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Arbitration over Russia-Turkey gas discount continues

AA Energy Terminal, *01.04.2016*

Arbitration process continues with Russia over disputed natural gas price discount, Mehmet Konuk, head of the Petroleum Pipeline Corporation, BOTAS, said during "Istrade 2016 Energy Trading and Supply Summit" in Istanbul.

BOTAS and Russian Gazprom Export have international natural gas purchase and sale agreements, signed on Dec. 15, 1997 and on Feb. 18, 1998 which allows Turkey to receive a total of 20 billion cubic meters of gas from Russia. Under the agreements, both sides have the right to ask for a price revision, and after the revision is negotiated, an agreement needs to be reached within six months.

Russia announced a 6 percent discount on natural gas purchases from December 2014 and upon request from Turkey, Russia raised the discount rate to 10.25 percent. The discount was agreed upon by both sides to come into effect from Dec. 29, 2014, but never realized.

Although both sides had reached an understanding, Gazprom Export failed to sign the relevant documentation within the six month period following the preliminary agreement and additional four months passed by without a response from Russia. After writing to Gazprom Export on Oct. 6, 2015, and not receiving a reply, BOTAS announced its decision to take the matter to the arbitration court on Oct. 26, 2015.

BOTAS followed the legal route throughout this process, Konuk said and added that if the Russian side was willing to approach BOTAS to make a deal before a court decision was made, they would welcome it. "We would be happy if Gazprom side wanted to agree under BOTAS terms," he said and added that in long term commercial relations like the one between Russia and Turkey, it is best to avoid processes like arbitration if possible. Turkey, is the second biggest importer of Russian gas after Germany.

Similarly, Turkey had taken Iran to arbitration in 2012 for Iran's high natural gas prices applied to Turkey during the four year period between 2011 and 2015. The International Court of Arbitration has ruled against Tehran in the gas dispute between Ankara on Feb. 2, 2016.

According to the ruling, Iran will compensate for the price of natural gas it exported to Turkey by 10-15 percent. The exact discount is not agreed upon yet. Iran and BOTAS experts will come together and evaluate a final decision, he added.

If an agreement is not reached between Iran and BOTAS, then each side will present their side to the committee and the committee will make the final decision. "We hope the discount rate will meet our expectations," Konuk said.

Turkey's Ipragaz eyes OMV's Petrol Ofisi

AA Energy Terminal, *01.04.2016*

"I cannot say that, we seek to buy it or not, but we follow the situation about Petrol Ofisi," said Selim Siper, CEO of Ipragaz. Turkey's Ipragaz considers every project which is promising, said Siper, about Austrian OMV's Petrol Ofisi.

OMV announced that the company will sell 100 percent of its wholly-owned subsidiary OMV Petrol Ofisi AS the largest retail fuel station network in Turkey as well as a leading company in Turkish oil products in both the retail and wholesale market. Ipragaz CEO said that there are misunderstandings about the situations of companies, who sell their business in Turkey.

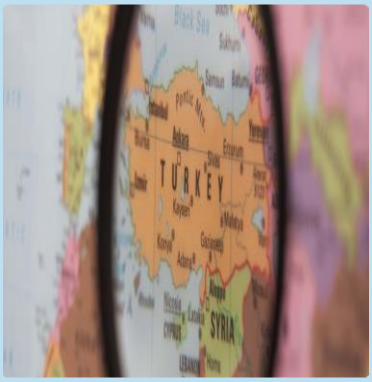
"No one pulls their business out of the Turkish market. We can say that there is a handover. Another company will take the business and make it continue. It was the same thing for French Total. Owners may change but business will go on as usual," he said.

Total, French oil and gas giant, sold its filling station network in Turkey to Turkish Demiroren Group for 325 million euros ($366 million) in September 2015. Total said that the company will stay in the petroleum product market in Turkey through its lubricant activities, including a blending plant odorless liquefied petroleum gas operations.

"We have an integrated approach to energy. That's why if we see a project promising we would be interested. But this not a positive or negative interest for now. We are an actor in the energy market and we always want to be informed of such things. This is our mission to do our business," Siper said. Ipragaz said that it applied Turkish Competition Authority to buy some of the Total's LPG tanks.

Talks on Cyprus Issue

Hurriyet Daily News, *30.03.2016*



The Turkish and Greek Cypriot leaders of Cyprus are continuing talks presumably aimed at reuniting the island in a federation, the parameters of which remain aloof.

The two sides have not even agreed on the meaning of the word "federation" or the "bi-zonality" and "bi-communality" principles agreed on by the political forefathers of the current negotiators. Since they started back in 1968, the Cyprus talks process has come close to a resolution many times but somehow each time efforts nose-dived, demonstrating that either the "recipe" or some "ingredients" must be wrong otherwise a cake would have been baked long ago.

Technically, since 1968 - as well as in the "goodwill" mandate the Security Council entrusted with the U.N. secretary-general - Cyprus talks have been continuing between the "representatives" of the two "communities" of the island of Cyprus. That is, at the negotiations table the two communities of the island must have full equality. Technically, the Greek Cypriot leader, just like his Turkish Cypriot counterpart, has been at the talks as the "elected representative" of his people.

Greek Cypriots were categorically against a federal resolution up until 1977, when Archbishop Makarios changed his mind. In 1975 a verbal "population exchange accord" between the two sides allowed Turks to gather in the north. The northern Greek population had already mostly fled to the south in 1974 during the Turkish intervention. Thus, for the first time in the history of the island a bi-zonal situation was de facto established.

In the 1977 and 1979 high level agreements (first between Archbishop Makarios and Rauf Denktaş and the latter between Spyros Kyprianou and Denktaş) it was agreed that a settlement on the island would be a bi-zonal and bi-communal federation. Still, what the two sides understood from what they agreed on back in 1977 and 1979 were totally different stories.

Greek Cypriots have been insisting a unitary state called a "federation" would be enough, while Turkish Cypriots have demanded some sort of a confederation in the name of federation. Personally and for obvious reasons I would opt for confederation, if not two states, but anyhow the two sides were never ever could be as frank as this columnist or had the luxury of saying in clear terms what they were really interested in achieving.

The cake would have been baked and served long ago had there been good intentions and the willingness to embrace a bitter compromise and sustainable solution. The recipe was wrong. The ingredients were wrong. Some 50 years later and they are still trying to bake a cake, with no success on the horizon. U.S. Secretary of State John Kerry "could not agree less" with a statement by Turkish Foreign Minister Mevlüt Çavuşoğlu, that "we are hoping to reach a settlement in Cyprus in 2016.

Turkey’s side is ready… Talks slowed because of preparations for the Greek Cypriot elections in May. But after the elections we are hoping to reach a settlement and the United States is giving its full support to this process as well as Turkey.”

Hours before that statement, however, Ankara was lambasting a move by the Greek Cypriot government which indeed undermined the talks as well as Turkey’s rights in the Mediterranean Sea. As a similar crisis was not resolved with international diplomacy and Greek Cypriots, Turkish Cypriots and Turkey pledging some sort of a moratorium in off-Cyprus gas exploration moves, the Greek Cypriot side invited bids for a third licensing round, demonstrating once again its hegemonic approach towards Turkish Cypriots.

The Foreign Ministry statement clearly stressed what was obvious and indeed what was the missing element which prevented the Cyprus cake from being baked for so long. It said the Greek Cypriot move demonstrated it was acting “as if it was the only owner of the island, something that disregards the basic rights of Turkish Cypriots, who are equal partners.” Bull’s-eye! Turkey’s other objection was equally valid and crucial, as one of the plots Greek Cypriots were inviting tenders to was a clear violation of Turkey’s already U.N.-registered zone.

