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KRG plans second oil export pipeline to Turkey

Today's Zaman, *31.10.2013*

Iraq's KRG plans to build a second new oil export pipeline to Turkey within the next two years as it ramps up output independently of Baghdad, the region's natural resources minister said on Thursday. Speaking at an energy conference in İstanbul, Ashti Hawrami, a member of the Kurdish Regional Government (KRG), outlined an ambitious oil export growth strategy for the autonomous region, whose growing independence has angered Baghdad.

Construction of the first pipeline to Turkey is complete, and it is being tested in preparation for the start of commercial shipments in the first quarter of 2014, officials said.

KRG will track the volumes of its sharply rising crude oil exports on the pipeline, independently of the central government, Hawrami told the conference, adding that the region ultimately aimed to produce 3 million barrels per day of oil for export. "Oil and gas exports are not the monopoly of anyone in Baghdad," Hawrami said. "It is our duty to pursue oil and gas routes independently ... Turkey has been the quickest to recognise the new realities of the region." Energy-dependent Turkey has quietly built up a large commercial presence in northern Iraq and has courted Iraqi Kurds to form a closer partnership, a move that has infuriated Baghdad, which claims the sole authority to manage Iraqi oil.

The Arab-led central government, at odds with the Kurdish-run enclave over control of oilfields and revenue sharing, has warned that independent Kurdish efforts to export its oil could ultimately lead to the break-up of Iraq. "Turkey is aware of Iraq's concern ... We have reminded Turkey that this is in breach of the agreement between the two countries that regulates exports from Iraq through the Turkish pipeline," Iraq's deputy prime minister for energy, Hussain al-Shahristani, told Reuters in Baghdad. "Turkey assured us they respect that agreement and they will not allow any export of Iraqi crude without the permission of the federal government in Baghdad," he said.

But neither calls from Baghdad nor Washington have been enough to deter the Turks, the Kurds or the oil companies from forging ahead. Exxon Mobil, Chevron and Total have already signed exploration deals with KRG. A state-backed Turkish firm also was set up earlier this year to explore for oil and gas in KRG as part of a strategy driven by Turkish Prime Minister Recep Tayyip Erdogan. Erdogan was meeting Iraqi KRG Prime Minister Nacirvan Barzani in İstanbul as Hawrami spoke, a meeting at which energy cooperation was high on the agenda, according to Turkish government officials.

KRG's first new pipeline will connect to an existing Iraq-Turkey line, which carries Kirkuk crude to the Mediterranean export outlet of Ceyhan. That pipeline has a capacity of around 1.5-1.6 million bpd but is poorly utilized. Hawrami said KRG's oil would first use the spare capacity in the Kirkuk-Ceyhan line but that once the region's production was ramped up, a second pipeline would be needed. "We hope to complete this (second) pipeline in the next 18 months to two years," he said, adding its capacity would be at least 1 million bpd. The first pipeline will connect to Kirkuk-Ceyhan on Iraqi territory, a decision whose implementation is being closely watched by the industry, but that does not mean Baghdad will have control over the exports, Hawrami said.

"We will independently monitor it ... When we linked it to Baghdad's pipeline before, we lost thousands of barrels of oil," he said. "The pipeline is in our territory, and the ownership of the pipeline is where it lies." Details of revenue sharing, the issue at the heart of the dispute with Baghdad, have yet to be clarified. Turkey has repeatedly said it stands ready to support an arrangement under which 83 percent of oil export revenue goes to Baghdad and the remaining 17 percent to KRG, based on the Iraqi constitution. There was even talk of opening an escrow account in Turkey. Hawrami declined to give details. "The net revenue belongs to all of us in Iraq; that's what we say should be subject to revenue-sharing," he said.

Turkey and KRG to reach natural gas deal in 1st quarter of 2014

Today's Zaman, *30.10.2013*

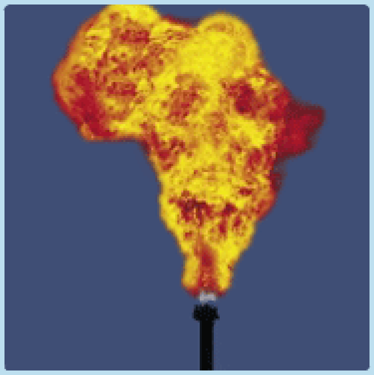
Genel Energy announced that a natural gas sales agreement between Turkey and KRG will be finalized in the first quarter of 2014. The company said in a press release that its 2013 production estimate remains unchanged at 45,000-55,000 barrels per day. Its revenue forecast also held steady at $300-400 million, while capital expenditure is forecast at the top end of $500-550 million.

"We completed our first domestic gas sales contract in the third quarter and anticipate the finalization of the gas sales agreement between Turkey and the KRG in the first quarter of 2014. Our high impact African Drilling campaign is on track to commence around year-end with the Cap Juby well offshore Morocco," said Tony Hayward, chief executive of Genel.

Apart from northern Iraq, the company operates in Malta, Morocco and Somaliland. The statement, however, stresses that seismic operations in Somaliland have been temporarily suspended due to deterioration in the security environment. Discussions continue with the government of Somaliland to facilitate resuming operations.

International oil companies gamble on Turkey's shale gas

Al-Monitor, *30.10.2013*



Shell has begun exploring shale gas in Turkey. Despite the scale of this new undertaking, the only sources of information about Turkey's reserves are media speculation and a 2013 report by the US Energy Information Agency (EIA). While this has not stopped investment, it does underscore the risk to the companies investing in Turkish shale are taking.

Royal Dutch Shell's Turkey branch and the Turkish Petroleum Corporation (TPAO) are drilling Turkey's first shale gas-exploration wells in Diyarbakir province's Saribugday 1 natural-gas field.

According to its agreement with the TPAO, Shell is expected to drill five wells into the Dadas shale formation. While this investment has drawn attention and interest into Turkey's shale gas reserves, Shell's spokesmen made no public assessments prior to completing the first well, underscoring the obscure environment and the dearth of public information. Shale gas and oil explorations are a new source of hope for Turkey, which has a highly vulnerable energy market. The annual growth rate of Turkey's energy consumption is 4.5%, and overall annual demand is expected to rise to more than 237 million tons of oil equivalent by 2030. This growth rate makes the country attractive to investors, but also hides also a huge vulnerability.

The country's energy economy is built on imports from its main suppliers, Russia and Iran. If Turkey can realize its shale dream, it would reduce this dependency and help ensure Turkey's growth remains sustainable. Moreover, Turkey's unconventional reserves could help push the country one step further in its quest to be a top ten global economic power by 2023. But determining the probability of any of this relies on clear and distinct information on Turkey's shale reserves and their economic viability.

When it comes to economic expectations and forecasts of Turkey's shale gas potential, the only public data comes from the EIA 2013 report, with no other sources providing adequate detail. Turkish and European authorities remain silent, while private organizations keep their information hidden. The EIA has ranked Turkey's shale oil and gas reserves among the top 40 countries in the world. The EIA estimated that the Dadas shale field in the southeast and the Hamitabat shale field in the northwest contain approximately 6 billion cubic meters and 2 trillion cubic meters of shale gas, respectively. The EIA remains the unique public data source for these estimates, which raises a question on the lack of interest and data from European authorities. No European organization has provided public information on Turkey's reserves or on the impact of Turkey's explorations on the European energy environment.

Existing public estimates by Turkish authorities and the media about the scale of resources remain divergent. Some sources say the estimated shale source could meet Turkey's demands for 10 years, while others say 40, though even in the most optimistic scenario, Turkey's reserves remain just a fifth of Ukrainian reserve estimates. Still, investment has already begun, spearheaded by US-based Cub Energy, Canada's Transatlantic and Ireland's San Leon Energy, with representatives telling the media that San Leon is expected to monetize Turkish reserves quickly to meet a demand for new cash flows. The gap between expectations and information is wide. And still, no Turkish authority has launched an independent national geographic survey to estimate reserves.

The director of Petroleum Affairs inside the Ministry of Natural Resources and Energy will collect the data provided by investors and keep a systematic record accessible by the public and investors. Besides this lack of reliable data on Turkey's hydrocarbon reserves, even with the data available, the profitability of known sources remains unclear. Indeed, EIA estimates cover only technically recoverable resources, which is the natural gas volume accessible with current technology. EIA estimates do not take into account regional gas prices and production costs. In Turkey's case, the first depends on the continuation of Iranian export restrictions, which could change with new political developments.

Production costs, meanwhile, will be determined by Turkey's geological formations. Additionally, factors such as drilling, the cost of wells and the amount of natural gas produced within a well's lifetime will no doubt also influence cost. While the paucity of public sources of information remains extreme, the Turkish market is still attractive for shale investments. This is mainly because of its new hydrocarbon regulations, fiscal regimes for investors, high domestic energy demand and facilities for international shipping. Moreover, environmental concerns that comprises the main barriers in Europe to hydraulic fracturing (fracking) — which have already prompted a ban in France — do not present a challenge in Turkey, making the situation somewhat safer for shale investors. Still, the lack of information, especially on possible profitability, means that investors are gambling big on Turkish shale, as is the country's government.

Turkey's shale gas: Boom or bubble?

Natural Gas Europe, *29.10.2013*

A growing economy, increasing energy demand, and limited domestic reserves have challenged the sustainability of Turkey's rising star. To overcome this risk, Ankara is facilitating foreigner investments' penetration into the market with new regulations.

In this favorable environment and due to the Energy Information Agency (EIA)'s optimistic estimations on technically recoverable shale oil and gas, Turkey has become a frequent flyer destination for energy investors, opening the debate on if the future holds a shale gas boom or, conversely, a bubble.

Energy hungry Turkey has a vulnerable energy balance. More than 30 percent of energy consumption comes from natural gas and another 30 percent from oil, while the country's reserves don't constitute any considerable part of this consumption. Thus, the market remains import dependent. To adjust for this balance, Turkey at first decided to diversify its supply portfolio and has invested over the last decade in the southern energy corridor project. This first investment brought joint investment with Azerbaijan, resulting in the Trans-Anatolian pipeline (TANAP), which will bring 16 billion cubic meters of gas per year to Europe.

With TANAP's success, Ankara became an important player in the Eurasian market and has begun investing in the promotion of its domestic oil and coal reserves. Turkish shale oil and gas reserves arrived on the international energy market agenda the EIA ranking Turkey's shale oil and gas reserves among the 40 top countries in the world in a 2013 report. On September 29, Turkish media officially reported the beginning of hydraulic fracturing operations to extract shale gas from Dadas shale field in the provinces near Turkey's Syrian border--one of two basins highlighted by the EIA. The EIA estimated that the Dadas Shale field and the Hamitabat Shale field in the Thrace Basin contain, respectively, approximately 6 billion cubic meters and 2 trillion cubic meters of risked shale gas in-place.

The EIA remains the unique public geographic data source for these estimates, which raises the question of the lack of interest and data from European research authorities. Moreover, estimation about the scale of resources remains divergent. Some sources say the estimated shale source could meet Turkey's demands for ten years, while others say up to forty. Beside of this lack of reliable systematic data on reserves, it is still unclear if exploitation of Turkish shale gas will be profitable. Indeed, EIA estimations are based on technically recoverable resources that represent volumes of natural gas that could be produced with current technology, regardless of gas prices and production costs. Different factors, such as drilling and completing wells' cost and the produced amount of natural gas within a drill's lifetime, will no doubt influence cost estimations.

The major change in the Turkish energy sector dates back to September 2012, when Shell built a partnership with the state-owned TPAO to explore shale gas in the eastern province of Diyarbakır's Sanbugday-1 natural gas field. Under the terms of the TPAO-Shell agreement, Shell is expected to drill five wells into the Dadas Shale formation. The company is expected to drill three more wells in Diyarbakir in 2013. Beside these investments, Shell did not accept making any public assessments before completing the first well.

Nevertheless, over the last two years Turkish fields have been explored by international medium sized companies: TransAtlantic Petroleum, Anatolia Energy, and Valeura Energy. (The US-based Cub Energy later acquired Anatolia Energy as well.) In April 2013, Valeura Energy had a new exploration license in Banarli. Some Turkish companies also had decisive roles in the flourishing shale gas market. In January, Anatolia Energy announced that its partner, Calik Enerji, is drilling at Giremir-1, with the Sinan Licence. In May 2013, Canada's Transatlantic acquired all of the shares of Arar Energy's Molla licenses in the southeast region. In September the Dublin-based San Leon Energy announced it had entered into an agreement conditionally to acquire 75 percent of the issued share capital of Alpay Enerji, expecting a quick cash flow return.

From a purely economic perspective Turkey's shale gas sector risks being a bubble rather than a boom. Additionally, it is not still clear if the cost of shale gas extraction will be cheaper than simply importing natural gas from suppliers in the region. Even though Turkey's economic expectations are not clear and distinct, the shale gas initiative's political expectations match with the southern energy corridor's intentions—i.e., independence from a Russian energy monopoly, will be built in the Adriatic Sea between Albania and Italy, as part of the project. The construction of the pipeline is expected to begin in 2015, and gas will begin flowing down the line in 2019.

Zorlu in talks on Israeli gas, but politics in the way

Today's Zaman, *28.10.2013*

Turkey's Zorlu Energy is in talks with Israeli firms over the potential for a pipeline to carry Israeli gas to Turkey, industry sources say, but the political rift between the two former allies is holding up progress. Israel is set to become a gas exporter by the end of the decade after the discovery of two major offshore fields off its Mediterranean coast -- Leviathan and Tamar.

Turkey, dependent on imports for almost all of its energy, is looking to diversify away from expensive Russian gas and could become a customer as well as providing a transit route to other markets, particularly Europe.

