Yıldız: We did not sell Iraqi oil to Israel

Today's Zaman, *28.10.2014*

Turkish Energy Minister Taner Yıldız insisted that the Turkish state has not sold any Iraqi oil to Israel, responding to a parliamentary question on Tuesday.

"As the Turkish state, and on behalf of the public, we have not sold oil coming from northern Iraq, Basra or any other Iraqi region to Israel or to any other country. Any sale of such oil is completely in the hands of the private sector. The Turkish Republic is not involved in the sale of Iraqi oil; the sales are being facilitated between the Iraqi side and the relevant buyers," said Yıldız, responding to question regarding the validity of such claims.

The Kurdish Regional Government (KRG) had previously denied claims that the first shipment of oil it carried out independently of the Iraqi federal government in May was to Israel, despite reports that a tanker carrying the oil had appeared near the Israeli port of Ashkelon.

Kurdish oil pipeline capacity via Turkey to double

Today's Zaman, *27.10.2014*

Iraqi Kurdistan plans to increase the capacity of its oil pipeline via Turkey to 700,000 barrels per day (bpd) following upgrade work, industry sources and officials said.

It will raise the flow to 400,000 bpd by year-end, from a current 280,000 bpd, adding further pressure to falling world oil prices already hit by rising supply. The Kurdish Regional Government (KRG) has quietly pressed ahead with plans to expand oil pumping capacity in the teeth of opposition to its oil exports from the Baghdad government and as it fights Islamic State of Iraq and the Levant (ISIL) militants.

"There is further technical upgrade work ongoing right now and once that is finished, the pipeline capacity will reach its designed volume which is 700,000 bpd," one industry source said. "I believe the work will be completed in two to three weeks," the source said. KRG's pipeline to the Turkish port of Ceyhan, first began operating at the start of this year, angering the central government in Baghdad which claims the sole authority to manage Iraqi oil.

Baghdad, which claims the Kurdish oil shipments are illegal, has taken its refusal to allow Kurdish oil shipments to US courts, blocking the discharge of one tanker off Texas earlier this year. KRG argues that its shipments are allowed under the Iraqi constitution. A total of 19.2 million barrels of oil have been exported via Ceyhan, Turkish officials said, and around $400 million has been deposited with Turkish state lender Halkbank as a result. The KRG has declined to say who is helping it arrange the deals.

In September, Reuters reported that at least 3 million barrels of Kurdish oil were on ships heading to Asia, with trade sources naming China as a possible destination. Despite the mystery over buyers, an order book for Kurdish oil seems to have been established. At least two tankers per week were regularly lining up at Ceyhan to load Kurdish crude, Turkish officials and industry sources said. Oil production in northern Iraqi oilfields has been on the rise, but for now there has not been enough crude to fill the upgraded capacity of the pipeline. “We are likely to see 400,000 bpd flowing in the pipeline probably before the end of the year,” another industry source said.

İstanbul’s $2.3 bln gas firm to go private

Today’s Zaman, *29.10.2014*

Turkey’s largest natural gas distributor, İstanbul Gas Distribution Inc. (İGDAŞ), which has a $2.3 billion market value, will be put up for bid in a tender next month, the city of İstanbul announced on Tuesday. İGDAŞ is the last remaining gas company run by the state in Turkey. The firm’s annual revenue was $2.5 billion in 2013.

İstanbul Mayor Kadir Topbaş told reporters on Tuesday that the city has planned a tender for November to offer İGDAŞ to private operators. Topbaş said the city expects to use the revenue from the İGDAŞ privatization for some lingering development projects in İstanbul.

İstanbul first planned to privatize the lucrative distributor back in 2009; however, it failed to find a suitor for the firm and has made two separate attempts since. İGDAŞ sells a total of 5 billion cubic meters (bcm) of natural gas per year to 5.52 million customers in İstanbul. A total of 2,146 people are employed at İGDAŞ, which works with a natural gas pipeline network of 16,000 kilometers Turkey started privatizing state-run natural gas distribution companies in 2003. The natural gas wholesale market has transformed over time, with the monopoly of the state-owned Turkish Pipeline Corporation (BOTAŞ) in the import and sale of natural gas having been minimized A government auction of Ankara’s troubled state gas provider Başkent Gaz in January of last year netted a winning $1.16 billion bid from Torunlar Holding, known for its close ties with the government.

The reasons behind the new friction between Greek Cyprus and Turkey

Natural Gas Europe, *25.10.2014*

New tensions between Turkey and Greek Cyprus have led to the disruption of the peace talks aimed at reuniting the divided island of Cyprus. The Turkish Government announced its plans to carry out between October 20th and December 20th seismic surveys within offshore blocks of the Cyprus' EEZ already licensed through international bidding.

These surveys include a block where the Italian ENI – Korean KOGAS consortium is currently carrying out exploratory drilling. As a result of Turkey's actions, President Anastasiades decided to suspend his participation in the talks for the settlement of the Cyprus issue.

ENI/KOGAS' activities are of high importance for the island. The Republic of Cyprus has hopes that the consortium will encounter additional amounts of natural gas that will justify the commercial viability of a multi-billion onshore LNG terminal to be built on the Vassilikos coast of Greek Cyprus. Noble Energy announced its discovery of the Aphrodite field in Block 12 of the island in 2011, but the field is estimated to hold between 3.6 to 6 Tcf, not enough to encourage a final investment decision for the LNG project. Greek Cyprus adopted the LNG terminal as a national project given its belief that the strategic location of the island connecting the East to the West. Turkish authorities have been consistently adopting the same policy of opposing any exploratory activities off the island's coast before a settlement is achieved.

The Turkish accuse the Cypriots of unilateral exploratory activities that will only benefit the Greek part of the island whilst the Greek Cypriot leaders accuse Turkey of violating the sovereign rights of the Republic of Cyprus to exploit its own waters. In fact, the United Nations recognizes the sovereignty of the Republic of Cyprus over the entire island of Cyprus which includes its land and waters. In line with the provisions of article 12 UNCLOS, the Republic of Cyprus signed delimitation Agreements with Egypt (2003), Lebanon (2007) and Israel (2010) on the basis of the median-line principle. Greek Cyprus has licensed 6 out of 13 Offshore Exploration Blocks in the southern part of its EEZ. The first discovery (Aphrodite) in Block 12 which has been announced by US Noble Energy in 2011 is currently being appraised, while in September 2014 the Italian-Korean consortium ENI-KOGAS initialed its drilling operations in Block 9 as more prospects have been identified.

Sir Michael Leigh, senior advisor to the GMF, in his article Why Is Turkey Increasing Tensions in the Eastern Mediterranean? Posted on the GMF blog on 10 October 2014, advances another reason for the friction. He says that some believe that Turkey, through its action, is looking to “move the offshore energy issue into the settlement talks, a step opposed by the Greek Cypriot side.” Leigh also wonders if it is not simply caused by Eroğlu (the President of the self-proclaimed and Turkey recognized Republic of Northern Cyprus) wanting to flex his muscles in preparation for the April 2015 leadership election in the northern part of the island.

Despite Greek Cypriot leaders' promise that the hydrocarbon resources discovered in the island's waters will benefit all Cypriots, including those residing in the northern part of the island, Turkey refuses to believe in the good intention of the government of Greek Cyprus and blames it for interrupting the peace talks. The mutual distrust is constituting a barrier to an effective collaboration between the two states. The tension between Greek Cyprus and Turkey is not new. The island has been divided since 1974, when Turkey invaded the northern part of the island following a military coup d'état against the President of Greek Cyprus Makarios III carried out by by the Greek military junta. As a result to the coup, Turkey invaded 36.2% of the island. At the time, 18% of the population was Turkish Cypriot. To this day, the territory remains under Turkish occupation.