With all this going on, the natural expectation was for Turkish Cypriot leader Mustafa Akıncı to raise this issue with his Greek Cypriot partner Nikos Anastasiades at the latest session of the talks, warning him of the consequences and underlining no further meeting could be held if this aggressive and insulting behavior persisted. He should have stressed that Turkish Cypriots are “equal partners” of Greek Cypriots and any undertaking regarding the island’s natural resources must get Turkish Cypriot approval as well.

Akıncı only managed to say that it would create complications if the firms winning the bid started exploration after the tender process was completed. When? Ten months later, probably. Reports indicated the “no” vote on the Greek side in a probable simultaneous separate referendum would be at around 85 percent this time. In the Turkish side there appears to be a surge in the “no” votes as well, but so far the “undecided” share and those “well, we might think again” votes appear to be 50-50.

Will there be a Cyprus settlement this time? Çavuşoğlu says “probably” and Kerry “can agree less” but the ingredients are not on the table at all. When and if Greek Cypriots agree the island is a “common home” of “two equal peoples,” then, no problem, there will be a resolution, but only at that moment. A deal before than would just mean laying the ground for more problems in a short period.

Chinese energy firms eager to invest $15B in Turkey

Daily Sabah, *30.03.2016*

Investing $1.7 billion in a power plant in Yumurtalık, Chinese firms have also respectively made bids of $2 billion and $10 billion in Turkey's wind and solar power industry sectors and bid also $3 billion for a thermal power plant.

Energy and Natural Resources Minister Berat Albayrak visited China last week in order to establish contacts in the energy sector, particularly nuclear power, and came back with an investment bid worth $15 billion. The bidding company is EMBA Electricity Production Co. Inc., which was established by Turkish businesspeople, but later taken over by Chinese businesspeople who purchased a majority stake.

According to the Star Daily, after meeting with various companies for over a year in order to enter the Turkish market, representatives from China's Shanghai Electric purchased the majority share of EMBA Electricity Production Co. Inc., which was founded by Mete Bilgün, the co-founder of Aytaç Gıda famous for Aytaç sujuks.

Stressing that they signed the partnership agreement in November 2013, EMBA Electricity Production General Director Mete Bülgün said, "The company's first investment was to establish a 1,320 megawatt thermal power plant in Yumurtalık. For energy sector investments totaling $1.7 billion, $800 million worth of equity entered our country from China." Regarding the ongoing investments, Bülgün added, "Our senior Chinese partner has plans to invest in a wind power plant expected to reach 600 MW. The equity for this investment is nearly $2 billion. We are interested in the coal field in Konya's Karapınar district as well. We have signed a confidentiality agreement with the Electricity Generation Company [EÜAŞ]."

Emphasizing the Energy Specialization Industry Zone, which will be constructed in Karapınar, Bilgün said, "We submitted a letter of goodwill on Jan. 21, 2016, and asked for the whole area. If given to us, we can construct a 3,000 MW solar field worth $10 billion."

Bilgün also stated another one of the company's proposals. "There is a space in Ambarlı where the state owns a natural gas conversion plant. We also placed a bid in order to establish a 2,000 MW thermic power plant there. The investment value of this can reach up to $2.5 billion or even $3 billion," Bilgün said.

Gurkan Kumbaroglu: Price of natural gas of Europe will emerge from the border in Turkey

Azertac, *29.03.2016*

“Turkey will play a major role in determining the price of natural gas to be transported to Europe from Azerbaijan, Iran and Russia. The price of natural gas of Europe will namely emerge from the border in Turkey”, said President of IAEE, Prof. Dr. Gürkan Kumbaroğlu.

According to Anadolu News Agency, Kumbaroğlu told that, all the routes towards Europe’s new energy projects will cross in Turkey. Along with TANAP and TAP gas pipeline, also “Turkish Stream” gas pipeline project, the negotiations of which are currently suspended, increases the importance of Turkey.

Gürkan Kumbaroğlu emphasized that, the price of natural gas of Europe will namely emerge from the border in Turkey. In addition to playing an important role in Europe, the energy center to be established there will increase the importance of Turkey’s energy market.

“Southern Gas Corridor”, which consists of South Caucasus Pipeline (SCP), TANAP and TAP gas pipeline, is considered as the world’s most complex developed chain of natural gas pipelines. A 3,500 kilometers long Southern Gas Corridor pipeline system will transport natural gas, produced from “Shah Deniz-2”, to Europe via Georgia and Turkey. Instead, the TANAP pipeline is planned to supply initially 10 billion cubic meters of gas to Europe annually and 6 billion cubic meters to Turkey.

Turkish FM meets head of IAEA

Anadolu Agency, *01.04.2016*

Turkish Foreign Minister Mevlut Cavusoglu met Thursday with International Atomic Energy Agency Director General Yukiya Amano, Turkish diplomatic sources said. During the meeting, Cavusoglu briefed Amano about Turkey's current nuclear energy program and its ongoing efforts to benefit more from nuclear energy.

Both sides have also discussed that nuclear security was important to Turkey and the region. Cavusoglu also met with Thailand Foreign Minister Don Pramudwunai and Australian counterpart Julie Bishop, separately, diplomatic sources said.

With Pramudwunai, Cavusoglu discussed cooperation on trade relations between Turkey and Thailand and agreements to especially strengthen and increase the trade. Building a joint economic commission was also amongst the discussions. Pramudwunai also expressed condolences for recent terror attacks in Turkey and both sides stressed that more cooperation was needed in terms of fighting terrorism.

Bishop too expressed condolences for Turkey, followed by a discussion on how to fight Daesh. They also discussed an upcoming foreign ministers meeting to be held in Australia. Cavusoglu, along with Turkish President Recep Tayyip Erdogan, Turkish Energy Minister Berat Albayrak, Turkish Economy Minister Mustafa Elitas and Turkish Minister of Family and Social Policies Sema Ramazanoglu, are in Washington for a two-day nuclear summit that began Thursday.

Was Russia’s Syrian campaign aimed at Turkish energy security?

Oilprice, *27.03.2016*

After a decade long honeymoon period between Russia and Turkey, based on the close personal relationship between Putin and Erdogan, relations between the two countries deteriorated after Turkey shot down a Russian military plane.

Contrary to popular belief, Russia has come out on top in the tug-of-war over Turkish-Russian energy policies since 2002. Turkey has become extremely dependent on Russian natural gas and oil since then, allowing Russian energy companies to get involved in the Turkish energy sector. Gazprom purchased assets of Turkish energy companies; to construct Turkey’s first nuclear power plant in Mersin-Akkuyu.

Due to the Ukrainian crisis, the Kremlin began to push the Turkish Stream natural gas pipeline and cancelled the South Stream natural gas pipeline in order to bypass Ukrainian territory. However, the declaration of the Turkish Stream raised another question, whether Turkey was about to become Russia’s new Ukraine with regards to controlling pipeline transportation.

Turkey welcomed the Turkish Stream proposal without first examining the benefits and downsides of the project. It was understood that during the election process of June and November 2015, Erdogan’s AKP party made promises to Russia that they would sign the necessary documents to launch the construction of the Turkish Stream natural gas pipeline project once elected.

However, once elected, Erdogan could not keep his promise to Putin as his party (AKP-Justice and Development Party) were unable to get the necessary majority in the Turkish Parliament to approve the pipeline agreement.

Only a few weeks later, Russia made a declaration that it would freeze the Turkish Stream project, and proceeded to send troops to Syria, with the official approval of the Syrian authorities, to fight against terrorist groups. This declaration marked the end of the honeymoon period between Russia and Turkey.

