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Turkey – EU energy chapter will not bring benefits

ICIS, *22.12.2014*

Opening up the EU's Energy Chapter for Turkey, a move that would help to fast-track the liberalisation of its electricity and gas markets and harmonise its laws with those of the EU would not bring benefits to the country, the Turkish energy minister Taner Yildiz told ICIS.

Negotiations on the chapter, which are part of the EU's accession procedure, had been put on hold following a unilateral blockage of six chapters by southern Cyprus in 2009. The veto came in response to Ankara's refusal to allow Greek Cypriot ships and aircraft to use Turkish ports and airports.

However, Turkish private companies have re-ignited discussions about the opening of the chapter, as interest in speeding up liberalisation reforms in the energy sector and the sourcing of natural gas from Cyprus and Israel is growing. In an interview organised by the EU Delegation in Turkey, Yildiz said Turkey saw itself as part of the EU, but extensive delays caused by Brussels in sending out positive signals had left Turkey to pursue its own reforms in the energy sector. "We see ourselves as part of the EU, but we are like a living person without an ID card. […] If they [the EU] open the chapter, we will welcome it, but it will not bring a lot of pluses." Despite dismay with Europe's delays, public support for Turkey's EU accession has shot up from 44% in 2013 to 53% in 2014.

Furthermore, energy companies argue that much-needed reforms such as the unbundling of the state gas company, BOTAS, the creation of transparent, liquid electricity and gas markets and the strengthening of electricity and gas interconnections, which are being pursued by the Turkish government, would happen quicker if Turkish laws and practices were harmonised with those of the EU. They also point to the success of Turkey's electricity interconnections with Bulgaria and Greece under the umbrella of the European Network of Transmission System Operators (ENTSO-E) which has so far allowed Turkey to take advantage of comparatively cheaper electricity from the EU and said the same links should be replicated for natural gas.

The opening of the chapter, which is one of 33 that Turkey has to negotiate with the EU and transpose into its laws before becoming a member, would also be beneficial to the EU. Turkey itself is of key importance to Brussels which has been long advocating the establishment of new transit routes for non-Russian gas imports. Thanks to its geography Turkey would be a corridor for the transport of Caspian, Middle Eastern and Levantine gas. The alignment of Turkey's energy regulations with those of the EU, as outlined in its three energy packages, would guarantee the stability of gas exports to Europe via Turkey.

However, at the beginning of December, Turkey and Russia announced plans to transport 63 billion cubic metres of gas to Turkey and Europe, raising questions about sourcing alternative supplies and Turkey's role in Europe's much-vaunted Southern Gas Corridor.

The project is designed to bring 50bcm/year of gas to the Turkish-Greek border and will replace the now defunct 63bcm/year South Stream pipeline which was expected to carry Russian gas to Italy and Austria. Critics have argued that southern Europe which has subdued demand will be unable to absorb the vast quantities of gas which will be just fractionally short of Russia's recently pledged 68bcm/year to China.

Yildiz said the Memorandum of Understanding signed between Turkey and Russia for the building of the project was not legally binding and stressed that the importing activity will be carried out between Russia and EU member states, in particular France, Italy and Germany, which were partners in the South Stream project. "EU partners will carry out the [new] project and they will need to come up with a solution [as to what they want to do with the 50bcm/year of gas]," he said.

The minister said the 14bcm which Russia pledged to export to Turkey as part of the latest project – alternately dubbed Turk Stream or Blue Stream 2 – would not be in addition to what Turkey already receives through the Western Line which transits Ukraine. However, he noted that the volumes may either continue to be transported through the existing pipeline which feeds the high-consumption western Marmara region or be diverted through the new infrastructure. He added that if Turkey required more natural gas volumes, Russia would be able to help. He also pointed out that the additional 3bcm/year that would be shipped through the existing Blue Stream pipeline across the Black Sea, possibly from 2016, would be freed up to the private sector.

Turkey 'a reliable partner for Russia'

Hurriyet Daily News, *22.12.2014*

Russian Energy Minister Aleksandr Novak considers Turkey to be a reliable partner for the delivery of Russian natural gas to Europe, he said. "We have recently had very good relations with our Turkish partners, especially in the field of energy," Novak told.

"I find this relationship reliable. We hope, of course, that all existing agreements will be fully carried out," he added. On Dec. 1 Russian President Putin made an visit to Turkey, during which he announced the cancelation of the "South Stream" project. Instead, a new gas pipeline project has been proposed, which will carry gas via Turkey to Europe.