In 1983, Turkey formally created and recognised a political entity in occupied Greek Cyprus. The "Turkish Republic of Northern Cyprus" has not been recognized by any state other than Turkey, which exercises military control over it. This entity has been declared illegal and its actions null and void by the international community and condemned by United Nations and Security Council resolutions such as UN Security Council Resolutions 541 of 18 November 1983 and 550 of 11 May 1984. The UN Security Council Resolutions have called on all UN member states not to recognize the Turkish Republic of Northern Cyprus, assist it or facilitate its existence in any way. Forty years after the division of the island, the hope that the natural gas lying under the island's seabed will serve as a catalyst for a settlement of the Cyprus problem is slowly fading. Whilst there is no immediate danger to ENI and KOGAS' activities, the italian company "being determined to carry on with drilling" according to the minister of energy of Greek Cyprus Yiorgos Lakkotrypis, "the presence of Turkish warships in adjacent sea areas increases the risk of an incident at sea.

Such an incident might well be inadvertent, resulting from proximity of warships to the drill ship." says Leigh. In May of this year, Joe Biden visited the island of Cyprus where he met with Anastasiades and Eroglu. The visit was considered to hold historical significance given that Joe Biden is the most senior U.S. official to visit Greek Cyprus since Lyndon Johnson in 1962. During his visit, Biden stressed on the importance of the hydrocarbon discoveries in positioning Greek Cyprus as an energy leader in the region and a natural gas exporter helping the EU ease its dependence on Russian gas. Biden also expressed his support to the peace talks aimed at reunifying the ethnically split island.

Dr Sohbet Karbuz, director of the hydrocarbons division at Observatoire Mediterraneen de l'Energie, told Natural Gas Europe: "ENI knew it would face these kinds of challenges." Karbuz added: "Natural gas could be a perfect catalyst for quickening the peace talks. Instead of taking this opportunity to settle the half a century long dispute for good, the politicians on both sides try to use it for political gains in domestic affairs." Leigh also believes that optimism must prevail to end the conflict: "There are inevitably ups and downs in efforts to resolve it. The two parties came close to success in 2004. Recent developments should be viewed as an incident and should not discourage new efforts to address the outstanding differences between the two sides."

Aselsan teams up with AV, Altoy for pipeline security contract

Hurriyet Daily News, *28.10.2014*

Turkish military electronics specialist Aselsan has team up with a U.S. drone maker and a joint venture to bid for a Turkish contract designed to build integrated security systems for all oil and natural gas pipelines in Turkey.

Aselsan has signed a memorandum of understanding to partner with AeroVironment (AV), a U.S. technology firm and the maker of the Global Observer unmanned aerial system, and Altoy, a joint venture partly owned by AV, for the Turkish bid. As part of the deal, Aselsan has already delivered an advanced technology sensor to AV which the U.S. company will use in its unmanned systems to map oil fields in Alaska.

AV will create three-dimensional maps and geographical information systems in Alaska with the Puma AE, a mini drone it has developed. The drone will collect data using an electro-optical camera and a light detection and ranging system developed by Aselsan. Aselsan and AV had earlier signed a memorandum of understanding for cooperation in civilian and military avionics, electronic and electro-optical systems, sensors and communication systems. The new deal extends planned cooperation to security and energy systems. In August, Turkey's defense procurement agency, the Undersecretariat for Defense Industries (SSM), invited "Requests for Information (RfIs)" for a bidding on integrated security systems for all existing and future pipelines. The integrated security systems will protect pipeline facilities from threats like sabotage and theft, the document said.

Defense procurement officials have said the program intends to provide protection for existing and future pipelines, especially in Turkey's southeast. AV is a technology solutions provider that designs, develops, produces, supports and operates an advanced portfolio of Unmanned Aircraft Systems (UAS) and electric transportation solutions. The company's electric-powered, hand-launched unmanned aircraft systems generate and process data to deliver powerful insight, on demand, to people engaged in military, public safety and commercial activities around the world. Global Observer is a hybrid-electric, stratospheric UAS designed to provide affordable, persistent reconnaissance and communication over any location on the globe. Last month, AV announced that the US Defense Advanced Research Projects Agency (DARPA) selected the company and its team of industry leaders to follow its Phase I concept design effort with a Phase II preliminary design for the Tactically Exploited Reconnaissance Node (Tern). The 12-month, $19 million Phase II effort seeks to conclude with subscale flight demonstrations prior to a planned Phase III award decision.

US says working with KRG to stop ISIL oil smuggling

Reuters, *30.10.2014*

The United States is working closely with the Iraqi Kurdish Regional Government to clamp down on oil smuggling in a bid to cut off a key source of funding for Islamic State of Iraq and the Levant (ISIL), a senior U.S. official said on Oct. 30.

ISIL militants have seized oilfields and refineries in north Iraq and have been exporting oil through smuggling networks to help finance their campaign, along with ransom, extortion and other criminal activities. "We are working with the regional government in Arbil to support their efforts in stopping those shipments and those smuggling operations," Acting Energy Envoy for the United States, Hochstein, said.

"It is of critical importance to the United States, the international community and to Kurdish itself to see an increased effort to stop that smuggling." The Kurdish Regional Government (KRG) has arrested a number of people for smuggling, said Hochstein, who is meeting with officials in countries neighboring Syria and Iraq to stop the illegal oil flow. Reuters reported in July that ISIL had sold oil via smugglers to Turkish traders at vastly discounted prices while some of the crude had also been refined in Syria and sold as gasoline in Mosul. An oil ministry adviser had estimated that in the first two weeks of July, ISIL made nearly $1 million a day. The United States is working with the KRG to identify oil routes, trucks and traders involved, and trying to block smuggling via border crossings and the purchasing side, Hochstein said.

"The oil is being smuggled through different routes, into different countries," he said. "So it has to be an entire value chain effort to stop Islamic State smuggling efforts." But oil routes keep shifting and coalition airstrikes have also changed the dynamic of the flow. "The routes change, there's some maybe going through Turkey, Iran, KRG and potentially through Jordan," he said. "It's not static and that makes it difficult but I think the effort is succeeding in slowing that process down." Hochstein was hopeful that the new government of Iraq could reach an agreement on oil exports from Kurdish. Baghdad has claimed that Kurdish oil shipments are illegal. "We believe that it would benefit all parties, if oil was exported from all parts of Iraq through agreement, and that will expand the pie and therefore expand the revenues for all Iraqi people," he said. "We also believe that this is the right time, this is a great window of opportunity, for the two parties to get together and reach that agreement."

Iran gas exports to Europe would take at least 5 years

Reuters, *29.10.2014*

Iran would take at least five years to start exporting natural gas to the European Union if sanctions were removed, industry experts said on Wednesday. Last month, Reuters reported that the EU was increasing the urgency of a plan to import natural gas from Iran, as relations with Tehran thaw while those with top gas supplier Russia grow chillier due to the Ukraine crisis.

Russia meets a third of Europe's gas demand worth $80 billion a year. The EU has imposed sanctions on Moscow over the conflict in Ukraine, increasing the need for gas from elsewhere.

Iran boasts the world's second-largest gas reserves after Russia but has also been hit with sanctions, in this case over its nuclear programme. Diplomats are pessimistic on whether Iran and world powers will conclude a final agreement on those sanctions by a Nov. 24 deadline. Industry experts at the European Autumn Gas Conference in London said it would take a minimum of half a decade for Iranian exports to start if sanctions were lifted. "To my understanding, Iran would have to invest a lot in infrastructure. This would take at least five years," said Matthias Keuchel, general manager of Enerjisa Dogal Gaz Company. "There would also need to be negotiations with Iran on gas sales, which could happen at the same time - but five years could be a realistic term for that," he added.

Tatiana Mitrova, head of oil and gas at the Energy Research Institute of the Russian Academy of Sciences, agreed with that timeframe but said booming domestic demand for gas in Iran could mean exports would be stifled. "If all restrictions are removed and economic growth starts domestically, (Iran) will need more gas for its internal market and we could see the same situation as Egypt in that its export potential is constrained by domestic needs," she said. Iran might also prefer to focus on liquefied natural gas (LNG) rather than investing in pipeline infrastructure. "It is very difficult for Iran to do both - pipeline and LNG. Between the two - supplying Europe or the Asia Pacific, my sense is they are more keen on supplying LNG (to Asia) if they can get the liquefaction sorted," said Ashutosh Shastri, director at EnerStrat Consulting, an energy strategy consultancy based in London. Some analysts say Iran has already lost out on lucrative LNG exports in Asia, where customers pay the highest prices, to Gulf rival Qatar, so Tehran has to look to Europe.