“Turkey is a very suitable route for Israeli gas. I can even say it is the most suitable,” said Omer Yüngül, chief executive of Zorlu Holding, the owner of Zorlu Enerji. But relations between the two countries have been scarred since May 2010 when Israeli commandos killed nine Turkish activists while storming the Mavi Marmara, a ship in a convoy seeking to break an Israeli naval blockade of Gaza. Industry and diplomatic sources said the Zorlu Group, which already holds an indirect stake in an Israeli power plant, is in talks with private Israeli companies over a possible pipeline deal. Yüngül did not confirm the talks, but said Zorlu Energy’s existing investments in Israel have given it a head start. Zorlu Energy holds a 25 percent stake in Dorad Energy, which is building a 875 megawatt (MW) gas-fired power plant in Ashkelon on the Israeli coast.

Other Turkish companies including Turcas Petrol are also interested in a pipeline project, officials on both sides have said. Such a project could be worth $3.5 billion, according to Amit Mor, an Israel-based consultant who is familiar with the talks. It would entail construction of an undersea section to Turkey’s southern coast and a link to central Turkey. Israel’s huge offshore Leviathan field contains an estimated 17 trillion cubic feet (tcf) of gas, equivalent to almost a year's worth of European gas demand and enough to cover Israel's gas needs for generations. Tamar, discovered in 2009, holds an estimated 280 billion cubic meters (bcm). “The export of Israeli gas to Turkey via a pipeline or in compressed natural gas (CPG) form in marine tankers are the most economically viable options for exporting large gas volumes from the region,” said Mor, chief executive of Eco Energy Financial and Strategic Consulting.

He added that it would be possible to allocate about 8 bcm of gas per year to supply growing demand in the Turkish market. Zorlu’s Yüngül and industry sources say the quantity could go up to 10 billion bcm in the event of a deal. As much economic sense as it would make, a pipeline through Turkey is still at the mercy of politics. “Of course the most feasible route for Israel to export its gas is Turkey. The private sector is holding talks about this, but political steps must be taken,” a government source said.

“We are aware of the talks, but these issues cannot be resolved in a couple of months, and such a project could not go through without the government’s consent,” he added. Turkey has set precise conditions for Israel if it wants to return to their former extensive ties -- an apology, compensation and a lifting of its embargo on Gaza. Israeli Prime Minister Benjamin Netanyahu in April apologized to his Turkish counterpart, Recep Tayyip Erdogan, over the killings and pledged compensation to the bereaved, but Israel has so far made no compensation payments. Israel has made no promises to lift the embargo, although Turkey has given indications it could backtrack on that demand.

Yildiz says Iran oil cuts will be 'threatening' to energy security

Today's Zaman, *17.10.2013*

Turkey will take at least the same 5 million tonnes (100,000 barrel per day) of Iranian crude in 2014 that it is taking this year, as any more cuts in the volumes from Iran would "threaten" its economy, the Turkish energy minister said on Thursday. Turkey is also importing 10 billion cubic meters (bcm) of gas a year from Iran and would buy more if it was available, Taner Yildiz said in a briefing during the World Energy Congress in South Korea.

The European Union and the United States believe Iran is developing nuclear weapons, while Tehran says its programme is for power generation.

Western sanctions over Iran's nuclear programme have cut its oil exports in half from pre-2012 levels and cost it billions of dollars a month in lost revenue. "Now we are importing about 5 million tonnes and if we (reduce more) than that, then that would threaten our energy supply security," said Yildiz. Turkey's energy demand doubled in the last ten years and will double again in the next ten, he said. Turkey is also ready to take more Iraqi gas to help meet its energy needs if Iraq increases its gas output, he said. The United States in June renewed six-month waivers on Iran sanctions for Turkey and eight other economies in exchange for their agreeing to reduce purchases of oil from Iran.

This week six world powers and Iran held two days of nuclear negotiations that the United States described as the most serious and candid to date. Western diplomats said Tehran hinted it was ready to scale back sensitive atomic activities to secure urgent sanctions relief. Asked if there will be any delay in Turkey's first nuclear power plant, the minister said there would be none, as additional upgrading for safety has been completed. He added that a planned second plant on the Black Sea also could be built as scheduled for start-up in 2023.

Earlier this month a source close to Turkey's nuclear plans said the first plant, being built by Russia's Rosatom, is likely to be delayed by at least a year due to bureaucratic hurdles that hamper the $20 billion, 4,800 megawatt project. Turkey will host the next World Energy Congress meeting in 2016.

Turkey denies rift with Iraq over energy issues as FM holds talks in Ankara

Hürriyet Daily News, *24.10.2013*

Turkey is carrying out many projects worth around 5.5 billion in the southern parts of Baghdad, Turkish Minister of Energy and Natural Resources Taner Yildiz said yesterday, ahead of the expected Ankara visit by Iraqi Foreign Minister Hoshyar Zebari today.

"All mutual projects will make great contributions to the wellbeing of the two countries as well as the region. As we have always said since the beginning, any of our agreements with Baghdad or the northern Iraq was for the sake of all Iraqi people," Yıldız said during an international energy conference in Ankara.

Yildiz noted that he and his Iraqi counterpart, Sheristani, had talked about the mutual projects in detail in South Korea a couple of weeks ago. "We do not make any comment about the distribution of rights in the Iraqi constitution. If they made an arrangement under which 83 percent of oil export revenue went to Baghdad and the remaining 17 percent to the northern Iraq, we show our respect and we take this into consideration in the projects we make," Yildiz said, adding that he and Sheristani could meet soon. Iraqi Foreign Minister Zebari is expected to arrive in Ankara today to conduct a series of meetings with Turkish officials, including his Turkish counterpart Ahmet Davutoglu, according to the latest announcements.

The Turkish and Iraqi governments have appeared to be bidding to improve bilateral ties with a series of high-level visits. Tensions between the two countries have soured considerably in recent years due to oil agreements signed by Turkey with the Kurdish Regional Government (KRG) of northern Iraq, without the consent of the central Iraqi government. President Abdullah Gül also recently met with Iraqi Vice President Hudayr al-Huzai in New York on the sidelines of U.N. General Assembly meetings.

KRG has sought to establish a pipeline that would give it access to international energy markets, and has sent crude across the border to neighboring Turkey, also signing deals with a number of foreign energy firms. Iraq, however, has responded by vowing to take legal action against the deals in a bid to halt crude oil sales to Turkey. "It is Iraq's domestic problem to question which pipeline is tied where within Iraqi borders. It is out of the question for us to make such comments like the pipeline should be tied there or elsewhere," Yildiz noted. Yildiz also said Turkey's oil and gas deals had continued in the southern parts of Baghdad and the Iraqi central government was happy with this situation.

Turkish stocks supported by lower oil prices

Today's Zaman, *24.10.2013*

Turkish equities firmed on Thursday, helped by an increase in US oil supplies and resultant fall in global crude prices which may ease pressure on the country's huge current account shortfall. Turkey's external deficit of more than 7 percent of GDP stems mostly from its need to import most of the energy it uses, making it especially vulnerable to outflows of capital from major emerging markets earlier this year.

That trend has eased in the past month, however, thanks to a change in expectations for action by the US Federal Reserve and local stocks were also helped on Thursday by a late fall in oil prices in the previous session.

"The global mood is firmer while the retreat in the oil price is supportive for Turkish shares," a note from Ekspres Invest said. The main İstanbul share index was up 0.59 percent at 78,976 points by 0829 GMT, outperforming the broader emerging markets index, which was down 0.2 percent. The lira currency has also gained more than 5 percent since the Fed surprised markets by optioning not to start trimming bond buying last month and some analysts said the positive tone to Turkish markets overall may continue. "This is an adjustment and it's going to continue till the end of year," said Altan Aydın, an analyst at Garanti Securities.

"We've been underperforming (on stocks) for the last three months, and because the central bank has been doing well on supporting the lira, easing the pressure on the current account deficit, I think smart money will flock to Turkey," he said. Crude oil refiner Tüpras, which is Turkey's largest oil company, was the second biggest weighted mover on the index with a rise of 1.6 percent. The Turkish economy, which has grown robustly over the past five years while much of Europe struggled with recession, is set to expand another 3-4 percent this year and the central bank has managed to keep the lira on an even keel while keeping interest rates historically low to support growth.

The lira slipped marginally to 1.9767 against the dollar compared with 1.9755 late on Wednesday. Investors were looking ahead to third quarter results from Turkey's largest and third largest companies by market capitalization after the market close. Garanti, Turkey's third largest bank by assets and mobile network operator Turkcell were both due to report. Having come down fast in the previous session, the 10-year benchmark bond yield was little changed at 8.38 percent from 8.37 percent on Wednesday.

Israel mulls gas export options

Globes, *30.10.2013*

Greek Cyprus has asked Israel to agree to allocate one quarter of the gas in the Leviathan reservoir for export via Greek Cyprus. The idea, which was discussed by government officials from Israel and Greek Cyprus, is to dedicate a LNG train at the planned liquefaction facility on the southern part of the island, at an investment of $12 billion.

Approval by the Israeli government would open the door to the possibility of a commercial deal between Greek Cyprus and Leviathan's partners, Noble Energy, Delek Group, LP. The deal could total an estimated $12 billion, based on current LNG market prices.

Greek Cyprus' proposal arose in the context of the many options for gas export from Leviathan, which were raised in the wake of the "green light" for exports that the High Court of Justice gave the government last week. The ruling placed decision makers in Israel in a complicated situation - there are many offers, totaling many billions of dollars each, that are entangled with business interests, and occasionally personal interests, of senior politicians. "There are serious doubts in the professional ranks, and for good reason," a source close to the parties told "Globes."

Significant progress has been made between Israel and Greek Cyprus in recent meetings. Following three years of negotiations to establish a unitization agreement to open joint fields, the agreement is expected to be signed within 6 months. Greek Cyprus' position is straightforward in comparison to Israel's considerations. The financial crisis into which the country was thrust does not leave many options. A strategic partnership with Israel is considered the best possible conduit to draw foreign investors to the island, and to deter Turkey from harming Greek Cyprus' interests.

Greek Cyprus, whose domestic gas consumption is very low, is hoping to become a major natural gas exporter. Time is a critical factor in the export plan in light of the drop in liquid gas prices that is anticipated towards the end of the decade. Greek Cyprus' government recently announced that they intend to sign an agreement by the end of this year to establish a liquefaction facility with condensers, in which both Delek Group and Noble Energy will be partners. The target date for operation is 2020, and already it seems there will be delays of 18-24 months.

However, the liquefaction project cannot begin without the Israeli gas. At the start of October, Noble announced that the Aphrodite reservoir contains only 100-170 BCM (Billion Cubic Meters) of natural gas. Such a quantity is sufficient to establish a liquefaction facility with only one LNG train - liquefaction facilities around the world have at least two LNG trains. Greek Cyprus, which planned to establish a facility with three LNG trains, is convinced that more fields will be discovered in its waters. Block 12 alone contains, according to reports, at least two more fields, containing an estimated 100 BCM, and the energy majors Total, Eni and Kogas hope to discover additional fields in exploration sites near Block 12.

However, in order to get underway without delay, Greek Cyprus' liquefaction initiative needs available gas, and such gas is currently available only in Israel's Leviathan. The cost of establishing the land-based liquefaction facility with two LNG trains, with an output of 5 million tons each, is roughly $12 billion. The accepted price that the liquefaction facilities pay for feed gas is $2-2.5/MMBTU. According to a MIT report, ordered by Greek Cyprus' government, the owners of the liquefaction facility will need to sell the gas for at least $7.25 in order to justify the cost of building it.

The minimum volume of gas that Greek Cyprus has requested is 7 BCM/year, or 150 BCM in total. This is a little more than 25% of the gas in Leviathan, which is estimated at 550 BCM today, and may grow in the future. Such quantities leave Israel with additional options for gas exports. The most attractive option, economically speaking, is laying a pipeline to Turkey. Such a project, which would cost a mere $3 billion, could deliver a return on the investment within two years, in light of the volume (10 BCM/year) and the prices ($7-9/MMBTU) that were discussed with Turkish companies. The Turkish groups (6 in total) have offered to build transport infrastructure from the reservoir to the Port of Mersin or Ceyhan in southern Turkey, at their expense.

The problem with the Turkish deal is twofold: the delicate political relationship between Israel and Turkey, and the handling of the negotiations on the parts of the corporate bodies in Turkey. The Turks are treating the matter as though they have all the time in the world, and the deal is a much greater Israeli interest than Turkish. The Kurds of northern Iraq and the Iranians may also compete for the Israeli gas, as the threat of sanctions against them dissipates.

The Turkish option is especially attractive to the Israeli partners in Leviathan - Delek Group (45.33%) and Ratio (15%) - who need the cash flow that the deal would bring to finance their part in bringing Leviathan to the local market, particularly if it is decided that a floating liquefied natural gas facility (FLNG) will be established. The idea of a floating liquefied natural gas facility has largely supplanted the idea of establishing a land-based liquefaction facility, which is considered impractical today. However, the price of a FLNG is still unknown, as it involves very new technology.

Another option that has been pushed forward enthusiastically in recent weeks is selling gas to the international companies that have land-based liquefaction facilities in Egypt. The Egyptian Petroleum Minister responded sharply to Israeli Minister of Infrastructures, Energy and Water Resources Silvan Shalom's insinuations on the topic, and denied that Egypt is interested in buying Israeli gas. The Egyptian government's position does not rule out the possibility of the gas being bought by international companies, however, laying a pipeline from Leviathan to the facilities in Egypt will require an agreement between the two countries.

Noble says gas could meet Greek Cyprus needs by 2016

Hürriyet Daily News, *16.10.2013*

A senior Noble Energy official says the U.S. firm is looking at the possibility of piping offshore gas to Greek Cyprus to meet the bailed-out country's domestic energy needs by mid-2016. J. Keith Elliot told reporters yesterday that this could happen if the Greek Cyprus government commits to the project by the end of this year.

