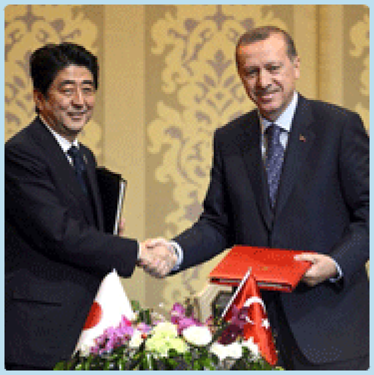
Turkey and Japan sign $22 bln nuclear power plant deal

Reuters, *03.05.2013*



Japan's Mitsubishi Heavy Industries Ltd and Itochu Corporation, with France's GDF Suez, will build Turkey's second nuclear power plant at an estimated cost of $22 billion. Turkish Prime Minister Tayyip Erdogan and his Japanese counterpart Shinzo Abe signed the deal in Ankara.

The firms will construct a 4,800 megawatt nuclear power plant in the Black Sea coastal city of Sinop. The consortium will use French Areva's Atmea type reactors, consortium sources said. The bulk of the project will be financed by Nippon Export and Investment Insurance (NEXI), Japan's export credit agency, and French credit insurer Coface.

The firms will also carry out a site analysis for where Turkey's third planned nuclear power plant could be built. "This deal is also the first step for Turkey's third nuclear power plant, which will be a Turkish engineering effort," Erdogan said at the signing ceremony.

Fast-growing Turkey imports almost 97 percent of its energy needs. Erdogan has been an advocate of its ambitious nuclear programme, which aims to help reduce dependence on hydrocarbons by providing 10 percent of its electricity needs by 2023. Turkey is among the countries to which the Vienna-based U.N. nuclear agency has referred in its predictions of steady growth in nuclear power despite the Fukushima disaster in Japan two years ago. Reactor meltdowns at the Fukushima nuclear plant triggered by an earthquake and tsunami in March 2011 shook the industry and raised questions over whether atomic energy was safe.

The Turkish deal is a major fillip for Abe, who has been advocating the safety standards of Japan's nuclear industry following the disaster. Sources said the first Turkish reactor is slated to come online by 2023, with a fourth and final one operational in 2028, but Erdogan said he hoped it could be completed earlier. Turkey will hold a maximum 45 percent stake in the project company that is due to be established prior to construction. The stakes held by GDF Suez and Mitsubishi are yet to be finalized.

Russia's Rosatom will build Turkey's first nuclear power station and is due to start construction in mid-2015. It expects the facility to start producing electricity in 2019, its deputy general manager told Reuters in February That $20 billion plant at Mersin Akkuyu on the Mediterranean coast will also have four power units with installed capacity of 4,800 MW.

Turkish firm gets deal to sell electricity to KRG

Hürriyet Daily News, *01.05.2013*

Turkish energy firm Kartet reaches a deal to export electricity to the Northern Iraq and applies to the Turkish energy regulatory agency for the license. Kartet has secured a deal to export electricity to northern Iraq and has applied for an export license. That development could add to tensions between Baghdad and Ankara.

Under the deal with the Kurdish Regional Government (KRG), Kartet will supply 200 megawatts (MW) of electricity a year, sources said April 29, adding that the Turkish Energy Ministry had given its consent to the deal.

“We have been in talks about this for a long time. The main target is to sell power to Mosul,” said Nuray Atacik, head of commercial relations at Karadeniz Holding, Kartet’s parent company. A broad energy partnership between Turkey and the KRG ranging from oil exportation to exports has been in the works since last year. The Kurds early this year began exporting small volumes of crude oil directly to Turkey by truck. Baghdad has said the exports are illegal.

Kartet used to supply electricity to Iraq between 2003 and 2008, but security issues and a payment row reduced the sales. Kartet’s contract ended in 2010, but the company extended it for one more year. Kartet reapplied to make another extension in 2012, but the company did not receive it, Turkish daily Radikal reported yesterday. When Kartet sold power to Iraq in past years, the company had been criticized by some for “selling electricity to the PKK,” as cited by Radikal. “We do not sell power to the PKK, but to Iraq. Our counterpart here is the Iraqi central government,” said Hilmi Güler, then the Turkish energy minister.