Ukraine, Russia reach natural gas deal

Anadolu Agency, *31.10.2014*

Kiev and Moscow sealed a deal Thursday that would guarantee the delivery of Russian gas to Ukraine during the winter even as the two countries are bitterly at odds over eastern Ukraine. In an agreement brokered by EU Energy Minister Guenther Oettinger between Ukrainian Energy Minister Yuri Prodan and his Russian counterpart, Alexander Novak, $3.1 billion of the debt will be paid to Russia by the end of this year.

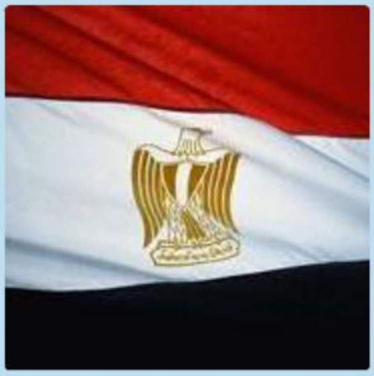
President of the European Commission Jose Manuel Barroso, who witnessed the signing of the deal, said: "There is now no reason for people in Europe to stay cold this winter."

The agreement came four months after the Russian energy giant Gazprom, the largest extractor of natural gas in the world, cut gas supplies to Ukraine, claiming Kiev's national oil company Naftogaz had not paid its gas bill of about $4.5 billion. Russia demanded, during the previous trilateral gas talks between in Brussels on October 21 that Ukraine pays $1.6 billion in advance for deliveries of gas in November and December. Ukraine is ready to pay $1.45 billion of its debt "immediately," according to Oettinger. "We can confirm that large quantities of gas will flow smoothly through Ukraine," Oettinger said, adding that countries including Bulgaria, Hungary, the Czech Republic and Slovakia, will get sufficient quantities of gas.

With gas supplies from Russia reaching the EU through Ukraine, disputes over gas prices between Moscow and Kiev in 2006 and 2009 prompted Gazprom to cut supplies, causing gas shortages in Europe during freezing temperatures. The EU and Kiev have also agreed that the European Commission will serve as a guarantor in any agreement with Russia over Ukraine's gas supplies, Ukrainian Prime Minister Arseniy Yatsenyuk said earlier Thursday. Russia doubled its gas prices in April following the ouster of the pro-Russian government under Viktor Yanukovych in Kiev in February. Ukraine's Naftogaz chief executive, Andriy Kobolev, has said the company had the money to pay the sum by the end of this year. However, Kiev has demanded Russia guarantees the agreement is fixed and will not change.

Egypt slated to get Israeli natural gas

New Europe, *26.10.2014*



US company Noble Energy and Israel's Delek Group, which are in control of one of the largest natural gas basins off the coast of Israel - the Tamar field - announced their intention to sign an export deal with Egypt.

The two partners managing the 282-billion cubic metre Tamar said that they're negotiating the sale of at least 2.5 billion cubic metres of natural gas per year over the next three years with Egyptian buyer Dolphinus Holdings Ltd. Gas from Tamar would run through a pipeline system managed by Israel Gas lines to Ashkelon and through a system managed by East Mediterranean Gas Ltd. for marketing to customers in Egypt.

The move looks to revitalise Egypt's East Mediterranean Gas Company pipeline, which in 2008 began supplying Israel with about 40% of its natural gas provisions, until saboteurs began thwarting the flow through Sinai pipeline explosions. Following 14 months of such attacks, the Egyptian government formally terminated the agreement between the East Mediterranean Gas Company and Israel in April 2012. Delek said gas sent from Tamar would be interruptible, or designated only from excess reserves from the offshore field. The company said the gas price under the terms of any formal deal would be pegged to Brent crude oil prices. At Tamar, located about 80 kilometres west of Haifa, Noble Energy holds 36% of the basin. Delek Drilling and Avner Oil Exploration each own 15.625%, while Isramco owns 28.75% and Dor Gas owns 4%.

The neighboring 621-billion-cubic-metre Leviathan gas reservoir, about 130 kilometres west of Haifa, is expected to begin flowing in 2017. Noble Energy owns 39.66% of Leviathan, while Delek Drilling and Avner Oil – both subsidiaries of the Delek Group – each own 22.67% and Ratio Oil Exploration holds 15%. The realization of the project will help maximise the production capabilities from the Tamar reservoir, and will strengthen the Israeli economy by increasing tax and royalty revenues, Delek Drilling CEO Yossi Abu said. The deal announced on October 19 joins a number of other regional agreements and understandings that the Tamar and Leviathan partners have signed with Israel's neighbors. In September, the Leviathan reservoir partners signed a letter of intent to sell 45 billion cubic metres of natural gas to Jordan's National Electric Power Company over a 15-year period.

Greece unveils LNG Regional Strategy

Natural Gas Europe, *27.10.2014*

The natural gas crisis in the EU and in particular in Southeast Europe due to the present day gridlock between Ukraine and Gazprom, has prompted further action by Greece to persuade its neighbouring states to emphasize the LNG sector.

Greek Energy Minister Ioannis Maniatis recently met a delegation of Greek-owned shipping companies that deal heavily with LNG transport and discussed at length measures that will ensure steady and long-term supply of the product. Another interesting aspect was the attention provided to the use of LNG as a fuel for vessels, a position supported by the EU on a long-term basis, at least in theory.

Further, the particular subject of supplying Greece's myriad of islands with either LNG or CNG was touched upon in order to reduce reliance on oil products. It is of importance to note that considerable investments are needed towards this aim. Floating storage and regasification units (FSRU) was universally agreed upon to be crucial for securing the needs both of the country and neighboring markets and also for raising fund for the upgrade of the existing Revythousa LNG terminal, along with the construction of a new unit, preferably in the Kavala region of the country. This could serve as a hub if it will be interlinked with three systems: Trans-Adriatic Pipeline (TAP), the domestic Greek transmission system and the Interconnector Greece-Bulgaria (IGB).

In that sense a flow of more than 15 bcm could be achieved so as for the hub to be able to be profitable and have the necessary capacity of shifting gas into Bulgaria and thereafter to Romania and Hungary through subsequent interconnectors of those states. The meeting with the Greek Minister was attended by the following companies: Dynagas LNG Partners, Tsakos Group, Maran Gas Maritime, Galog Company, which have together invested over the past few years more than $3 billion into building a brand new LNG fleet, mostly in South Korean shipyards. At present, approximately 40% of new LNG construction is financed by Greek-owned companies that are naturally seeking to establish a strong gas market within their own country and use it as a springboard for imports to be heading to regional markets.

The above is aligned with the overall strategy of DEPA and DESFA, the latter being acquired by Azeri SOCAR. Due to the fact that TAP, which is part of the overall Southern Gas Corridor project, would only be able to secure less than 2% of the EU's annual gas consumption and the fact that the Balkan and central European markets lack their own significant gas resources, the plan being sought is to introduce large quantities of LNG, so as to construct an 'Aegean-Baltic' gas axis. For the moment, both the Greek government and the aforementioned companies have not reached a concluding business plan, the project calls for the construction of an FSRU unit, a new LNG terminal, the upgrade of the existing one, along with an underground storage facility of at least 1 bcm. Moreover, certain 'mini-LNG' and storage installations are scheduled for the islands of Crete, Rhodes, Lesvos and Chios that will both serve local needs and also be used as small hubs for the circular flow of gas when needed according to domestic and regional demands.

Lastly, the establishment of a virtual natural gas exchange is envisaged for the Thessaloniki region, along with a boost of the Greek gas transmission system to cover the entire country and cover industrial, commercial and residential demand in the coming decade. The goal to shift gas quantities up into the Baltic Sea is achievable through the introduction of a set of interconnectors with Bulgaria, Romania, Serbia, Hungary, Slovakia, Poland that Greece aims to have backed strongly by the EU in light of its energy vision for 2030. As a secondary option, the future construction of an 8 bcm pipeline connecting Greek Cyprus and Israel's offshore gas reserves in the East Mediterranean or alternatively the creation of LNG terminals that will send gas via vessels to the proposed Greek units. Other notable suppliers being examined are Algeria, which already exports 600-800 million mcm, per annum to Greece and also Qatar, and Nigeria.

