foreign investors look for stability in countries where they plan to make investments. He added that this was difficult last year due to insecurity driven by geopolitical problems in the region and the uncertain outcome of the general elections in Turkey.

"The main investor of our Bank is the National Commercial Bank - the biggest state bank of the Gulf region. Depending on our communication with that region, we work for bringing investors from there both by giving consultation services and through providing finance," Celik stated. "Energy, construction and health are the top sectors in which they are interested," he said.

Celik explained that foreign investors will be attracted to the country with the continuation of infrastructure works and with the country's improving economic environment. "Turkey is still a secure harbor for the foreign investors compared to conditions in other countries of the region. They want to benefit from Turkey's good economic returns in different sectors," he pointed out.

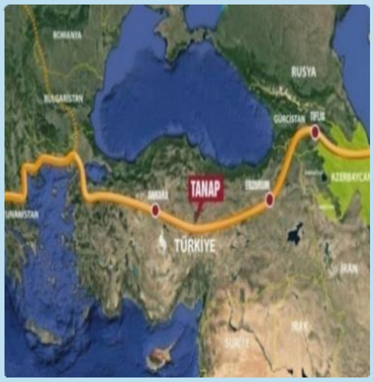
Celik noted that participation banks in Turkey, which operate financially in accordance with Islamic law - notably offering interest-free finance, are becoming increasingly popular with more awareness among the public. "The public is becoming a part of the participation banks sector. With the public's growing role in the sector, participation banks will make Istanbul the center of interest-free finance," Celik, whose second role is head of Participation Banks Association of Turkey, said.

He added that the Istanbul Financial Center Initiative will also contribute to Istanbul's growth as a financial center. The main goal of the Istanbul Financial Center, which is in its development stage, is to share knowledge and experience among Turkey and its partners to allow for the development of infrastructure and energy projects.

Partners of the Istanbul Financial Center project consist of local banks, legal firms which have branches in Turkey, the World Bank, Islamic Development Bank, European Investment Bank and the European Bank for Reconstruction and Development.

TANAP awards $475 mln contract to Tekfen

AA Energy Terminal, *17.02.2016*



Turkish Tekfen Construction won a construction contract worth $457 million from TANAP Co, the construction company said. The contract consists of engineering, supply and construction works for the two compressors and four measurement stations within the Turkish part of the TANAP project, Tekfen said.

Tekfen will complete the project in 39 months. TANAP will begin to carry 16 bcm of gas from Azerbaijan via Georgia by 2018. Turkey will use six bcm of this gas while 10 bcm will be exported to Europe. The pipeline's capacity is projected to reach 23 bcm by 2023 and 31 bcm by 2026.

Turkish Stream gas project achievable: Russian official

AA Energy Terminal, *14.02.2016*

The Turkish Stream natural gas project can still be implemented despite its many hurdles to date, Alex Barnes, head of Regulatory Affairs for Gazprom Marketing & Trading Limited said.

Despite these claims, the Turkish government and President Recep Tayyip Erdogan said in early December that the project, which plans to deliver Russian natural gas to Europe via Turkey, will be shelved for some time on the grounds that it does not meet the country's demands. Turkish and Russian energy officials are yet to meet to discuss the project following its suspension.

Barnes told Anadolu Agency that the Turkish Stream can still garner interest from both Turkey and Europe, as Russia is an important gas supplier for Turkey while Ankara is one of Russian Gazprom's largest markets. "In terms of demand for Russian gas in 2015, Turkey ranked second after Germany, so there is clearly big potential for joint work in the energy field," Barnes said. "I think it's too early to speculate about the cancellation of Turkish Stream. It still can be built," Barnes said. However, Turkish government officials are remaining mute on future plans for the project, and no plans for further discussions between Turkey and Russia have been announced so far.

The Turkish Stream is a planned project for transferring Russian natural gas through Turkey to Ukraine. Due to the ongoing crisis between Turkey and Russia, the project was postponed. The rift between Russian and Turkey arose when a Russian SU-24 fighter which crashed in the Syrian region of Bayirbucak close to Yayladagi district of southern Hatay province was shot down by Turkey. NATO confirmed that the incident was in violation of Turkey's airspace.

Following the downing, Russia announced sanctions against Turkey. Russian President Vladimir Putin leveling accusations against Turkish President Recep Tayyip Erdogan, while threatening that Ankara would regret shooting down the warplane. Barnes also spoke about Iran's comeback after the sanctions lift and highlighted the potential of Iran's gas industry.

"However it also needs to overcome some substantial challenges before it can really compete on the global market, particularly when it comes to lack of gas infrastructure and investments. Still, Iran presents countries and companies, Russia and Gazprom included, with new business and political opportunities," he noted.

The U.S.and the EU lifted international sanctions on Iran following the announcement by the International Atomic Energy Agency who stated that the country was complying with its nuclear-related obligations agreed last summer.

Russian natural gas imports to Turkey decline in 2015

Daily Sabah, *18.02.2016*

Turkey's natural gas imports from Russia were 27 billion cubic meters in 2015, a decrease of 320 million cubic meters compared to the previous year.

According to data from the Russian state-owned gas giant Gazprom, Turkey's natural gas imports from Russia declined to 27.01 billion cubic meters in 2015, from 27.33 billion cubic meters in 2014. Russia's natural gas exports to countries other than the Commonwealth of Independent States (CIS) soared by 8.2 percent, reaching 158.6 billion cubic meters in 2015. Turkey was the second largest natural gas importer of Russian natural gas, after Germany.

Analysts say the main reason for the increase in Russian natural gas exports to Europe is the decline in production within the EU and the widespread use of natural gas for the generation of electricity.

Turkey imports approximately 30 billion cubic meters of natural gas from Russia on an annual basis through the Western line which passes through Ukraine and the Blue Stream pipeline which runs through the Black Sea.

Energy and Natural Resources Minister Berat Albayrak announced an updated road map for the energy sector this month. According to the roadmap, priority will be given to local resources and the share of renewable energy resources allocated to the energy supply will be increased. The variation of suppliers of crude oil and natural gas will be increased and the risks associated with imports will be lowered. The share of electricity production using natural gas will be less than 38 percent of total production by the end of 2019.

Previous negotiations made between representatives of Russian energy giant Gazprom and Turkish energy firms fell through last month, with efforts to reach an agreement regarding the continuation of a 2015 price discount proving unsuccessful. These talks are still in progress, according to a report from Anadolu Agency (AA) on Friday, in correlation with information received from Gazprom sources.

AA reported that six private Turkish companies have said they would no longer be able to utilize the 10.25 percent discount, according to notifications they received from Gazprom. The price discount applied to the companies had been in effect since Jan. 1 of last year.

Natural gas trade between Turkey and Russia became a politically sensitive topic after Turkey downed a Russian Su-24 jet on Nov. 24 for a violation of Turkish airspace along the Syrian border. Political tensions ensued, followed by a wave of economic sanctions and the banning of the import of Turkish produce and industrial goods into Russia, along with Russian refusal to issue work permits to Turkish workers in Russia. While Moscow has damaged its reputation as a reliable partner in trade in the eyes of Ankara, state-run Gazprom announced that they will continue to supply the gas promised in the agreement.

However, natural gas prices were not at issue in the wake of the downing of the jet. During his visit to Turkey in December 2014, Russian President Vladimir Putin announced that Moscow had scrapped the South Stream pipeline project, which was intended to carry Russian natural gas to Europe via Bulgaria. The project was then eplaced by the Turkish Stream pipeline instead.

The Turkish Stream pipeline project was designed to carry natural gas to Europe via the Turkish-Greek border but negotiations over a possible natural gas deal between Turkey and Russia have been met with constant delays, with both parties pushing for the other to sign the deal first. Russia promised to provide a 10.25 percent discount to BOTAŞ, but Gazprom has not applied this discount, insisting that Turkey must first approve the proposed pipeline project.

Iran to pay Turkey in gas or cash from arbitration case

Anadolu Agency, *14.02.2016*

Iran, in compliance with the arbitration ruling on overcharges of natural gas prices to Turkey between 2011 and 2015, will pay either through more natural gas supplies or in cash, according to Iranian Deputy Foreign Minister Ibrahim Rahimpur.