Elliot said a modified rig would be brought over from the Gulf of Mexico to extract gas from the field off Greek Cyprus' south coast which would then be piped to an onshore power plant. Noble, Delek and Avner are now developing the field estimated to hold 3.6 to 6 trillion cubic feet of gas.

Elliot said Noble backs Greek Cyprus' plan to build an onshore gas processing plant to export excess supply. However, Greek Cyprus and its exploration partners, Texas-based Noble Energy, on Oct. 3 announced an around 5 trillion cubic feet (tcf) natural gas find, lowering the initial estimate of 7 tcf made in late 2011. One gas official said lower estimates could briefly delay plans to start work on a $6.0 billion liquefied natural gas terminal in 2016 until more wells off Greek Cyprus are discovered, but that could be avoided with further appraisals of the prospect. Energy Minister Yiorgos Lakkotrypis said the island was committed to seeing the LNG project through.

Even though lower than expected, the discovery was a rare glimmer of good news for Greek Cyprus. It teetered on the brink of financial collapse in March with its one million inhabitants bracing themselves for at least two years of deep recession from an EU/IMF imposed austerity program. "Despite the lower quantities we announce today compared to those of 2011, the confirmed reserves affirm a particularly important reserve of natural gas," Lakkotrypis told reporters. He said a "very preliminary" estimate, based on reserves of 4.5 tcf in Noble's prospect, placed its gross value at $50 billion. "We would be looking at a net profit for the Republic of between $12 and $18 billion over a 14 year period," Lakkotrypis said.

Noble wants to pipe gas for domestic use

Upstream Online, *11.10.2013*

Noble Energy, operators of the Block 12 offshore licence, has reportedly renewed a proposal for piping gas from the Aphrodite well for the purpose of domestic electricity generation. Daily Politis writes that the Houston-based energy company has quoted a delivery price of $9 or $10 per million btus (mmbtu).

The power plant development would involve a 1000-megawatt facility to feed a phosphate mining and manufacturing centre. That's significantly lower than the price offered by Itera during the 'interim gas' tender procedure. It's offer is understood to have been around $15.5 per mmbtu.

Politis said the cost of electricity generation – and thus the price of electricity to end-consumers – could on paper drop by 15 to 20 per cent if Noble's proposal were implemented. The deputy government spokesman yesterday neither confirmed nor denied reports of Noble's offer, saying only that the government "is exploring all avenues…regarding interim gas so that the cost of electricity can be reduced." Noble envisages extracting the gas with a spar platform, the 'Red Hawk', which is currently located in the deepwater Gulf of Mexico. The gas would be brought ashore via a subsea pipeline, to be built by Noble, and burned to generate electricity for domestic consumption.

Advanced negotiations are said to be underway between the energy ministries and Noble. The proposal has a tight window, because the 'Red Hawk' platform is set to be decommissioned in January of 2014. According to Politis, the US firm is now proposing use of the spar platform for a period up to 20 years. The Americans are said to intend to build a 20 to 24-inch pipeline. This large-diameter pipeline could subsequently be used also for the more 'permanent' solution of piping gas to an LNG terminal at Vasilikos for the purposes of export and domestic consumption – allowing Noble to kill two birds with one stone. The total investment cost to Noble would be in the region of $1bn, the paper said.

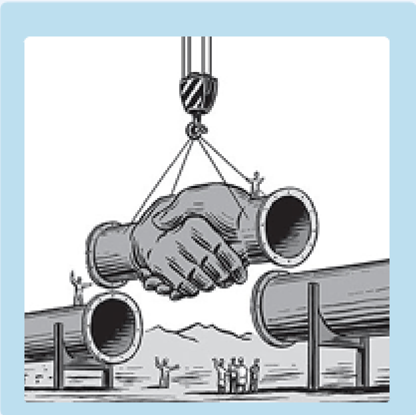
Sources told the Mail that Noble's original spar platform pitch – made a few months back -involved a five-year contract, for €12 per mmbtu. Under that initial offer, Noble would lay a 12-inch pipeline capable of piping up to 100 million cubic feet of gas a day. Under that scenario, Noble would have had to construct another larger pipeline for the subsequent LNG project. Noble's initial proposal entailed a total investment cost of some $800 million, with the spar platform accounting for around $300 million. Assuming the government and the Americans clinch a deal, the spar platform could be moved to Cypriot waters by next summer, and actual gas production could start in 2016.

By contrast, an LNG plant is not expected to be operational any time before 2019. Charles Ellinas, chairman of the Greek Cyprus National Hydrocarbons Company (CNHC), stressed the need to push ahead with the spar platform project. "It's partly our own gas, so the net cost would be less than the sales price, since around 60 per cent of the profits would go to Greek Cyprus," he said. But Greek Cyprus needs to move swiftly to make the project happen.

Noble would need at least a serious commitment from the government by the end of this month if it is to go ahead and make a gambit for buying the spar platform. Next, a formal agreement between the two sides would ideally have to be signed by December. A possible complication could be the current tender for the 'interim gas' solution. Although talks between the Natural Gas Public Company with Itera and then Vitol came to nothing, the tender is still open. The government cannot move until and unless the tender process has been wrapped up. In a related development, the Cabinet yesterday decided the establishment of a Ministerial Committee on Hydrocarbons and Geopolitical Issues. The committee will be headed by the foreign minister and comprise the ministers of energy, defense and transport.

Gas pipeline plan could bring solution for Cyprus

Eurasia Review, *20.10.2013*



Israel's efforts to establish gas pipelines to Turkey and Greek Cyprus have triggered hopes that co-operation in the energy sector could help resolve the four-decade division of Cyprus.

Michael Lotem, Israel's energy envoy, revealed the pipeline plan in September during a conference in Paphos with energy executives. It includes an energy facility to run Israeli gas exports to Greek Cyprus and to the national grid in Turkey. Following the conference, Hugh Pope, the International Crisis Group's (ICG) Turkey-Cyprus project director, wrote that the offer will avoid many of the chronic problems between Greek Cyprus and Turkey.

"A shorter western arm would go to Greek Cyprus, and a longer northern arm would go to Turkey. One Israeli official suggested 4-5 billion cubic meters of gas goes to Greek Cyprus as soon as possible, and some 8-10 billion cubic meters a year goes to Turkey when that pipeline is financed and built," Pope wrote on the ICG's blog. Praxoula Antoniadou Kyriacou, former minister of energy of Greek Cyprus, said countries in the eastern Mediterranean need to work toward resolving past problems, in order to capitalise on opportunities for future economic growth and prosperity.

"A win-win outcome would be the peaceful co-operation between all of the hydrocarbon-rich countries of the area toward rendering the area of the eastern Mediterranean a major supplier of natural gas to Europe," Kyriacou told SETimes. "In order that this is achieved, the resolution of problems in the relations between Turkey, Greek Cyprus and Greece, as well as of the problems between Israel and the Arab countries is necessary. Encouragement can be offered from each of the countries of the area to the others, yet common sense should suffice to prove that more money can be made by all if we resolve the past and move forward, than if we persist to remain buried in it."

Experts say all sides embrace regional peace opportunities in which every party benefits. Previous negotiations between Greek Cyprus and Turkey have not been successful, but a new round of talks is slated to begin this month. Neither has announced a willingness to approve a gas pipeline. Ahmet Sozen, who has more than 20 years of experience in Cyprus peace-building initiatives and heads the political science and international relations department at TRNC's Eastern Mediterranean University, said the peace process must be based upon official negotiations between the two communities, implementation of confidence-building measures.

Sozen said the discovery of the hydrocarbons in the eastern Mediterranean represents an opportunity to solve the Cyprus problem by providing the island a basis for broader regional co-operation. "In that regard, how the Israeli gas — the only proven high quantity in the region — will be utilised in the future, separate or in combination with the Cypriot gas, is very important that can change the arithmetic in the Cyprus equation," Sozen told SETimes.

Sozen added that the primary challenge is to convince Greek Cypriots of the benefits, because Turkish Cypriots are eager to start sharing the island's natural resources. "Israel's challenging Turkey and Greek Cyprus to make a choice between perpetuating the stalemate or having a share in the natural gas riches is a good strategy that has the potential to break the years-long misperceptions and taboos between the Greek Cypriots and Turkey. This strategy can also facilitate the inter-communal peace negotiations in the island," Sozen said. Sozen suggested starting with a pipeline between Israel and Turkey and another one from Israel to a liquefied natural gas (LNG) plant in Greek Cyprus, which can solve both the security concerns of Israel as well as the concerns of the Greek Cypriots, who are reluctant to depend on a pipeline that goes through Turkey.

"However, when the Cyprus problem is resolved and the relations of the relevant sides are normalised, another pipeline from the Greek Cyprus LNG plant to Turkey can very well be built and all sides can have diversified ways of transferring the natural gas to the world markets in a cost-effective way. Such an arrangement will inevitably create an interdependent relationship between Turkey, Israel and the united Cyprus — a sort of region of perpetual peace a la the European Union," Sozen said. Emre Iseri, a Cyprus expert at Izmir-based Yasar University, said an Israel-Greek Cyprus-Turkey pipeline proposal has been based on the idea of a "peace pipeline" that has previously failed to gain traction.

"This is mainly due to the fact that politics, not economics, determines the future of huge energy investments, such as pipelines," Iseri told SETimes. "Economically speaking, everyone will be a winner in the case that the Israel-Greek Cyprus-Turkey pipeline project is materialised," he added. "It will not only meet Turkey's increasing natural gas demand and underpin its prospects to become an energy hub, but also contribute to the crisis-torn economy of the Greek Cypriot."

East Mediterranean gas: Peacemaker or breaker?

Natural Gas Asia, *23.10.2013*

Much is being talked these days about Greek Cyprus' and Israel's offshore gas discoveries, and the option to export both countries' natural gas riches over the coming few years.

Traditional importers of above 90% of their domestic energy supplies, both Greek Cyprus and Israel can now embrace an energy future that will likely look very different from the past – including through low-cost supplies of natural gas to their domestic energy markets and, potentially, resource revenues from the export of their natural gas resources. There's potentially more to come; a 2010 US geological survey suggests the Levant basin

Including the offshore territories of Palestine, Lebanon and Syria could hold as much as 120 trillion cubic feet (tcf) of gas, leaving as much as more than two thirds of the East Mediterranean's hydrocarbon riches yet to be discovered. The global significance of these discoveries is modest; the world's largest gas reserve holders Russia and Iran hold with 1160 tcf and 1187 tcf respectively many multiples of these reserves, being exporters of much different scale. However, for the gas- and generally hydrocarbon-starved region of the Levant, which has held little share in the Middle East's overall regional energy wealth, these discoveries are no short of significant, game-changing events in their modern economic histories.

They also come at arguably just the right time: Israel's domestic gas supply contract was cancelled in April of last year following the 2011 overthrow of the Mubarak regime, while neighboring Jordan, whose electricity sector relies close to 80% on Egyptian gas, has had to live with more than two years of on-off gas supply subject to dozens of attacks against Egypt's energy export infrastructure, and more recently glaring supply shortages to Egypt's own domestic market. Syria, Lebanon, and in the north, Turkey could also benefit significantly from a new natural gas lifeline from within the region, sparing all four countries expensive alternative supply options, primarily in the form of high-cost liquefied natural gas (LNG).

Israel and Greek Cyprus, meanwhile, have been considering different export options. Beyond the region, many proponents of Israeli and Cypriot gas export have been looking to LNG exports, with different locational options for Israeli LNG ranging from onshore, offshore, and third country LNG facilities located in and shared with Greek Cyprus. Targeting premium markets in East Asia, both may yet have to decide about the whereabouts of their export plans. The regional option, in the form of pipeline exports of Cypriot and possibly Israeli gas is commercially attractive; perhaps one of the most attractive options, for it targets a growing demand market in Turkey with the option of accessing European markets as well.

Infrastructure investment costs will compare favorably to costs associated with LNG. Similar considerations apply to Israeli exports to Arab neighbors Jordan, Egypt and Palestine – all gas-hungry markets that could benefit significantly from low-cost Israeli gas vis-à-vis the alternative of high-cost LNG imports under long-term supply contracts. Regional gas trade would also be highly attractive from a political point of view. Israel's and Greek Cyprus' natural gas discoveries could be a very potent political currency in the region's need to address two of the world's longest-standing political disputes, those centered around the Greek Cyprus and Turkey, and Israel and some of its Arab neighbors.

Being the carrot under a brokered peace deal between the two Cypriot communities and Turkey on the one hand, and Israel and at least some of its Arab neighbors on the other would make East Mediterranean gas a grand dealmaker in the political sense in addition to its widely accepted economic benefits. Challenging these opportunities is, unsurprisingly, the realm of politics. While desirable economically, commercially as well as, in principle, politically, political deadlock over decades-old conflict, the need for domestic politicians to draw capital among the own electorate from the ability to blame others for one's own economic miseries, as well as the elusive yet politically mobile opposition of "the people" in the Arab, Israeli and Turkish streets may very well threaten the success of such projects.

And while there are important precedents within and outside the Arab world over production sharing mechanisms of hydrocarbon reserves, political animosity and the sheer value of selling an image of enmity between such countries as Lebanon and Israel – which yet face the need to resolve disputes of their maritime boundaries with potential hydrocarbon riches overlapping their claimed territories – may yet hinder any such rapprochement. In this sense, the East Mediterranean gas reserves may yet show their "ugly" face, that of natural resource riches that fuel, rather than help diminish conflict.

We have a chance to solve so many regional 'quibbles' and have the region prosper as a whole from these recent discoveries. Will the stakeholders be able to overcome their political loyalties and carve out a creative solution in which former rivals become partners and enjoy wealth arising from hydrocarbon exports? Can the leaders and decision makers think long-term for the benefit of all the peoples and future generations? Undoubtedly, economic factors will lead and the option that is selected will have to be a commercially viable option. Investors and their shareholders are looking at the economic bottom line and not at conflict resolution. Yet, it would be a true benefit to the region if the viable solution also brings forth stability and joint wealth. The incentive to find and endorse these creative solutions will not come from the companies' directors; they will have to come from the regional leaders.