From August 30, 2015, Russia began to send troops and warplanes to Syria, expanding its airbase in Latakia. In doing this, Russia increased its level of aid to the Assad regime, both diplomatically and economically, to a level that Putin was aware would make Erdogan uncomfortable.

Russia’s presence in Syria was universally accepted as legal and, following the Paris attacks, France even requested Russian cooperation to fight against ISIS in Syria. Furthermore, Russia and the U.S. harmoniously conducted air operations in Syria. Following the shooting down of a Russian war plane by Turkey, the Kremlin launched a containment and alienation policy towards Turkey.

Second, Russia influenced Iran, Iraq and Syria to exert diplomatic and economic pressure on Turkey. For example, Russia compelled Iran to ban the re-export of Turkish goods to Russia. Third, Russia launched economic sanctions against Turkey, cancelling visa-free travel and stopping tourism between two countries.

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.

Fourth, Russia acted unanimously with the U.S. concerning Kurdish issues in Syria, challenging Turkish policies. Fifth, Russia withdrew a majority of its military from Syria, strengthening its position in the Syria talks in Geneva. Finally, Russia exerted its geopolitical influence in order to contain Turkey's pipeline aims.

The Russian military is not entirely withdrawing from Syria, maintaining a long-term presence in both its Tartus and Latakia bases. Thus, Russia strengthened the position of Assad, while constructing new ties with both Syrian and Iraqi Kurds, actions that directly conflict with Turkey's geopolitical aims.

Erdogan and Barzani have formed a close relationship regarding energy, with Turkey providing significant support for the KRG. Russia has pursued its own relationship with the Iraqi Kurds, supplying them with anti-aircraft weaponry, which it says is to help fight ISIS.

The problem with that, from Ankara's perspective, is that ISIS does not possess aircraft – but Turkey does. In short, Russia and the U.S. are developing their relationship with Syrian and Iraqi Kurds separately and, in doing so, are challenging Erdogan's Kurdish policy.

Natural gas could be a major factor in the conflict in Syria and between Turkey and Russia. Russia, in an attempt to stop Turkey from transporting Kurdish oil and gas, has strengthened the Assad regime's position on the Mediterranean coast.

While this does not prevent the development of new pipeline routes from Northern Iraq to Syria, which would bypass the Kirkuk-Ceyhan oil pipeline and the Turkey-KRG natural gas pipeline, it does reduce the ability of Turkey to import oil and natural gas from Iraq and Iraqi Kurdistan.

As long as Russian-backed Syria controls Western Syria and the pipeline ports there, it is still possible to build new pipelines which start in Northern Iraq and end in Syria. Moreover, Turkey was so determined to be part of a Qatar-Turkey natural gas pipeline that it is willing to pass through ISIS dominated Iraqi and Syrian territories.

However, Russian military operations and a strengthening Assad regime killed the Qatar-Turkey natural gas pipeline. Finally, the Russian containment policy and military presence in South Turkey triggered Turkey to ally with Israel. For a long time, Erdogan has used an anti-Semitic approach in domestic policy, but Turkey's current lack of allies in the region has caused Erdogan to change his approach. U.S. Vice President Biden recently visited Israel and stated that Erdogan is eager to reconcile with Israel as soon as possible.

Although Erdogan is having trouble explaining his Israeli rapprochement, Ankara expects to sign pipeline agreements with Israel over the Eastern Mediterranean corridor. However, Russia is committed to blocking all the pipeline projects to Turkish territory as long as Erdogan sits in power. To conclude, Russia's intervention in Syria not only served to strengthen the Assad regime and weaken the Islamist extremist groups, but also challenged Turkish security and energy policies.

Israel's high court strikes down government natural gas plan

Bloomberg, *27.03.2016*

Israel's High Court blocked the government's controversial proposal to regulate the natural gas industry, in a dramatic ruling that complicates plans to develop the country's largest field and conclude export deals.

The court said that it objected to the so-called stability clause that would have prevented major regulatory changes for 10 years, inserted to encourage investment. It gave the government, which denounced the ruling, a year to revise its plan. The TA-Oil & Gas Index fell 5.9 percent on Monday, the most in nearly seven months, to 844.69 at 10:13 a.m. in Tel Aviv.

The government's failure to craft an approved regulatory framework for the industry since the fields were discovered six years ago has held up development of the largest reserve, Leviathan, impeding export deals and antagonizing investors. Israel's offshore gas fields are held by a small number of companies headed by Texas-based Noble Energy Inc. and Israel's Delek Group Ltd.

The court's decision was "disappointing," and Noble will "vigorously defend its rights" related to its assets, Chairman David Stover said in a statement. Noble can sue Israel for damages if the gas plan isn't approved and Leviathan isn't developed, analysts have said. While Stover called the ruling a "risk" to the timetable for developing Leviathan by the end of 2019, the chief executive of Delek Drilling LP of Israel, Yossi Abu, said in a conference call on Monday that the companies would meet the development schedule.

Prime Minister Benjamin Netanyahu decried what he called a "grave threat" to the development of Israel's gas reserves. "We will look for other ways to overcome the severe damage this ruling has done to Israel's economy," he said on Sunday, adding that the court would be perceived as overstepping its bounds.

Before crude oil prices tumbled, dragging down gas prices, Noble estimated government revenue and royalties from Leviathan exports at more than $20 billion over a decade. Noam Pincu, an analyst at Psagot Investment House Ltd., called the decision "terrible news for the gas industry." "The bottom line is the development of Leviathan is delayed," Pincu said.

“The stability clause was very significant. Companies had signaled they wouldn’t invest without some kind of outlook for the future.” The regulatory uncertainty has made it harder for the companies to secure financing at a time when energy prices have tumbled. Noble is the only international company operating in Israel, after Woodside Petroleum Ltd. pulled out of negotiations in 2014.

Opposition to the plan has been fierce. Antitrust Commissioner David Gilo resigned in protest in May and demonstrations against the program have drawn thousands. Critics say the plan entrenches a gas monopoly and will increase prices for Israeli consumers, and petitioned the court to strike it down. Lawmaker Shelly Yachimovich of the opposition Zionist Union bloc hailed the ruling as a “huge victory for the thousands of activists who refused to be silenced.”

Netanyahu, who led political and legal maneuvers to override the commissioner’s objections, made an unprecedented appearance before the court in February to urge it to approve the regulation. He warned that failure to approve the plan would frighten away foreign investors, and maintained the program promoted national security.

The court didn’t object to the national security argument, in effect allowing Netanyahu to circumvent the antitrust authority. Netanyahu has said energy self-sufficiency means less international interference and makes Israel less vulnerable to boycotts. The natural gas discovered off Israel’s Mediterranean coast is sufficient to meet the country’s energy’s needs for decades, with surplus for export, developers say. The Tamar field holds about 10.8 trillion cubic feet of gas and Leviathan about twice that amount.

The developers have signed deals to export fuel to neighboring Jordan, and have been in negotiations to ship fuel to Egyptian plants where it would be converted to liquid natural gas for possible export to Europe. The Leviathan partners agreed in November to enter non-binding negotiations with Dolphinus Holdings Ltd. in Egypt to supply as much as 4 billion cubic meters of natural gas annually for 10 to 15 years. Dolphinus is a consortium of large, non-governmental gas consumers and distributors headed by Egyptian businessman Alaa Arafa.

The partners have also been negotiating to export about 10 billion cubic meters a year to Turkey, which would be worth about $2 billion a year, people familiar with the matter told Bloomberg earlier this month.

Leviathan needs a market more than stability

Globes, *29.03.2016*

Opponents of the natural gas plan were not ashamed to shed a tear of joy in response to the High Court of Justice (HCJ). Just what were they celebrating? The HCJ approved the gas plan, subject to the elimination of one clause.