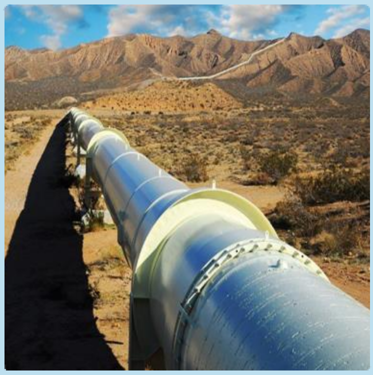
“Rest assured, we will pay it back, and the problem will be solved soon,” Rahimpur told Anadolu Agency during Iran’s National Day celebrations in Ankara. Turkey brought the case to court because of Iran’s high natural gas prices applied to the country during the four-year period between 2011 and 2015.

In 2012, Turkey applied to the International Court of Arbitration over the overpriced gas. The International Court of Arbitration ruled against Tehran in the gas dispute, officials from Turkey’s Energy and Natural Resources Ministry told Anadolu Agency.

Turkey and Iran must agree on the level of discount Turkey will receive on Iranian gas within three months, Turkey’s Energy Minister Berat Albayrak said the same day. According to Rahimpur, Iran’s Oil Minister Bijan Zangeneh will come to Turkey and Iran’s and Turkey’s experts will meet to discuss the issue. “Natural gas exports from Iran to Turkey still flow, we did not cut gas supplies,” he added. Turkey imported 10 billion cubic meters of natural gas from Iran last year.

Turkish oil company reoffered for sale

Trend News Agency, *14.02.2016*



Turkish Petrol Ofisi Oil Company has been reoffered for sale, Kanal7 TV channel reported. Currently, the company's representatives meet with potential investors. Turkish Dogan Grubu Holding, which was the owner of Petrol Ofisi company, sold 95.75 percent of its share to Austria's OMV in 2010.

In 2015, Petrol Ofisi company was released for 237 days from participation in tenders held in Turkey due to failure of OMV's previously taken obligations. A similar ban for a year in respect of the company was introduced in 2009. The decision of Turkey's Ministry of Energy and Natural Resources has been canceled after the company's appeal to court.

Turkey's Energy Market Regulatory Authority (EMRA) annulled the license of the OMV Petrol Ofisi company for the sale of oil products and gas.

$2 billion worth of drilling from Turkish Petroleum

Daily Sabah, *14.02.2016*

A total of $2.68 billion - $1.796 billion for international and $272 million for national investment - worth of resources is planned to be allocated to Turkish Petroleum's (TP) oil and natural gas searches and production this year.

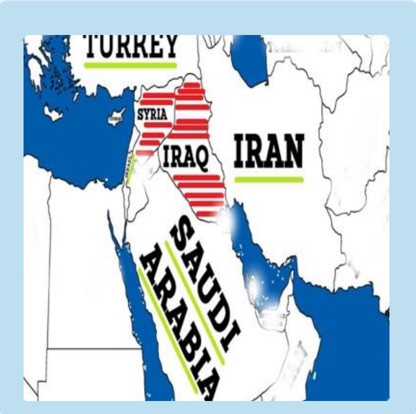
According to data from the Energy and Natural Resources Ministry's 2016 budget presentation, Turkey's national investment in oil and natural gas search has reached $627 million from $90 million, a six-fold increase, since 2002. Around $272 million of the total $452 million projected for oil and natural gas searches within the country will be assigned to TP this year.

Investments are made both within and outside the country in order to contribute to Turkey's raw oil and natural gas supplies. Accordingly, of the $424 million allocated for national investments last year, TP will be assigned nearly $273 million this year. Regarding international investments, TP has invested $1.6 billion as of the end of the previous year, and it has been projected that $1.796 billion will be invested this year for international searches and production activities.

Continuing its search in southeastern Anatolia and the Black Sea regions in Turkey, TP is currently running searches in Iraq, Libya, Afghanistan and Russia. The company is continuing its development projects in Central Asia, the Middle East, Africa and Latin America. While an equivalent of 22 million barrels of oil were produced last year, this amount is expected to reach 22.4 million barrels this year.

Balancing the Turkey-Israel and Saudi-Iran equations

Yeni Safak, *12.02.2016*



The political earthquake between Saudi Arabia and Iran has overshadowed the news, in early January, about the possibility of a diplomatic reconciliation between Turkey and Israel. This news included the possibility of Israel exporting natural gas to Turkey. It is instructive to link together the Turkey-Israel and the Saudi-Iran questions.

It should be noted, first of all, that there have been rumors before about a Turkish-Israeli reconciliation and those did not come to pass. It was the liberal Israeli newspaper Haaretz that "leaked" this story, perhaps to apply political pressure inside Israel for approval of the deal.

But even so, President Recep Tayyip Erdogan of Turkey has said that he has not seen its specific provisions. Although this Turkish-Israeli rapprochement has been in the works for some time (indeed, previous attempts to restore diplomatic relations have failed), in the context of the recent Turkish-Russian rift, the initiative may be seen from Turkey's side as an attempt to move Israel away from Russia.

From that standpoint, it is unlikely to work. Israel needs aerial coordination with Russia over Syrian airspace, arrangements for this have been made, and they have been working. Also, Israel will never agree to unrestricted resupply of Gaza. Although creative diplomacy may arrange for verification of shipments, for example, via Cyprus where they could be inspected, the economics suggest that Turkey needs Israel more than Israel needs Turkey.

It is true, that Israel wants markets for its gas and that Turkey wants to reduce its dependence on Russian gas. However, it would be difficult for Israel to rely on Turkey for transit of gas to Europe in light of recent bilateral relations.

The proposed Eastern Mediterranean ("East Med") pipeline from Israel through Cyprus, which has also its own gas for export, to Greece makes Turkey unnecessary as a transit country. How does this affect the Saudi-Iranian equation? Israel has greatly improved its intelligence cooperation with Saudi Arabia, which has in turn established strong relations with the new Egyptian regime.

Yet it is an open secret that the Muslim Brotherhood operates easily in Turkey in order to oppose and attack Cairo, including underground and military operations on Egyptian soil. Israeli-Egyptian cooperation in the Sinai has also greatly improved. So from this standpoint, Israel has little motive potentially to displease these two states, Saudi Arabia and Egypt, with which it has strong common interests, by reestablishing relations with Turkey, which militantly opposes both regimes in power.

Turkey may wish to play peace broker between the Saudi Arabia and Iran, but Russia has already offered itself for this role. It is natural if Iran were forced to choose, that it would prefer Russia; and if Saudi Arabia were forced to choose, then it would prefer Turkey. Yet there is little prospect of Turkey and Russia cooperating in this direction. The balance is not simple. Turkey is an important player in the region, which neither Saudi Arabia nor Iran would wish to alienate.

Turkey must be careful not to appear weak in relation to the situation in Syria, or else it would lose diplomatic ground there to either Saudi Arabia or Iran, or also Russia, which is heavily implicated.

Yet while Turkey is an important player in the region, that neither Saudi Arabia nor Iran can risk alienating, still the close relations between Russia and Iran may lead Turkey to tilt in favor of Saudi Arabia. Also, Turkey has economic relations with both countries, but those with Saudi Arabia have a better horizon for more significant development.

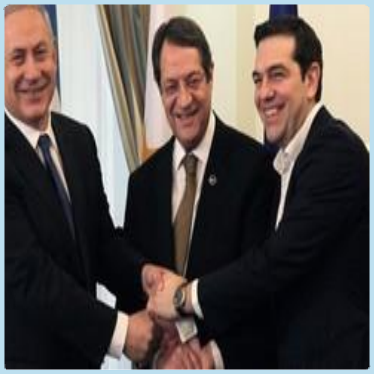
It is a cruel puzzle, that what is required to guarantee peace is economic cooperation and prosperity, but only peace can bring economic cooperation and prosperity. The development of markets and human resources does not take place in the short term, though. Turkey risks being overwhelmed by the war and instability in its neighborhood. It does not have the diplomatic, economic, or human resources to impose peace.

Israel might sell gas to Turkey, but would be unlikely to rely on Turkey for gas transit to Europe. Turkey's "ship of state" is being tossed on the seas of social, political, and religious upheaval. This is why Turkey reaches out to Israel as a buoy of stability.

Israel could indeed be such a point of reference for all these countries. It is so for Egypt, and increasingly so for Saudi Arabia. Iran's state ideology and its consistent wish to revise the map of region against the interests of its neighbors are the greatest stumbling-block to peace and stability

Israel in pursuit of mending relations with US, EU and Turkey

Daily Sabah, *14.02.2016*



Israel aims to mend its relations with the U.S., the EU and Turkey despite the disputes over the illegal settlements, the treatment against Palestinians and Gaza. The Israeli administration has made steps to continue receiving the defense aid from the U.S., to decrease the anti-Israeli tone in the EU and open a new page with Turkey.