Meanwhile, Russia is discussing legal issues with some of its partners over the scrapped South Stream gas pipeline project but financial claims are not expected, Novak told. "We understand that the countries, through which the gas pipeline was supposed to go, were expecting investment projects and the creation of jobs and tax revenue growth," Novak said. "There is a legal study over the intergovernmental agreements that were signed in 2008-2009. Novak said he did not expect financial claims to come from the agreements on the $40-billion pipeline project, which was to enter the European Union via Bulgaria.

Turkish steel manufacturers ready for new gas route

Anadolu Agency, *22.12.2014*

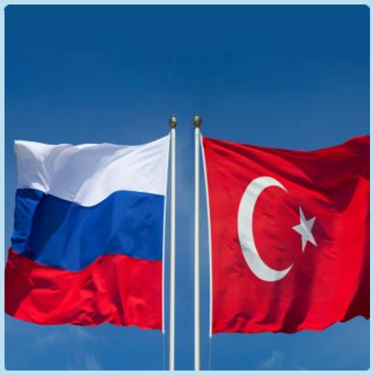
Turkish steel pipe manufacturers demand for the use of domestic products in the new pipeline project which is to deliver natural gas from Russia to Europe via Turkey's Thrace region.

“The cancellation of the south stream and announcement of a new route by Russian leader Vladimir Putin is exciting for the country's steel pipe manufacturing industry,” said Mehmet Zeren, secretary general of CEBID. Zeren said, “The proposed new route offers significant opportunities for Turkey and the sector” and added, “Should the proposed route be realized, the pipeline will link Russia to to Europe through Turkey.”

“Turkey is the fifth biggest steel manufacturer in the world and the biggest in Europe and as Turkish steel pipe manufacturers we trust in our product quality and production capacity. We want Turkish steel pipes to be used in the new project,” he said. Turkey recently agreed to provide 80 percent of the pipes for the 1,900 kilometer long Trans Anatolia Natural Gas Pipeline (TANAP) that's to deliver natural gas from Azerbaijan to Europe through Turkey. TANAP will cost $11 billion and is expected to be completed in 2018. The pipeline will deliver 16 billion cubic meters of natural gas each year.

Ankara considers construction of “Turkish stream”

Trend, *22.12.2014*



Turkey considers the Russian proposal to build the “Turkish stream,” the Minister of Energy and Natural Resources of Turkey Taner Yildiz said. He said that this project is very interesting for Turkey.

Yildiz said that Germany, France and Italy are the partners of the project, and that’s why EU policy, directed against the “Turkish stream”, causes perplexity. During the negotiations Russian President Putin said that under current conditions, as well as Russia couldn’t continue the implementation of the South Stream project. However, Russia will build a new gas pipeline system to meet the needs of Turkey.

Russian Energy Minister Alexander Novak said on Dec. 10 that the representatives of the Russian Federation and Turkey intend to meet in December to discuss the issue of the new pipeline construction. At present, the sides are analyzing various options of its route.

“At present, the negotiations are underway at the level of economic entities because they must clearly define the route and consider different variants of the further hub site, the gas pipeline route across the Black Sea,” the minister said. “There are different options. So, it is first necessary to analyze all technical and economic indices. Gazprom and Botas are involved in this process.”

Turkish gas trade platform to be found

Anadolu Agency, *23.12.2014*

A natural gas trade platform to be found in Turkey’s upcoming energy stock market says an expert. “The Turkish natural gas trade in 2013 was US$5 billion, and it is expected to rise to $7 billion in 2014, this is done by the private sector who has 20 percent share in the energy industry,” said Hakan Unal, BOTAS’s gas transmission expert.

Unal told “Normally the physical trading of natural gas is limited but the virtual trade can be made easily, and legislative path is opened in 2010” and added “Natural gas trades for 17 times In UK, 300 times in US, but only 5 times in Turkey,”

With the gas trade platform more natural gas could be traded in a competitive environment in which prices expected to fall. Turkey is in a process of increasing liberalization of the energy markets. A major step is to create Turkish Energy Stock Market's, EPIAS. Turkey wants to launch the energy stock market to facilitate the transparent, trustworthy and monitorable operation of the electricity market with the establishment of an intra-day market in 2015. Apart from the Turkish Electricity Transmission Company and Borsa Istanbul, the stock market of Turkey, 109 private companies have applied for stakes in the soon-to-be-built energy stock market.

Turkey imports natural gas from Russia, Iran, Azerbaijan and Algeria. Most of Turkey's natural gas imports are transported via pipelines, including those from Russia, Iran, and Azerbaijan. Turkey also imports liquefied natural gas LNG, particularly from Algeria and Qatar, according to U.S. Based Energy Information Administration. Turkey imports 30 billion cubic meters of natural gas from Russia, 9.6 billion cubic meters from Iran, and 6.6 billion cubic meters from Azerbaijan. Turkey uses most of its natural gas for electric power sector which is accounted for 48 percent of the country's natural gas use. The industrial and residential sectors each accounted for approximately 20 percent. Natural gas demand peaks in the winter months, when natural gas use for power generation.