Leviathan partners want Woodside to pay more

Globes, *22.10.2013*

Negotiations to sell 30% of Leviathan to Woodside Petroleum Ltd. for $1.25 billion will resume, following Monday's High Court of Justice ruling on natural gas exports, industry sources believe. Leviathan's partners will reportedly ask Woodside for a much higher price, but this will not wreck a deal.

The main reasons for a higher price are the larger estimated natural gas reserves at Leviathan from 16 trillion cubic feet (TCF) to 19 TCF, the greater chance of finding large quantities of oil, and increased competition from Turkish buyers for the gas.

Noble Energy Inc. owns 39.66% of Leviathan, Delek Group units Avner Oil and Gas LP and Delek Drilling LP each own 22.67% and Ratio Oil Exploration owns 15%. In December 2012, Woodside signed a non-binding letter of intent to acquire 30% of Leviathan for $1.25 billion in cash. The deal was subject to milestones, including the signing of a final agreement in exchange for a down payment of $696 million, and the obtaining of regulatory permits for gas exports and the construction of liquefied natural gas (LNG) infrastructures. Woodside also agreed to pay up to an additional $1 billion if the price of gas exported from Leviathan was higher than set out in the formula appended to the letter of intent.

Delek and Ratio did not conceal their unhappiness with the size of Woodside's offer and hinted that they could get higher offers. Russia's Gazprom, Korea Gas Corporation (Kogas), and other companies were mentioned as interested in Leviathan before the deal with Woodside. When the letter of intent was signed, Woodside believed that the final deal would be signed by February 2013. But the Israeli elections in January delayed a decision on gas exports recommendations by six months, and, at the insistence of Minister National Infrastructures Silvan Shalom, cut the export quota from 50% to 40%. The talks between Leviathan's partners and Woodside remained frozen even after the government decision until the High Court of Justice dismissed the petitions against the decision yesterday.

In the meantime, there has been substantial progress in talks between Leviathan's partners and a Turkish consortium that wants to buy gas from the reservoir and deliver it to customers via pipeline. A Turkish pipeline would jeopardize Woodside's plans for an LNG plant for exports to its customers in China. The Turkish plan has the support of Israeli government officials and the plan's return on investment would be much faster than the return on an LNG plant, which would cost $10-15 billion. On the other hand, Israeli-Turkish relations have been unsettled of late. In addition, Woodside gives great weight to Prime Minister Benjamin Netanyahu's reportedly strong support for its deal.

Shahristani: Iraq set to sign new contract on importing Iranian gas

Natural Gas Europe, *17.10.2013*

Iraq is set to sign a new contract covering gas imports from Iran, Hussain al-Shahristani said this week. Shahristani, speaking on Wednesday, World Energy Congress in Daegu, South Korea, also said a gas pipeline being built between Iran and Iraq could become operational sometime in November.

Iraq already has a four-year agreement with Iran, signed in July this year, for the supply of 850,000 Mcf/d of Iranian gas to Iraq's Mansuriya power plant in Diyala province and the Quds and Sadr plants in Baghdad province. In Iraq we have signed contracts with Iran to import gas for our power generations stations in the central part of the country.

"We are about to sign another contract to import Iranian gas in the south of the country," he said, giving no other details of the new contract. "These are short-term contracts just to give us time to run new power stations on gas till other oil production is increased to a point where we have sufficient associated gas to be used for domestic needs," Shahristani said. "The pipeline that we have already signed for is under construction," he said. "It should have been finished by July last year and now they tell us it will be ready next month."

Shahristani said Iraq could begin exporting gas after 2018-20. "There will be some gas available for export. All our neighbors, with the exception of Iran, have asked Iraq to supply them with gas. The European Union has asked us to supply Europe with gas," he said. "However that Iraqi gas, the surplus gas will be available for perhaps 5-10 years. Beyond that, as our economy develops, as our local consumption increases, we will have to see if we find new gas fields. Then we can keep our exports of gas. If not there will be more of it for domestic needs."

Russia to liberalize LNG export by January 2014

Natural Gas Europe, *16.10.2013*

Russia will liberalize its liquefied natural gas exports (LNG) in less than three months, Energy Minister Alexander Novak said on Wednesday during the World Energy Congress. "We expect the law to take effect since the first of January next year," Novak said in occasion of the congress in South Korea.

The increased competition in international markets would be offset by a major agreement between Gazprom and China CNPC, which are expected to clinch a deal by the end of the year. President Vladimir Putin has already endorsed the proposal for the LNG export liberalization.

He also stated Russia's interest to press ahead with a gas pipeline system to supply China. That would remain controlled by Gazprom. The LNG exports liberalization is expected to be approved by the parliament in the coming weeks. "The work… has been coordinated and agreed by all the ministries of the cabinets, and in the near future it is going to be submitted to the State Duma, the parliament of the Russia Federation," Novak explained.

Kashagan oil field delays operations restart

The Moscow Times, *24.10.2013*

Consortium developing Kazakhstan's giant Kashagan oilfield said Thursday it needed a few weeks to resume production cut by an industrial accident Oct. 9, which means commercial output will not go ahead this month as planned.

Kazakhstan, Central Asia's largest economy, has been looking forward to revenues from Kashagan, the world's costliest project, which took nearly 13 years and about $50 billion to complete. But two weeks after its Sept. 11 launch, production was halted after a gas leak was detected on a pipeline running from the offshore field to an onshore processing facility. It resumed Oct. 6.

Russia demands Ukraine payment, raising fears of new gas war

Today's Zaman, *29.10.2013*

Russian gas export monopoly Gazprom demanded Ukraine pay an overdue gas bill urgently on Tuesday, rising fears of a new "gas war" and increasing pressure on Kiev as it tries to build ties with Europe. Prime Minister Dmitry Medvedev described the payment problems as critical, ahead of Kiev's signing next month of agreements with the European Union which would mark a historic shift away from Moscow.

Using language that harked back to earlier spats in which Moscow cut off gas to Ukraine, hitting onward deliveries to Europe; Medvedev told Gazprom CEO Alexei Miller Kiev had not taken the payments seriously enough in recent talks.

"The (problems) exist and they are absolutely critical," he said at a government meeting. Miller said Ukraine had been given until Oct. 1 to pay for natural gas deliveries in August, but no payment had yet been received. He said Gazprom had also paid Ukraine $1 billion up front to pump gas though its territory to Europe. "The situation with Ukraine's gas payments is coming to the boil. Ukraine has failed to pay fully for August supply," Miller told the meeting. Earlier he said he was "extremely concerned." Ukraine's state oil and gas firm, Naftogaz, declined to comment on Gazprom's remarks, but Prime Minister Mykola Azarov said the government was "monitoring the issue". "This primarily is a question concerning two companies and they have to sort things out," Azarov's press service said.

Russia and Ukraine have waged two gas wars over prices in the winters of 2006 and 2009, with Moscow halting deliveries not only to Ukraine but to the rest of Europe, forcing some in the European Union to seek alternative sources of energy. President Vladimir Putin wants Ukraine to join a Moscow-led customs union and Russia has put pressure on its neighbour, which faces large payments to service its debt over the next 18 months, by tightening customs rules and banning some imports. Earlier this year, Russia hinted that gas prices which Kiev has called "exorbitant" could be cut if it joined the customs union, which unites Russia with two other former Soviet republics, Kazakhstan and Belarus. Medvedev said Russia could resort to a system of advance payments if Ukraine did not respond to its demands.

"There is a danger of a new gas war with Ukraine, where the economy is struggling," said Sergei Vakhrameyev, an analyst with Ankorinvest brokerage in Moscow. "The situation of past years, when gas flows to Europe halted could be repeated again." Putin and Ukrainian President Viktor Yanukovich met in the Black Sea resort of Sochi on Sunday for bilateral talks, although neither side has commented on what was discussed. Ukraine, which imports nearly all its gas from Russia, pays about $400 per 1,000 cubic metres, slightly higher than the average price paid by European customers. Naftogaz said earlier this month it had 17 billion cubic metres of gas in storage, enough to get through the winter. Gazprom ships more than half of its gas to Europe via Ukraine.

Hoffman: Turkey best option for Israeli gas

Today's Zaman, *30.10.2013*

The most practical option for Israeli gas to be transferred to Europe is via Turkey, a leading natural gas analyst has said. "The most feasible way of transporting Israeli gas to Europe is by the southern gas corridor through Turkey," Michael Hoffmann, director of external affairs of the Trans Adriatic Pipeline (TAP), said at the European Energy Summit in Istanbul on Wednesday.

There are three ways of transporting the natural gas Israel will produce in the Mediterranean to Europe. One is transporting the gas after first transforming it into liquid form as LNG.

The gas can also be transported to Europe after being converted to electricity. But according to Hoffmann, who spoke on the first day of the two-day summit, transporting the gas through Turkey is the best option out of the three possibilities. Hoffmann, who was invited to attend the summit by the İstanbul-based Caspian Strategy Institute (HASEN), also underlined that the TAP project has reinforced Turkey's hand in becoming an energy corridor. Stating that the final decision for the implementation of the project will be taken in November by the TAP shareholders, he said the capacity of the project will be increased to 20 billion cubic meters in the future.

TAP, a 791-kilometer-long pipeline project recently selected over the Nabucco project, is to transport natural gas from Azerbaijan's Shah Deniz II field across Turkey to the European market via Greece. At the beginning, the pipeline will carry 16 billion cubic meters of gas per year, keeping 6 billion cubic meters in Turkey while transporting 10 billion cubic meters to European markets. The gas will be transported to southern Italy via an undersea pipeline that will be built in the Adriatic Sea between Albania and Italy, as part of the project. The construction of the pipeline is expected to begin in 2015, and gas will begin flowing down the line in 2019.

Brazil oil block goes to Shell, Total, China firms

Today's Zaman (Reuters), *22.10.2013*

A consortium including Shell, Total, two Chinese firms and Brazil's state-run petroleum company Petrobras won the right to develop an offshore field that could hold up to 12 billion barrels of oil, Brazil's government said Monday. It was the first auction held under a new legal framework meant to give Petrobras and Brazil more control over its finds in recent years, oil buried deep under water and a formidable layer of salt, reserves that could hold 100 billion barrels.

The decision managed to discourage both critics, who say the rules will scare off potential investors, as well as leftist protesters who tried to stop the sale.

About 300 demonstrators calling for nationalization of Brazil's oil industry clashed with police outside the hotel where the bidding took place before the auction, with security officials firing tear gas and rubber bullets. The protest was originally called by striking oil workers, whose union has long opposed any foreign involvement in Brazil's petroleum production. Protesters overturned the car of one local TV channel and set it aflame. Among the demonstrators were the masked, black-clad "Black Bloc" anarchists who have a growing role in Brazil's steady drumbeat of protests.

Pro-business critics contend that the law, which mandates that Petrobras be the sole operator of the finds and maintain a minimum 30 percent stake in oil blocks, will scare off big private firms. They also say it will slow investment in and development of the oil - as much as 100 billion barrels of it - that Brazil is counting on to catapult the country to developed-nation status and fund ambitious education and health programs. Government officials are already locked in arguments about how to share royalties that haven't surfaced, and the Navy is buying submarines to protect the fields. There were only 11 participants in the auction and the winning bid by the consortium was the only one made, according to the government. Petrobras holds a 40 percent stake in that consortium, Shell and Total each account for 20 percent and Chinese firms CNOOC and CNPC have 10 percent each.

Adriano Pires, one of Brazil's top energy analysts, called the new rules "very interventionist" and said the auction was a disappointment even before it began because of the lack of interest. He chalked that up to the new rules that will make production expensive. "We are talking about non-conventional oil located 6,000 to 7,000 meters deep," he said. "The $500 billion that will have to be invested over the next 12 to 15 years made companies conclude that the rate of return made participating in the auction unattractive." The technological hurdles to reaching the riches are intensely challenging, even for Petrobras, considered a world leader in offshore development.

The deep-water reservoirs lie some 185 miles (300 kilometers) offshore in the Atlantic, more than a mile (kilometer) below the ocean's surface and under another 2.5 miles (4 kilometers) of earth and corrosive salt. The salt beds can break loose and shear off piping, making it among the toughest substances to drill. With a slowing economy and delays in producing that offshore oil, some say the Brazilian government will loosen rules to make them more business friendly during the next auction in two to three years.

The New York-based Eurasia Group said in a research note that Petrobras' "growing operational and financial constraints" along with government pressure to stoke a lagging national economy means changes are expected at the next auction. "Allowing international oil companies to develop the pre-salt side by side with Petrobras would kill two birds with one stone," Eurasia Group wrote. "It would lead to a quicker pace of production in the pre-salt with more investments, and provide needed relief to Petrobras."It added that "it isn't lost on government officials that the shale gas and tight oil technological revolution in North America has reduced Brazil's leverage to attract capital."

Medvedev: China, Russia agree to $85 billion oil supply deal

Today's Zaman, *22.10.2013*

Russia has signed an $85 billion deal to supply oil to China, visiting Prime Minister Dmitry Medvedev said Tuesday, expanding energy trade between the giant neighbors. The two governments also agreed to jointly construct an oil refinery in Tianjin east of Beijing, Medvedev said in comments posted on the website of the government's Xinhua News Agency.

Xinhua said he made them during an online forum with Internet users. Medvedev's announcements suggested the two governments might be committed to speeding up an expansion of energy trade that has been slowed by lack of agreement on prices and other details.

Medvedev said Russia's biggest oil producer, Rosneft, will supply China an additional 70 million barrels of crude a year for 10 years under the latest agreement, according to Xinhua. The agreement "testifies to the fact that we have reached a higher and a brand new level of cooperation," said Medvedev in comments that were translated into Chinese on the Xinhua website. The transcript said questions posed by Chinese Internet users were put to the prime minister by a moderator but gave no indication how they were selected.