The escalated tensions in the region have feared Israel to be isolated as the war in Syria continues, a nuclear deal was made with Iran and the extremist groups expand their areas. "Israel said it had resolved its differences with the EU following an EU decision" Reuters reported.

Foreign Ministry of Israel said that Prime Minister Benjamin Netanyahu spoke by phone with EU foreign policy chief Federica Mogherini. The two "agreed that relations between the two sides should be conducted in an atmosphere of confidence and mutual respect," it said. Foreign Ministry spokesman Emmanuel Nahshon said that Israel would no longer insist on the exclusion of EU bodies from peace talks with the Palestinians over a two-state solution to the Middle East peace process.

Negotiations between Israel and the Palestinians broke down in April 2014 and there have been no signs of them resuming. While the United States has traditionally played the lead role in peace efforts in the region, the EU is Israel's largest trading partner and is the biggest donor to the Palestinians, and is looking to play a larger role in peace negotiations. "The conversation resolved the tensions and we are, Israel and the EU, back to good and close relations," Nahshon said in a text message to the media.

In November, the EU said that goods produced in settlements could not labeled "Made in Israel" and should be marked as coming from settlements, which the EU considers illegal under international law. The EU holds the position that the lands Israel has occupied since the 1967 Middle East war, including the West Bank, East Jerusalem and the Golan Heights, are not part of the internationally recognized borders of Israel.

After the guidelines were published, Israel suspended contact with EU bodies involved in peace efforts with Palestinians, although the government said bilateral ties with nearly all EU countries remained strong. Nahshon said Mogherini had expressed solidarity with Israel at a time of heightened Israeli-Palestinian violence and had strongly opposed attempts by various groups to boycott Israel. U.S. President Barack Obama and Israeli Prime Minister Benjamin Netanyahu might meet in Washington next month and complete a deal on future defense aid to Israel that has been dogged by disagreement, the U.S. ambassador to Israel said. "Current U.S. defense aid to Israel, worth about $3 billion annually, expires in 2018.

Disputes over the value of a so-called Memorandum of Understanding setting out grants over the ensuing decade prompted Israel to signal this week it might wait for the next U.S. president in hope of better terms," Reuters reported.

"We are now trying to consolidate a deal on the coming 10 years - what military aid we will give - a very complicated effort, which takes into account both Israel's security needs and the budgetary limitations of the United States," U.S. Ambassador Dan Shapiro told Israel's Channel 2 television.

"But I am optimistic that we will consolidate this agreement," he said, adding that he saw "a chance" of it being clinched in an Obama-Netanyahu meeting in Washington next month, though he noted the schedules of the leaders have yet to be set.

Despite the tensions between Obama and Netanyahu over the illegal settlements and the recent nuclear deal with Iran, the two countries seem to be natural allies. The U.S. has always been one the strongest allies of Israel in the world, and during and after every military operation on Palestine and Gaza, the U.S. underscores that Israel has the right to self-defense.

The U.S.' support is not only rhetorical, but also embodied with the military aid that started in 1962. Since then, the U.S. has given more than $100 billion to Israel. In recent decades, the U.S. has been giving approximately $3 billion every year. In recent years, the aid was only for purposes of defense. In addition, the U.S. was giving Israel generous military aid for projects that are important both for the U.S. and for Israel. In a deeply troubled region, the U.S. feeds the Israeli military.

Turkish-Israeli relations which have been broken after Israeli army raided Mavi Marmara flotilla which was carrying humanitarian aid to Gaza and killed ten Turkish nationals in 2010, are expected to be mended.

The energy issue seems to have become a turning point in relations amid the escalated tensions in the region. A gas field, Leviathan located in the eastern Mediterranean off the coast of Israel, was discovered in December 2010. In November 2014 Israel proposed that EU countries invest in the under-sea pipeline from Israel to Cyprus then to Crete and mainland Greece where the gas would then be shipped overland to other European countries.

A pipeline that would be built between Turkey and Israel seems to be a cheaper and more feasible option as the distance of the project is about 500 kilometers, which is less than half the distance of the other option, and it is estimated that this project may cost only $2 billion. After reaching Turkey, Israeli gas could connect the Trans-Anatolian Natural Gas Pipeline (TANAP), which is still under construction, and by this means, up to 10 billion cubic meters of Israeli gas could be sold to Europe annually.

The energy issue seemed to be the only common ground for Israeli and Turkish interests but the war in Syria may also help the two countries open a new era. Turkey and Russia have been in a rift over the Syrian war as Russia, along with Iran, staunchly supports Bashar Assad and Lebanon-based Shiite militant group Hezbollah, which is considered a terrorist organization by Israel. Opposing the existence of Hezbollah in Syria seems to be another mutual interest for Turkey and Israel.

Moreover, Iran's support for the militant group, the fact that Tehran sends troops to Syria to fight against Turkish-backed moderate rebels and Israel's displeasure with the so-called nuclear deal with Iran that aims to lift sanctions and curb Iran's nuclear activities might be another point that may put Turkey and Israel in the same pocket in terms of regional politics.

Georgia lacks real potential to deliver Iranian gas to Europe

Azernews, *17.02.2016*

Georgia that eyes delivering Iranian natural gas to European consumers does not have real potential as a transit route, Laurent Ruseckas, the Senior Advisor with IHS Energy, believes. The expert told Azernews that the South Caucasus nation's desire to become a transit country for supplying Iran's gas to Europe is not necessary for Iran.

"Iran already supplies gas to Turkey via a pipeline linking Iran with the Turkish pipeline network," he said. "If Iran were in a position to export gas to Europe, it would use this existing route via Turkey. It would have no reason to add either Armenia-Georgia or Azerbaijan-Georgia as transit countries."

Georgia enjoys significant potential as a transit country for Azerbaijani gas sales to Turkey and Europe, which will start growing again in 2018 when the second stage of development of the giant Shah Deniz project begins to produce gas. Also, the country receives some Russian gas in payment for its role as a transit country for Russian oil to Armenia that accounts for the other 10 percent.

In early January, Alireza Kameli, the Managing Director of the National Iranian Gas Export Company, said Iran plans to export its natural gas to Georgia through a pipeline. The Islamic Republic is expected to deliver its natural gas in the amount of 8.5-14 million cubic meters per day to Georgia through Armenia. However, according to Kameli, a contract will not be signed unless the project becomes economically justified.

Commenting on Georgian Energy Minister Kakha Kaladze's recent talks with Russian Gazprom on purchase of gas in an effort to diversify its gas supplies, Ruseckas said it would be better for Tbilisi to save long-lasting energy partnership with Azerbaijan.

"Georgia has gone from a situation of being 100 percent dependent on Russian gas to being about 90 percent depending on Azerbaijani gas. Georgia still receives some Russian gas in payment for the transit of Russia gas to Armenia via Georgia that accounts for the other 10 percent. Obviously the current situation is much better for Georgia, because its political relationship with Azerbaijan is very good while its relations with Russia remain difficult," he said. Meanwhile, the expert believes that as long as Azerbaijan remains Georgia's main supplier, purchasing a small amount of Russian gas would not be politically dangerous and it would not be negative for Azerbaijan either.

"It is always positive for a country to diversify gas supply, which can be affected temporarily by purely technical issues that have nothing to do with politics," he noted. Earlier, commenting on Kaladze's statement that the gas pipeline to Georgia from Azerbaijan has no additional capacity, Robert M. Cutler, a senior research fellow at the Institute of European, Russian and Eurasian Studies of the Carleton University, told Azernews that it would mean that Georgia should seek non-Azerbaijani sources, at least for the near future. "However, the situation may change in the longer term as the pipeline is upgraded to cope with additional volumes to be produced by Shah Deniz-2," he said.

Iran looking at Africa to expand oil, refined products exports

Oilprice, *16.02.2016*

Iranian officials are touting soaring volumes of exports of oil products, announcing today that the first exports of gas oil products—fuel oil distilled from petroleum--are heading to African countries.

Iran is keen to boost its status as a major exporter of gasoline, kerosene, LPG, jet fuel and mazut in the Middle East. Managing Director of the National Iranian Oil Products Distribution Company Sajjadi was quoted as saying: "With the implementation of new phases at South Pars field leading to increased natural gas production, the exports volume of oil products particularly gas oil has soared."