PM sees Turkey as transit hub for all energy in region

Anadolu Agency, *24.12.2014*

Ahmet Davutoglu has stressed Ankara's ambition to make the country a transit hub for all energy in the region. "All energy will flow via Turkey just as all roads lead to Rome," he said.

He made the remarks following talks with Macedonian President Ivanov and Prime Minister Gruevski, as part of his two-day visit to the Balkan country. Davutoglu noted that Turkey could serve as the most practical transit hub for energy destined to neighboring countries. The premier stressed the country's need for more energy, saying it had to take advantage of all opportunities to draw more energy to Turkey "no matter where it comes from or where it goes."

Davutoglu brought up the diversity of energy projects Turkey was engaged in, such as the Trans Anatolia Natural Gas Pipeline, or TANAP. TANAP is projected to transport natural gas from the Azerbaijani Shah Deniz 2 field on the Caspian Sea and other Azerbaijani fields, through Turkey to Europe. The Trans Adriatic Pipeline will connect with TANAP on the east side of the Greek-Turkish border to transport natural gas to the Italian network. Davutoglu also mentioned the South Stream pipeline, which was planned to carry gas from Russia through Bulgaria to reach European markets. Instead, in a visit to Ankara early December, Putin proposed a new natural gas pipeline route that would carry gas from Russia through Turkey.

New Russian gas route via Turkey eliminates legal issues

Anadolu Agency, *25.12.2014*

Russia's new route through Turkey for South Stream gas pipeline project will overcome many legal bottlenecks of EU legislation and regulations, expert said. "EU energy market rules forbid energy producers from simultaneously owning transmission networks," Orestis Omran, a Brussels-based lawyer at the McKenna Long & Aldridge international law firm told The Anadolu Agency in a recent interview.

Russian state-owned gas company Gazprom was both the supplier of gas and owner of the South Stream natural gas pipeline to Bulgaria which ultimately would reach the European markets.

In addition, EU had other legal concerns in South Stream as well. "Bulgarian tax regime was more favorable for Gazprom violating prohibition of state aid EU rules," said Omran. "Market access restrictions, such as intergovernmental agreements favoring companies of a certain nationality over others, were not allowed by EU competition law," he added.

In early December, Russia scrapped the South Stream project, and offered a new gas pipeline route via Black Sea to reach Turkey's northwestern Thrace region. At Turkish-Greek border a hub will also be constructed to transfer gas further in to European markets. "Turkey is a not an EU member, and its involvement in the new gas route takes the relevant intergovernmental agreements, thus certain legal concerns out of the picture," Omran said. Omran reminded that with Gazprom being the supplier, the Greek gas operation network will be owned by another firm, most probably the Azeri energy company Socar. If EU Commission questions the legality of the new project, partial ownership of the onshore pipeline on Turkey by a domestic company can be an option, Omran stated. South Stream was also abandoned because it was very expensive, said Omran, adding "The initial cost of around 16 billion Euros skyrocketed to more than 50 billion Euros." "The cost of a pipeline through Turkey is considerably less, while an important share of the gas flow will be sold to Turkey in good prices. This creates a win-win situation for everyone," he concluded.

Turkey's role as a mega energy hub

Natural Gas Europe *22.12.2014*

Turkey is on its way to becoming the main hub for energy in Europe due to the recent introduction of the Turk Stream. The elevation of the country's role became feasible after a series of major infrastructure projects that will certainly make Turkey the corridor for the supply of gas into the EU for the coming decades.

Already in terms of oil supply the Baku-Tbilisi-Ceyhan pipeline has been operational since 2000 with a capacity of 1 million barrels of oil per day. It is the main axis for the opening up of the Caspian market to the international terminals, elevating Ankara's posture in the West.

The Kirkuk-Ceyhan oil pipeline is the one connecting Iraq with the international markets via Turkey with a maximum capacity of 1.6 million barrels, making it the main export corridor for the Iraqi oil. Recently it was announced that its capacity is planned to be enchased, which further cements Turkey's role in oil transfer politics of the Middle East.

Since 2007 the Baku-Tbilisi-Erzurum natural gas pipeline is operational and has been interconnected with the Greek gas transmission system in the first successful attempt to open up the Southern Corridor. With a maximum capacity of 25 bcm per annum, it is the backbone of the currently formed Trans-Anatolian Pipeline (TANAP), a $50 billion project which will open up the Shah Deniz field to the EU markets and will become the axis from where any potential further Central Asian projects such as the Trans-Caspian route will become accessible.