From all the overwrought campaign waged here to save democracy from the gas bandits, the cries about treasonous politicians and selling the country to the tycoons and arguments about questionable approval procedures, fabricated security considerations, bypassing the Antitrust Authority director general, dismissal of regulators, and dark deals, nothing whatsoever remains.

The HCJ justices agreed that all that remained was a demand for elimination of the stability clause. This extraordinary clause was inserted at the insistence of Noble Energy, which can also concede it tomorrow morning.

Furthermore, Prime Minister Benjamin Netanyahu is only an inch away from getting the plan approved in Knesset legislation, so what are all the celebrations for? In the end, Israel was and remains dependent on foreign companies to develop its gas reservoirs. In the end, the government will have to compromise with these companies, because otherwise, the gas will remain under the sea.

Noble Energy, or any other company in its place, will demand a risk premium from the state in return for the capital it is jeopardizing by developing the gas reservoirs in the regulation-struck local market and the gas-saturated global market.

Any postponement or regulatory twist will only make the risk premium larger. In the end, when the government has to pay, the opponents of the plan can once again accuse Netanyahu of caving in to the tycoons - after all, they bear no responsibility for the results of the crisis that will occur in the energy sector. The demagoguery can continue for another year, thanks to the HCJ.

Like the joy and euphoria of the gas plan opponents, the only real reason for the outraged responses and defiance of Netanyahu, Ministry of National Infrastructure, Energy and Water Resources Yuval Steinitz, and Minister of Justice Ayelet Shaked is political.

Netanyahu and his ministers are thoroughly fed up with the unending and thankless task of getting the gas plan through the obstacles, and the thought of going back to the drawing board, or, Heaven forbid, the Knesset, gives them serious indigestion. If they are forced to consider the matter fairly, however, they will have to admit that the HCJ’s ruling was expected.

Even before the first HCJ hearing, the state realized that at least two justices were hostile to its position, so the chances of getting the plan through unscathed were close to nil. The ministers were well aware how much of a precedent the stability clause would set, and they nevertheless insisted on adding it to the plan.

They could have at least boasted that the rest of the plan was approved, but Netanyahu and his ministers prefer to act as if the HCJ had thrown them into the Tiber. Steinitz went so far as to accuse the HCJ of undemocratic behavior. I wonder what Steinitz would have said about the stability clause when, as Minister of Finance, he was on the side opposed to Noble Energy and Delek Group Ltd. (TASE: DLEKG) controlling shareholder Yitzhak Tshuva.

He probably would have objected to the dangerous precedent, and would have asked how a private company could be given the right to prevent Knesset legislative processes - he would have moaned about the end of democracy. Someone should remind Steinitz how the demand for stability for which he is fighting so desperately originated - in the changing of the rules of the game in the middle of the game. Steinitz is the one who did that.

The developers' response to approval of the gas plan highlights the differences between them. As always, Delek is searching for a creative solution to the new crisis that has arisen. In the past, Noble Energy's Israeli partner demonstrated impressive ability to persuade the US company not to walk away from the deal, and to return to the negotiating table with the Israeli officials whom Noble Energy regards as insufferable.

I predict that Delek will repeat its feat. After all, it would be ironic if the gas plan is not carried out merely because of Noble Energy's obstinacy. Meanwhile, however, Noble Energy is sticking to its guns and saying the government is responsible for finding a solution that will allow development of the Leviathan reservoir. Noble Energy says it is determined to fight the good fight for its rights here and now.

Noble Energy is a company with self-respect. It came here to work. It is the largest investor in the Israeli economy, and it is not here to make a quick killing and get out; it wants to develop an important industry out of nothing in order to make as big a profit as possible. While all the other oil and gas exploration companies that looked here failed, Noble Energy brought Israel five reservoirs with commercial quantities of gas.

It hooked the Tamar reservoir up to the economy four and a half years after it was discovered, a real achievement by international standards. For the sake of presenting a balanced picture, it is important to note that Noble Energy is also making money, especially now that the flow of revenue from Tamar has become the company's main anchor of stability. Noble Energy was disabused a long time ago of any expectations of a thank you for doing business in Israel.

Their portrayal as wicked and predatory has cut them to the quick. Noble Energy intends to fight fearlessly to protect its right to work here free of interference, even if this involves making veiled threats to file for international arbitration. As Noble Energy sees it, the threat of arbitration is essential, because Israel is an immature partner and unready for a relationship, to use a metaphor from male-female relations. The Israeli administration is unpredictable, speaks with forked tongue, and postpones decisions endlessly, only to reverse them later.

The Prime Minister is friendly, but unable to deliver the goods, and has trouble enforcing his will on recalcitrant officials. Yesterday, Noble Energy's demand for stability blew up in its face, when the HCJ told the whole world, "Stability you won't get here."

It can still be assumed that stability is not everything. Such clauses are not the usual practice in other place where Nobel Energy operates, and Noble Energy was given limited and short-term stability instead of the clause it wanted.

When it invested in the Tamar reservoir, Noble Energy was not concerned about stability, and did not even wait for the signing of gas sale agreements - because it knew that the Israeli economy was desperate for every bit of gas, and the reservoir had a guaranteed market. The big problem with Leviathan is not stability, but the fact that as of now, there are no buyers for the gas from it. Instead of bothering about stability clauses, the state should therefore ensure a market for Leviathan.

Policy of freezing oil output doomed to fail

Trend News Agency, *22.03.2016*

Global oil markets have been undergoing a structural shift since the mid-2014. Brent crude dropped 77 percent, from $115 per barrel on 19 June 2014 to $26 on 20 January 2016. For majority of the oil producing community this drop in 18 months was regarded as a catastrophe. For some, as if the sky was falling.

Then, Brent price recovered to $40 when March was about to close. Analysts continue to provide, or better said, struggle to explain, the reasons that explain why prices dropped 77 percent in 18 months and then surged more than 50 percent over the past 2 months.

Whether real changes in the supply/demand balance have been at work or other factors such as market psychology, monetary policy, casino capitalism accelerated by financial players, etc, were the main culprit will not find a universally accepted answer.

Bearish news (post-sanctions production increases in Iran, lower demand from a weak Chinese and some other Asian economies, high U.S. oil inventories, stubbornly robust production, more resilient shale oil output than first thought) are among the frequently listed reasons for the drop, and Keynes' animal spirit helped by financial players, a weak dollar as well as hopes that key producers will agree on output freeze at an upcoming meeting in Doha are among the top reasons for the recent increase.

Perhaps, artificial pressure (whatever that may be) to keep oil prices down is also lifting if you pay attention to conspiracy theories. However, none focus on the turbulence we have been witnessing in oil markets since the last 3 months markets due to high volatility. World oil statistics, in scope and accuracy, are still far from perfect.

They are of poor quality, imprecise, mostly contradictory, and subject to sometimes radical but mostly not noticed revisions. Therefore, they can easily lead to misguided conclusions regarding the state of market fundamentals.

Without proper attention directed at statistic caveats, the ensuing interpretation of oil market data opens the door to unnecessary volatility, and can distort perception of market fundamentals. The recent roller coaster in oil prices is just a blunt example.

Volatility in spreads among three crude oil benchmarks often has implications on the flow of oil trade. Or perhaps the reverse is true from time to time. Whatever the direction of the causality, traders may switch for instance, from crude oil that's priced off Brent blend to Middle East crude grades that are priced off Dubai.

We can list additional developments that provided oxygen to the already burning market. The lifting of the US crude oil export ban has opened the arbitrage for European sales. Lifting of the sanctions has enabled Iran to boost its oil exports. And OPEC has abandoned its output target.