According to Sajjadi, Iran has now added the Central Asia nation of Tajikistan to its customer list—which has largely included Iraqi, Afghanistan and Pakistan—exporting 2.9 million liters of gas oil in the first shipment. Iran has reportedly exported more than 1.7 billion liters of gas oil to various countries since the beginning of the current Iranian year.

African countries are eyeing potential new relationships with Iran in the post-sanctions environment. This week, Ghana's President John Mahama became the first African leader to visit Iran since sanctions have been lifted, saying the country was committed to new trade and business opportunities. The current market turmoil has created a once in a generation opportunity for savvy energy investors.

Whilst the mainstream media prints scare stories of oil prices falling through the floor smart investors are setting up their next winning oil plays. In Kenya, Iran is hoping to seal a crude oil export deal, while elsewhere in East Africa, Tehran is looking for more markets for its refined products. "We intend to renew memoranda signed by Kenya for importation of crude oil, and enter into new agreements in oil and gas exploration and extraction with EAC members," media quoted Iranian ambassador to Kenya, Hadi Farajvand, as saying.

In May 2012, Kenya and Iran had signed a memorandum of understanding for Kenya to import 80,000 tons of crude oil from Iran. However, the deal was canceled two months later due to sanctions. Kenya is now said to be preparing to review that deal.

Iran gives oil freeze plan cautious welcome

Financial Times, *17.02.2016*

The Iranian response to a plan backed by Saudi Arabia and Russia helped oil prices to a 7 per cent gain on the day as traders discarded some of their scepticism about the first big effort to reverse the 18-month oil price slide.

But Tehran did not offer to join the initiative to freeze production at January levels, highlighting how difficult it would be for the country its full return to world oil markets after years of sanctions. Zanganeh, Iran's oil minister, said he "welcomed" and "supported" co-operation between Opec and non-Opec members. The deal is contingent on the agreement of Iran, Iraq and other big producers.

"Iran backs any measures which help stabilise the market and improve the price of crude oil," he commented after leaving a meeting in Tehran's prosperous northern suburbs with the oil ministers of Opec members Iraq, Qatar and Venezuela. But he gave no commitment that Iran would participate in any output restrictions.

The ministers' visit was part of the intensifying push to end the 70 per cent price slide that has decimated their budgets. Mr Zanganeh's willingness even to listen to their proposal shows how the price collapse could forge alliances between rivals that would have been deemed all but impossible just a few months ago.

This week Saudi Arabia, Opec's de facto leader, and Russia, the largest oil exporter outside the cartel, provisionally signed up to an oil production freeze, even as the two countries remain bitterly divided over their support for opposing sides in Syria. One London-based Iranian oil analyst, who asked not to be identifed, said that Mr Zanganeh's "diplomatic" response was designed to allow discussion to continue at a sensitive political time in Tehran.

"It is likely the minister has given his response and there will be ongoing consultation, so this is the first stage," the analyst said. "Iran will not agree to anything unless they have something to gain." Limiting exports would be politically difficult for Tehran even if selling fewer barrels were offset by higher prices, which in turn could make investment in Iran's dilapidated oil sector more attractive to international energy companies. The freedom to return to full exports was one of the key reasons Tehran agreed to the conditions that ended western sanctions linked to its nuclear programme.Tehran is also suspicious that Riyadh, its bitter regional rival, is seeking to minimise the effect of scrapping the sanctions — or shifting the blame for low oil prices onto Iran itself. "Public opinion really matters here," said one Iranian oil official, before the meeting.

“Everyone is expecting that with the lifting of sanctions that oil production and exports go up. It is very hard to say to the Iranian people that we should make allowances for others.” Once the second-largest producer in Opec, Iran’s output averaged 2.8m barrels a day last year, down from 3.6m b/d in 2011. Exports dropped to about 1.1m b/d, half their pre-sanctions level. Iran has said it will raise output by 500,000 b/d within weeks. This week it sent its first three oil tankers to Europe since 2012.

Iran’s Opec envoy Mehdi Asali told local newspaper Shargh prior to the meeting, it was “illogical” to ask the country to limit its output. But economic difficulties may help smooth over political differences. Opec, the cartel that controls roughly 40 per cent of world output, has managed to co-operate in the past, even when member states such as Iraq and Iran were engaged in a full-scale war in the 1980s.

Olivier Jakob, an analyst at Petromatrix in Zug, Switzerland, said if a deal was agreed, Saudi Arabia holding its production steady at the same level as in January would imply a cut in exports of as much as 500,000 b/d. “The production freeze can therefore be seen as an unofficial way for Saudi Arabia to make some room for the restart of the Iranian exports,” Mr Jakob said.

Saudi Arabia normally raises output in the summer months when it burns more oil to meet increased demand for air conditioning in the desert kingdom. “All else being equal, Doha reduces the risk that Saudi oil production rises a whole lot more in the near term,” said Jan Stuart, analyst at Credit Suisse.

Iran, Iraq under pressure to cap oil output — energy journal

WSJ, *17.02.2016*

Pressure mounted on Iran and Iraq to join an agreement to limit production and help raise oil prices a day after Saudi Arabia, Russia and other oil producers reached agreement, Summer Said reports. Qatar energy minister Mohammed al-Sada, who is also president of the Organization of the Petroleum Exporting Countries, or OPEC, will discuss a plan to cap oil output with ministers from Iran, Iraq and Venezuela at a meeting in Tehran.

The Saudi-Russian deal came with a significant caveat: Iran, Iraq and other big producers would also have to halt production increases.

That could prove too much to ask with OPEC more fractured than ever. An Iranian oil official said Iran has no immediate plans to cap its surging production, Benoit Faucon reports. “We have made it very clear we will return our production to its level prior to the sanctions” imposed by the U.S. and other nations.

Despite disagreements, Saudi Arabia and Russia have been forced together by the harsh economic reality of low oil prices, the Financial Times reports. Even if oil producers all agreed to a global production freeze at January levels, however, the world would still have about 300 million more barrels a year than needed. Since a market hungry for cuts got only a freeze at January's production levels, the agreement falls somewhere between symbolic significance and no change at all, Helen Thomas writes.

Despite the oil-price struggles, prominent investors remain attracted to new energy bets, Rob Copeland reports. Australian energy company Woodside Petroleum Ltd.'s profit was almost wiped out last year by low oil prices and hefty impairment charges, Robb M. Stewart reports. Woodside said net profit fell 99% to $26 million in 2015 from $2.41 billion the year before. The results included $1.1 billion in one-off charges, which included impairments against the value of Woodside's assets due to lowered oil-price assumptions.

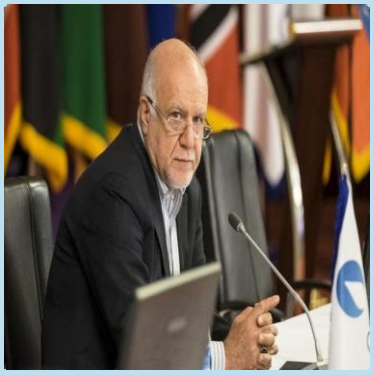
Woodside said its dividend for the year falls to $1.09 a share from $2.55 for 2014. German utility RWE AG is also struggling as it suspended its dividend payment for 2015 and recorded a net loss, Monica Houston-Waesch reports.

Anglo American PLC, meanwhile, said it would leave the coal business as part of a restructuring that would turn the battered mining giant's focus to higher-margin commodities like diamonds, Scott Patterson and Alex Macdonald report. Coal accounted for about a fifth of Anglo American's earnings before interest and taxes last year, and it's a radical shift for a company that once dominated the South African coal industry.

Fellow miner Glencore PLC agreed to refinance an $8.45 billion loan facility ahead of schedule in a bid to allay investor concerns, Alex Macdonald reports. Oil prices rose in volatile trade Wednesday, as investors looked for clues to whether an agreement between major producers to support prices can hold. Mr. al-Sada's meeting later to discuss a possible cap on oil production takes place amid wide-ranging skepticism about the chances of such a plan after Iran's apparent rejection of the idea.

Iranian resources: Iran sees oil freeze pact as not enough to help market

Reuters, *18.02.2016*



Iran believes a global agreement to freeze oil output will not be enough to help prop up prices as the world is producing too much crude, Iranian oil sources told Reuters. Iranian Oil Minister Zanganeh and his counterparts held talks aimed at persuading Iran to join a global pact to restrain output, agreed this week by OPEC leader Saudi Arabia and non-OPEC member Russia, the world's two largest oil exporters.

Zanganeh chose his words very carefully after the meeting saying Iran, OPEC's third largest producer, supported the initiative as a first step to rebalance the markets and help prices recover from their lowest in over a decade.