The Trans-Adriatic Pipeline (TAP) along with the Ionian Adriatic Pipeline (IAP), that will connect Turkey-Greece-Albania-Italy and also Montenegro, Bosnia and Croatia, are also feasible due to the existence of the aforementioned and can be classified as 'mega-spurs' of TANAP.

The aforementioned projects have been "blessed" by energy security policy makers primarily in Washington and Brussels as key routes for the diversification of supplies in contrast to Gazprom's dominance in EU deliveries. Nevertheless the new Turk Stream project is to couple itself with the already existing 16 bcm Blue Stream pipeline which is Gazprom's route to Turkey via Black Sea and which is set to increase to 19 bcm in the coming years.

Thus with the available data so far, the Turk stream would be a new addition, for up to 60 bcm that will land into the European part of Turkey, close to Istanbul and will then have to be connected with Europe's transmission systems, a version of the cancelled South Stream, but compliant with the EU Third Energy package.

In the meantime the Tabriz-Ankara gas pipeline between Iran and Turkey is operational with a maximum capacity of 14 bcm per year that can be easily interconnected with all the above. Turkey is also striving, albeit with a forceful manner to get a hold of the offshore reserves in East

Mediterranean and be able to launch a pipeline that will attract Cypriot/Israeli offshore fields into its own domestic transmission system. Last but not least the existing Bulgaria-Turkey gas interconnector supplies the latter with a maximum capacity of 16 bcm per year, which is Russian gas originally traversing Ukraine and then Southwards to the Balkans. The Turk Stream pipeline will effectively render this route as non-viable for Turkish imports nevertheless, it is a well-placed infrastructure that will remain so.

Therefore, Turkey has already become the unquestionable gas hub in Europe, having diversified supplies from Russia, Azerbaijan, and Iran with possible central Asian input in the coming years. In total, Turkey stands to have a maximum capacity in its territory of around 110 bcm per year, along with around 3 million barrels of oil per day, which can be further increased by any new deals with Iraq and Iran and any positive developments for Ankara regarding the East Med.

Turkey's energy infrastructure still lacks large-scale storage capacities for natural gas. Underground natural gas storage may contribute to seasonal balance, daily and hourly changes in demand and is essential to maintain the gas flow to the consumer in the event of supply interruptions. The first underground storage facility in Turkey, with a capacity of 2.6 bcm, became operational in April 2007 in Silivri, near Istanbul. A second underground storage facility, in Tuzgölü in Central Turkey and with 1 bcm capacity, is under development.

Due to rate of increase of consumption of gas within Turkey which is set to become the largest market in Europe by 2025, a set of new storage facilities is needed, which will also enchase the country's mega-hub role. Of course all of that diminishes relevant projects in neighboring stagnant markets such as Greece and Bulgaria while they will consequently interact and affect all gas strategies in Southeastern Europe, characterized by rather small and fragmented markets. In all senses, Turkey is becoming a vital pillar for Europe's energy security.

Iran could earn about $167 billion from South Pars by 2017-18

Natural Gas Asia, *20.12.2014*

Iran could earn as much as $167 billion every year from South Pars gas field by 2017-18. "Currently, 270 mcm of gas, 400,000 barrels of gas condensates, 8,000 tons of liquid gas, 1,000 tons of sulfur, and 5,200 tons of ethane are produced per day in South Pars gas field," Managing Director of South Pars Gas Complex Massoud Hassani said.

Hassani predicted that once the number of refineries reaches 14 from the existing 5, revenues will hit $167 billion in the next three years. The volume of daily gas extraction from South Pars reserves is expected to reach 430 mcm in the next three months and 750 mcm by early 2018, Hassani stated.

Jordan approves gas deal with Shell

Natural Gas Asia, *21.12.2014*

Jordanian cabinet approved a gas deal between the National Electric Power Company and Shell. The company was chosen after an international competitive tender. The cabinet had assigned the national power company to negotiate with Shell the terms of the deal that would secure about 15 percent of Jordan s energy needs.

In September, Noble Energy announced the execution of a non-binding Letter of Intent to supply natural gas from the Leviathan field, offshore Israel, to the National Electric Power Company of Jordan. Delivery of natural gas is expected to occur at a border location between Israel and Jordan.

However, the deal has been facing stiff opposition as country's main opposition party threatened Saturday to take legal action against anyone in the kingdom who signs the deal with Israel. Jordan's House of Representatives also voted against a draft agreement that would have stipulated importing gas from Israel.

Saudis to non-OPEC producers: Cut your own output, we're good

Bloomberg, *22.12.2014*

Saudi Arabia and the United Arab Emirates reiterated pledges to keep pumping the same amount of crude, blaming non-OPEC producers for the glut of oil that's driven prices to the lowest in five years.