Serbia and South Stream

Natural Gas Europe, *27.10.2014*

Although it is in Serbia's interest that the South Stream gas pipeline is built, the government in Belgrade faces the fine balance between the interest of providing energy security and the need to harmonize with the policy of the EU, which it is looking to join.

When Russian President Vladimir Putin during a recent visit to Belgrade said that his state could not develop a project like South Stream on its own, some thought that was a also a message to the Serbian authorities, who had gone from proponents of the pipeline's construction to a much more moderate position after numerous warnings from the EU.

"South Stream cannot be realized unilaterally, but rather only if it involves two parties. We cannot build a project worth several billion dollars on our own, if our partners are weighing whether that project is necessary," said Putin after meeting with Serbian officials in Belgrade. The Russian president added that the problems regarding the construction of the pipeline had increased due to political issues, and that politics is now harming the economy. That notion is also clearly visible in the case of Serbia, which is completely dependent on Russian gas imports and to which South Stream would bring significant energy stability, with plentiful earnings from the pipeline's construction and gas transit. However, Belgrade now has to balance between Brussels, which is asking that the building of the pipeline be harmonized with European regulations, and pressure from Moscow, which wants its project to be carried out as soon as possible.

Serbian Prime Minister Aleksandar Vucic has also attempted to explain the complexity of Serbia's position. "I think that Serbia has a better agreement on South Stream than some European countries, it is a good agreement for us, but we have some obligations of our own and, of course, the construction of South Stream is not up to us but rather to an agreement between the EU and Russia," Vucic said at a press conference with EU Delegation to Serbia chief Michael Davenport after the European Commission's report on Serbia's progress toward EU membership. "For [the pipeline] to start in Serbia and end in Serbia makes no sense at all," added Vucic.

The construction of South Stream’s leg in Serbia, where only the first pipe was symbolically welded, ended up in the European Commission’s progress report on Serbia unveiled on October 8. In the energy section, Belgrade is asked to harmonize its regulations with European ones prior to building the pipeline. There is also the request that Belgrade gradually harmonize its foreign policy with the EU, which is particularly important as Serbia has not joined Brussels’ sanctions against Russia. Mahmut Busatlija, Associate of the Belgrade Economics Institute, told Natural Gas Europe that Serbia was “only collateral damage” of the relationship between the U.S. and the EU on one side and Russia on the other. “Serbia will lose a great deal if South Stream is not built. The question is even raised as to stable gas supplies during the winter, if there is a gas crisis between Russia and Ukraine. The government in Kiev cannot resolve the matter of gas supply soon and it is nearly certain that it will reach for some of the quantities being transported through its territory to the EU,” said Busatlija.

The Russian president confirmed that theory during his visit to Belgrade. “If Ukraine ends up stealing gas like it did in 2008,” Russia will be forced to reduce deliveries of the fuel by that same amount, said Putin. Busatlija agrees with the remark that “politics is now harming the economy.” “Russian Gazprom is not the sole owner of South Stream, it is also owned by an Italian and a French company. Europe needs that Russian gas and it has to come from somewhere. Serbia needs that same gas, especially during the winter. However, despite its needs, Belgrade is now forced to balance between Brussels and Moscow, which should resolve the dispute over the pipeline as soon as possible,” he said.

But Serbia is, at least declaratively, not giving up on South Stream. Serbian Deputy Prime Minister Zorana Mihajlovic said conditions had been created for the issuing of construction permits on certain sections of the pipeline. “With regard to the construction of the South Stream pipeline, Serbia is not the problem, rather the key is the relationship between Russia and the EU. For us it is important that construction begin as soon as possible, and it is even more important to secure gas stability until the moment the first deliveries of gas are made through the pipeline, because until then we will be vulnerable as a country,” said Mihajlovic.

The South Stream project, worth about 16 billion dollars, is headed by Russia’s oil giant Gazprom. The pipeline is to transmit Russian gas to Europe as of late 2015, bypassing Ukraine. The new EU high representative, Federica Mogherini, said in early October that “not all political conditions have been created” for the continuation of construction of South Stream, which also involves Italian Eni and French EDF. The European Commission, which believes Gazprom’s agreements violate European rules of competitiveness, has asked Bulgaria, which the pipeline is to enter through the Black Sea, to suspend work on the construction of South Stream.

Russia may play important part in Japan's energy

ICIS, *27.10.2014*

Gas-rich Russia may play an important role in Japan's efforts to ensure energy security, possibly through a direct gas pipeline between the two countries, an official from The Institute of Energy Economics (IEE) of Japan said on Monday October 27.

"We think Russia as an important player. Russia has recently decided to sell gas to China - this is not bad for Japan. It is a good thing," IEE Japan global associate Nobuo Tanaka, who was a former executive director of International Energy Agency (IEA), told ICIS in an interview at the sidelines of the Singapore International Energy Week (SIEW).

"Russia will deploy the pipeline to China that pipeline could be extended to the Pacific Coast - that gives opportunity for Japan to get gas … or even directly connecting Japan and Russia," he said. With all its nuclear reactors currently shut in the wake of the Fukushima nuclear crisis in March 2011, Japan has an urgent need to diversify its energy mix. "Japan is now importing gas 100%... I think if we can connect a pipeline with Russia, that will help the diversification [of energy sources for the country]," Tanaka said. Japan has been importing gas from Russia and this has not been affected by the international sanctions on Russia so far. "Certainly, international sanctions coordinated by the G7 is a concern for the long term," according to the former executive director of International Energy Agency (IEA). G7 includes Canada, France, Germany, Italy, Japan, UK and the US.

Financial sanctions were first imposed on Russia over its incursion into the Crimean region of Ukraine in March this year. Subsequently more sanctions by the US and Europe were imposed on Russia during the year. "Current trades has not been impacted at all [by the sanctions]…. But future investments may be undermined. That is not only a concern of Japan but also of other companies like Exxon, Total, Shell," he said. Japan is also moving towards increasing the share of other renewables – wind and solar power – in its energy mix, as well as that of coal as suggested by power companies, but will still need to rely on nuclear power for a sizeable chunk of its energy requirement.

Unlike Germany, Japan will not be able to completely phase out nuclear power plants, which accounted for about 30% the northeast Asian country's energy mix, Tanaka said. "Germany is part of Europe. If necessary, it can import power from France. Also because of this connectivity, much more utilization of renewable energy is possible," he said. "This big market is the reason why Germany can phase out nuclear. But Japan cannot – there are nine separate monopolies [regional power companies in the country] and interconnection is poor," he said.

Russia starts first-ever gas trading in St. Petersburg

RT, *25.10.2014*

Russia, the world's second-largest producer of natural gas, has launched its first auction of natural gas on Friday at the St. Petersburg International Mercantile Exchange (SPIMEX). It will be Europe's largest natural gas trading post.

The project will create a more competitive market for natural gas prices, which at present are tied to oil. Now, independent producers will have access to a broader range of buyers. The exchange will facilitate up to 35 billion cubic meters of gas annually, with Gazprom, Russia's largest producer, maintaining the right to sell a half of that, and independent producers the remaining 17.5 billion cubic meters.

During the first trading session, Gazprom and eight independent gas producers will sell 882.6 million cubic meters of gas for November volumes. The gas will be delivered to two compressing stations - Nadym (552.6 million cubic meters) and Vyngapurovskoye (270 million cubic meters), which are connected to Russia's gas transportation system (GTS). The supplies are not eligible for re-sale. Russian Prime Minister Dmitry Medvedev endorsed the launch, saying "Today, SPIMEX begins its first natural gas trading session, and I sincerely congratulate them." The head of the exchange, Aleksey Rybnikov, opened trading which will run until 3pm local time (11:00 GMT). Friday's auction launched bidding for delivery in the next month, but in the future the exchange plans to evolve into weekly and daily trading. "Our mission was to create the conditions to ensure these auctions were executed.