But during talks Iran stuck to its standard line that Tehran needs to regain market share it lost during years of sanctions while adding that regardless of what Iran does, the world was already awash with unwanted oil. "The problem in the oil market is the glut. There is a need to do something to bring down these extra barrels. The freeze for those people that have been producing to the maximum does not help the market," one Iranian oil source familiar with discussions told Reuters.

A second Iranian source said the global pact idea should be discussed further when "countries that have increased their output - mainly Saudi Arabia - drop their production and Iran reaches pre-sanction levels of production". Saudi Arabia and Russia said the global deal to freeze output could become the first step in the right direction to balance the market if all major producers agreed to abide by it.

But the idea has failed to impress the market so far with oil prices fluctuating sharply this week and trading on Thursday at $35 per barrel. This is a fraction of what most producers need to balance their budgets resulting in ratings agency S&P downgrading ratings on major oil nations. The West's energy watchdog, the International Energy Agency, said this month that even in the optimistic scenario of flat OPEC output this year, the world would continue to stockpile huge volumes of unwanted crude adding to the already record inventories. [IEA/M]

The IEA said it saw the pace of stockbuilding slowing in the second half of 2016 but still continuing until 2017: "In the market already awash in oil, it is very hard to see how oil prices can rise significantly in the short term." Meanwhile, the likelihood of OPEC keeping output flat is very low given that Iran has pledged to raise exports after the lifting of Western sanctions in January. The sanctions, imposed over Iran's nuclear program, were lifted last month after an agreement with world powers, allowing Tehran to resume selling oil freely in international markets. Tehran has pledged to raise supply by around 1 million bpd in the next 6-12 months and some Iranian banks were reconnected to the SWIFT global transaction network, which will allow it to facilitate banking business.

Iran sends first oil shipment to Europe

New Europe, *15.02.2016*

The National Iranian Oil Company (NIOC) delivered 4 million barrels of oil to companies from France, Spain and Russia on Sunday. This is the first time Iran exports oil to EU countries (meaning France and Spain) after the end of the EU sanctions imposed to Iran in 2012.

French energy giant, Total, loaded 2 million barrels of Iranian oil. The rest of the oil was bought by the Spanish energy firm, Cepsa and the Russian firm, Lukoil. Rokneddin Javadi, the managing director of NIOC said that the Iranian oil company has started loading 4 million barrels of oil for shipment to France, Russia and Spain.

“Within 24 hours, four million barrels of Iran’s crude oil will be loaded on three tankers destined for Europe,” Javadi had said. On Sunday, he also revealed that Iran made a deal with Total and NIOC will sell a daily of 160,000-180,000 bpd of oil to the French energy major for a period of one year.

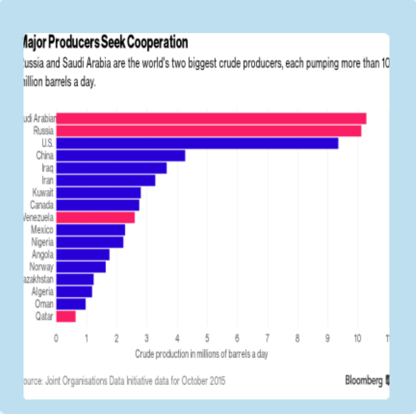
US financial website, Bloomberg, reported that NIOC plans to boost output and exports by 1 million barrels a day in 2015. According to the website, besides Total the Iranian company also signed a deal with the Hellenic Petroleum SA of Greece. According to Egypt Oil and Gas website, Total is also interested in investing at Iran as it wants to develop the South Azadegan oil field in western Iran and be involved in a liquid natural gas project.

NIOC is also close to sign an agreements with Italian Eni, with some 100,000 b/d being expected to be shipped to Italy. Italy’s Saras refinery is also interested in buying additional 60,000 to 70,000b/d, wrote Bloomberg in related news. According to the website, Iran wants to rebuild its trade relations with Europe, as the EU used to be the first trading partner of the oil-rich country before the adoption of the sanctions. Most of the EU imports from Iran were energy related, and after the 2012 oil sanctions, total EU imports from Iran decreased by 86 percent.

Despite the low oil prices, Tehran wants to regain or even find new oil customers and Iranian Press TV reported that Iranian officials are pressuring the Organization of the Petroleum Exporting Countries (OPEC) to accommodate Iran’s plans to regain its share of the market that it lost as a result of the sanctions.

Saudi Arabia, Russia to freeze oil output near record levels

Bloomberg, *15.02.2016*



Saudi Arabia and Russia agreed to freeze oil output at near-record levels, to counter a slump that has pummeled economies, markets and companies. While the deal is preliminary and doesn't include Iran, it's the first significant cooperation between OPEC and non-OPEC producers in 15 years and Saudi Arabia said it's open to further action.

Oil pared gains after the accord was announced, signaling traders see no immediate end to the global supply glut. The deal to fix production at January levels, is the "beginning of a process" that could require "other steps to stabilize and improve the market," Saudi Oil Minister said.

Qatar and Venezuela also agreed to participate, he said. Saudi Arabia has resisted making any cuts in output to boost prices from a 12-year low, arguing that it would simply be losing market share unless its rivals also agreed to reduce supplies. Naimi's comments may continue to feed speculation that the world's biggest oil producers will take action to revive prices.

"The reason we agreed to a potential freeze of production is simply the beginning of a process" over the next few months, Naimi told reporters. "We don't want significant gyrations in prices. We don't want a reduction in supply. We want to meet demand. We want a stable oil price."

More than a year since the Organization of Petroleum Exporting Countries decided not to cut production to boost prices, oil remains about 70 percent below its 2014 peak. Supply still exceeds demand and record global oil stockpiles continue to swell, potentially pushing prices below $20 a barrel before the rout is over, Goldman Sachs Group Inc. said last week.

While Novak has said he could consider cuts if other countries joined in, Russia faces significant obstacles to doing so. The freeze is conditional on other nations agreeing to participate, Russia's Energy Ministry said in a statement. The group of producers plans to monitor output and prices for four months, Venezuelan Oil Minister Eulogio Del Pino said in an e-mailed statement.

"This is an announcement of a production freeze among countries whose production didn't even grow recently," said Eugen Weinberg, head of commodities research at Commerzbank AG in Frankfurt. "If Iran and Iraq are not a part of the agreement, it's not worth much -- and even then there is still a question of compliance."

Oil erased gains in London after rising before the meeting amid speculation the countries would discuss production cuts. Brent crude fell 3.6 percent to settle at $32.18 a barrel Tuesday in London, having earlier climbed as much as 6.5 percent. Iran, OPEC's fifth-largest producer, ruled out any curbs on its oil production when the group met in December.

It plans to boost output and exports by 1 million barrels a day this year following the lifting of international sanctions last month. This week the nation loaded its first Europe-bound crude cargo in four years.

“Iran will not forgo its share of the market,” the Oil Ministry’s news service Shana reported Tuesday, citing Minister Bijan Namdar Zanganeh. Iraq continues to boost production as it recovers from years of conflict and under investment. The nation’s output reached a record 4.35 million barrels a day in January and more increases could follow, according to the International Energy Agency. The country is prepared to cap production at current levels, or even cut, if other producers commit to the Doha accord, said an official who asked not to be identified because oil policy is private.

There is a precedent for some countries being excused from full compliance with a freeze in order to secure their backing. In 1999, when OPEC came together with other producers including Mexico to fight an oil price slump, Saudi Arabia agreed to let Iran fix output at a higher level than in the past.

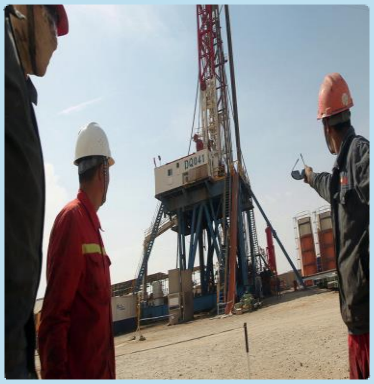
The freeze deal comes after months of competition for market share between Russia and Saudi Arabia. Riyadh has taken the rare step of selling crude into Moscow’s backyard of Eastern Europe, while Russia overtook Saudi Arabia in oil exports into China. The two nations are also backing opposite sides in the Syrian civil war.