US soon to overtake Russia as top oil producer

Today's Zaman (Reuters), *12.10.2013*

The United States will become the world's largest oil producer next year - overtaking Russia - thanks to its shale oil boom which has transformed the global energy landscape, the West's energy watchdog said on Friday.

The prediction comes only days after estimates by the US government showed the United States, the world's largest oil consumer, has ceded its ranking as top global oil importer to China, thanks to the shale revolution cutting import needs. "The United States' place in the driver's seat of growth is also a throwback to decades past," the International Energy Agency said in its monthly report.

The US resurgence as an oil producer is already reshuffling the cards in the game of world energy diplomacy, playing it a new hand in relations with long-term ally and top OPEC producer Saudi Arabia. Major producers such as Russia are now forced to invest billions of dollars into new pipelines towards Asia as they can no longer rely on demand from the West, and have to deal with increasingly assertive Beijing. "With output of more than 10 million barrels per day for the last two quarters, its highest in decades, the nation is set to become the largest non-OPEC liquids producer by the second quarter of 2014, overtaking Russia. And that's not even counting biofuels and refinery gains," the IEA said.

The agency, the Paris-based energy arm of the Organization for Economic Co-operation and Development (OECD) estimated that US liquids production will average 11 million bpd in 2014 versus 10.86 million in Russia. The spike in US production will allow total non-OPEC supply to grow by an average of 1.7 million barrels per day in 2014, peaking at 1.9 million in the second quarter, the highest annual growth since the 1970s, the IEA said. That robust growth will compensate for disruptions to Organization of the Petroleum Exporting Countries' production and provides a cushion for oil prices, which otherwise could have spiked much higher than the current $110 a barrel.

OPEC crude supplies slipped to below 30 million bpd for the first time in almost two years, led by steep drops in Libyan and Iraqi exports due to unrest and terminal repairs, and despite Saudi Arabian output topping 10 million bpd for a third month running. The IEA said that growth in non-OPEC production was so strong that it further reduced its estimates for demand for OPEC crude next year by an average of 100,000 bpd to 29 million bpd - effectively 1 million bpd below current pumping levels. The IEA left its global oil demand growth forecast for 2014 broadly unchanged at 1.1 million bpd, an increase of 1.2 percent, saying the macroeconomic backdrop was improving.

“European demand data have surprised on the upside recently amid reports that the euro zone’s recession ended in the second quarter of 2013 and signs of improvement in business confidence,” it said. But it added that it saw significant downside risks due to the budget standoff in the United States and currency depreciation in many emerging market economies. The IEA also said few observers expected sanctions on Iran’s oil and finance sector to be eased anytime soon, despite a friendlier rhetoric from Tehran. “Rather, most expect that turning the clock back on sanctions will be a drawn-out process based on tangible diplomatic progress with regard to the issues at hand, which many still view as a remote prospect,” it added.

The IEA estimated Iran’s crude oil production had declined by 100,000 in September to 2.58 million bpd. Oil imports from Iran rebounded by 180,000 to 1.17 million thanks to higher purchases from China and India. It said preliminary data indicated China lifted imports from Iran to a four-month high of 555,000 bpd, India increased them to 265,000 bpd, highest since January 2013, and Pakistan imported first oil from Iran since January 2011.

Poland promotes liquidity with national gas market

Natural Gas Europe, *15.10.2013*

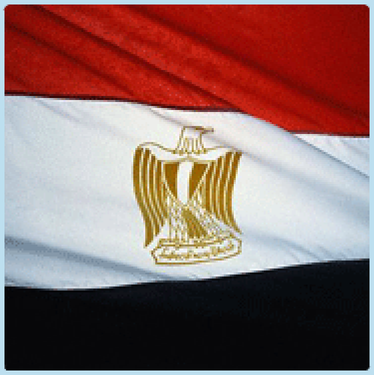
Canada Poland steps up its attempts to promote gas market liberalization, enabling trading companies and large customers to trade directly on the exchange market. “The new regulations allow us to introduce market makers whose role will be to ensure liquidity. We also see interest in operating on the exchange among foreign players,” Ireneusz Łazor, President of the Polish Power Exchange said.

The Polish Financial Supervision Authority approved the direct access to the gas market as of November 1, in the wake of enactment of the amended Energy Law, which also introduced mandatory public gas trading.

At the moment, only 13 entities are entitled to operate on the POLPX gas market. The other players are allowed to intervene into the market through brokerage houses. ‘Based on Energy Regulatory Office figures for the end of August, there were 124 entities holding gas trade licences, and 35 energy companies were actively participating in natural gas trade,’ reads the note released by the Polish Power Exchange. The cumulative volume of natural gas trade at POLPX after the first three quarters of 2013 totaled 686,933 MWh, including 248,407 MWh on the spot market and 438,526 MWh on the forward market. In total, over 800 transactions were made.

Egypt says not interested in Israeli gas as plans LNG imports

Hürriyet Daily News, *24.10.2013*



Egypt is not interested in importing gas via pipeline from Israel and instead is focusing on a plan to import liquefied natural gas, a top Egyptian state executive said in the night of Oct. 23. Israel's energy and water minister said this week that it could supply Egypt with gas through a pipeline that already links them.

To receive LNG shipments, Egypt must rent a floating terminal, which it aims to have in operation by April after issuing a tender earlier this month. "For importing the LNG we are working with companies, not with countries," Taher Abdel Rahim, chairman of state-run EGAS, told Reuters.

"Companies like BP, Shell, BG - those are the companies working on importing LNG," he added. Egypt's LNG plan is likely to be more expensive than piping gas from Israel due to the cost of erecting the terminal and the higher prices LNG fetches in the global spot market. Spot LNG in the east Mediterranean region is currently priced around $12.00 per million British thermal units, and pipeline deliveries from Israel are likely to be cheaper. The pipeline was originally built to carry Egyptian gas to Israel and Jordan.

In April Egypt terminated a 20-year deal to supply gas to Israel, citing a business dispute. The deal, signed when President Hosni Mubarak was in charge, was unpopular with many Egyptians. The pipeline has been attacked more than a dozen times since the 2011 uprising that toppled Mubarak. Since the deal was first signed, Egypt's gas output has declined, while large reserves of gas have been discovered off Israel's. In August, Avner Oil & Gas said the group of energy companies that found the gas was studying options to export it to Egypt as well as to Jordan, the Palestinian Authority and Europe via a pipeline to Turkey.

Silvan Shalom, Israel's energy and water minister, said on Oct. 22 that Egypt was "showing interest in buying gas from Israel. "If they will indeed want gas and (their interest) is real, then I don't see any reason why not," he told Israel's Army Radio. EGAS's Abdel Rahim said, however, "There is no negotiation, no communication, nothing at all between us and them."

Russia lets China in on East Siberia oil production

Hürriyet Daily News, *18.10.2013*

Rosneft will cede a share of its oil riches to China under a memorandum signed on Friday to jointly develop East Siberia deposits in the first such deal between China's largest oil company and Russia. The world's top oil producer, Russia has previously preferred to sign long-term supply deals backed by loans with China, the biggest oil importer.

But with net debt of over $57 billion, pressure is growing on Rosneft to partner with Beijing. The Russian state-owned company said it signed a memorandum with China National Petroleum Corp (CNPC) to jointly tap oil reserves on East Siberia

These include the Srednebotuobinsk field previously owned by oil producer Taas-Yuriakh, which Rosneft recently took over. Rosneft would have a controlling stake of 51 percent in the future joint venture, while CNPC will own 49 percent. "Chinese companies would like to enter upstream projects all over the world, this is a global trend. I think that Rosneft is trying to find ways of such cooperation with CNPC, and the project is just a small proxy," said Alexei Kokin from brokerage Uralsib Capital. "Rosneft doesn't have endless resources, they understand that they will have to look for Chinese money."

The deposit is close to the Eastern Siberia-Pacific Ocean (ESPO) pipeline. Rosneft delivers 300,000 barrels per day of oil to China via an ESPO pipeline spur and earlier this year agreed to double supply volumes. An official at CNPC, who asked not to be named, said the two companies would likely now start negotiating detailed terms. "Whether they can sign a solid agreement depends on commercial terms," he said. Rosneft has a similar deal with another Chinese company, Sinopec, which is producing oil just west of the Urals in the Republic of Udmurtia.

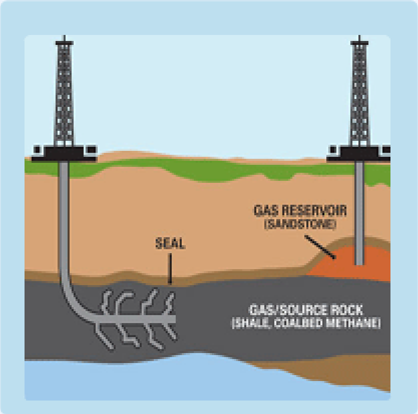
Rosneft, which in March acquired Anglo-Russian oil firm TNK-BP for $55 billion, also needs to increase its upstream base to honor a pledge to increase sales to China. Some analysts and observers doubt that Rosneft has enough resources to boost supplies to China to the agreed level. Chief Executive Officer Igor Sechin said on Friday that the company did have sufficient resources to reach its targets. "The agreements reached prove once again that Rosneft has a sufficient resource base to meet its strategic goals," Sechin said in a statement.

According to Rosneft, the Srednebotuobinsk deposit has oil and gas condensate reserves of more than 134 million tons and over 155 billion cubic meters of gas. Oil production from the field started this month. It is expected to produce 1 million tons of oil in 2014 and more than 5 million tons annually from 2017. Last month, energy-hungry China overtook the United States as the world's top net oil importer. It is on track to spend $500 billion on crude oil imports by 2020, far outstripping U.S. imports which peaked at $335 billion, according to consultancy Wood Mackenzie.

As well as oil, Russia is the world's largest producer of conventional gas and has been seeking a deal to sell natural gas to China. Despite years of negotiations, however, state-owned Gazprom and Beijing have not yet reached a final agreement due to differences over pricing terms. Gazprom Chief Executive Alexei Miller said last month that the company and China's CNPC aimed to reach a final supply deal by year-end.

Marcellus shale region growing faster than expected

Oil & Gas Financial Journal, *22.10.2013*



Natural gas production from the Marcellus Shale region is growing faster than expected, according to a new federal report. Marcellus production has now reached 12 billion cubic feet a day, the Energy Information Administration report found. That's the energy equivalent of about 2 million barrels of oil a day, and more than six times the 2009 production rate.

For perspective, if the Marcellus Shale region were a country, its natural gas production would rank third in the world, after Russia and the rest of the US. The Marcellus now produces more than double Iran's yearly gas output, and wholesale prices here that are about one-quarter of those in Japan.

The vast majority of the Marcellus gas is coming from Pennsylvania and West Virginia. The shale also lies under other states, but most of the wells in Ohio produce oil, and New York has placed a moratorium on shale gas drilling. Federal energy experts are surprised by the rapid Marcellus growth, since the number of drilling rigs has fallen over the past two years. "A year ago, we were not expecting the Marcellus to be at 12 billion cubic feet," said Sam Gorgen of the EIA, which is a part of the Department of Energy.

The current Marcellus production is even higher than the predictions of Terry Engelder, a Penn State University geologist who has drawn praise and criticism for his estimates of how much gas the region holds. Engelder had predicted that the Marcellus wouldn't reach the 12 billion cubic foot rate until 2015, and some critics said that was overly optimistic. "This is spectacular, relative to what we thought a few years ago," Engelder said of the roughly 4,000 wells in Pennsylvania that are producing.

The EIA also looked at the decline rate of the Marcellus wells, since most of the gas is produced during their first two years. "It's interesting that it's not falling as steeply" as other shale fields such as the Bakken in North Dakota or Eagle Ford in Texas, Gorgen said. Travis Windle, a spokesman for the Marcellus Shale Coalition, an industry group, said "shale production continues to soar" in the region, and the number of active drilling rigs is slowly increasing, too.

Gazprom: Vladivostok LNG project very attractive for consumers and investors

Einnews, *22.10.2013*

Today Gazprom delivered a presentation of the Vladivostok-LNG project in Vladivostok on the Russky Island. The presentation was intended for prospective purchasers of liquefied natural gas (LNG) and partners from Japan. Taking part in the event was Vitaly Markelov Deputy Chairman of the Gazprom Management Committee, Sergey Sidorov, First Vice Governor of the Primorye Territory, heads of Gazprom's structural units and subsidiaries.

It was highlighted during the presentation that the Asia-Pacific LNG market was the most receptive and fast growing in the world, with Japan as one of the major consumers there.

The Vladivostok-LNG project run by Gazprom is quite well-timed. The start of supplies from the first train of the plant is expected in 2018, from the second train – in 2020, with the capacity of each train amounting to 5 million tons a year. In future the LNG plant may be further expanded. One of the key advantages of the Vladivostok-LNG project fundamentally distinguishing it from other projects is its significant and secure resource base. At present, Gazprom's A+B+C1+C2 gas reserves in the operating Sakhalin and the Yakutia and Irkutsk gas production centers under development exceed 4.6 trillion cubic meters. The Company continues large-scale geological exploration in these regions, which are forecasted to result in further gas reserves buildup.

An important condition for successful project implementation is the availability of the necessary infrastructure. Gas will be delivered to the plant via the Sakhalin – Khabarovsk – Vladivostok gas transmission system already constructed by Gazprom and eventually via the projected Power of Siberia gas pipeline. The competitive advantages of the Vladivostok-LNG project also include a high quality of gas, application of a reliable and proven gas liquefaction technology, favorable natural and climatic conditions, maximum proximity to Asia-Pacific markets and the Company's long-term experience in supplying gas to the global market.