At the St. Petersburg Stock Exchange, we plan to start organized gas trading. This is a fairly lengthy process. Before, there were preliminary algorithms associated with trading platforms that Gazprom put together. Our task now is that these are acceptable to all," Deputy Energy Minister Kirill Molodtsov said Thursday. SPIMEX is the largest commodity exchange in Russia. Igor Sechin, CEO of the world's largest listed oil company, was appointed chairman of its board of directors in May. SPIMEX was first registered in May 2008, receiving its official license to trade the following month. In September 2008, the exchange registered its first trades in diesel and jet fuel. It now offers spot and derivatives contracts, and covers a wide variety of petroleum products.

Sanctions impact Russian shale oil and gas explorations

Anadolu Agency, *26.10.2014*

Western sanctions that prevent Russian energy companies importing high-tech equipment and services will make it difficult for Russia to explore and produce shale oil and gas, but will not stop its progress, experts say.

"Without the necessary high-tech drilling equipment and know-how, Russia cannot manage unconventional fields," said Sijbren de Jong, a strategic analyst at the Hague Centre for Strategic Studies. Due to unrest in Ukraine, western countries imposed sanctions on Russia. These sanctions prevent it from importing technology, equipment and services from western companies for its energy exploration projects.

Royal Dutch Shell paused its shale oil exploration operations with Gazprom Neft, while American oil giant ExxonMobil suspended its joint venture with Rosneft in the Arctic in early October. "Nobody wants to sell advanced technology to theRussians right now. So, it will be very difficult for Russiato develop those fields if sanctions are still in place," de Jong said. Nevertheless, Russia might continue exploring shale oil and gas independently, with the technology available at its disposal. Gazprom Neft announced in early October that it started drilling the first horizontal well to explore the Bazhenov complex of the Palyanovsky deposit at the Krasnoleninsky field. According to some estimates, the oil reserves in the Bazhenov formation reservoir may reach 100-170 billion tons in Western Siberia alone, Gazprom Neft stated in a press release on Oct. 2.

"Technology sanctions on shale projects in Russia will not stop developments," said Cyril Widdershoven, an oil and gas expert working for the Dutch consultancy company, TNO. "Current drilling techniques just need to be tweaked towards the shale gas and oil approach. However, new technology will not be available, so Russia will not be able to address new fracking technology in full," he continued. It may not be too urgent for Russia to develop shale oil and gas immediately or in the near future, since its oil production remains a little over 10 million barrels per day.Its gas production has also been steady around at 21-22 trillion cubic feet, or 600-620 billion cubic meters, between 2011 and 2013, according to U.S. Energy Information Administration data.

"For the next few years, shale gas will not be necessary to cope with Russian export commitments. However, to increase its overall global position and possible export needs to Asia in the future, new reserves are always attractive, including shale gas," Widdershoven added. Yet, if Russia commits to explore new shale reserves, it might want to plan ahead, since its previous endeavors ended without significant results. "Russia would need to tap into difficult fields like Shtokman and Yamal, and shale oil fields are all very complex," de Jong warned. Shtokman field, one of the largest natural gas fields in the world, is located in the Barents Sea -- 600 kilometers northeast of Murmansk.

It has total reserves of 3.9 trillion cubic meters of gas and 56 million tons of gas condensate, according to Gazprom data. Yamal Peninsula, in northwest Siberia, is home to nearly 22 trillion cubic meters of in-place and forecast gas reserves, while its estimated oil reserves are 291.8 million tons, according to the Gazprom website. “Shtokman has been postponed endlessly and Gazprom put the project on hold. The result is that Shtokman still lies idle and Russia cannot perform this alone,” de Jong concluded.

Russia-EU partnership set to remain, with or without gas deal

Natural Gas Europe, *30.10.2014*

Russia is set to remain a central player of the European gas industry, as an eventual deal between Kiev and Moscow is not a precondition of strong ties between the European Union and the Kremlin. This is was a view emerging from the first day of the European Autumn Gas Conference on 28-30 October 2014.

Negotiations are taking place in Brussels on Wednesday, but experts of the Russian gas industry dismiss ongoing diplomatic discussions as not decisive. A deal would not change much: Europe needs Russia, as Russia needs Europe.

According to several experts, Russia will not decrease gas exports to Europe in any case. A strong confrontation is not in Moscow’s interest. “Gazprom will be not very much interested in decreasing gas to Europe also in case of reverse flow,” Vladimir Drebentsov, Vice President of BP Russia. At the same time, Ukraine is expected not to siphon off any gas. “Monitoring system is much better than in 2009,” Drebentsov explained, recalling the buck-passing between Russia and Ukraine five years ago. Drebentsov explained that if Kiev siphoned gas off, it would be clear to everybody. Ukraine would then be held accountable. Given that both Russia and Ukraine need Europe, the risks of a substantial crisis are therefore limited, added the Vice President of BP Russia. “I don’t think there will be a crisis,” Drebentsov stated, explaining that Russia has now means to deliver gas through alternative means.

In this context, Russian companies are expected to continue their normal growth. According to Drebentsov, Gazprom is the only company really affected by the ongoing tensions. Indeed, in the first 8 months of the year, Gazprom’s gas output decreased by 19 bcm, while Russian gas output was down by 10-11 bcm, said BP Russia’s Vice President. BP has been operating in Russia since the early 1990s. In 2003, BP merged its interests in Russia with those of TNK to create TNK-BP. The company created 11 years ago is now the third biggest vertically integrated oil and gas company in the country. “The European gas market is not that bad. The other alternatives are even worse,” said Tatiana Mitrova, Head of Oil and Gas Department at ERI RAS. The point is that other regions are even less attractive than Europe, both for Russia and other gas exporters like Norway.

“Does anybody want to send gas to North America, or Africa, or India?” Mitrova added, explaining that there are several opportunities for gas exporters in Europe, given the decline in domestic gas production in the continent. But not everything is rosy. According to Mitrova, the current tensions might have an impact in the long term, as Gazprom could decide to refrain from new investments in Europe. “Gazprom could have an interest in investing in European power generation,” Mitrova said during the conference taking place in London on Wednesday and Thursday.

Despite the business opportunity, the Russian expert said that the current political contrasts make future cooperation quite unlikely, with possible backlash against Europe’s power and gas industries. In this sense, at least in the coming years, Russia is set to remain. Not having many alternatives, Europe is called to stick to Russia. This is especially the case, considering that Iranian gas could take at least 5 years to arrive in Europe. In other words, Russia and Europe cannot take their wedding band off. Despite alleged treasons, active confrontations and clear oppositions, they will not divorce. Now, the only risk is that they will not plan any beneficial holiday together, enjoying each other company and shrugging tensions off.

Algeria to hold oil and gas auction within weeks

Reuters, *29.10.2014*

Algeria is preparing a new auction of oil and gas blocks, an official said on Wednesday, after the North African country awarded just four of 31 fields last month in the first attempt to lure foreign investors since 2011.

Algerian officials described last month’s result as acceptable but analysts said the OPEC member needed to do more to improve conditions and attract more foreign oil operators. “We are preparing a new bidding round. It will be launched within weeks,” Sid Ali Beta, head of hydrocarbons agency ALNAFT which oversaw the bidding, told reporters at the signing of contracts with the winners of the Sept. 30 auction.

He gave no details. One of the winners, Italy’s Enel, plans to invest $700 million at its four oil and gas blocks in Algeria in the next five to six years, Marco Arcelli, the company’s executive vice president for upstream gas, said at the signing ceremony. The Italian utility’s consortium with Dragon Oil won two new blocks, adding to two existing ones. Beta said the first phase of operations at the four blocks will include drilling around 11 wells at an estimated cost of $150 million. He said around $270 million will be invested in the second phase to drill 15 wells. Said Sahnoun, interim chief of state-owned energy firm Sonatrach, said he is looking forward to “profitable results” from the contracts. “This is the beginning of a new adventure that I hope will be fruitful. This partnership is based on sharing of know-how and risks,” he said.