According the IEA, Saudi Arabia produced 10.2 million barrels a day in January, below the most recent peak of 10.5 million barrels a day set in June 2015. Russia produced nearly 10.9 million barrels a day in the same month, a post-Soviet record, according to official data. Venezuela pumped 2.4 million barrels a day and Qatar produced 680,000, according to the IEA.

Qatar will lead monitoring of the output freeze agreement, the nation’s Energy Minister Mohammad bin Saleh al-Sada said at a press briefing. Low oil prices haven’t been positive for the world, he said. “A freeze would not create an immediate U-turn, but it creates a better foundation for the price recovery in the second half,” Olivier Jakob, managing director of consultant Petromatrix GmBh, said in a note to clients.

Getting Russia and Saudi Arabia to agree on an oil freeze is only half the battle

Independent, *18.02.2016*



Doha agreement between Saudi Arabia and Russia to freeze oil production at last month's levels of output in order to stabilise the global oil price initially left most financial traders unimpressed.

The price of a barrel of the black stuff fell, rather than perked up, in the wake of the announcement: the opposite of what was hoped for. Traders had been anticipating a production cut, not a mere freeze. But, while the traders carried on selling, some strategists hailed a major geopolitical shift. Until recently, the Saudis had seemed confident that the oil price would soon stabilise of its own accord.

Plus, it suited the Kingdom to see rival high-cost US shale oil producers (the major new entrants to the market in recent years) under the cosh. Rather than cutting production, Saudi increased it, with an eye on snaffling up a larger market share when the shake-out was over.

But now, with some forecasting that oil prices will slide all the way down to $10 a barrel, the powers in Saudi are beginning to fret. The Kingdom's budget deficit has ballooned as oil profits have collapsed and Saudi is being forced to flog off its trove of foreign exchange reserves at a disconcertingly rapid rate in order to protect its 30-year-old currency peg with the dollar.

Russia, another country whose economy is reliant on petroleum, has faced similar agonies thanks to the 70 per cent global oil price crash since 2014. Like the Saudis the Russians have stepped up production, to retain market share. Unlike the Saudis, Moscow has chosen to abandon its currency peg with the dollar. Yet the domestic Russian economy is still in severe crisis.

Geopolitics seemed to make a deal problematic. Russia is at odds with Saudi over the Syrian civil war, with Vladimir Putin propping up President Bashar Assad and the Saudis propping up the anti-Assad rebels. Yet both states have a common economic interest in stabilising the global oil price. And now they have switched strategies. The de facto leader of Opec (Saudi) and the largest non-Opec oil producer (Russia) have managed to put their differences aside.

The key question now is whether the Saudis (along with Venezuela and Qatar, who were also party to the Doha agreement) will be able to persuade the rest of the Opec cartel to agree to a production freeze? Iraq might be amenable. The UAE's oil minister said on 17 February that the country is "open" to co-operation. The major obstacle is Iran. Tehran re-iterated that it will defend its "right" to raise oil exports to the levels that prevailed before Western sanctions were imposed in 2011. Tehran's envoy to Opec blamed the rest of the cartel for increasing production in recent years, at Iran's expense, and effectively warned that it will not be screwed over twice.

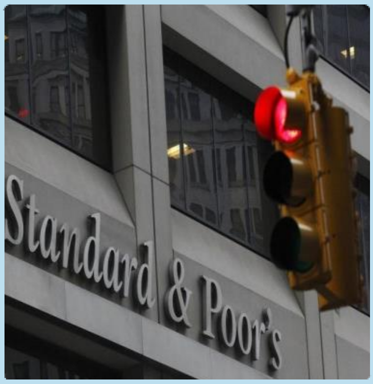
There has been some talk of a special dispensation for Tehran from the proposed freeze. Yet to even consider this possibility emphasises why co-operation among Opec members has not seriously been on the table until now.

Back in the early 1980s, Saudi Arabia cut its production in order to support prices during a previous supply glut. But the Kingdom found that other Opec members, including Iran and Iraq, failed to honour their own commitments to do the same. They effectively got a free ride and built market share thanks to the Saudi "sacrifice".

If Tehran gets a special break this time around, why would others abide by the rules when it came down to it? After all, everyone needs the money. That prisoner's dilemma is probably the reason why Saudi only proposed a production freeze, rather than an outright cut. It thus limited its own potential downside risk, but also weakened the power of the proposal to support prices. The trouble with cartels is that unless everyone agrees, no one agrees. Oil was up sharply on 17 February, despite these issues. But perhaps traders called this one right first time – and oil really is heading for $10 a barrel.

S&P cuts Saudi Arabia, Brazil, Oman, Kazakhstan, Bahrain, spares Russia

Reuters, *18.02.2016*



Rating agency Standard & Poor's downgraded Saudi Arabia, Brazil, Kazakhstan, Bahrain and Oman's credit ratings on Wednesday, in its second mass cut of large oil producers in almost exactly a year. S&P cited the pressures being created by the drop in oil prices for the moves which included double-notch downgrades of Saudi Arabia to A- stable from A+ negative and stripping Bahrain of its investment grade status.

"The decline in oil prices will have a marked and lasting impact on Saudi Arabia's fiscal and economic indicators given its high dependence on oil," the ratings agency said.

The plunge in oil prices since mid-2014 had already brought a blizzard of downgrades for oil producers, including Saudi Arabia, Russia, Brazil and Venezuela, where the oil rout has raised fears of a sovereign default. The moves were a near repeat of similar co-ordinated cuts made this time last year. The firm's head of sovereign ratings in EMEA, Moritz Kraemer, told Reuters last month that another such move was being considered.

One country that was spared this time was Russia. S&P said Moscow's fiscal buffers gave it more leeway, though it could still cut its BB+ rating again if those were eroded faster than expected or if international sanctions were "significantly" tightened again. Brazil was kept on a negative outlook, meaning a roughly 1-in-3 chance of another cut as its rating dropped one notch to BB from BB+.

However, it was Brazil's political difficulties as much as the economic pressures from falling oil prices that were cited for the move. For the Middle East there is far more intense pressure from low oil because many currencies, including the Saudi riyal, are pegged to the dollar, limiting scope for currency weakness that could stimulate the economy.

Authorities are also having to dig into reserves to keep spending at levels that support their highly dependent economies. Like Saudi Arabia, Bahrain saw its rating cut two notches. Significantly, though, it also lost investment grade as it went to BB from BBB-. Oman was lowered two steps as well to BBB- stable from BBB+ negative while Kazakhstan was cut one notch to BBB- from BBB but left on a negative outlook due to concerns about inflation, exchange rate pressures and banking sector stability.

Gazprom pursues higher sales, lower costs

Natural Gas Europe, *18.02.2016*

Executives at Russian state-run monopoly Gazprom have resolved to extend its ambitions in the pursuit of higher export sales and lower costs at home. At a meeting the board approved an updated list of measures to increase its share in the global gas market. These include improving contractual cooperation in pipeline gas supply, such as the introduction of auctions last autumn.

Chairman of Gazprom's management committee Alexei Miller said during the board meeting: "In 2015 Gazprom's supply share in the European consumption reached a historic high of 31%."

A key element in the Gazprom's geographic presence expansion is its position in the Asian market, chiefly in pipeline gas supplies to China. The growth in LNG supply is also crucial, meaning more flexibility in its global portfolio, achievable primarily through its own production. Large-scale LNG production is complemented by wider geographic presence and more small-scale LNG production.

It also plans to strengthen its presence abroad, including through developing gas supply to end consumers such as the power sector and further expansion into transport. Joint ventures and asset swaps would be among the means to achieve this, it said.

Gazprom has been cutting costs in response to the weaker rouble and sanctions, including using Russian-made engineering and other high-specification products and services whose quality meets its standards.

While projects such as Nord Stream 2 involve foreign partners and are likely to be project-financed, other ambitious export schemes, such as the Power of Siberia pipeline, require a vast amount of line pipe to be laid on Russian soil. Using domestic goods has already cut operating costs and maximised value for money without sacrificing transparency, according to the company.

Stringent control is maintained at every stage of the tendering process, from proof of need to make a purchase and the control of its initial maximum price to the decision making about the final cost, Gazprom said. The management committee was tasked to continue with the cost-cutting efforts this year.

Gazprom is working with Russian companies who can provide innovative products and new technologies, and developing the Gazpromcert system for specifications. Gazprom says it has almost completely (99.5%) sourced its large-diameter pipes from the domestic market.

It is also buying some gas compressor units at home, such as two 16-MW gas compressor units of the GPA-16U type, manufactured jointly with a local industry group. It claims the aggregate economic effect, including savings on operating costs in design, manufacture, installation and operation, have already reached roubles 3bn ($39mn, although the true dollar figure is higher given the recent slide in the strength of the rouble).