Kartet has now applied for an export license with Turkey’s energy regulator, the EPDK. Following the application by Kartet, the energy watchdog has also invited all companies that wish to export power to Iraq to bid for an export license, sources said. If other companies want to export power, a tender will be held. Kartet appears to be one step ahead as the company made a similar agreement with the KRG in previously. Years of war and underinvestment have left Iraq dependent on diesel imports for its growing electricity needs. The electricity needs of more than 1 million people could be fulfilled by Kartet if all permissions are obtained.

Baghdad and Erbil reach agreement over oil payments

Upstream Online, *02.05.2013*

Baghdad and Erbil have reached a tentative agreement to resolve a dispute over payments to foreign companies that has shut down most crude oil exports from the region.

The tentative deal was reached during a meeting between federal Prime Minister Nouri al-Maliki and the Kurdish Regional Government (KRG) Premier Nechirvan Barzani. If the agreement comes into effect, KRG could resume oil exports of nearly 250,000 barrels a day via the Baghdad-controlled export pipeline, potentially raising Iraq's oil exports to nearly 2.9 million barrels a day, from around 2.55 million b/d.

"The two sides have agreed to find a solution to payments to oil companies in KRG," Mr. Maliki's spokesman Ali al-Mawsawi said. The deal comes after Kurdish negotiators concluded their highest-level visit to Baghdad in nearly two years, embarking on talks that diplomats said could signal progress toward ending a worsening feud between the Kurds and Arab Iraqis.

In December, the KRG suspended crude oil exports through the Baghdad-controlled pipeline, principally over the issue of the lack of payments of oil export revenues collected by Baghdad, owed to firms operating in KRG. There was a separate dispute over production in November, with the Kurds unable to reach the export level of 250,000 barrels a day, as agreed with Baghdad. In March, Kurdish parliamentarians and cabinet ministers walked out after Iraq's parliament passed a budget that KRG lawmakers said didn't adequately compensate them for some 4 trillion Iraqi dinars ($3.5 billion) in payments to oil companies that operate in the Kurdish region. The budget allocated only $650 million to the firms.

The Patriotic Union of Kurdistan, or PUK, which with Kurdistan Democratic Party form the strong Kurdish alliance in the Iraqi federal government and parliament, said on its website that the two sides agreed to amend the 2013 budget to include payment for companies producing oil in Kurdish Region. Following the new agreement, "perhaps the central government will not pay that entire amount, but they may reach a compromise," Ali Hussein Bellu, an advisor to the Kurdish oil ministry told. Mr. Bellu said he thinks that payment could be made when the government and parliament discuss an additional budget for 2013, which usually happens in June.

Among other issues agreed by the two sides is the acceleration of the process to enact a long-awaited draft oil and gas law. "They have agreed to set up a joint committee to end the dispute on the oil and gas law, based on the version of the draft law reached agreed on in 2007," the PUK said. The proposed hydrocarbon law, which would govern contracts and regulation in Iraq, has idled in the Iraqi parliament since 2008 because of differences between the various political blocks, particularly the Kurds, over its provisions.

Assessment of Nabucco and TAP proposals launched by Shah Deniz Consortium

Todays.Az, *03.05.2013*

The Consortium of Azerbaijani Shah Deniz field development has begun evaluating binding transportation offers from Nabucco West and TAP (Trans Adriatic Pipeline) consortia, offering to carry Azerbaijani gas into Europe, BP Azerbaijan reported.

According to the report, this represents another important milestone in the realization of the Southern Gas Corridor. The two consortia, Nabucco Gas Pipeline International and Trans Adriatic Pipeline (TAP), have been in extensive negotiations with the Shah Deniz consortium following delivery of their initial gas transportation offers at the end of March 2013.

Those offers have now been approved by their shareholders and have become final and binding the report said. According to the report, furthermore, the consortium also received gas sales offers for more than 30 billion cubic meters (bcm) of gas a year from more than 15 different gas buyers across Europe. The gas sales offers will be considered alongside the transportation offers to determine the commerciality of the pipeline options and the respective markets.

Nabucco Gas Pipeline International and Trans Adriatic Pipeline (TAP) are offering to carry 10 bcm of gas a year to different markets in Central and Southern Europe. The Shah Deniz consortium is currently finalizing its assessment of these offers. Nabucco West is a short-cut version of Nabucco project, which provides for the construction of the pipeline from the Turkish-Bulgarian border to Austria. The project is proposed to connect with the Trans Anatolian Pipeline (TANAP) at the Turkish-Bulgarian border, transiting Hungary, Bulgaria and Romania to the Central European Gas Hub in Baumgarten, Austria.