Suppliers from outside the Organization of Petroleum Exporting Countries should cut "irresponsible" output, U.A.E. Energy Minister Suhail Al Mazrouei said in Abu Dhabi yesterday. Even if non-OPEC producers were to offer cuts, OPEC probably wouldn't follow suit, Saudi Oil Minister Ali Al-Naimi said. The biggest oil producers outside OPEC are the U.S. and Russia.

Oil fell about 20 percent since OPEC chose to maintain its production target at a Nov. 27 meeting, seeking to defend market share rather than prices. The highest U.S. crude output in at least three decades is contributing to a glut that Qatar estimates at 2 million barrels a day. Saudi Arabia is confident prices will rebound as economic growth boosts demand and "inefficient producers" trim output, Al-Naimi said. “OPEC’s recent decision to leave production targets unchanged now places greater pressure on non-OPEC output to rebalance an oversupplied market,” analysts from ANZ Banking Group Ltd. including Melbourne-based Mark Pervan wrote in an e-mailed report. “Expanded production by all OPEC members next year would likely cause sharper falls in prices.”

OPEC produced more than its 30 million-barrel daily target in each of the past six months, data compiled by Bloomberg show. Non-OPEC production will expand 2.3 percent next year to 57.84 million barrels a day after climbing 3.5 percent this year, the International Energy Agency forecast in a Dec. 12 report. “Irresponsible production from outside OPEC is behind the fall in prices,” Mazrouei said. “We call on all other producers to stop the increase.” Saudi Arabia and the U.A.E. account for about 40 percent of OPEC supply. Brent fell 1.7 percent to $60.34 a barrel on the London-based ICE Futures Europe exchange at 5:33 p.m. local time. West Texas Intermediate declined 2.8 percent to $55.52 in New York. Crude tumbled into a bear market this year as oil extraction soared at shale formations in Texas and North Dakota as companies split rocks using high-pressure liquid, a process known as hydraulic fracturing, or fracking. Global demand has grown less quickly than expected this year, at about 700,000 barrels a day instead of the 1.2 million barrels projected, Al-Naimi said. “The oil market will recover,” he said. “Fossil fuel will remain the main source of energy for decades to come.”

OPEC doesn’t intend to cut its output “whatever the price is,” Al-Naimi said in an interview with the Middle East Economic Survey. “Whether it goes down to $20, $40, $50, $60, it is irrelevant.” Saudi Arabia has 265 billion barrels of oil reserves, according to the minister. The nation will increase refining capacity to 3.3 million barrels a day by 2017 from 2.1 million barrels in 2014, Al-Naimi said. Russia’s crude oil output in 2015 will be similar to this year’s 10.6 million barrels a day, Energy Minister Alexander Novak said on Dec. 17. The country’s economy must brace for prices falling to $40 a barrel, President Vladimir Putin said the following day. A drop in prices to less than $50 a barrel would be negative for the industry, Novak said today on state television Rossiya 24. U.S. oil output is set to reach 9.42 million barrels a day in May, which would be the highest monthly average since November 1972, according to the Energy Department’s statistical arm. Oil companies, while trimming 2015 budgets to cope with the lowest crude prices in five years, are also shifting their focus to their lowest-cost fields, which means extracting more oil with fewer drilling rigs, said Goldman Sachs Group Inc.

Middle East to continue to be main oil supplier

Anadolu Agency, *22.12.2014*

The Middle East will continue to preserve its predominance in oil supply despite the increasing shale oil production in the U.S., says a chief economist of the International Energy Agency in Istanbul. Speaking at the World Energy Outlook 2014 Turkey launch conference, Fatih Birol, said the total oil demand by 2040 would increase by 14 million barrels per day, to 107 million, and that a large part of this demand would be met by Middle Eastern resources.

"The idea suggesting that the shale oil in the U.S. changed everything and that there is no further need for oil production in the Middle East is completely wrong," he added.

The energy expert said the maximum increase in U.S. shale oil would reach 2 million barrels per day, which would not be sufficient in meeting overall global demand, since the U.S. itself still remains an oil importing country. Birol also stressed that the cost of oil drilling per barrel was too high in the U.S. compared to the Middle East as it can reach \$75 against \$5 in Middle Eastern countries. It is the turmoil in Iraq that endangers the necessary supply to meet the increase in global oil demand, according to Birol. "There has to be a major increase by the 2020s and the investment for more production should start today. However, it is not possible due to the political instability," said Birol.