It has also signed long-term supply agreements with pipeline manufacturers although it has had to revise the pricing formula to reflect changing market conditions. One agreement is with TMK that covers batch production, supply, and maintenance of import-substituting products. TMK will make six types of casing and pump and compressor pipes of cold- and corrosion-resistant design that will replace imported goods. First deliveries are expected this year, for use at the sour gas Astrakhan field.

Gazprom signed a contract with OMK subsidiary Trubodetal (Pipe Parts) covering high-pressure ball valves ranging in size from 100–1,420 mm and capable of operating in a harsh environment, all made on the same basis. The company’s “innovative development program” is bearing fruit, with fuel and energy demand for auxiliary needs down by 19.7% in 2014 compared with the base year of 2010 and greenhouse gas emissions in CO_2 equivalent down by 17.8%.

Between 2011 and 2014 the 15 main R&D activities within the program brought benefits of over roubles 31bn. It says it spent roubles 4.6bn on development and implementation of energy efficiency programs between 2011 and 2014 while savings of fuel and energy resources are estimated at roubles 24.4bn.

The development of a corporate intellectual property management system is ongoing. The total number of patents increased by nearly one and a half times, reaching 2,131 by the end of 2014 versus 2010. At the same time, the number of patents used in production activities more than doubled – to 351, and the economic effect from their use exceeded roubles 3bn – three-and-a-half times the figure for 2010.

Russia's SPIMEX starts to register OTC gas deals

ICIS, *16.02.2016*

The St Petersburg International Mercantile Exchange (SPIMEX) has started to register over-the-counter (OTC) natural gas deals in order to make the price of gas sold on the domestic market transparent, Anton Karpov, SPIMEX deputy president told ICIS on Friday. Some observers believe that the results of the new initiative may be limited, however.

According to the rules adopted by SPIMEX in late January, companies which have produced more than 1 billion cubic metres of gas over the previous year are obliged to provide information on gas deals concluded on the domestic market, provided the volume of the deal is at least 10 mcm.

The rule applies only to gas sold at an unregulated price. The Russian government regulates the price at which country's major Gazprom sells gas on the domestic market, while independent producers may trade gas at any price. However, the price of gas in most contracts the independent producers conclude is classified. Over the previous year, the market share of independent producers has increased, while that of Gazprom has shrunk.

But ICIS understands that the volume of OTC deals that would be registered at SPIMEX may still be insignificant, as the country's OTC market is relatively small. SPIMEX hopes that registration of OTC deals – approved last year and launched on 30 January – would lead to creation of a gas price index, an objective set by the Kremlin's energy commission in October last year.

"Registration of OTC deals will make it more clear what the gas price on the Russian OTC market is and what volumes are traded there," a source close to the matter said. The Federal Antimonopoly Commission and SPIMEX decided to register the OTC gas deals after they implemented a similar scheme on the oil products market last year.

"The oil products index is mostly used to comfort the public, show that everything is under control," the source said. "Regulatory bodies also compare that index to the petrol prices." It is likely that the gas index would play a similar role.

It is still unclear how exactly the gas index may be calculated as the majority of gas on the Russian market is sold by independent producers through long-term contracts. Independent producer Rosneft declined to comment on the matter. Another independent producer, Novatek, was not available for a comment.

Karpov said that Gazprom and its subsidiaries would have to register any deals in which gas is sold at an unregulated price, if "there are such deals." Gazprom was unable to provide a comment by the time the article went to press.

When registration of OTC deals was still under discussion, sources believed that development of OTC trading within Russia could also open the doors for independent producers to export gas abroad. However, Gazprom is unlikely to be deprived of its monopoly on exports in the coming years, with the Russian government saying it is reasonable to keep Gazprom as the only exporter.

Miller re-elected as Gazprom CEO till 2021

Natural Gas Europe, *16.02.2016*

Gazprom's board of directors unanimously decided to re-elect Alexei Miller as the chairman of the Russian gas giant's management committee for his fourth 5-year term starting from May 31.

That will take his chairmanship up to 2021. The former economist from St Petersburg is only the company's second CEO. He took over from the gas engineer Rem Vyakhirev, who ran the company from 1989, soon after its transformation from the ministry of gas into a joint stock company. He retired in 2001, the year after Vladimir Putin, also from St Petersburg, became president for the first time.

Putin himself sometimes directs company policies where international business in Europe and Asia is concerned, and the state still owns a controlling stake in its major foreign currency earner.

BP upbeat about oil industry and expects prices back at $100

Guardian, *16.02.2016*

BP has predicted a bright future for the oil and gas industry with crude prices spiking at $100 a barrel again, huge increases in shale output and new production from Canadian tar sands.

The British oil company believes fossil fuels will still be providing 80% of total energy supply in 2035 and admits that under this scenario, carbon emissions will rocket. The forecasts were immediately attacked by critics who accused BP of deliberately talking up the prospects for its own business while providing a downbeat assessment of future demand for wind and solar power.

The predictions are contained in the latest annual BP Energy Outlook, which looks at long-term trends and develops projections for world energy markets over the next two decades. “In the middle of a downturn in oil and gas prices, it is important not only to adapt to the current tough conditions, but also to prepare for the next set of challenges,” argued BP’s chief executive, Bob Dudley. The key message seems to be that the oil and gas industry must keep on extracting new reserves to meet strong demand for energy from developing countries and a growth in the world population.

Spencer Dale, BP’s chief economist, was unwilling to say what price assumptions were used in his predictions but did expect an improvement away from a current level of just above $30 a barrel oil. Prices would eventually rise to somewhere between $30 and $100 and while the high figure was not a natural “resting place”, Dale said he expected events to ensure prices would spike up again on occasions to $100.

The positive picture for fossil fuel prices and production from BP was attacked by critics as disingenuous and self-serving. “This is a story of how an oil and gas company predicts the rosy prospects of oil and gas companies. BP would like us to believe that government action on climate will fail, that clean technologies will fizzle, and that the future of energy will still be based on the carbon fuels of the past,” said Greg Muttitt of Washington-based campaign group Oil Change International.

“Dressed in a veneer of concern about climate change, in fact BP’s outlook is a public relations exercise, designed to boost fossil fuels and undermine public faith in clean alternatives. Meanwhile it deflects responsibility to government or to coal companies, to distract from its own extraction of oil and gas. This is not a credible view of the future of energy.”

Dudley told the International Petroleum Week conference in London on Wednesday that the commodity cycle that saw oil prices hit $100 as little as eight months ago was not over. He said the second half of 2016 would see stronger prices because “every storage tank and swimming pool” would be full of oil.

The oil company admitted that in the past it has underestimated the growth of wind and other renewable power technologies in the energy mix but had overestimated the contribution from nuclear and biofuels.

It expected carbon emissions to grow by almost 1% a year for the two decades, “suggesting the need for further policy action” such as a meaningful price for carbon, it said in its outlook. BP was unwilling to speculate on where its base case scenario would leave the Earth’s temperatures, but it would be way above the two degrees centigrade growth seen as safe by most scientists.

The company also outlined a mixture of alternative scenarios, some of which presume much more policy action to counter global warming, including one with a very high carbon price of $100 a tonne (compared with around $5 a tonne now). The outlook predicted that “tight oil” – mainly US shale – would rise from around 4m barrels of oil equivalent to 8m in the 2030s. It added that US shale gas could provide almost 20% of the world’s supplies within 20 years. BP also forecast a major future increase in output from non-Opec production in deep water Brazilian fields and the Canadian tar sands, even though the latter is very expensive and involves high carbon production methods.

Launching the outlook, Dale denied the base case forecast was one the company planned its business round but said it was up to ministers to find wider solutions to climate change. “The idea that you plan on any single base case would not be a sensible thing ... I am not a climate scientist and the mapping between carbon emissions and temperatures itself is highly ill-defined and uncertain thing. “Its a very challenging environment but our job here is not to do anything in terms of advocacy. Our job is not to say whats optimal what is the right thing to do, that’s for policy makers. Our job is to say what is the most likely case.”