OPEC's current Saudi-led supply strategy is working or not, is debatable. Prioritizing market share and production over price may be an inappropriate policy at a wrong time with painful consequences. Despite oil production freeze, Saudis perhaps will continue to produce more, particularly when one takes into account of resumption of production at Khafji field jointly operated by Saudi Arabia and Kuwait.

Output freezing policy is doomed to fail simply because what market needs is a reduction in production, not sustaining the current level and hoping that those producers with higher production costs would be forced to cut at one point. Libya has many other priorities to focus on right now than a possible oil production freeze. Despite the desire to return to pre-civil war production levels, currently a production increase there is unlikely as internal dispute between two governments continue.

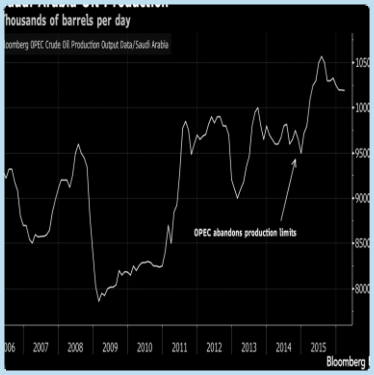
Except for Iran, countries that may agree on output freeze are already producing at near capacity, and hence overall impact on production freeze on global supply-demand balance will be little. This is why Iran makes a difference, perhaps not immediately, but soon.

Iran is unlikely to agree on output freeze until its production level reaches pre-sanctions period. At least, this was the motto announced so far. Iran's exports are already adding to the supply glut and more importantly Iran made it clear so far that it wants to regain market share lost in Europe and Asia while under Western sanctions. In this sense, any inclination by Iran towards production freeze could imply a loss in credibility.

Meetings between major oil producers should be more on finding out how to establish a mechanism so that in the mid to longer term prices could cycle in a range between a floor and a ceiling, than simply freezing output which may backfire. How this can be done, however, requires some imagination.

Saudi Arabia will only freeze oil production if Iran joins

Natural Gas Europe, *18.03.2016*



Saudi Arabia will only freeze its oil output if Iran and other major producers do so, the kingdom's deputy crown prince said, challenging the country's main regional rival to take an active role in stabilizing the over-supplied global crude market.

The warning by Mohammed bin Salman, 30, who's emerged as Saudi Arabia's leading political force, leaves the outcome of a meeting between OPEC and other big oil producers this month in question. Iran has already said it plans to boost its production after the lifting of sanctions following a deal to curb the country's nuclear program.

"If all countries agree to freeze production, we're ready," bin Salman said in an interview with Bloomberg. "If there is anyone that decides to raise their production, then we will not reject any opportunity that knocks on our door." In London, Brent crude oil fell below $40 a barrel after his comments, declining as much as 2.1 percent to $39.50 a barrel. In New York, West Texas Intermediate crude fell as low as $37.42 a barrel, almost erasing all its gains for the year.

After the Organization of Petroleum Exporting Countries abandoned its efforts to boost oil prices in November 2014, focusing instead on protecting its market share, Saudi Arabia increased production to an all-time high of more than 10.5 million barrels a day, claiming that customers were asking for more oil.

The meeting of oil producers in Qatar on April 17 follows a gathering in February between Saudi Arabia, Qatar, Russia and Venezuela in which the quartet tentatively agreed to cap their production at January's level. The deal, which helped to lift the price of benchmark Brent crude above $40 a barrel from a 12-year low of $27.10 a barrel in January, was contingent on other countries joining it.

Iranian Oil Minister Bijan Namdar Zanganeh will attend the Doha discussions but won't join a production freeze, according to a person familiar with the nation's policy. Tehran will maintain its policy of regaining market share lost during years of sanctions, said the person, who asked not to be identified as the talks are private.

The International Energy Agency said that Iran, in its first full month freed of nuclear sanctions in February, lifted its oil production to a four-year high of 3.22 million barrels a day. Energy Aspects Ltd., a London-based consultant, said Iran boosted oil exports by another 100,000 barrels a day in March. Traders and analysts have speculated that Riyadh could be ready to voluntarily cap its output at the current level of about 10.2 million barrels a day even if Iran doesn't join. But asked during the five-hour interview in a royal compound in Riyadh whether Iran needed to take part, bin Salman said, "without a doubt."

“If all countries including Iran, Russia, Venezuela, OPEC countries and all main producers decide to freeze production, we will be among them,” he said. The latest comments from Riyadh mean the Doha meeting was “looking more and more pointless,” said Abhishek Deshpande, oil analyst at Natixis SA in London. “What is becoming very clear is that Saudi Arabia is serious about moving away from the traditional play of adjusting prices by cutting or freezing supplies by itself.” The prince said that Saudi Arabia was ready to weather the oil crisis by reforming its economy.

“I don’t believe that the decline in oil prices poses a threat to us,” he said, adding that a rise in prices, while having budgetary benefits for the kingdom, was also a “threat to the lifespan of oil.” Bin Salman suggested prices will rise over the next two years as demand continues to increase, but he made clear Riyadh has very little appetite for the return of OPEC production management that molded the oil industry for 30 years. “For us it’s a free market that is governed by supply and demand and this is how we deal with the market,” he said.

Mounting political risks threaten Russia’s New European gas pipeline

Forbes, *27.03.2016*

It was revealed last week that eight European leaders – representing Poland, Hungary, Lithuania, Latvia, Estonia, the Czech Republic, Slovakia and Romania – sent a letter of protest to European Commission President Jean-Claude Juncker expressing opposition to Russia’s planned Nord Stream-2 gas pipeline.

The letter warned that Nord Stream-2 would have “potentially destabilizing geopolitical consequences,” undermine the energy security of Central and Eastern Europe, and detrimentally impact Ukraine. The prospective shareholders in the Nord Stream-2 consortium issued a rebuttal.

The reply, which can be found on the consortium’s website, argues that Nord Stream-2 is consistent with EU climate goals and will enhance Europe’s long-term energy security by providing an alternative gas supply route that avoids the unreliable transit state of Ukraine.

The rebuttal further asserted that the project will improve internal market competition by increasing liquidity in North-West European gas hubs with the delivery of additional gas supplies at a time when North Sea gas production is declining and European gas demand is recovering.

The consortium’s most salient point, and the one that gives the shareholders the most confidence, is that there is clear legal precedent under EU laws and regulations that Nord Stream-2 is not subject to the Third Energy Package (TEP) since it is an import pipeline from a third-party country (non-EU member). The EU is currently assessing the applicability of the TEP to the offshore section of Nord Stream-2.

The TEP would require the unbundling of ownership and control of gas transmission and distribution as well as mandate non-discriminatory third-party access to pipeline capacity (capping Gazprom's capacity at 50%).

Implicit in the shareholder's argument is that any potential political and regulatory challenges to Nord Stream-2 will likely be resolved in favor of the project, just as they were for the Nord Stream-1 pipeline.

This argument would appear based on the flawed assumptions that Nord Stream-2 has the solid backing of the German government and major European energy companies, while the EU remains too politically divided to block or otherwise undermine the pipeline.

The Nord Stream-2 gas pipeline, with dual lines totaling 55 bcm/y capacity, would traverse the Baltic Sea along a route parallel to the existing Nord Stream-1 (also 55 bcm/y capacity) making landfall at the Lubminer Heide gas hub near Greifswald, Germany. Nord Stream-1 has operated at approximately 50% capacity on since it became operational in 2011.

The project's estimated cost is €9.9 billion ($11 billion) and is expected to be completed by 2020. The pipeline would reroute existing Russian gas supplies to bypass Ukraine and other Central and European countries while concentrating up to 110 bcm/y of Russian gas supplies in the North-West European gas market.