Iraq, which Birol sees as the most important country for the surge in oil production, has been struggling due to the conflict with Islamic State of Iraq and the Levant militants. Birol also mentioned Africa as an important player in the future since a third of oil and natural gas discoveries in the last five years have occurred on the continent, Birol also said the oil prices would rise in the near future. They had slumped by almost 50 percent in the second half of 2014. A reason for the slump was the demand in China, which declined due to slower growth and this trend is expected to continue according to 2040 projections, Birol stated. Birol listed as causes Chinese policies over energy efficiency, the moving away from energy-hungry industries and a decrease of its population.

Israel threatens to revoke Leviathan gas development deal

Reuters, *23.12.2014*

Israel's antitrust authority said it may revoke an arrangement permitting an Israeli and a U.S. company to develop Israel's largest natural gas field by branding them a cartel.

The authority summoned representatives of Israel's Delek Group and Texas-based Noble Energy and told them it was "still considering to announce that buying Leviathan was illegal. "We didn't make any decision today," an authority spokesman said after the meeting had ended. Anti-trust authorities have been targeting the companies, after criticism that the firms have too much control of such valuable national assets.

Israel's Channel 2 television said the authority had told Israeli gas tycoon, Yitzhak Tshuva, who has a controlling stake in Delek, that it "was weighing the possibility it may seize" the Leviathan field, the world's largest offshore gas find of the past decade, with reserves of 22 trillion cubic feet. The spokesman said taking Leviathan, located off Israel's Mediterranean coast, from Delek and Noble was "the most radical option" available and that other ideas were being considered. Tshuva told Channel 2 "all our interest has been is for the gas to flow as quickly as possible..." The dispute over allowing the company's sole control over developing the gas field has been brewing for about three years. It is a hot-button issue in a campaign for a March election focussed on economic issues such as high living costs. Liberal politicians seeking to defeat Prime Minister Benjamin Netanyahu accuse his government of permitting tycoons an unfair monopoly over Israel's greatest natural resource. Earlier this year Delek said it was negotiating for regulators to approve continuing operations in Leviathan in return for selling its stakes in two adjoining fields, Tanin and Karish, with combined estimated reserves of 3 trillion cubic feet. Noble's shares fell 0.5 percent in New York, while Delek's shares slipped 6.3 percent in Tel Aviv. Production of Leviathan is expected to begin by 2018 and initial investment could reach an estimated $6.5 billion. Leviathan partners are in talks with Britain's BG Group, which wants gas to feed its Egyptian LNG export plant, and with Jordan's national electricity company. Talks to bring in Australia's Woodside Petroleum, a liquefied natural gas (LNG) specialist, fell through in March. Noble owns 39.66 percent of Leviathan. Delek Drilling and Avner Oil Exploration - both units of Delek Group - hold 22.67 percent each and Ratio Oil Exploration owns 15 percent.

Disappointment at “Onasagoras” Greek Cyprus block 9

Natural Gas Europe, *22.12.2014*

Dissapointment in Greek Cyprus, with results from the latest drilling in the East Mediterreanean. The Greek Cypriot Energy Ministry has reported that commercially exploitable natural gas reserves were not found by the ENI-KOGAS partnership at the first exploratory drill at the offshore Onasagoras field.

According to an official announcement, the joint venture will complete drilling within the next few days and move on to the Amathusa field, also located in block 9. “Drillship Sapiem 10000 will continue as normal, the exploration programme that started last September,” the ministry said. ENI is the Operator of blocks 2, 3 and 9 of the Cyprus EEZ.

Hurdles in the path of Romanian gas market liberalization

Natural Gas Europe, *22.12.2014*

The Romanian Government presented the Parliament in September 2014 with a Decision to postpone gas market liberalization for households by two and a half years, until 1 July 2021. The initial deadline of 31 December 2018 was agreed upon in 2012 by the first government of Prime Minister Victor Ponta along with the Troika.

The 2018 calendar was supposed to bring a 3% increase in household gas prices as of 1 October 2014, as a first step towards timely liberalization. In light of the burden that would have thus fallen on households ahead of presidential elections held in December.

The motivation given by the Energy Minister was that while the average salary has dropped 1% in the past two years, the price of gas has increased by 16% in the same timeframe. Though the Parliament approved the move, what lacked was a written approval by the European Commission, despite the Energy Minister’s reassurance that it will be obtained, following discussions with former Energy Commissioner Günther Oettinger at the end of August on the occasion of the inauguration of the Iaşi-Ungheni Interconnector. The conclusion of the talks was, however, only one-sidedly confirmed in a letter sent on September 4 by the Department for Energy to Mr. Oettinger.

Despite this, media recently circulated a letter from the new Climate Action and Energy Commissioner stating that postponement has not been approved by the EC and that Romania is bound by its previous commitments. Any agreement that the Department of Energy may have obtained was not enshrined in any official notice of the Commission.