The project's current shareholders are Bulgarian Energy Holding, Romanian Transgaz, Turkish BOTAS, Austrian OMV and Hungary's FGSZ. TAP project is designed to transport gas from the Caspian region via Greece and Albania and across the Adriatic Sea to the south of Italy, and further to Western Europe. TAP's initial pipeline capacity will be 10 billion cubic meters per year, but it is easily expandable to 20 billion cubic meters per year. TAP's shareholders are Switzerland's AXPO (42.5 percent), Norway's Statoil (42.5 percent) and Germany's E.ON Ruhrgas of (15 percent).

EU sets forward its natural gas priorities

Oil&Gas Eurasia, *01.05.2013*

The Working Group of the Directorate General for the EU Commission has recently chosen several gas projects as crucial for the overall energy security in Europe.

This decision will play its role regarding the Southern Corridor developments, and the emerging architecture of natural gas infrastructure in Southeastern Europe. The projects selected are described as Common Interest and by late 2013 an official list will be presented for all EU countries. The Working Group examining the Southern Corridor has decided to reject the Cypriot plan regarding a floating LNG station for the Eastern Mediterranean gas reserves.

The main argument was that that the EU cannot subsidize and promote a project that is going to supply markets outside of the EU. In general the DG of Energy in Brussels tends to favor policies aiming at integrating and securing the supply of the common market and pays little attention to any potential exports. Additionally, the proposed Greek-Cypriot plans of the East Med and Trans Med pipelines received a green light to proceed towards final selection, while the technocrats involved in reviewing the issue in Brussels recommend a merging of plans, a process already starting to take place.

Also both the Trans-Adriatic Pipeline (TAP) and ITGI were accepted, although they received fewer points than Nabucco West, which Working Group members ranked best overall. It is of interest to note that representatives of the Shah Deniz II Consortium participated as observers in the Working Group's proceedings. Regarding the final selection for the Southern Corridor, due at the end of June, latest development from Brussels show another strong point ahead that favors Nabucco, although several commentators have also expressed the estimation that both plans will be selected.

Mid-June another session of the Working Group in Brussels will take place, where the final document to be submitted to the Commission will be decided upon. According to all available information by the delegations already in talks, the basic criteria is to promote natural gas projects that diversify imports and at the same time link more than two member states, preferably in a direct mode.

Nabucco West's plans follow that logic since it will link four states directly, namely Bulgaria, Romania, Hungary and Austria. Furthermore, reliable information points out that the Azeri Administration, which will play a crucial role for the selection of the preferred pipeline route from Shah Deniz, is in full knowledge of the Commission's intentions and the Working Group's propositions and selection procedure. Lastly the foreign Minister of Azerbaijan, Elmar Mammadyarov, stated during a recent visit with his Greek counterpart that there is no preference in Baku between TAP or Nabucco and only the three companies collaborating in the Shah Deniz project (BP, Statoil and SOCAR) will take the decision.

Search for oil expands in Somaliland

Oil&Gas Eurasia, *30.04.2013*

Somaliland hopes that exploration by international oil companies will unearth reserves similar to those in nearby Yemen, and is in talks to increase the number of companies taking on acreage in the quasi-autonomous region.

The region, which considers itself independent from Somalia but is not recognized by the international community, last week signed its second deal with an established international player - Norway's DNO International, a company that merged with the UAE's RAK Petroleum. DNO's move was preceded by Genel Energy, which signed a production-sharing agreement for two blocks in Somaliland last August.

Both companies are already producing oil in the Kurdish region of Iraq, another autonomous region. DNO plans to begin exploration of its block in Somaliland next year. Like Genel, it has suffered from delayed payments from the Kurdish Regional Government (KRG), the result of a dispute between Baghdad and Erbil. Iraq's government considers the oil contracts between the KRG and international oil companies illegal.

Genel will start seismic surveys of its blocks soon, and aims to start drilling for oil next year, said Hussein Abdi Dualeh, Somaliland's minister of mining, energy, and water resources. This is the first significant step towards establishing the region's oil and gas reserves. "We have similar geology to Yemen, and Yemen has so far proven about 9 billion barrels of oil, and it hasn't looked at all its prospects. We are very hopeful that we have a similar potential," said Mr Dualeh.