As German Foreign Minister Frank-Walter Steinmeier recently stated, the ongoing debate between the European Commission and Nord Stream-2 shareholders still "needs to resolve many complex legal and political matters."

The arguments presented by the project's shareholders and its political opponents reflect the competing narratives that frame the debate over Nord Stream-2 in terms of the pipeline being primarily either a "commercial project" that strengthens European energy security or a "geopolitical project" that undermines European energy security. The contrast between Germany's geo-economic interests and Poland's geopolitical concerns exemplify the conflicting interests underlying Nord Stream-2.

German companies, such as shareholders Wintershall and E.ON that will financially benefit either directly or indirectly from the pipeline, are powerful lobbyist in both Brussels and Berlin. The project also has strong political support from the Social Democratic Party (SPD) that traditionally favor close business ties with Russia.

Former Chancellor Gerhard Schroeder (SPD) signed the Nord Stream-1 gas pipeline deal in 2005, just weeks before loosing the election to Merkel and years before the EU implemented the Third Energy Package.

Schroeder is currently Chairman of the Shareholder's Committee of Nord Stream AG. German Chancellor Angela Merkel, constrained by domestic political considerations, has been politically cautious about Nord Stream-2, which she has characterized as a "commercial project." This accommodating approach is seen in contrast to Merkel's shifting of Germany's Russia polic from the traditional Ostpolitik to a tougher line in response to the Ukrainian crisis and annexation of Crimea.

Sigmar Gabriel, German Vice Chancellor and Minister of Economic Affairs and Energy and Chairman of the SPD, has taken an active role in promoting the pipeline. In a visit to Moscow on October 28, 2015 the Vice Chancellor assured Russian President Vladimir Putin that he would do everything possible to see that the project would “remain under the competence of the German authorities” to limit “opportunities for external meddling” and “political interference.”

Gabriel’s reference to external meddling and political interference was presumably directed not just at the EU, but also at the United States which views the pipeline as a “geopolitical project.” In February, Amos Hochstein, U.S. State Department Special Envoy for International Energy Affairs, stated that Nord Stream-2 would put an “economic boot” around the necks of Eastern Europe and the Balkans.

Warsaw has been aggressively lobbying Brussels against Nord Stream-2, which it warns is a politically motivated project that will increase Moscow’s geopolitical leverage and undermine European energy security.

Poland’s Energy Minister, Krzysztof Tchorzewski, made this position clear in a meeting with EU Commissioner for Climate Action and Energy Miguel Arias Canete on January 15, 2016. Three days later, Polish President Andrzej Duda reiterated his uncompromising opposition in a meeting with European Council President Donald Tusk in Brussels.

Tusk is also opposed to Nord Stream-2, which he insists does not meet EU energy rules and has stated that it “does not help diversification, nor would it reduce our energy dependence.”

In response to Poland’s persistent lobbying, Germany’s Gabriel made a special trip to Warsaw on January 29, 2016 to assuage Poland’s geopolitical concerns. Gabriel assured Warsaw that he had personally informed Putin that Nord Stream-2 was politically acceptable only if Ukraine would continue to be used as transit state for Russian gas once the new pipeline was completed. Gazprom has stated that it plans to stop shipping gas through Ukraine after 2019. Poland is also a transit state for Russian gas via the Yamal-Europe gas pipeline (33 bcm/y).

According to a project timeline available on the Nord Stream-2 consortium’s website dated February 2016, surveying and engineering are to be carried out until mid-2017 with environmental impact assessments and permitting being conducted until the end of 2017. The consortium plans to construct both lines in 2018 and 2019 with commissioning planned by the end of 2019. This leaves an adequate lead-time for Brussels to study the project, weight political and legal options and develop a comprehensive strategy for addressing the continental schism over Nord Stream-2.

Gazprom focusing efforts on Eastern Europe

UPI, *01.04.2016*

Russian energy company Gazprom said it was working to meet the full gas demands for South Ossetia, a republic near the center of rows over European power.

Gazprom Chairman Alexei Miller met in Moscow with South Ossetian President Leonid Tibilov to review gas supplies to the former republic of Georgia. “The parties discussed the development prospects of South Ossetia’s gas transmission infrastructure within the framework of the general gasification scheme of the republic drafted by Gazprom,” the company said. “By implementing the scheme, the company would meet the full demand of local consumers for pipeline gas.”

The development scheme calls for the construction of more than 500 miles of gas pipelines across the republic. Gazprom in 2009 commissioned a line designed to provide a direct link between South Ossetia and Russian natural gas supplies.

South Ossetia is central to the European effort to break the Russian grip on the regional energy sector. Georgia launched a military attack on the self-proclaimed republic of South Ossetia in August 2008, sending ripples through the regional energy sector due to the proximity of the Baku-Tbilisi-Ceyhan oil pipeline, the second longest in the world. Two years after the conflict, Gazprom and South Ossetia signed bilateral gas agreements that extend until 2029.

In 2014, Georgia opened a transport terminal for a pipeline tied to infrastructure associated with the Shah Deniz gas field off the coast of Azerbaijan. Europe views Shah Deniz as a means to diversify a natural gas market dependent on Russia. For Georgia, a former Soviet republic, it’s part of a broader shift away from the Kremlin.

Russia criticises Amber Rudd over 'misleading' gas export comments

Natural Gas Europe, *25.03.2016*

Russia has waded into Britain's EU referendum debate to accuse the energy secretary, Amber Rudd, of making misleading comments when she claimed that the EU provided protection against being bullied by Vladimir Putin over Russian gas exports.

Rudd had warned that the breakup of the EU single market for energy would give Russia more influence over the continent, arguing that a united European bloc had "the power to force Putin's hand". The Russian embassy in London describing Rudd's comments as "surprising and disappointing" and accusing her of dragging Russia into a "domestic quarrel".

"It misrepresents the situation and defies the logic of this business as it applies to Britain," said the statement. Denying that the Kremlin used gas supplies as a tool of foreign policy, the embassy said Russian gas supplies were "relatively small within [the] UK's energy balance" and would hardly have a significant impact on the country's energy security.

It added: "Secondly, Russian gas comes to the UK through continental Europe, therefore Brexit could have quite an opposite effect, with potential increase in UK's dependence on the LNG [liquefied natural gas] supply from Qatar.

"We consider the above comments of Ms Rudd to be made for 'domestic consumption' in the context of the EU referendum campaign. Why drag Russia into this domestic quarrel, which must be fought on the merits of the issue in question?"

Rudd had already faced criticism over the speech, in which she claimed energy bills would soar by £500m a year if the UK left the EU, and went on to say: "We have seen how countries such as Putin's Russia use their gas as a tool of foreign policy, threatening to cut off supplies or drastically increase prices."

Speaking during a visit to the site of an interconnector pipeline in Kent, which brings electricity supplies from the continent, she said: "We mustn't let our energy security be hijacked as a political pawn to bring Europe to its knees. By working together in the European Union we can stop this becoming a reality."

She subsequently acknowledged in an interview on BBC Radio 4 that "very little" Russian gas was imported to the UK but said gas from Russia would "play an important part in security in Europe". Russia provides about 30% of the EU's gas, while a supply deal signed last year by Britain's largest energy supplier, Centrica, meant at that time Russia's gas export giant Gazprom would provide 9% of British gas needs.

Since vulnerabilities in the EU energy market were exposed by gas supply cuts in 2006 and 2009, the EU has increasingly been looking to reduce its reliance on Russian natural gas. The former Belgian prime minister Guy Verhofstadt has argued that Putin would relish a British exit from the EU because Britain has strongly supported an independent European strategy designed to reduce European reliance on gas.