"Today it may be stated with certainty that Vladivostok-LNG is very attractive both for prospective consumers and investors. The consumers will get a new regular supply of high-quality energy sources in the immediate proximity to their receiving terminals. As for the investors, they have an unrivalled opportunity of investing into the project with an access to the very promising emerging Asia-Pacific markets," said Vitaly Markelov. He confirmed the possibility of attracting a strategic partner which may acquire up to 49 per cent in the project. It was particularly stressed at the meeting that Gazprom guaranteed full compliance with environmental and security standards at all stages – during the plant construction and operation.

Gazprom aims to speed up new LNG projects intended to increase the Company's share in the global gas market. Vladivostok-LNG is one of such projects. In February 2013 the project entered the investment stage. In March the Action Plan regarding the LNG plant near Vladivostok was approved as well as the Action Plan regarding the resource base of the project. In September a special-purpose company Gazprom LNG Vladivostok was registered in the Khasansky District of the Primorye Territory.

WTI crude rebounds on China economic growth

Oil and Gas Eurasia, *18.10.2013*

West Texas Intermediate crude rose from a three-month low as China's economic growth accelerated for the first time in three quarters, signaling increased demand in the world's second-biggest oil consumer, Bloomberg said on October 18 as a result of survey.

Futures climbed as much as 0.2 percent in New York, reducing a second weekly loss to 1.2 percent. China's gross domestic product from July to September expanded by 7.8 percent from a year earlier, the National Bureau of Statistics said in Beijing today. That matched the median estimate of economists in a Bloomberg News survey.

The U.S. will release crude stockpile data on Oct. 21 that were delayed this week because of the partial government shutdown. WTI for November delivery gained as much as 21 cents to $100.88 a barrel in electronic trading on the New York Mercantile Exchange and was at $100.82 at 1:02 p.m. Singapore time. The contract fell $1.62, or 1.6 percent, to $100.67 yesterday, the lowest close since July 2. The volume of all futures traded was about 42 percent below the 100-day average.

Energy firm hits KRG with first major legal dispute

Reuters, *22.10.2013*

Dana Gas, leading a consortium of investors, has filed an arbitration case in London to clarify the amount of money the investors are owed for work already carried out and their rights to develop and market gas fields, the Abu Dhabi-listed company said on Tuesday.

KRG's massive untapped oil reserves, lucrative production-sharing contracts and safe environment compared with the rest of Iraq have prompted international oil companies over the last few years to commit to investing billions of dollars in blocks there. ExxonMobil, Chevron and Total have entered KRG even at the risk of losing contracts in the south.

The KRG fired back at the lawsuit, saying Dana Petroleum had made "misleading" statements about being owned money, and ordering it to withdraw the allegations. "It is Dana and its affiliates that owe the KRG significant sums," the Kurdish regional government's Ministry of Natural Resources said in a statement. It said the KRG has "incurred very large losses" as a result of misrepresentations and a "failure to meet commitments and promises" that the company had made. Baghdad has long called the upstream contracts by the KRG illegal. The two sides have been locked in a longstanding payment disagreement, with the KRG consistently claiming billions on behalf of its upstream investors.

In continued defiance of the central government, the KRG is expected to export significant volumes of crude oil for the first time via a new pipeline, following initial shipments by truck through Turkey to the international market. The first pipeline shipments will start by the end of the year, bolstering the KRG's long search for independence as it will soon earn more from its exports than it receives from the central government in Baghdad. "It's only natural at this stage for the relationship to get more complicated as the financial burden weighs more heavily on smaller entities, while the bigger IOCs can bear some more of the payment issues," said Ayham Kamel, Middle East and North Africa analyst at the Eurasia Group consultancy. Dana Gas is also owed significant sums by the Egyptian government, which has still not decided on how or when exactly it will pay back over $6 billion it owes to upstream companies.

The case is the first major instance of a company suing the KRG, a partner at a top international law firm said, adding that such claims in other countries are frequently conducted through bilateral or multilateral investment treaties. It is not unusual for a government to owe upstream companies money, but moving to arbitration is less desirable. "It's pretty much the last resort. First because if you have an investment, you need the government's goodwill to continue operating there. And second, even if you win, there's no guarantee you can make the country pay," the lawyer said.

"The KRG could decide not to pay, and then the company needs to take the claim to a state court and the chance of getting a court to go against the government is low, so the next step is to search for assets outside the country." The Pearl Petroleum consortium wants clarification from the Ministry of Natural Resources over its contract with the government to develop and market gas from the Khor Mor and Chemchemal fields, Dana said. The KRG said that it does "not recognize" Pearl Petroleum at all. Part of its output is in the form of condensate, light valuable oil which is being exported by truck through Turkey to the Mediterranean market. The consortium produces some 15,000 barrels per day of oil equivalent.

Exports of condensate via truck began in the fall of 2012, but the consortium stopped receiving payments from these sales about three months ago. The consortium is made up of Dana, Crescent Petroleum of the United Arab Emirates, Austria's OMV, and Hungarian oil and gas group MOL. To date, the consortium has invested over $1 billion and has produced gas and petroleum liquids amounting to about 100 million barrels of oil equivalent in KRG, the statement said. Dana, which holds 40 percent of the consortium, has previously said it alone is owed about $430 million by the Kurdish government. Dana said it was resorting to arbitration after an effort to resolve its differences with the ministry through mediation failed.

The company said it "very much hopes that all outstanding matters with the Ministry of Natural Resources will be resolved, amicably and in good faith, in the shortest possible time, in order to enable full and proper development of the fields". The KRG said that it "requires that Dana Gas undertake without qualification to provide an uninterrupted gas supply from the Khor Mor field". The case was filed at the London Court of International Arbitration under the terms of Dana's 2007 agreement with KRG, the company said. Announcing third-quarter earnings last week, OMV said it would book special charges of around 100 million euros ($135 million) for the quarter, partly because of a writedown on an asset in KRG

Romania announces price range for Romgaz's IPO

Natural Gas Europe, *21.10.2013*

Romania announced on Monday more details about Romgaz's initial public offering (IPO), disclosing a price between $7.38 and $9.84. As part of the Romanian Government's privatisation program, Romania is promoting the sale of up to 15% stake of Romgaz, the largest gas producer and supplier in the local market.

The majority stake will remain in the hands of the Ministry of Economy (at least 70%), while Fondul Proprietatea will maintain its existing 15% interest. According to a note released, the retail offering commences on 22 October 2013 and is expected to close at 12 pm EET on 31 October 2013.

Cub Energy reports new production high in Ukraine

Oil and Gas Eurasia, *22.10.2013*

Cub Energy Inc. announced on October 22 that corporate production has reached a new high of more than 1,668 barrels of oil equivalent per day after the stimulation of two wells in Ukraine. The Olgovskoye-4 and Olgovskoye-5 wells were successfully stimulated resulting in maximum test rates of 4.0 million cubic feet per day (MMcf/d) from the O-4 well and 1.3 MMcf/d from the O-5 well.

The O-4 well has been tied-in for commercial production and is currently producing at 3.9 MMcf/d (1.17 MMcf/d net) of natural gas.

The Ukraine production is operated by KUB-Gas LLC, a partially-owned subsidiary in which Cub has a 30% ownership interest. Gross production from KUB-Gas is now more than 30.5 MMcf/d of natural gas and 127 bbl/d of condensate resulting in net production to Cub's 30% interest of 9.15 MMcf/d of natural gas and 38.1 bbl/d of condensate (1,563 boe/d). The Olgovskoye/Makeevskoye gas processing facility is at maximum capacity and the production of the O-4 well has backed out approximately 2 MMcf/d. The facility is being expanded and, upon completion in the first quarter of 2014, the facility will be able to handle up to 68 MMcf/d of natural gas. Mikhail Afendikov, Chairman Chief Executive Officer of Cub said – "The success of these fractures is very exciting for the Company."

We have extended our record of frac success in Ukraine and have potentially proved up a significant new play, which could extend over much of our O and M license areas. I am proud of our team's continued efforts to update our data and understanding of these structures. "Their work has yielded valuable results and could further extend the Company's drilling programme further into the future." The stimulated zone in the O-4 well was a Middle-Bashkirian silty sandstone interval with a gross thickness of 5 metres which occurs at a depth of approximately 2,558 meters, referred to as the R30c unit, the same zone that was successfully stimulated in the O-6 and O-8 wells in 2011.

The zone had low permeability and was not producing gas at commercial rates before the stimulation in the O-4 well. The O-4 well flowed gas at 4.0 MMcf/d immediately after the stimulation and has been tied-in for commercial production. The R30c zone was also stimulated in the O-5 well and had a gross thickness of 12 metres at a depth of approximately 2,300 metres. The zone had low permeability and was not producing gas before the stimulation. After the successful frac, the O-5 well immediately flowed gas at 1.3 MMcf/d and has been suspended pending tie-in during the first quarter of 2014 after the upgrade of the gas processing facility.

The O-5 well finished drilling in April 2007 after reaching a TD of 2,700 meters. Multiple gas-bearing zones were encountered in the Moscovian and Bashkirian sections. The well was selectively perforated from the interval 2,281 to 2,325 meters, which included formations above, below, and including the R30c. The well had produced cumulative gas production of 0.1 BCF from the combined formations until September 2009 when it was decided to plug the existing perforations and move up-hole to the R9e formation at 1,559 meters. The R9e produced cumulative gas of 0.9 BCF and was producing at 0.2 MMcf/d when the zone was shut-in to prepare the well for fracture stimulation in the R30c. The plugs below the R9e where then drilled out and perforations were squeezed where necessary to ensure isolation and the well was re-perforated in the R30c interval from 2,296 to 2,302 meters and successfully fracture stimulated.

European Commission grants 134 million Euros to Greece's DESFA

Natural Gas Europe, *17.10.2013*

Greece's DESFA will have 134 million euros funds to invest in the Liquefied Natural Gas (LNG) facilities in Revythoussa, the Compression Station facilities in Nea Mesimvria and the pipelines towards Evia and Peloponesus.

"The state aid approval for four development for four development projects and the expansion of the Natural Gas Network in Greece that was announced by the European Commission is a tangible proof of confidence that surrounds not only DESFA's development program but also the potential of the Greek economy," DESFA CEO George Paparsenos said in a note released on Wednesday.

The European Commission decided to grant 134 million euros, both from national and from European structural funds. The total investment cost is estimated at 414 million euros. 'These projects have as a target to increase gas transmission capacity, to improve security in gas supply in Greece and, indirectly, to reduce CO2 emissions,' reads the note. The investment in the LNG terminal in Revythoussa is expected to improve security of gas supply. The Compression station in Nea Mesimvria would enhance gas flow from the North to the South of the Country. The last two projects – new high-pressure gas pipelines – should allow differentiation in energy sources in areas where there is no access to natural gas.

Gazprom to benefit if Romania does not exploit shale gas

Natural Gas Europe, *22.10.2013*

Following several days of protests in Pungesti and halting work at the first shale gas exploration bore belonging to Chevron, politicians give statements and show the real objective of the protests.

Romanian President Traian Basescu stated during a show on B1 TV: "No question, Gazprom benefits from Romania not exploiting gas in the Black Sea or shale gas, because we might became an exporter and can supply gas to a part of Gazprom current market." He also stated "The resources we are exploiting are growing scarce. The responsibility of today's politicians is to look a bit to the future."

Basescu explained that Russia does not want an energy independent Romania. And the fact that "in the west (western part of the country) we have no Gazprom protests and we do not have protests because Lukoil has a concession in the Black Sea; nothing that is Russian is touched, wherever Americans are there are protests" is enough to place question marks over the protests against Chevron exploitation.

"We have focused on Chevron. There are ten companies that have permits for shale gas. I don't know why everyone is focused on the American company Chevron […]. We have no protests caused by the fact that Lukoil has a concession in the Black Sea for natural and shale gas; and they have a large perimeter. Nothing that is Russian is touched, wherever are Americans is a subject of …," added Basescu. He said that resources are diminishing and if Romania will not find other gas resources it will grow dependent on "someone that proved to Europe that they can stop supplying at any time."

"The Russian Federation is not a lamb; it is a power that plays its hand to keep its influence. I wouldn't want these gentlemen who say not to exploit the resources being put in the position to explain why Romania is dependent. Certainly these agitators will not be there at that time. The responsibility of politicians is to look forward a bit. I am not among those who say everything is perfect. Any such exploitation has environmental costs and risks. I was looking over statistical data; the risk of failure is of one bore in a thousand.

Most likely until us being exploitation the risk will be of one bore in three thousand," explained the President. Romanian Prime Minister Victor Ponta stated: "For 300, 100, 1000 people we cannot block a country of 22 million and I will ask you; from my part you have permission, the gendarmerie, police, state institutions to act without reluctance when we are talking about serious breaches of law." "The desire and political decision is to have energy independence for Romania by exploiting all resources we have, of course abiding by the highest environmental standards is a decision I and USL assume," detailed Ponta.

“The ones who are saying USL (the governmental coalition) has ever objected using shale gas is lying! What USL did was ask for one year moratorium in order to allow European Union to form an official position regarding this topic. At the same time we asked for guarantees that environmental standards will be respected. In the meantime the position of the European Union was clarified and they allowed the projects regarding shale gas extraction and the European Parliament voted a resolution in this sense. Moreover, Romania has imposed the highest environmental standards, the strictest in Europe. So, we have the guarantee that everything is in order and we can go forward in the endeavor to attain energy independence,” said the speaker of the Social Democratic Party, Catalin Ivan.

Shale gas protests continue in Romania

Einnews, *23.10.2013*

Thousands of Romanians protested on Saturday against plans by US supermajor Chevron to explore for shale gas in a poor eastern region, according to a report. Plans by the leftist government of Prime Minister Victor Ponta to approve the tapping of natural resources in the European Union’s second-poorest state have triggered nationwide protests since the start of September, throwing together local communities, environmentalists, civic rights groups and the clergy

Protesters have criticised a lack of transparency in approving the project and are demanding stronger safeguards to protect Romania’s environment and national heritage.