While no other deals are imminent, Somaliland is working to add to the companies committed to the search for oil in the region. "We are actively engaged with other companies as well," said Mr Dualeh. He said his government has had preliminary talks with Abu Dhabi's Mubadala Petroleum, and even signed a memorandum of understanding with International Petroleum Investment Company, another Abu Dhabi investor. No estimates for oil and gas reserves exist, but Somaliland is proximate to countries that are producing or are gearing up to do so.

Nearby South Sudan is a significant exporter of oil, and recent discoveries are about to kick off a gas boom in Tanzania and Mozambique. On the other side of the Gulf of Aden, Yemen, Oman and Saudi Arabia all produce hydrocarbons.

Mr Dualeh is unconcerned that tensions with Mogadishu, which does not recognize his government, will deter oil companies from coming to Somaliland. Despite the endemic piracy that plagues the maritime trade routes running through the Gulf of Aden, the minister believes that the region is ideally placed for oil and gas exports. "If we take this crude to the market, we have the biggest markets in the world facing us," said Mr Dualeh.

European shale gas: Not a revolution, but a slow sustainable growth

Natural Gas Europe, *30.04.2013*

The precautionary approach of Europe toward shale gas will slow down but will not stop the industry. That was the general message of the conference that took place the 29th April at the Energy Institute, City University, London.

"If you see all the directives and the best available techniques and technologies, you should normally feel that the environment will be fully protected", said George Kremlis, Head of the Cohesion Policy and Environmental Impact Assessments Unit in the Directorate-General for the Environment of the European Commission.

During the conference, Kremlis underlined the importance of the precautionary principle, as only scientific-based decisions will allow shale gas activities to gain public acceptance. Minimizing the environmental backlashes of shale gas, developments will then be sustainable. "We have the US experience and we learnt from them. The European policy framework is more stringent. If we will have an ad hoc EU framework, it will be even more sophisticated. We are talking about mapping and distances from groundwater sources. Our regime will be an integrated holistic one, addressing also climate", added Kremlis.

This cautious approach already calmed down the enthusiasm of investors, according to Bob Buhr, Director of the Credit Research Department at Société Générale. He thinks that a European shale revolution is not realistic. "Things are moving slow as they tend to be in general in Europe", said Buhr, sceptical about the long-term prospects of shale gas, both in Europe and United States. "Whatever will happen with shale gas internationally, it is not going to follow the US model… Europe does seem to be intent on capturing the externalities of this process", added Buhr, reminding a recent report by KPMG. According to the study by the professional service company, European fracking activities can cost up to 40% more than in US.

Graham Dean, Director at Reach Coal Seam Gas Limited, agreed with Buhr on the fact that US and Europe are structurally different. He claimed that Europe has to implement different mechanisms to make shale gas acceptable for the population. "The opposition we got here is essentially cut and pasted from the opposition in the States. The opposition in the States is that the people who got hydrocarbon rights get a lot of money and people who didn't get hydrocarbon rights don't get any money. The rich people are becoming richer", said Dean referring to the United States.

Dean argued that this opposition is not grounded in the UK, as the system is completely different and the hydrocarbon rights belong to the Crown. Coherently, he claimed that a participation of local communities to the dividends is essential. Advantages for the population can increase the acceptance of shale development in Europe. "Shale gas could create up to 50,000 jobs in ten years time", concluded Dean.

Çalık to construct 3 power plants in Turkmenistan

Hürriyet Daily News, *03.05.2013*

Turkish firm Çalık Holding, which has operations in Turkmenistan in the textile, construction and energy industries, is to build three gas turbine power plants in Turkmenistan.

Çalık Enerji won the tender, issued by Turkmenergo, a subsidiary of the Turkmenistan Energy and Industry Ministry, by its offer of $421,475 million for the three plants. Çalık will start to build the plants, 149.2 MW, 146.2 MW and 141.7 MW in that order, in Turkmenistan by May 2013. The company plans to complete the construction by February 2014. Çalık Enerji had previously built six power plants in Turkmenistan.

BP mulls Angolan LNG for Europe

Oil&Gas Eurasia, *29.04.2013*

Liquefied natural gas from Angola could be shipped to European markets as early as next month, a regional president for BP said.

BP President of Angolan operations Martyn Morris was quoted by The Daily Telegraph newspaper in London as saying LNG shipments are a "huge piece of business for Angola." BP aims to invest as much as $15 billion in Angola during the next decade. It has a 13.6 percent stake in Angola LNG, a project led by Chevron. "We were hoping (first cargoes would ship by) the middle of May but I think it's more likely to be the end of May or early June," Morris said.