Writing in the Guardian in January, he said: “Moscow continues to channel millions of dollars to lobbyists across Europe, who are paid to obstruct and impede plans spearheaded by the European commission for a so-called ‘energy union’, the main purpose of which is to boost independence from Russian gas.”

Fluxys, Gazprom ink small-scale LNG deal

Natural Gas Europe, *29.03.2016*

Belgian gas transmission system operator Fluxys and Russian gas giant Gazprom have signed a framework agreement to collaborate on small-scale LNG projects in Europe.

The two companies said in a joint statement on March 29 that the deal, which was signed in Paris, signalled an intent to cooperate on joint projects for the construction and operation of LNG receiving terminals, LNG filling stations and LNG bunkering infrastructure in Europe. Vice-Chairman of Gazprom Alexander Medvedev and CEO of Fluxys Pascal De Buck were the signatories for the framework agreement.

“Developing the required small-scale LNG infrastructure is key to put the EU sustainable alternative fuels strategy into practice,” De Buck said. “It will enable small-scale LNG to further unlock its vast potential to mitigate the environmental and health impact of shipping, long-haulage transport by truck and remote industrial sites not connected into a pipe gas network.”

Though the companies did not indicate any specific projects that might arise from the agreement, Medvedev said that the agreement was important to Gazprom’s diversification. “By developing this segment, Gazprom will further diversify its export potential and increase its supply of sustainable energy to Europe,” he said.

This is not the first deal of its kind that Gazprom has signed. The Russian major also signed an agreement with the Netherlands’ Gasunie to cooperate on small-scale LNG. So far, no new joint venture LNG projects between Gazprom and Gasunie have been announced. However, Gazprom has made recent progress on other LNG projects.The company announced that its Gazprom Export subsidiary, Gazprom Germania, had carried out its first bunkering of a ship with LNG at the port of Rostock, Germany, having previously signed a memorandum of understanding (MoU) with Rostock Port in 2014. The bunkering was the first time a ship was fuelled with LNG in the southern Baltic Sea, Gazprom said. Its proposed Baltic LNG project is also intended to include bunkering facilities.

Eurogas: EU gas use grows 4% in 2015

Natural Gas Europe, *31.03.2016*

Natural gas consumption in the 28-nation European Union grew by some 4% last year to 426.3bn m3, according to latest estimates from Eurogas, the trade association representing 43 gas wholesale and distribution companies.

It was the first annual increase in four years, EU plunged to levels last seen almost 20 years earlier with the finger of blame pointed squarely at the erosion by cheap coal imports of gas's share of the power generation market. Eurogas said the overall rise gas use was mirrored by a rise in LNG imports. These increased by one-third in Italy and roughly doubled year-on-year into the Netherlands.

Spot LNG prices were lower in 2015 than in 2014. Overall, temperatures in 2015 were closer to the average than in 2014, which meant that residential demand for gas in heating saw net increases in a number of countries – including Germany for which national data were recently published.

Eurogas said that the capacity of the gas grids to handle fluctuations in demand for heating, and in some countries also cooling, once again highlighted the flexibility of gas as a fuel. It has also argued that gas is the natural partner to offset renewable energy's intermittency.

Several other factors were at play, aside from weather, added Eurogas. France, Czech Republic and Slovakia witnessed some economic recovery, and hence a rise in 2015 industrial gas demand. Compressed natural gas (CNG) use in the Czech transport sector grew by 46%, a significant change albeit from a low base. Other countries however continued to see gas use by industry decline.

Lower gas prices also saw more gas used in UK power generation than in 2014, whilst Italy and Greece used more for summer air-conditioning. But cheap coal continued to erode gas's share of the power market in the Netherlands, Germany and Ireland.

Overall, the Netherlands was the only country among the six largest EU gas markets to record a decline (-0.8%) in overall gas consumption. Germany, Italy, the UK, France and Spain all saw overall gains, although the UK's was slight.

The highest 2015 growth was in Slovenia (up 22.5%) and Portugal (up 11.7%). The sharpest decline was in Estonia (-23.1%). It was followed by Finland (-10.8%) where Eurogas said that tax changes had discouraged gas consumption.

Ambitions and markets collide in UK

Natural Gas Europe, *01.04.2016*

Tata Steel's bleak assessment of its UK operations threw Downing Street into turmoil late March. Citing high energy costs and a distorted steel market as chief among its woes, the Indian giant said the UK operations could be sold off or closed down.

Senior government officials including the prime minister David Cameron returned to London for crisis meetings and there were questions asked about the need to renationalise the ailing business as the threat loomed of 40,000 redundancies. Last week, the government of Scotland bought two of Tata's plants.

On the face of it, this should be a good time for energy-intensive industries in Europe: low carbon prices coinciding with relatively low wholesale gas and power prices. Both French Engie and German Uniper this week announced cuts in their purchasing costs, for example.

And looking at the market fundamentals, the short and medium term prospects for spot LNG prices are equally weak as demand is not materialising. Europe is a likely destination for much of the supply, as UK government statistics illustrate this week.

But one reason energy and carbon prices are low is the lack of industrial demand; and in the steel sector what little growth in demand there is, is being met by China. China's overcapacity for steel production, about 400mn mt, is about the same as the European Union's actual capacity for steel production and accounts for about two thirds of the world's total overcapacity.

But rather than lying idle in the national economic slow-down, Chinese steel mills are being rewarded for production, by an apparently negative price for carbon. Environmental externalities notwithstanding, the overproduction of what is not needed at home is shipped to markets the other side of the world and, it is alleged, sold well below cost. That explains how China has grabbed such a big market share in such a short period.

Because the US has erected high enough trade barriers, Europe is the natural home for it, and within Europe, the production costs in the UK are higher than elsewhere as energy-intensive industry can claim back less money than is the case in Germany, for example.

The UK has put in place compensation for industrial users that covers up to 80% of the policy costs that augment the bill, depending on what fuel and what process a given site is using, but the final bill per ton of output is still higher than elsewhere in the EU, according to the Energy Intensive Users Group (EIUG). Then there is the European Union's carbon trading scheme, which is indifferent about how the carbon is removed from the environment: whether through industrial failure, or through technical innovation.

A tax on the carbon content of imports at the EU borders would iron out the distortions inherent in the situation that allows the bloc to export carbon emissions across the globe, where they increase in less efficient and worse regulated industrial processes and return to the EU in the form of finished goods.

But that could trigger a trade war with China; as too would the UK, if it agreed with other member states in pressing for an upgraded trade defence instrument, which the EU steel industry would like it to.

The UK is in a difficult situation with regard to China: it wants the steel industry to survive but it also – for reasons that have not been accepted by many as sound – wants to allow French and Chinese companies to build a new kind of nuclear reactor at Hinkley Point.

And incidentally, rubbing salt in the wound, unlike Westinghouse's established reactors, this plant will need components that are too large for UK steel manufacturers such as Sheffield Forgemasters to make, and so will have to be shipped in, contributing to the massive cost, the EIUG further points out.

In exchange for doing this by 2018-19, a long-term power purchase agreement was agreed some years ago in 2012 with a price that was well above the market at the time the UK government first announced the deal and is now even more anomalous. But the plant will not be built by that date; prototypes in France and Finland are years late and over budget; and French participation in the UK project still cannot be guaranteed.

The UK also wants China to invest in other nuclear plants to ensure a future where there is a healthy margin of low-carbon power supply, in keeping with its climate change commitments. On the other hand the conditions could be right for the developers of gas-fired power plants to step into the breach, given the ever tighter supply margins.

One coal plant, Longannet in Scotland, closed this week but another that was due to close in March, Fiddlers Ferry, won a last-minute reprieve, suggesting nervousness at National Grid about system resilience. The crucial question is for how long gas prices need to remain 'low' before they become 'normal' and investors take the plunge.