US stock market opens higher with rising oil prices

AA Energy Terminal, *16.02.2016*

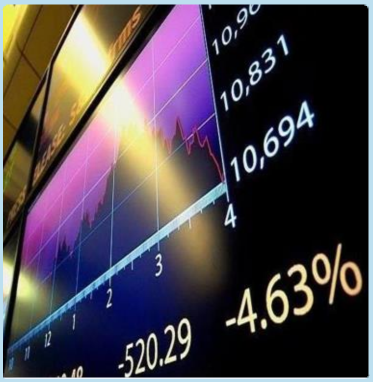
The U.S. stock market opened higher on Tuesday with rising oil prices after a number of oil producing countries agreed to limit their oil output levels. The Dow Jones industrial average rose by 0.94 percent to begin the day at 16,124 points.

The Nasdaq increased by 1.40 percent to open at 4,398 points and the S&P 500 rose by 1.02 percent to begin the day at 1,883 points. The rise in the market came with the increase in oil prices, after oil producers Venezuela, Saudi Arabia, Qatar and Russia met and decided to freeze oil production at January levels, provided other major oil producing countries would follow suit by cutting their production.

American oil benchmark West Texas Intermediate (WTI) climbed above $31 per barrel mark on Tuesday, marking a 2.7 percent rise. The global benchmark Brent jumped above $35 a barrel with a 3.4 percent increase. The U.S. stock market was closed to observe the Presidents’ Day.

US stocks rise as Iran supports oil output deal

AA Energy Terminal, *16.02.2016*



The U.S. stock market closed higher as Iran said it supports the oil-output-freeze deal between OPEC and non-OPEC countries, which pushed oil prices up more than six percent.

The Dow Jones industrial average rose 1.58 percent to end the day at 16,453 points. Nasdaq technology index increased 2.21 percent to close at 4,534 points and the S&P 500 was up 1.64 percent to end the day at 1,926 points. Iran announced that it supports the deal between Venezuela, Saudi Arabia, Qatar and Russia that seeks to freeze individual oil production at January levels in order to trim the glut of supply in the global market and push crude prices higher.

“The decision taken so that OPEC members and non-OPEC countries freeze their production ceiling to stabilize the market and improve prices in the interests of consumers and producers is also supported by us,” Iranian Oil Minister Bijan Zangeneh was quoted as saying by Iran’s energy information network Shana.

“I hope that with the efforts which have been initiated, we would witness improvement of the market’s situation in future,” he added. The oil minister said it may take a while to see the effect of the deal on oil prices, but Zangeneh said the deal is only “the beginning step”. “This is the initial step and we have to look at it positively. Everybody agrees that we have to monitor the market situation and reaction, and consult on the next steps if necessary,” he added.

After the announcement, U.S. oil benchmark West Texas Intermediate (WTI) climbed 6.4 percent to $31.12 a barrel, while the global benchmark Brent crude jumped 6.9 percent to $34.83 per barrel. Meanwhile, increasing production in industrial and manufacturing sectors in the U.S. in January helped the stock market open higher on Wednesday morning.

The U.S.’ Federal Reserve said industrial production in the country increased by 0.9 percent in January, compared to the previous month that showed a revised 0.7 decline. In addition, manufacturing production in the U.S. rose by 0.5 percent in January, from a revised 0.2 percent decline in Dec. 2015.

Announcements & Reports

► *MOMR February 2016*

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

► *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

► *Iran Oil & Gas Post Sanctions*

Date : 22 - 24 February 2016
Place : London, UK
Website : http://www.iranoilgas-summit.com/

► *IHS Energy CERAWeek*

Date : 22 - 26 February 2016
Place : Houston, Texas, USA
Website : http://ceraweek.com/2016/

► *Kazakhstan Oil and Gas Summit 2016*

Date : 22 - 23 February 2016
Place : Almaty, Kazakhstan
Website : http://www.kazakhstanogs.com/

► *Australasian Oil & Gas Conference*

Date : 24 - 26 February 2016
Place : Sydney, Australia
Website : http://aogexpo.com.au/

Supported by PETFORM

► GREAT Regional Oil and Gas Summit

Date : 01 March 2016
Place : Istanbul, Turkey
Website : https://www.events.ukti.gov.uk/regional-oilandgas-summit/

► 7th Mediterranean Oil and Gas Forum 2016

Date : 01 - 02 March 2016
Place : Nicosia, Cyprus
Website : www.energystreamcmg.com

► International LNG Summit

Date : 07 - 08 March 2016
Place : Cannes, France
Website : www.lngsummit.org/

► Balkan Energy Leaders

Date : 09 - 10 March 2016
Place : Belgrade, Serbia
Website : www.greenworldconferences.com/

► International Conference on District Energy 2016

Date : 20 - 22 March 2016
Place : Portorož, Slovenia
Website : www.sdde.si/en

► COGEN Europe Annual Conference 2016

Date : 22 - 23 March 2016
Place : Brussels, Belgium
Website : www.cogeneurope.eu

► Gasification 2016

Date : 23 - 24 March 2016
Place : Rotterdam, Netherlands
Website : www.wplgroup.com/aci/

► *22nd Annual BBSPA Conference*

Date : 07 – 08 April 2016
Place : Vienna, Austria
Website : www.bbspetroleum.com

► *3rd IENE Energy and Shipping Seminar*

Date : 08 April 2016
Place : Piraeus, Greece
Website : www.iene.eu

► *10th Global Oil&Gas Atyrau Conference*

Date : 12 – 13 April 2016
Place : Atyrau, Kazakhstan
Website : http://www.oilgas-events.com/

► *Global Oil & Gas Atyrau*

Date : 12 – 14 April 2016
Place : Atyrau, Kazakhstan
Website : http://oil-gas.kz/en/

► *22nd International Energy& Environment Fair and Conference*

Date : 27 – 29 April 2016
Place : İstanbul, Turkey
Website : www.icci.com.tr

► *Smart Energy Analytics 2016*

Date : 04 – 05 May 2016
Place : London, United Kingdom
Website : www.wplgroup.com/aci/

► *Flame – Europe's Leading Natural Gas & LNG Conference*

Date : 09 – 12 May 2016
Place : Amsterdam, Netherlands
Website : www.flame-event.com

► *Global Oil & Gas Turkey*

Date : 16 – 17 May 2016
Place : Istanbul, Turkey
Website : http://www.oilgas-events.com/TUROGE-Conference

► 6th International Conference & Workshop REMOO 2016

Date : 18 – 20 May 2016
Place : Budva, Montenegro
Website : http://remoo.eu/html/general_information.html

► Turkmenistan Gas Congress

Date : 19 – 21 May 2016
Place : Turkmenbashi, Turkmenistan
Website : http://www.oilgas-events.com/

► Pipeline Technology Conference

Date : 23 – 25 May 2016
Place : Berlin, Germany
Website : www.pipeline-conference.com

► Caspian Oil & Gas

Date : 01 – 04 June 2016
Place : Baku, Azerbaijan
Website : www.caspianoilgas.az/2016/

► Yamal Oil & Gas

Date : 08 – 09 June 2016
Place : Salekhard, Russia
Website : www.yamaloilandgas.com/en/programmerequest/

► 7th International Energy Forum

Date : 10 June 2016
Place : Istanbul, Turkey
Website : www.iicec.sabanciunic.edu

► Energy Systems Conference 2016

Date : 14 - 15 June 2016
Place : London, UK
Website : www.energysystemsconference.com

► World National Oil Companies Congress

Date : 15 - 16 June 2016
Place : London, UK
Website : http://www.terrapinn.com

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► *ERRA Summer School: Introduction to Energy Regulation*

Date : 20 - 24 June 2016
Place : Budapest, Hungary
Website : http://erranet.org

► *9th SE Europe Energy Dialogue*

Date : 29 – 30 June 2016
Place : Thessaloniki, Greece
Website : www.iene.eu

► *Global Oil & Gas - Black Sea and Mediterranean*

Date : 22 – 23 September 2016
Place : Athens, Greece
Website : www.iene.eu

► *23rd World Energy Congress*

Date : 09 - 13 October 2016
Place : Istanbul, Turkey
Website : http://wec2016istanbul.org.tr/

► *15th ERRA Energy Investment & Regulation Conference*

Date : 17 - 18 October 2016
Place : Budapest, Hungary
Website : http://erranet.org/InvestmentConferences/2016

► *21st IENE National Conference "Energy and Development 2016"*

Date : 24 - 25 October 2016
Place : Athens, Greece
Website : www.iene.eu

► *European Autumn Gas Conference 2016*

Date : 15 – 17 November 2016
Place : Hague, Netherlands
Website : http://www.theeagc.com/

► *5th Cyprus Energy Symposium*

Date : 29 - 30 November 2016
Place : Nicosia, Cyprus
Website : www.iene.eu