Spain's Repsol in partnership with Royal Dutch Shell won the Boughezoul area in the north of the country, while Shell and Norway's Statoil won the Timissit area in the east. "It's a challenge to start this project. We will begin a new phase. We will start working tomorrow," Gabino Lalinde, Repsol's head of affairs unit for Algeria, said at the same event. In a disappointing 2011 auction, Algeria secured bids for just two fields out of 10 -- one from Spain's Cepsa and the other from Sonatrach. But a new hydrocarbons law passed in 2013 offers tax and contractual incentives and benefits for unconventional energy investments. Security Worries Algeria supplies a fifth of Europe's gas needs, but it relies on mature fields for most of its energy output and looks to foreign explorers to help develop new reserves and increase flagging production.

Foreign oil executives have in the past complained about Algeria's tough contract terms, often difficult business environment and security worries, especially after a 2013 attack on the Amenas gas plant killed 39 foreign contractors. Officials were optimistic before last month's bids, having delayed the auction twice after foreign players asked for more time to study the fields. They reported initial interest from 50 companies and cited incentives under a new oil law, improvements in security and the potential of the fields on offer. An increase in output is vital for a government that relies heavily on energy exports for state income and to pay for social programmes, including food and fuel subsidies that have helped keep it stable amid turbulent times in North Africa.

Analysts say rising domestic energy consumption will also be a concern should Algeria fail to draw the kind of investment required to bolster its production. Oil output last year was 1.2 million barrels per day, about the same as in 2012. Security has been a concern since the 2013 Amenas attack, which prompted BP and Norway's Statoil to pull workers out. The kidnapping and beheading of a French tourist last month was a reminder of risks in the North African country, which fought a war against Islamist extremists in the 1990s. Still, Statoil this month said the Amenas plant, which produced 11.5 percent of Algeria's gas output before the attack, was due to return to full production soon after improvements in security.

Azerbaijan to increase oil, gas production

Azernews, *30.10.2014*

Azerbaijan is expected to produce about 40.62 million metric tons of oil in 2015 compared to 41.65 million metric tons projected for 2014. In 2013, Azerbaijan produced some 43.15 million metric tons of oil, a source in the Azerbaijani government told Trend Agency on October 28.

The source also noted oil production volumes will fluctuate until 2018. In 2016, oil production in Azerbaijan will amount to 40.77 million metric tons, in 2017 - 39.42 million metric tons, and in 2018 - to 40.32 million metric tons. The main part of oil of energy-rich Azerbaijan is extracted from giant Azeri-Chirag-Gunashli block of fields in the Caspian Sea.

Since the beginning of development of the field around 345 million metric tons of oil and 100 billion cubic meters of gas have been extracted. The source went on adding that the volume of gas production in Azerbaijan will reach 30.2 billion cubic meters in 2018, compared to 28.42 billion cubic meters forecasted for 2014. Azerbaijan produced 29.45 billion cubic meters of gas in 2013. The source also noted although the volumes of gas production forecasted for 2015 and 2014 are equal, it is expected that the gas production volume will increase in 2016. Gas production is expected to hit 29.55 billion cubic meters in 2016 and 29.92 billion cubic meters in 2017, while this figure is forecasted to exceed 30 billion cubic meters in 2018. The major part of Azerbaijan's natural gas is produced from giant Shah Deniz gas condensate field in the Caspian Sea. As of September 1, around 55 billion cubic meters of gas and 14 million metric tons of gas condensate was extracted from this field. The proven gas reserves hit 2.3 trillion cubic meters in Azerbaijan, but when it comes to the projected reserves, the figure can reach six trillion cubic meters.

Gas-exporter Turkmenistan suffering gas shortages

Natural Gas Europe, *31.10.2014*

Turkmenistan has the world's fourth-largest natural gas reserves and exports billions of dollars worth of gas every year. But its copious reserves are apparently not enough to ensure a stable supply for residents of this isolated, totalitarian country.

Shortages in northern villages prompted a rare protest on October 28, reports the Chronicles of Turkmenistan, a news website run by exiles. Several dozen women blocked a highway to draw officials' attention to the shortages, which come with the onset of autumn and are affecting residents' ability to heat their homes and cook.

The shortages, says Chronicles, have even hit Dashoguz, a town of about 200,000 people. Residents have repeatedly called on gas providers [for help], but the latter complain that very little gas is being delivered; moreover, the pipes and equipment are very run-down, while specialists capable of maintaining all this in working order are simply nowhere to be found. The authorities are not providing either the funds or the pipes to repair gas mains. Turkmenistan exports most of its gas to China, over 20 billion cubic meters (bcm) a year, or over half of China's gas imports.

The Central Asian country is slated to up those deliveries to 65 bcm by 2020, becoming something of a resource colony for China. Those sales allow President Gurbanguly Berdymukhamedov – who likes to be called "Arkadash" to live a lavish life in the capital, but his country routinely ranks as one of the least free and most corrupt places on earth. Turkmenistan recently began charging its consumers a negligible fee for gas, after many years of giving it away for free. The subsidy still encourages waste, and stories of homeowners leaving a gas stove running because they pay for matches.

China oil demand surged 7.4% in September from a year ago

Platts, *27.10.2014*

China's apparent oil demand in September climbed to the second-highest level since 2005, with a growth rate that was the sharpest in 15 months, according to a Platts analysis of Chinese government data.

Apparent oil demand in September was 42.34 million metric tons (mt), or an average 10.35 million barrels per day (b/d) – up 7.4% from the same month a year ago. Previous stimulus measures by the local government, including loosening of credit controls; the lifting of the annual summer ban on fishing in China's waters; and autumn harvest activity in the farming sector buoyed domestic oil demand.

On a month-over-month basis, China's apparent oil demand in September rose 6.2% from August. During the first nine months of the year, total apparent oil demand was 9.95 million b/d, an increase of 1.8% from the same period last year. Crude throughput by refineries in September jumped 9.1% year over year to 42.02 million mt, or an average 10.27 million b/d, according to the latest data released by the National Bureau of Statistics (NBS). This was also the second-highest level on record and marks the third time this year that China's refinery throughput exceeded 10 million b/d. "The higher refinery run rates in September followed the end of a heavy schedule of refinery maintenance in summer," said Song Yen Ling, Platts senior writer for China. "Major refineries, including PetroChina's Lanzhou refinery and Sinopec's Shijiazhuang refinery, returned to full operations after being closed in part or full for maintenance or upgrades."

China's oil product imports tumbled 18.8% year over year to 2.47 million mt in September while outflows edged up 0.5% to 2.15 million mt, according to data released by the General Administration of Customs. While China's net imports in September were 320,000 mt, 64% lower than a year ago, China remains a net importer of oil products. China's apparent demand for gasoil in September climbed 4.7% from a year ago to 14.46 million mt – the highest growth rate since September 2012. Last month's domestic production of the fuel was 14.68 million mt, up 5.8% on a year-over-year basis. Exports totaled 230,000 mt, the lowest volume since November 2013. Imports of gasoil were 10,000 mt in September, versus none in the same month a year ago.

US LNG exports to rise gas prices, but aid economy

Anadolu Agency, *31.10.2014*

Increased liquefied natural gas exports would raise natural gas prices in the U.S., but would lead to higher levels of economic output, says the U.S. Energy Information Administration's report on Wednesday. "Rise in the U.S. LNG exports would create higher consumption expenditures for domestic goods and services," said the report.

"Consumer expenditures for natural gas and electricity increase modestly with added LNG exports," the U.S. agency said. An increase in LNG exports would be a result of the rise in natural gas production in the U.S., of which 75 percent will be provided by shale resources, according to the report.