On Thursday, Chevron suspended work on what was to be its first exploration well in the small town of Pungesti in Vaslui county, 340 kilometres north-east of the capital Bucharest, after locals blocked access to the site. Yet the Pungesti people, most of whom live off subsistence farming in one of Europe's poorest regions, have continued protesting, asking officials to revoke drilling plans. More than 800 locals, priests and activists gathered on Saturday in front of the empty lot where Chevron planned to install the well. Hundreds rallied in other cities, Reuters said. In punishing windy weather, they waved “Stop Chevron” banners and knelt to the ground while a priest led them in prayer. A group of horse riders clad in national costumes then destroyed a cardboard model of an oil well.

Shale gas faces opposition due to concerns around hydraulic fracturing, the process of injecting water and chemicals at high pressure into underground rock formations to push out gas. Critics have said it can pollute water supplies and trigger small earthquakes. Advocates claim it has a strong safety record and point to countries like the US, where extensive fracking has driven down prices. “I am against shale gas exploitation because of the chemicals used in fracking,” Reuters quoted 25-year-old Vasile Ciobanu as saying. Ciobanu has returned to Pungesti after working abroad for three years and now lives a few hundred metres away from the proposed well site.

“I don’t think the company and Romanian officials are thinking about what could happen to people who live here.” Chevron declined to comment. Earlier this year, the company won all necessary approvals to drill exploratory wells in Vaslui. It also has rights to explore three blocks near the Black Sea. The exploration phase is expected to last for about five years. According to US Energy Information Administration estimates, Romania could potentially recover 51 trillion cubic feet of shale gas, which would cover domestic demand for more than a century and help push prices lower.

Russia to sell Inter RAO shares to finance Akkuyu plant

Today’s Zaman, *12.10.2013*

Russian Minister of Energy Alexander Novak recently said that the government will be selling 13.76 percent of one of Russia’s largest public energy companies, Inter RAO, in order to finance the Akkuyu nuclear plant construction in Turkey’s Mersin province.

Turkey’s first nuclear power plant project, the Akkuyu Nuclear Power Plant , is set to be built in the province of Mersin is located on the Mediterranean coast. Its shareholders include Rosenergoatom OJSC, Inter RAO UES JSC, Atomstroyexport JSC, Atomenergoremont OJSC and Atomtekhenergo JSC.

Four days ago, Russian Minister of Finance Anton Siluanov remarked that the government will be distributing about TL 1.5 billion to Rosatom State Nuclear Energy Corporation, which deals with the country's nuclear energy projects. According to the Russian press, the Russian petroleum company Rosneftegaz is interested in the share sale of Inter RAO. Novak had previously said that the financing of the Akkuyu plant would come from a couple of different sources and that things are going as planned. He also said that the Russian side applied to the Turkish government for exemption from additional taxes, which would decrease costs and increase efficiency.

However, it was reported in the Turkish press on Oct. 8 that the nuclear power plant is likely to be delayed by at least a year as bureaucratic hurdles hamper the $20 billion project, a source close to the plans said. The start of construction for the Mersin Akkuyu plant in southern Turkey is scheduled for mid-2015, and all four planned reactors are meant to have started generating power by 2023. But the project still has to obtain a construction license and has been hindered by other delays over the summer.

An environmental report by Rosatom, which requires approval by Turkish authorities, had to be resubmitted to the Turkish Ministry of Environment and Urban Planning in September, months behind schedule. Without approval, Atomstroyexport, the main contractor chosen by Rosatom to build the reactors, cannot launch the tenders for an estimated $7.5-8.0 billion worth of subcontracts.

Shale gas firms to be brought under 'robust' new EU law

EurActiv, *24.10.2013*

This will almost certainly take the form of an unconventional fuels directive, similar to other EU laws covering wastewater and environmental impact assessments. "We will be proposing a legal framework for shale gas in Europe to minimize its risks," a well-placed EU source said, speaking on condition of anonymity.

"Our intention is to provide clarity as to what the rules are for business, and investors, and to provide reassurance for the public in terms of the environmental impacts of shale gas and any impact it has on public health," European Union source continued.

"And as the environmental impact of shale gas could be bigger than for conventional gas or oil, we intend to make sure that the environmental legislation is robust enough to cater for those risks." EU directives have a binding outcome, while allowing EU states leeway in reaching them. They are considered apropos for shale gas because the choice of energy mix is a national competence under the principle of 'subsidiarity', and member states cannot be stopped from exploiting it.

But if they choose to do so, the new proposal will oblige several tough environmental safeguards. "It has to be a legal framework applicable across the EU and not just a vague set of guidelines," the official said. "When that happens you are at the mercy of the various national systems and how they are applied, and if they are challengeable in court." The planned directive aims to ensure that the public is offered "the same level of protection" from the risks of shale 'fracking' as from other forms of energy extraction, he added. The legislation will set down rules for dealing with the risks of:

- Venting and flaring of greenhouse gases
- Seismic disturbances
- Groundwater contamination and management of the water supply and reserves
- Impacts on air quality, and noise emissions
- Associated infrastructural problems caused by heavy industrial activity
- Methane emissions

"Methane is also an issue and comes under emissions," the source added. "There will have to be some kind of monitoring of emissions, whether methane or other forms of air pollution. Everything needs to be covered." Such common rules would give industry certainty, predictability, and a level playing field across the continent, the EU believes. However, it will inevitably grate with energy intensive industries and several member states.

Earlier this summer, the UK's finance minister George Osborne announced what he hoped would be "the most generous [tax regime] for shale in the world". Poland is also enthusiastic about shale's potential but Bulgaria, France and northern Spain have all banned it, due to public concerns. On Friday (18 October), Chevron also announced that it was halting shale gas operations in Pungesti, Romania, after five days of local protests. The EU's Joint Research Centre says that shale gas drilling poses 'high risks' to the environment and human health, and the International Energy Agency says that even its greenest implementation would raise global temperatures by 3.5 degrees.

The IEA's chief economist, Fatih Birol, told EurActiv last year that this outcome would be "unacceptable". But the industry counters that 'green completion' techniques involving the flaring or capture of methane emissions can greatly mitigate their effect on the climate. "If you employ reduced emissions completion equipment, only a fraction of the methane emissions will go into atmosphere," the US scientist, Dr. David Allen told a Brussels conference organised by the International Oil and Gas Producers Association earlier this month. In a sign that the lobby battle has spread to the laboratories, his conclusions have already been challenged by other US scientists from Cornell University.

Methane is a highly-potent short-lived greenhouse gas 86 times more powerful than carbon dioxide over a 20-year period and at least 34-times stronger over a century. News that it may soon be regulated under an EU directive will relieve environmentalists who had been bracing for a fuzzier set of guidelines. Hopes for sturdy regulation had diminished as cheap energy prices rose up the Brussels agenda. Commission sources differ on how fiercely the shale gas file has been contested by different EU directorates. The EU's energy commissioner, Günther Oettinger, has spoken out for shale gas consideration several times, while the climate action commissioner, Connie Hedegaard has sounded a more cautious note.

The EU Commission president José Manuel Barroso, an ultimate arbiter, is thought keen to include the legislation in a wider energy and climate package, which could comprise areas such as tar sands, 2030 targets and even the Emissions Trading Scheme, which regulates greenhouse gas emissions in Europe. Certainly, the shale gas legislation will be passed too late to be acted on by this Commission and will merely set the agenda for the incoming administration after European Parliament elections in May. But in a speech that may seem retrospectively wry, the environment commissioner, Janez Potočnik, whose directorate has the lead on the shale gas file explained on Friday (18 October) why "the world won't wait for elections".

"Many people seem to think that this Commission is already finished," he said, "that nothing will really happen now: We waited for the German elections, now we wait for the European elections, and then for the new Commission to be nominated." "Well, as far as I'm concerned, this Commission's mandate finishes on the 1st of November next year, more than a year from now and we will continue our work," he went on. "I will continue my work. The planetary boundaries don't care about elections." EurActiv understands that these words were partly written with the shale gas package in mind, and Potočnik is expected to expand on them at a speech to the Financial Times in London this evening (21 October). "Shale gas legislation is something we would like to see proceeding very quickly through the other two institutions," the official said. "It is not urgent as no-one is actually extracting it now but we would not want to put it on the backburner because of European elections next year either," he added.

Gazprom cuts production due to fall in demand for gas

Oil and Gas Eurasia, *18.10.2013*

Gazprom has revised its plans for production at the Bovanenkovskoye field in Yamal downwards. According to the revised plans, 30bn cubic metres of gas will be produced in 2013, 40.8bcm in 2014 and 42.9bcm in 2015.

Earlier Gazprom had expected that 46.3bcm of gas would be produced in 2013, 68.3bcm in 2014 and 89.5bcm in 2015, while Gazprom's head of department for gas, gas condensate and oil production plans would be revised downwards in accordance with gas consumption cuts. In January-September 2013, Gazprom produced 344.5bcm of gas, which was 2.1% less than during the corresponding period last year.

U.S. power plant emissions tumble on shift to natural gas

Einnews, *23.10.2013*

Greenhouse gas emissions from U.S. power plants fell 10 per cent in 2012 from 2010 as more facilities switched to cleaner-burning natural gas from coal and electricity generation also fell, the U.S. Environmental Protection Agency said.

The regulator published its third national greenhouse gas inventory, which collects emissions data from over 8,000 of the biggest industrial emitters in the United States on a website that is accessible to the general public. Earlier this week, the Energy Information Administration, part of the Department of Energy, said that U.S. energy related carbon dioxide emissions fell to their lowest level since 1994.

But the EIA also showed that emissions are likely to rise in 2013 because of a rise in natural gas prices, which is expected to push some utilities to shift back to burning carbon-intensive coal.

Saudi ready to use shale gas

Upstream Online, *16.10.2013*

Saudi Arabia is to commit shale gas to a new power plant in the north of the country as the major oil-producing state looks to expand its unconventional footprint. Khalid Al-Falih, chief executive of state-owned player Saudi Aramco, revealed at the World Energy Congress (WEC) in Daegu, South Korea on Monday that an unidentified unconventional gas programme in “the frontier northern region” is “ready to commit gas” to the project.

The proposed power plant development would involve a 1000-megawatt facility to feed a phosphate mining and manufacturing centre.

Falih did not mention which fields the gas would be coming from. “I believe the US shale revolution will spread far and wide, as many other areas of the world appear to hold enormous unconventional potential,” he told the conference on Monday. “The rush, ladies and gentlemen, is definitely on.” Saudi Arabia’s moves on unconventional plays have been keenly watched as many have perceived its large oil exports as coming under pressure from the share gas boom in North America. Falih said that demand for oil in absolute terms is likely to rise around 20 million barrels per day during the next two decades.

“That’s equal to the current production of the world’s two largest oil producers, Russia and Saudi Arabia, combined,” he exclaimed. “Likewise, the world’s current gas reserves of more than 7000 trillion cubic feet have enormous room to grow, considering that the unconventional gas revolution has expanded the world’s technically recoverable gas resources to the range of 30,000 tcf. “If we could economically recover them, they could meet global gas demand at current rates for more than 250 years.”

Apart from unconventional exploration, Saudi Arabia has been moving outside of its traditional onshore and shallow-water fields with deep-water exploration ongoing in the Red Sea. Also at the WEC, Alexander Moskalenko, chief executive of energy efficiency body GCE Group, said: “The global trends in shale gas will not have an immediate impact on the global economy as the level of energy consumption on the planet increases by 20% each year. “However, one and a half billion people still do not have access to either heating or electricity sources.

“To meet demand, securing energy savings is growing in popularity, and shale gas and oil is a promising new field for energy efficiency consulting. “As a non-renewable resource with an arguably negative environmental impact, growth in shale gas development will not undermine the renewables and all other energy sources. The key is to pursue a broad energy mix to not only support growing energy demands, but also due to its great potential for new energy efficiency technology developments.”

Will natural gas place the United States to again be a geopolitical player in Europe?

Natural Gas Europe, *15.10.2013*

The global economy is still struggling to overcome the effects of the recession sparked by the 2008 financial crisis. But energy — in particular, shale gas exploration — has become one of the strongest engines for the U.S. economy.

U.S. natural gas production has increased by one-fourth in the past five years, according to the Energy Information Administration; it has created 600,000 jobs since 2009 and helped drive down gas prices for millions of Americans. Moreover, the United States is now in a position to export gas. This surplus creates opportunities for the United States to again be a geopolitical player in Europe.

While U.S. officials ponder their approach to Syria, the larger Middle East and Central Asia, they need look no farther than Central Europe and the “Visegrád Four” (Hungary, Poland, the Czech Republic and Slovakia) to find some of the United States’ most passionate allies. Our countries’ commitment to the transatlantic relationship is unwavering. But we remain vulnerable to “energy diplomacy” because of our overwhelming reliance on Russian gas and oil. Nations in Central Europe import 50 to 100 percent of their gas from Russia. In comparison, Western Europe imports only 17 percent.
Gallery

Our region has done much to modernize its inherited energy-transmission systems, which, until recently, reflected the Soviet era’s east-west supply routes. New pipeline connections and other technological improvements make the Central European energy infrastructure more flexible and more secure than it was even four years ago. Yet Gazprom’s monopolistic position in supplying most of our countries makes gas prices for millions in our region many times higher than in the United States.

The gas crises of 2006 and 2009 underscored that the Visegrád countries remain more vulnerable to supply disruptions than any other European nations. We have long recognized the importance of reducing dependence on a single source of gas and are eager to achieve real competition. The U.S. natural gas boom raises the prospect of a reliable trade partner for our region.