In defense of the decision to postpone liberalization despite EC lack of approval, the Prime Minister stated that the Government will first and foremost respect the decision of the Parliament, though it is cooperating with the EC in order to fulfill Romania's obligations. However, these obligations must have in mind the best interest of household users, according to Prime Minister Victor Ponta. The Energy Minister then went on to discuss the issue with Troika representatives visiting Romania in the first week of December, resulting in an agreement stating that the Department for Energy and the National Regulatory Authority for Energy (ANRE) would work together on a new calendar to be applied from 1 July 2015 to 1 July 2021.

The issue is, indeed, a sensitive one, with little understanding on behalf of the population of what exactly price liberalization entails. The fact that industrial consumers will enter the market as of next year caused fears that prices for gas will rise for all consumers, regardless of their status. This had the Energy Minister put his job on the line in order to quell fears, stating that he was willing to quit if household gas prices increase as of 1 January 2015.

Liberalization of the Romanian gas market follows two different calendars, one for industrial users and another for households. The non-household calendar has already run its course since its start in 2012 and is to be finalized by end-2014, with industrial consumers set to enter the free market as of 1 January 2015.

The latest bump in its road was exempting district heating thermal power plants (CETs) from having to purchase gas on the free market, a step taken through an emergency ordinance by the Government in the first week of December. The legislation was proposed by the Department for Energy following pressure from the ANRE and it has received the EC's approval – which agreed that CETs have priority in purchasing domestic gas, transacted as regulated price. The ANRE, however, could have obtained the same result by other means it has as its disposal, not necessarily pushing the Department for Energy for legislation.

The ANRE wanted to make sure that households will not have to pay a higher heating price as a result of increased gas prices on the free market (approximately Lei 36 higher than regulated prices), after offering a (rather nontransparent) estimated increase between 28% and 38% from current heating prices. ANRE's initiative was also meant to avoid discrimination between households with individual gas-powered heating systems (which are not to enter the liberalized gas market until 2021) and those depending on CETs.

The subject was amply debated by the media following a statement by the Energy Minister that the 170,000 small and medium enterprises (SMEs) affected by the change should also be exempt from entering the liberalized gas market along with the CETs. However, the SMEs are presently in the final stages of the liberalization calendar, which means they are already paying virtually the liberalized price of 89.4 Lei/MWh (€20.4). To postpone their legally-established entrance on the free market as of 1 January 2015 would keep them from reaping the benefits of liberalization (choosing among multiple suppliers). Instead, they would be held captive with their current supplier, but at an already liberalized price.

The reason why the Energy Minister brought SMEs into the debate was to protect them from paying a high price for gas or even ending up with no gas to buy if domestic resources are not sufficient to cover consumption and in case imports come to a halt in high-demand months. Domestic gas is used first and foremost for households, then for CETs and only afterwards for large industry and SMEs. With large industrial consumers more likely to secure contracts for gas thanks to the high volumes they purchase, SMEs could find themselves at risk of not having access anymore to gas. The entire issue was, however, misunderstood and misinterpreted, leading to confusion on behalf of the population.

These have not been the only obstacles that liberalization has faced since its inception. The interval since 2012 has also been fraught with threatsfrom large industrial producers such as agro-industrial producer Interagro and fertilizer producer Chemgas Slobozia that they will become uncompetitive as a result of larger gas bills. Some went as far as saying they would need to close down, thus causing unemployment. In effect, the Energy Minister already tried to persuade the CE to also postpone liberalization for industrial consumers, but to no avail.

Romania uses around 12.5 bcm of natural gas per year, 11 bcm of which come from domestic sources. The difference is covered by imports from Russia at prices higher than the one for domestic gas (around $160 per thousand cubic meters, compared to around $320 for imports). The low degree of import dependence, along with the 2012 gas finds in offshore fields in the Black Sea mean that Romania could become a success story in the region.

However, obstacles in the path of liberalization such as the aforementioned ones, along with slow progress on interconnectors are causing it to lag behind. The EC has even launched a series of infringement procedures to remedy Romania’s lack of compliance with European requirements.

One important issue to be solved and which is connected to the liberalization process is that gas producers need to supply with priority the household consumers. Another is that Romania lacks a “robust bi-directional interconnection” and has shown slow progress in implementation of interconnector projects, including those that have received European Union funding. The latter issue has also been pointed out in the recent Energy Security Stress Tests performed by the EC. As the entire liberalization conundrum stands proof, these challenging aspects of market transition risk getting out of hand in lack of political will and cooperation towards correcting them.

Too early for EU response on Bulgaria's 'Gas Hub' idea

Novinite, *21.12.2014*

The EU will have a stance on Bulgaria's idea to build a gas hub at the Black Sea after a formal proposal has been prepared, EU Commission Vice President Kristalina Georgieva has said.