Since the 2008 shale boom, the U.S. enjoys increasing gas production each year, and less dependency on imported energy, thus a fall in the total expenditure of imported energy. While the U.S. annual shale gas production was 2 trillion cubic feet (56 billion cubic meters) in 2008, it increased to over 10 trillion cubic feet (282 billion cubic meters) in 2012, according to data compiled on the agency website. Moreover, if U.S. LNG exports rise, this would decrease the global price of natural gas, which would increase the overall demand of foreign countries importing more U.S.-based goods, services, and exports, according to the report. "Any reduction in global natural gas prices that might occur as a result of U.S. LNG exports would tend to stimulate the economies of countries that import gas, increasing their demand for both domestic goods and services and imports sourced from the United States and elsewhere," said the administration. The report, named "Effect of Increased Levels of Liquefied Natural Gas Exports on U.S. Energy Markets", was prepared upon the request of the U.S. Energy Department to project the economic consequences of LNG exports. U.S. companies are not allowed to export LNG to countries that the U.S. does not have a free trade agreement with, unless they are first authorized by the U.S. Department of Energy.

Both symptom and balm

The Economist, *25.10.2014*

After declining gradually for three months, oil prices suddenly tumbled almost $4 on October 14th alone. It was the largest single-day fall in more than a year and brought the price of Brent crude, an international benchmark, to $85 a barrel. At its peak in June, a barrel had cost $115.

Normally, falling oil prices would boost global growth. A $10-a-barrel fall in the oil price transfers around 0.5% of world GDP from oil exporters to oil importers. Consumers in importing countries are more likely to spend the money quickly than cash-rich oil exporters. By boosting spending cheaper oil therefore tends to boost global output.

This time, though, matters are less clear cut. The big economic question is whether lower prices reflect weak demand or have been caused by a surge in the supply of crude. If weak demand is the culprit, that is worrying: it suggests the oil price is a symptom of weakening growth. If the source of weakness is financial (debt overhangs and so on), then cheaper oil may not boost growth all that much: consumers may simply use the gains to pay down their debts. Indeed, in some countries, cheaper oil may even make matters worse by increasing the risk of deflation. On the other hand, if plentiful supply is driving prices down, that is potentially better news: cheaper oil should eventually boost spending in the world's biggest economies. The global economy is certainly weak. Japan's GDP fell in the second quarter. Germany's did too, and may be heading towards recession (recent figures for industrial production and exports were dreadful). America's growth has accelerated recently, but its recovery is weak by historical standards. Just before this week's oil-price slump, the International Monetary Fund cut its projection for global growth in 2014 for the third time this year to 3.3%. It is still expecting growth to pick up again in 2015, but only slightly.

Weaker growth translates into lower energy demand. This week, the International Energy Agency, an oil importers' club, said it expects global demand to rise by just 700,000 barrels a day (b/d) this year. That is 200,000 b/d below its forecast only last month. Demand has been weak for a while but the recent slowdown—notably in Germany—took markets by surprise, hence the sharp fall in the price. But feeble demand is not the only explanation. There has also been a big supply shock. Since April last year the world's total output of oil has been rising strongly. Most months' output has been 1m-2m b/d a day higher than the year before. In September, this expansion jumped dramatically (see chart); global output was 2.8m b/d above the level of September 2013. Most of the growth in supply has come from countries that are not members of OPEC, the oil exporters' club—from America in particular. Thanks partly to increases in shale-oil output, the United States pumped 8.8m b/d in September—13% more than in the year before, 56% above the level of 2011 and not far short of Saudi Arabia. Russian oil production is also inching up, suggesting sanctions have not yet begun to be felt in its oilfields. In September, its output rose to 10.6m b/d, within a whisker of the highest monthly figure since the collapse of the Soviet Union.

Non-OPEC production, though, has been rising for a while. The biggest recent change has come from within the cartel. In April, Libya's production—hit by civil war—crashed to just 200,000 b/d; by the end of September output was back up to 900,000 b/d and heading towards its pre-war level of 1.5m b/d. No less surprisingly, Iraq's output is rising, too. The upshot is that OPEC production started to grow again in September after almost two years of decline, compounding the impact of growing non-OPEC supplies. With demand weak, much of the extra output has gone into rebuilding oil stocks in rich countries. But that cannot go on indefinitely. As the hoarding slows, prices are likely to weaken again—unless world demand picks up or oil production is cut. Neither seems imminent. Antoine Halff, the IEA's chief oil analyst, points out that very little current production becomes uneconomic even at $80 a barrel. The break-even point for most American shale-oil producers has been falling as they have refined their fracking techniques, and is now well below $70 a barrel. So prices will have to fall further if they are to drive marginal producers out of business.

New trade patterns reinforce the downward pressure on prices. OPEC exporters once informally carved up the world between them, with Nigeria and Venezuela selling to America, smaller Gulf states to Japan, and so on. But American oil imports have fallen from 309m barrels a month in 2010 to 236m a month now. European demand is weak. So everyone is competing for market share in Asia. Saudi Arabia shocked the rest of OPEC by cutting forward prices for Asian delivery and by increasing oil output slightly in September (by 107,000 barrels), at a time when other exporters wanted it to cut back. The organisation is due to meet again in November. But as Kuwait's oil minister remarked recently, "I don't think there is a chance today that [OPEC] countries would reduce their production." How soon—and how much—lower prices will translate into an increase in global demand, though, is far less certain.

Announcements & Reports

► *Monthly Energy Review*

Source : EIA
Weblink : http://www.eia.gov/totalenergy/data/monthly/pdf/mer.pdf

► *Third party access regime and building competitive gas markets*

Source : Eppen
Weblink : http://www.eppen.org/en/resim/haber_resim/EPPEN6.pdf

► *ACER-ENTSOG report on the early implementation of the balancing network code (BAL NC)*

Source : Entso-G
Weblink : http://www.entsog.eu/public/uploads/files/publications/Balancing/2013/ACER-ENTSOG_Report_BAL_NC_Early_Implementation-Final_22-Oct-2014.pdf

► *European network of transmission system operators for gas*

Source : Entso-G
Weblink : http://www.entsog.eu/public/uploads/files/publications/Balancing/2010/LGT0207_1410207_Amendments%20to%20ENTSOG's%20AoA_EN_GA221014_clean.pdf

► *Saudi Arabia's oil policy in uncertain times: a shift in paradigm?*

Source : Oxford Energy Institute
Weblink : http://www.oxfordenergy.org/wpcms/wp-content/uploads/2014/10/Saudi-Arabias-Oil-Policy-in-Uncertain-Times-A-Shift-in-Paradigm.pdf

► *Reducing European dependence on Russian gas*

Source : Oxford Energy Institute
Weblink : http://www.oxfordenergy.org/wpcms/wp-content/uploads/2014/10/NG-92.pdf

► *Achieving high performance in unconventional operations*

Source : Accenture Global
Weblink : http://www.accenture.com/SiteCollectionDocuments/PDF/Accenture-High-Performance-Unconventional-Operations.pdf

Upcoming Events

► *Israel Energy & Business Convention 2014*

Date : 03 – 04 November 2014
Place : Tel Aviv – Israel
Website : http://www.energianews.com/energy2014/agenda.htm

► *Climate Change: Raising Ambition, Delivering Results*

Date : 03 – 04 November 2014
Place : London – United Kingdom
Website : http://www.chathamhouse.org/ClimateChange14?campaign=ngfe

► *Iran Oil & Gas Summit*

Date : 03 – 05 November 2014
Place : London – United Kingdom
Website : http://www.iranoilgas-summit.com/

► *Africa Oil Week*

Date : 03 – 07 November 2014
Place : Cape Town – South Africa
Website : http://www.woodmac.com/public/events/12318502

► *Global Energy Forum*

Date : 04 November 2014
Place : Houston – USA
Website : http://www.woodmac.com/public/events/content/12524912

► *The European Utility Week*

Date : 04 – 06 November 2014
Place : Amsterdam – The Netherlands
Website : http://www.european-utility-week.com/

► *Upstream Forum*

Date : 06 November 2014
Place : Houston – USA
Website : http://www.woodmac.com/public/events/12524920

► *Enabling Amicable Settlement of Investment Disputes: Mediation and Conciliation*

Date : 04 – 07 November 2014
Place : Brussels – Belgium
Website : http://www.encharter.org/fileadmin/user_upload/Knowledge_Centre/2014_November/Leaflet_5-7_Nov_2014.pdf