Natural gas sells off after inventory data

WSJ, *31.03.2016*

Natural gas prices gave back early gains and settled lower after official weekly data confirmed expectations of a supply decline.

The natural gas market rose as much as 1.6% in early trading ahead of the data release, but immediately sold off on the news. Futures for May delivery ended the day down 1.9% at $1.9590 a million British thermal units on the New York Mercantile Exchange. The U.S. Energy Department said natural gas inventories fell 25 billion cubic feet last week, largely in line with the consensus estimate of analysts surveyed by WSJ, which projected a 24 bcf drop.

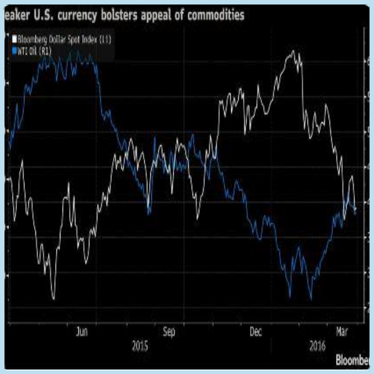
The market sold off on the news confirming the expectations of the supply drop, in part because the data also showed stockpiles remain nearly 52% above average for this time of year. A tepid U.S. winter has suppressed demand for gas-fired heating, and robust domestic production has led to abundant supplies.

“This overhang continues to restrict occasional price advances, as was clearly evidenced today,” research consultancy Ritterbusch and Associates said in a note. “The huge stockpile is becoming a well-worn reason for anticipating lower values.”

Meanwhile, weather forecasts continued to suggest strengthening demand, with a coming heat wave in the West expected to drive power generation demand and a late-season cold snap in the east that could prompt need for gas-fired heating. Though prices have rallied recently, they remain well below their level at the start of the year, losing 16% in the first quarter of 2016, the largest quarterly decline since the last three months of 2014.

Oil prices up as dollar depreciates further

Oilprice, *31.03.2016*



The crude market is trying to bide its time ahead of Nonfarm Friday tomorrow, but is getting buffeted around by a choppy U.S. dollar. Here are seven things to consider today:

1) Taking a look at the economic data, Europe had a swathe of releases out earlier; German retail sales were negative for a second consecutive month, down 0.4 percent MoM, while unemployment remained at a record low of 6.2 percent. British data exuded all the joys of spring, as GDP was better than expected, up 0.6 percent for the quarter (in Q4), while money supply showed strength last month, as did mortgage approvals.

2) Preliminary inflation data from the Eurozone was a mixed bag, with Germany, France and Italy better than expected, Spain worse. On the aggregate, Eurozone core inflation is up to 1.0 percent YoY. As we know all too well, all paths lead back to energy, hence headline inflation remains in deflationary terrain at -0/1 percent YoY…due to lower energy costs.

3) Today's preliminary print for Eurozone inflation has lifted the euro to a seven-week high. This is helping to ease the dollar index lower, lending a modicum of support to crude prices, although the Bank of Japan Governor Haruhiko Kuroda has tried to weaken the yen overnight, saying there is no limit to its current quantitative easing plan.

4) Onto the U.S., and jobless claims have let us down a little bit ahead of tomorrow's official monthly employment report. Weekly claims have come in at 276,000, higher than the consensus of 265,000. Yesterday's ADP report showed 200,000 jobs created last month, and 205,000 are expected from nonfarm payrolls tomorrow.

5) After last week's natural gas storage report yielded the first injection of the year, colder weather means we are set to return to a withdrawal today, with consensus for a ~25 Bcf draw. This would be more than last year's -10 Bcf, but adjacent to the five-year average of -22 Bcf. As weather outlooks lean towards colder-than-normal for the Northeast and parts of the Midwest into April, natty is close to the two-dollardom for the first time since early February.

6) Next up is another example of the far-reaching impact of the oil slump, for helicopter sales are plummeting. Some 26 percent of commercial helicopters are used in the oil and gas industry, hence given the drop in drilling activity, a fifth of the 1,900 helicopters used in the oil-and-gas industry worldwide are either idle or underemployed. 7) Finally, a piece today discussing how much Asia relies on the Middle East for its crude oil set me off delving into our ClipperData. Taking a look at the region on aggregate, year-on-year exports from the Middle East to Asia have risen for nine of the last twelve months. Flows into Asia over this period are averaging a monthly 3 percent increase on year-ago levels.

US targets energy storage awareness and more deployment

AA Energy Terminal, *30.03.2016*

Energy Storage Association (ESA) in the U.S. announced a week-long campaign to raise awareness of energy storage and accelerate installations in the country, launched.

Between March 28 and April 1, the association aims to involve more people in the conversation of energy storage and its benefits by using the hashtag #StorageIsHere on social media. Last year, energy storage industry grew by more than 240 percent in the U.S. More installations took place in the last quarter of 2015 than all of 2013 and 2014 combined, according to ESA. With the hashtag, #StorageIsHere, ESA targets reaching a wider audience.

“During the week, ESA along with partner organizations, member companies and energy industry allies will be flooding social media channels with energy storage installation pictures, case studies, press releases, blog posts and multimedia content,” ESA said. Each day of the week will feature a different theme and focus area for information.

Monday focused on introducing the campaign with #StorageIn5Words used on Twitter, Facebook and LinkedIn. On Tuesday, companies from around the globe shared information about the rapidly growing employment opportunities in energy storage industry.

Wednesday will focus on the relationship between energy storage and renewable generation technologies. “Throughout the day, companies will be sharing information about energy storage systems paired with renewable energy and the particular applications and value proposition for those types of systems,” ESA said.

On Thursday, ESA will host a Twitter chat using the #StorageChat hashtag and companies and organizations around the world will share information about installations and resources to help foster understanding of what energy storage systems do when they are deployed in the field. To complete the engaging social media campaign, companies and organizations will share resources, white papers, case studies and multimedia content for everyone to have useful and informative resources about energy storage on Friday.

US weekly crude inventories increase below expectations

AA Energy Terminal, *30.03.2016*

Weekly crude oil inventories in the U.S. rose 2.3 million barrels for the week ending March 25, which was below the market expectation of 3.3 million barrels of increase, according to the EIA.

Commercial rude oil stocks in the U.S. reached 534.8 million barrels, from 532.5 million barrels the previous week, having a 0.4 percent increase. Strategic Petroleum Reserves remained at 695.1 million barrels. "The U.S. crude oil inventories hit a new record for the seventh consecutive time, despite a surge in inputs to refineries, drop in the U.S. oil production," said Capital Economics' Report.

Commercial crude oil imports had a weekly decline of 636,000 million barrels per day (mbpd) on average during the same period. The market expectation was imports to rise by 691,000 mbpd on average. The U.S. crude oil production fell only slightly, by 16,000 barrels a day to average 9.02 mbpd for the week ending March 25, according to the EIA.

"On a four-week average basis -- which removes some of the volatility related to weekly data – inventories of crude oil remain on a strong upward trajectory," said Thomas Pugh, author of the report and commodities economist at Capital Economics. "A weaker [U.S.] dollar seems to be the main reason for the increase in oil prices today," Pugh noted.

American benchmark West Texas Intermediate reached $39.80 a barrel before 1500 GMT to mark a 3 percent daily increase. International benchmark Brent crude rose to $41.33 per barrel with a 2.5 percent rise. In addition, after opening higher with gains in oil prices, all three indexes in New York stock exchange continued their increase after the EIA's data.

Announcements & Reports

► *Monthly Crude Oil and Natural Gas Production*

Source : EIA
Weblink : https://www.eia.gov/petroleum/production/

► *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

► *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

► 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