Angola, a member of the Organization of Petroleum Exporting Countries, ranks second behind Nigeria in terms of oil production in Sub-Saharan Africa. Natural gas associated with its oil reserves are flared off currently. Angola LNG was slated to start next year, but faced a series of delays because of what the government there said were "technical problems." "We are now targeting selling it to Europe and the Far East," Morris said. "I wouldn't be at all surprised whether some if it comes in to the U.K. at some point."

GE buys small-scale LNG company

Upstream Online, *02.05.2013*

GE Oil & Gas said it had agreed to buy Salof Companies, a US specialist in small-scale LNG technology. The company headquartered in Texas focuses on cryogenic plant design and fabrication for small-scale LNG.

"This move is not only good for GE and Salof, it also will provide more options for customers around the world as they look for new ways to cut both emissions and costs by using cleaner burning natural gas," GE Oil & Gas president Daniel Heintzelman said. The contract value and terms were not disclosed. Both companies see a growing North American market for turning a glut of natural gas into a transportation fuel with uses including trucking, marine and industrial uses.

KazMunaiGas to invest $10bn

Upstream Online, *29.04.2013*

KazMunaiGas could invest almost $10 billion in exploration & production in the next decade. The state company wants to almost double its reserves in the next ten years, Reuters reported, quoting chief executive Lyazzat Kiinov.

"We want to nearly double reserves in 10 years to over 1.4 billion tons," Kiinov told a news conference broadcast live. "In general, we are thinking of investing 1.5 trillion tenge [$9.91 billion] within 10 years, that is, until 2022," he continued. KazMunaiGas is a stakeholder in the giant Kashagan offshore oilfield in Kazakhstan.

Announcements & Reports

► *Deloitte Global Oil&Gas Tax Newsletter*

Source : Deloitte
Weblink : https://www.deloitte.com/assets/Dcom-Global/Local%20Assets/Documents/Energy_Resources/dtt_er_Global_oil_gas_%20tax_%20newsletter_04422013.pdf

Upcoming Events

Supported by PETFORM

► Tight and Shale Gas Summit 2013 *(in Turkey)*

Date : 15 – 16 May 2013
Place : Istanbul – Turkey
Website : http://www.wplgroup.com/aci/conferences/eu-eug2.asp

Supported by PETFORM

► EMART Turkey *(in Turkey)*

Date : 21 – 22 May 2013
Place : Istanbul – Turkey
Website : http://www.emart-turkey.com/

► Turkmenistan Gas Congress

Date : 21 – 22 May 2013
Place : Ashgabat – Turkmenistan
Website : http://www.turkmenistangascongress.com/

Supported by PETFORM

► Energy & Risk Conference *(in Turkey)*

Date : 4 – 5 June 2013
Place : Istanbul – Turkey
Website : http://www.all-energy-turkey.com/energy-risk/

► Caspian Oil & Gas

Date : 4 – 7 June 2013
Place : Baku – Azerbaijan
Website : http://www.caspianoil-gas.com/2013/index.html

► 12th Moscow International Oil & Gas Exhibition

Date : 25 – 28 June 2013
Place : Moscow – Russia
Website : http://mioge.com/about/upstream.aspx

► Oil and Gas Conference and Exhibition 2013

Date : 3 – 6 September 2013
Place : Aberdeen – UK
Website : http://www.offshore-europe.co.uk/page.cfm/Link=1/t=m/goSection=1

Supported by PETFORM

► All Energy Turkey *(in Turkey)*

Date : 11 – 12 September 2013
Place : Istanbul – Turkey
Website : http://www.all-energy-turkey.com/?lang=tr

► Texas Oilfield Expo

Date : 6 – 7 March 2013
Place : Texas – USA
Website : http://www.gshtx.org/en/cev/906

► 21st Kazakhstan International Oil & Gas Exhibition and Conference

Date : 1 – 4 October 2013
Place : Almaty – Kazakhstan
Website : http://www.kioge.com/2013/upstream2013.html

► Deep Offshore Technology International Conference & Exhibition

Date : 22 – 24 October 2013
Place : Texas – USA
Website : http://www.biztradeshows.com/trade-events/deep-offshore-technology.html

► World Shale Gas Conference & Exhibition

Date : 4 – 7 November 2013
Place : Texas – USA
Website : http://www.biztradeshows.com/trade-events/world-shalegas-exhibition.html