► *Energy Security in Southeast Europe*

Date : 06 – 08 November 2014
Place : Izmir – Turkey
Website : http://energysummit.org/

► *The 4th China International Offshore Oil & Gas Technology Conference and Exhibition*

Date : 09 – 11 November 2014
Place : Beijing – China
Website : http://www.bmc-china.cn/en/OTC/Info.aspx?m=20140623175442410336&nm=20140623140856553113

► *International Petroleum Technology Conference*

Date : 10 – 12 November 2014
Place : Kuala Lumpur – Malaysia
Website : http://www.iptcnet.org/2014/kl/?utm_source=Web+Banner&utm_medium=Web-ADBNR&utm_content=14IPTC-Web-ADBNR-WebUps-13AUG14&utm_campaign=14IPTC+-+Register+Now

► *Asset Integrity Management Summit Asia 2014*

Date : 10 – 13 November 2014
Place : Kuala Lumpur – Malaysia
Website : http://www.assetintegritysummit.com/default.aspx?utm_campaign=UpStream&utm_medium=external&utm_source=external&utm_content=home&utm_term=banner&MAC=ISG_UPS_BA

► *Upstream Forum*

Date : 11 November 2014
Place : Tokyo – Japan
Website : http://www.woodmac.com/public/events/12525209

► *9th Mangystau Regional Oil, Gas & Infrastructure Exhibition*

Date : 11 - 13 November 2014
Place : Aktau – Kazakhstan
Website : http://www.oilgas-events.com/Mangystau

► *Global Energy Forum 2014*

Date : 13 November 2014
Place : London – United Kingdom
Website : http://www.woodmac.com/public/events/content/12525033

► *Middle East Upstream Forum*

Date : 17 November 2014
Place : Abu Dhabi – United Arab Emirates
Website : http://www.woodmac.com/public/events/12524884

► *EU Energy Policy*

Date : 17 November 2014
Place : Brussels - Belgium
Website : http://ec.europa.eu/energy/events/doc/201411_energy_policy_conference.pdf

► *Remaking American Power: The Energy Market Impacts of EPA's Clean Power Plan*

Date : 18 November 2014
Place : Washington - USA
Website : http://csis.org/event/remaking-american-power-energy-market-impacts-epas-clean-power-plan

► 3rd Romania Oil & Gas Conference

Date : 18 - 19 November 2014
Place : Bucharest - Romania
Website : http://www.romania-og.com/

► Turkmenistan International Oil & Gas Conference and Exhibition

Date : 18 - 20 November 2014
Place : Ashgabat - Turkmenistan
Website : http://www.oilgasturkmenistan.com/

► Securing Europe's Competitive Energy Future

Date : 19 November 2014
Place : Brussels - Belgium
Website : https://www.entsoe.eu/news-events/events/Pages/Events/entsoe-conference-securing-europes-competitive-energy-future.aspx?EventWorkshopId=154

► Shell distinguished lecture series

Date : 19 November 2014
Place : Houston - USA
Website : http://bakerinstitute.org/events/1675/

► The future of Argentina's energy policy

Date : 20 November 2014
Place : Houston - USA
Website : http://bakerinstitute.org/events/1683/

► International Energy Congress and Fair / EIF 2014

Date : 24 – 25 November 2014
Place : Ankara - Turkey
Website : http://energy-congress.com/2014/

► 7th International Energy Congress Expo

Date : 24 - 25 November 2014
Place : Ankara - Turkey
Website : http://www.energy-congress.com

► Oil & Gas Cyber Security

Date : 24 – 25 November 2014
Place : London - United Kingdom
Website : http://www.smi-online.co.uk/energy/uk/conference

► 166th (Ordinary) OPEC Meeting

Date : 27 November 2014
Place : Vienna - Austria
Website : http://www.opec.org/opec_web/en/311.htm

► Ashgabat Energy Charter Forum: Reliable and Stable Transit of Energy

Date : 08-09 December 2014
Place : Ashgabat - Turkmenistan
Website : http://www.encharter.org/index.php?id=676&L=0

► 8th Transparency Workshop

Date : 11 December 2014
Place : Brussels - Belgium
Website : http://www.entsog.eu/events/entsog-8th-transparency-workshop#welcome

► Kurdish – Iraq Oil & Gas

Date : 16 – 18 December 2014
Place : London – United Kingdom
Website : http://cwc-news.com/S3A-2TCLY-E1BYMVHYA9/cr.aspx?v=0

► Middle East and North Africa Energy

Date : 26 January 2015
Place : London – United Kingdom
Website : http://www.chathamhouse.org/events/Mena-Energy2015

► Middle East and North Africa Energy

Date : 18 – 21 February 2015
Place : London – United Kingdom
Website : http://www.chathamhouse.org/node/15232

► 4th Erbil Oil & Gas International Exhibition

Date : 18 – 21 February 2015
Place : Erbil – Iraq
Website : http://www.erbiloilgas.com/

► Ukrainian Energy Forum

Date : 02 – 05 March 2015
Place : Kyiv – Ukraine
Website : http://www.ukrainianenergy.com/

► 14^{th} Turkish International Oil & Gas Conference

Date : 18 – 19 March 2015
Place : Ankara – Turkey
Website : http://www.turoge.com/Home.aspx

► 14^{th} Georgian International Oil, Gas, Infrastructure & Energy Conference

Date : 25 – 26 March 2015
Place : Tbilisi – Georgia
Website : http://www.worldoils.com/showevents.php?id=3945&event_name=14th%20Georgian%20International%20Oil,%20Gas,%20Infrastructure%20&%20Energy%20Conference%20(GIOGIE)

► 9^{th} Atyrau Regional Petroleum Technology Conference

Date : 14 – 15 April 2015
Place : Atyrau – Kazakhstan
Website : http://www.oiltech-atyrau.com/About.aspx

► 14^{th} North Caspian Regional Atyrau Oil & Gas Exhibition

Date : 14 – 16 April 2015
Place : Atyrau – Kazakhstan
Website : http://oil-gas.kz/en/

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► 6^{th} World Forum on Energy Regulation *(in Turkey)*

Date : 25 – 28 May 2015
Place : Istanbul – Turkey
Website : http://www.wfer2015.org/

► OGA 2015

Date : 02 – 05 June 2015
Place : Kuala Lumpur - Malaysia
Website : http://www.oilandgas-asia.com/home/index.php

► 22^{nd} International Caspian Oil & Gas Exhibition and Conference

Date : 02 – 05 June 2015
Place : Baku – Azerbaijan
Website : http://www.caspianoilgas.az/2015/

► 6th OPEC International Seminar

Date : 03 – 04 June 2015
Place : Vienna - Austria
Website : http://www.opec.org/opec_web/en/press_room/2793.htm

► 12th Russian Petroleum & Gas Congress

Date : 23 – 25 June 2015
Place : Moscow – Russia
Website : http://www.mioge.com/RPGC-Congress/About-the-Conference.aspx

► 13th Moscow Inernational Oil & Gas Exhibition

Date : 23 – 26 June 2015
Place : Moscow – Russia
Website : http://www.mioge.com/mioge-exhibition/about-the-exhibition.aspx

► 7th South Russia International Oil & Gas Exhibition

Date : 02 – 04 September 2015
Place : Krasnodar – Russia
Website : http://www.oilgas-expo.su/en-GB

► 22nd Annual India Oil & Gas Review Summit and International Exhibition

Date : 09 – 10 September 2015
Place : Mumbai – India
Website : http://www.oilgas-events.com/india-oil-gas

► The Energy Event 15

Date : 15 – 16 September 2015
Place : Birmingham – United Kingdom
Website : http://www.theenergyevent.com/Content/MAIN-SF-W2L-enquiry-form

► 3rd East Mediterranean Gas Conference

Date : 22 – 23 September 2015
Place : Paphos – Greek Cyprus
Website : http://www.oilgas-events.com/East-Med-Oil-Gas

► 23rd Kazakhstan International Oil & Gas Exhibition and Conference

Date : 06 – 09 October 2015
Place : Almaty – Kazkhstan
Website : http://www.kioge.kz/en/conference/about-conference