But as things stand, U.S. regulations make exporting gas cumbersome, unpredictable and strategically counterproductive. U.S. companies seeking to export gas to countries that do not have free-trade agreements with the United States are subject to lengthy bureaucratic procedures. Almost two dozen export license applications are pending; only a few have been granted in the past three years. This regulatory obstacle is the main bottleneck to increased U.S. gas trade with NATO members and Japan.

Energy Secretary Ernest Moniz pledged this summer to make decisions on additional export licenses by the end of the year. Meanwhile, several members of Congress, including Sens. John Barrasso (R-Wyo.) and Lisa Murkowski (R-Alaska) and Reps. Ted Poe (R-Tex.) and Mike Turner (R-Ohio), have taken the lead in recognizing this opportunity and advocate measures that would help to expedite liquefied natural gas exports to U.S. allies.

We believe this creates a win-win situation. Congress, working with the administration, can help U.S. companies gain new business opportunities while also helping the United States and its allies diversify their energy sources. Accelerating the export licensing procedure to allow increased sales to trustworthy, reliable foreign partners should be a policy that politicians on both sides of the aisle can support.

This is a historic moment. The United States has the chance to become a key player in international exports of natural gas. If Washington expands export opportunities, the results would include strengthened domestic production, enhanced global energy security, expanded market opportunities, lower global prices and stronger transatlantic alliances. By making strategic choices, the United States could demonstrate, once again, that it considers the Czech Republic, Hungary, Slovakia and Poland close allies and start a new, even closer, chapter in bilateral relations.

Azarov says Eni and EDF to invest $4bn in Ukrainian offshore fields

Oil and Gas Eurasia, *18.10.2013*

The Ukrainian government plans to discuss a draft resolution providing for the start of a project to produce oil and gas in the Black Sea. Eni and EDF are expected to participate in the project, said Ukrainian Prime Minister Mykola Azarov, adding that investment in the Black Sea fields would reach $4bn by 2020.

Once the project gets off the ground, it should be possible to increase oil and gas production by 2-3 million tons of fuel equivalents. In September, Ukrainian Energy Minister Eduard Stavytsky said Eni had submitted an application to develop shallow fields in the Black Sea.

Lebanese gas reserves likely to be larger than expected

Natural Gas Europe, *30.10.2013*

Natural gas and oil reserves offshore Lebanon could be significantly larger than previously estimated, said Energy Minister Gebran Bassil on Wednesday. "The current estimate, under a probability of 50%, for almost 45% of our waters has reached 95.9 trillion cubic feet (tcf) of gas and 865 million barrels of oil," Bassil said in at the Reuters Middle East Investment Summit.

The eastern Mediterranean country Lebanon is trying to exploit its hydrocarbon resources to boost the economy and find a solution to chronic domestic power shortages in advance.

Lebanon's caretaker energy minister Gebran Bassil delayed the country's offshore gas licensing round by a month from 10 December 2013 until 10 January 2014 as a result of the failure to form a cabinet that would approve two crucial decrees. Lebanon previously postponed the licensing round other times. Nonetheless, Beirut conducted a seismic survey and it is trying to pave the way to commercial production. "This definitely needs more exploration and drilling activities to get more precise figures, but this is an indication that with more work surveys and analyses, we are getting higher results and higher expectations," commented Bassil.

Greece hopes for revival of East Mediterranean Pipeline Project

Natural Gas Europe, *30.10.2013*

A high level delegation headed by Greek Prime Minister Antonis Samaras, along with members of his Ministerial cabinet, visited Israel on the 8th of October. Various memorandums and agreements were signed and an East Mediterranean gas pipeline project revival looks likely.

Greece's Minister of Environment, Energy and Climate Change Ioannis Maniatis relayed to his counterpart in Israel, Silvan Shalom that Athen's foremost interest is to push forward the East Med energy corridor via a tripartite cooperation between Greece, Greek Cyprus and Israel, in which natural gas will play a key role.

The main argument used was the geo-economic link between the Middle East and the EU, in times of major crises in the region and the need for Europe to diversify its gas import supplies. As such, a pipeline running offshore Israel to Europe through Greece would stabilize the area and cement a decade's long export market for the companies involved. Minister Shalom replied that if a pipeline is indeed built, he would prefer it to pass through Greece rather than Turkey, which is in essence another antagonist for the corridor route and a major domestic gas consumer market. For the time being Tel Aviv is considering several options, without having decided on the best policy to follow concerning its significant offshore gas reserves, which may even exceed 800 bcm.

Options being discussed at various political and economic levels in Israel include a pipeline straight into Southern Turkey that will then connect with the local transmission system that will soon add TANAP to its array of pipeline routes. A second option would be the aforementioned pipeline to Greek Cyprus, connecting local offshore reserves before ending in Southern Greece to connect with the local pipeline network that will add TAP in its capacity by 2019. Moreover the establishment of an LNG station in Israel is being considered, either in Haifa for exports to European markets, or in Eilat, with an eye for lucrative Asian-Pacific markets. Lastly is the option for the construction of an LNG terminal in Greek Cyprus where all the East Med gas will be stored before being re-exported to (mostly) EU destinations.

It should be noted that Israel has not assessed the amounts of gas to be exported in total over the coming years, and what amounts should be kept for domestic consumption. In fact, this is a crucial aspect of the entire discourse because for a long-term investment project of around 30 years, hundreds of billions of cubic meters are going to be needed, which decreases considerably the local reserves and the capacity of Israel to fully proceed into mass scale gasification programs for domestic use. A pipeline to Turkey is estimated to cost €3 billion, while the one to Greece around € billion. Greece's DEPA recently awarded a feasibility study to JP Kenny that concluded a pipeline of 1200km with an 8 bcm annual capacity would cost at least €4.7 billion and identified three basic scenarios for the route of the project:

Route offshore Greek Cyprus to the Island of Crete and then to Southern Greece Directly offshore Israel to Crete and Southern Greece Terminal on mainland Greek Cyprus to Crete and mainland Greece In all cases the projects of the Trans-Adriatic Pipeline (TAP) and Interconnector Greece-Bulgaria (IGB) are mentioned as linked to the East Med pipeline and where DEPA places its priority on persuading the Israeli side into joining the project. Presently the situation is in flux and the Israelis will take their time deciding on which route to place their bets.

Key factors that will influence such decisions are not purely economic but geopolitical and security related due to the peculiar state of affairs in Israel, in the midst of chaotic developments in the Arab world and in light of the war in Syria, the Iranian nuclear program and its rift with Turkey. Consequently, it could be said that signs of the direction to be followed are not expected until early 2014.

Ceyhan or Singapore: Which one to be the 2nd Rotterdam?

Today's Zaman, *30.10.2013*

It was 2011 when I visited Rotterdam and held a long tour in one of the world's largest ports. And that was the moment when I understood what Turkish officials meant by saying the Turkish short term goal was to turn its Ceyhan port into the 2nd Rotterdam; meaning, to make it one of the world's most important energy hubs which would also increase Turkey's role in the energy world.

Ceyhan is the port through which Azeri and Iraqi oil are flowing to the international markets and also has a refinery to produce petro-chemical products to both use in the domestic market and to export to foreign markets.

The idea was to increase the importance of the Ceyhan port after securing the flow of Russian oil through a pipeline to be built from Samsun (which could never be done). The Ceyhan oil terminal is already serving as the port for Azeri oil flowing through the Baku-Tbilisi-Ceyhan route and Iraqi oil through the Kirkuk-Yumurtalik oil pipeline. The terminal also has a refinery and LNG terminal in order to enhance the port's role as a future energy hub. Turkey is not an energy-source country, but is well-known as a consumer country whose dependency on foreign sources is already around 80 percent. Russia is the main supplier of natural gas to Turkey, while Iran and Azerbaijan are meeting Turkey's oil supplies. It's very much understandable for a country like Turkey which is not self-sufficient in terms of energy resources to become an energy hub.

"Singapore wants to become an energy hub. They are seeking to be Asia's Rotterdam," said to me by Dr. Fatih Birol, chief economist at the International Energy Association, on the sidelines of Singapore Energy Week, an annual venue for the world's most important energy players. Singapore is one of the rising economies in the word, aspiring to be the financial and energy hub of the Asia. "In the past, we only talked about China. Then came India. And we have started to talk about China and India. And now we have China, India and ASEAN countries. Two thirds of global energy demands come from this region," explained Birol, in his address to the conference. It makes crystal clear why Singapore, one of the region's most developed country, is aspiring to become the regional energy hub.

We, in Turkey, are not much aware but Singapore is one of the most geographically strategic countries in the world. Situated on one of most important trade routes, Singapore is well-known with their expertise in trade and commerce. It's only natural to see how Singapore is readying itself for the position of the 2nd Rotterdam. But how to become the 2nd Rotterdam? Netherlands' port is the fourth biggest in the world with its 170,000 tankers carrying goods worth more than $400,000,000. The port is 40 kilometers long with plenty of canals, harboring tankers from all over the world. The administration is still spending $2 million a day to keep its goal to be number one alive.

Singapore's Minister of Trade and Industry S. Iswaran told the conference that his country was seeking to diversify its energy sources and explained that the Liquefied Natural Gas (LNG) terminal commenced its operations in May this year, with an initial throughput capacity of 3.5 million tons per annum (Mtpa). This will increase to 6 Mtpa at the end of this year with the completion of a 3rd tank, adding that they have also announced plans to expand the terminal by adding a 4th tank, which will boost the capacity to 9 Mtpa by 2016. Just to make a comparison: Turkey has six refineries with a capacity of about 800,000 barrels of oil per day while Singapore has a capacity of about 1.4 million barrels per day.

Singapore and Turkey are two different cases. But it seems they have both similar objectives, although they are in different corners of the globe. According to Birol, the future of Asia will still be dominated by fossil fuels and the main picture will not be drastically changed. Given the fact that many countries in the region do not have enough subsidies and supports solar or wind power, it was getting hard for Asian people to stay away from coal and other conventional energy resources as they are still the cheapest energy source.

According to Birol, the center of gravity in terms of energy demands and markets is moving towards the east. Asian countries will continue to be the most important energy importers in the world. That's why recent political development in Iran and Iraq are followed quite closely. Turkey obviously needs to do more to become a regional energy hub, as Asia's growing economies are also looking at how to do so. Linking source countries of the east to consumers of the west, Turkey still can go ahead with its ambition to become en energy hub, but it obviously requires a more concrete and implementable energy policy.

Announcements & Reports

► *Energy Efficiency Market Report 2013*

Source : International Energy Agency
Weblink : http://www.iea.org/w/bookshop/add.aspx?id=460

► *Drilling Productivity Report*

Source : Energy Information Administration
Weblink : http://www.eia.gov/petroleum/drilling/pdf/dpr-full.pdf

► *North America Leads the World in Production of Shale Gas*

Source : Energy Information Administration
Weblink : http://www.eia.gov/todayinenergy/detail.cfm?id=13491#

► US Energy Related Carbon Dioxide Emissions 2012

Source : Energy Information Administration
Weblink : http://www.eia.gov/environment/emissions/carbon/pdf/2012_co2analysis.pdf

► OPEC Monthly Oil Market Report (Oct. 2013)

Source : Organization of the Petroleum Exporting Countries
Weblink : http://www.opec.org/opec_web/static_files_project/media/downloads/publications/MOMR_October_2013.pdf

► OPEC Bulletin (Sep. 2013)

Source : Organization of the Petroleum Exporting Countries
Weblink : http://www.opec.org/opec_web/static_files_project/media/downloads/publications/OB092013.pdf

► Gas Engineers Handbook

Source : Industrial Press
Weblink : http://store.powermag.com/gas-engineers-handbook-cd-rom.html

► Natural Gas Monthly (Oct. 2013)

Source : Energy Information Administration
Weblink : http://www.eia.gov/naturalgas/monthly/pdf/ngm_all.pdf

► Monthly Natural Gas Gross Production Report

Source : Energy Information Administration
Weblink : http://www.eia.gov/oil_gas/natural_gas/data_publications/eia914/eia914.html

► Japan Country Analysis Brief

Source : Energy Information Administration
Weblink : http://www.eia.gov/countries/analysisbriefs/Japan/japan.pdf

► Monthly Energy Review (Oct. 2013)

Source : Energy Information Administration
Weblink : http://www.eia.gov/totalenergy/data/monthly/pdf/mer.pdf

► Kazakhstan Country Analysis Brief

Source : Energy Information Administration
Weblink : http://www.eia.gov/countries/analysisbriefs/Kazakhstan/kazakhstan.pdf

Upcoming Events

► *9th Annual Arctic Oil and Gas Conference*

Date : 12 – 13 November 2013
Place : Oslo – Norway
Website : http://www.ibcenergy.com/event/Arctic?xtssot=0

► *10th Asia Gas Congress Japan 2013*

Date : 14 – 15 November 2013
Place : Osaka – Japan
Website : http://www.cdmc.org.cn/agcj/

► *SAOGE 2013*

Date : 25 – 27 2013
Place : Dammam – Saudi Arabia
Website : http://www.saoge.org/

► *Shale Gas Europe*

Date : 27 – 28 November 2013
Place : Abu Dhabi – UAE
Website : http://www.terrapinn.com/template/live/documents.aspx?e=6082&d=12251&utm_source=NGFE&utm_medium=banner&utm_campaign=op

► *MENA Shale 2013 Unconventional Gas Strategy for the New Era*

Date : 10 – 11 December 2013
Place : Abu Dhabi – UAE
Website : http://www.europetro.com/en/menashale2013

► *4th Basra Oil and Gas International Conference & Exhibition*

Date : 5 – 8 December 2013
Place : Basra – Iraq
Website : http://www.basraoilgas.com/

► *European Unconventional Gas Summit 2014*

Date : 28 – 30 January 2014
Place : Vienna – Austria
Website : http://www.theenergyexchange.co.uk/event/european-unconventional-gas-summit-2014#tab-country1