Brussels understands Bulgaria's ambitions to play its role in energy policy and would also like to strengthen the bloc's positions in terms of energy, Georgieva, who is in charge of budget and human resources at the European Commission, is quoted by the Bulgarian National Radio as saying. In her words, Sofia has to outline a concrete proposal with precise parameters and submit it officially.

Earlier in December Bulgaria's Prime Minister Boyko Borisov proposed that the EU provide funding for a gas hub which could be built at the entrance of South Stream. His idea, which follows Russia's announcement that it is scrapping the South Stream gas pipeline project, has not been formally commented by the EU and has not been turned down by Moscow. Russia and Bulgaria's energy ministers discussed the demise of South Stream on Friday, with the Russian minister, Alexander Novak, tying any further cooperation on that matter to a continued issuance of construction permits, a process that had been halted in the summer.

Ukraine pays $1.65 billion to Gazprom

Anadolu Agency, *24.12.2014*

Ukrainian energy company Naftogaz has transferred $1.65 billion to Russia's Gazprom as payment for previously delivered volume of gas, Naftogaz announced. Naftogaz made two payments to Gazprom, in line with the agreements reached in Brussels on 30 October 2014.

Ukrainian company made the first payment on 4 November 2014, which was $1.45 billion. The two payments totaled $ 3.1 billion and Ukraine made both payments for the delivery of 11.5 billion cubic meters of natural gas in November-December 2013 and April-June 2014. After the last payment, Ukraine's remaining debt is $2.2 billion.

Biggest arctic gas project seeks route around U.S. sanctions

Bloomberg, *23.12.2014*

Total and its partners will use a record 16 ice-breaking tankers to smash through floes en route to and from the Arctic's biggest liquefied natural-gas development. They're still looking for a way around a freeze in U.S. financing.

The U.S. Export-Import Bank halted a study into funding the plans to ship gas from Yamal to buyers around the world as President Obama's administration imposed sanctions on Russia. The action by the bank, which offers credit assistance to companies buying the nation's goods and services, effectively blocked the project from borrowing in the U.S. currency.

"The issue is in the financing because this can't be done in dollars," Arnaud Breuillac, Total's president of exploration and production, said in an interview. "It's more complex. We are working on it." European governments, reliant on gas from Russia, have had to tread a fine line in their relations with the country since its annexation of Ukrainian Crimea led to sanctions. The U.S. and Europe have mostly targeted the Russian oil industry and individuals with ties to President Vladimir Putin rather than impose measures that could strangle the nation's gas exports. Russian gas output will decline about 4 percent this year, and exports, excluding transit of Central Asian supplies to Europe, will fall 6.7 percent, Energy Minister Alexander Novak told reporters today.

One option for Paris-based Total is to look for help from home. Coface SA (COFA) is France's answer to the U.S. Exim bank. "We'll get it in other currencies such as euros through credit agencies like Coface," Breuillac said. Coface referred queries to a finance ministry official, who didn't respond to e-mail and phone messages seeking comment. In the meantime, the project's timetable has slipped. Total has said it's no longer counting on output from Yamal LNG in its 2017 production target. Commissioning of the first LNG unit, or train, was to begin in 2016 and commercial production the following year. "It's moving at a normal pace after having started off very quickly," Breuillac said in the Dec. 16 interview. Former Chief Executive Officer Christophe de Margerie, a strong backer of Total's expansion in Russia before he was killed in a plane crash there in October, first raised the possibility of Chinese funding for Yamal in May.

Novatek executives including CEO Leonid Mikhelson and co-owner Gennady Timchenko, who is on a sanctions list, have since said they hope to receive more than $10 billion from Chinese banks in a deal that could be reached by the end of the year. Total has also raised the possibility of backing from other European export-credit agencies, as well as ruble financing. "We have to do this project," de Margerie said Aug. 28 in an interview. "The reserves are there, the market is there and we need it. It is already almost half completed." He had wanted funding secured by the end of this year. Total's current goal is for the middle of 2015. Novatek, Russia's second-largest gas producer, has requested 150 billion rubles ($2.7 billion) to finance Yamal from the country's rainy-day Wellbeing

Fund. That follows a pattern, as the Russian economy darkens and international capital markets are cut off, of local energy companies such as OAO Rosneft seeking state-backed funds. Designed to produce as much as 16.5 million metric tons of LNG a year on the peninsula at the Ob River estuary, which is ice-bound nine months of the year, Yamal is central to Total's plans to boost output and Russia's bid to export more of the fuel. Billed by Total on its website as one of the largest industrial projects in the Arctic, more than 200 wells are eventually planned. The country's only other LNG plant is in the country's Far East, and is controlled by OAO Gazprom.

Russia, Pakistan sign Karachi-Lahore gas pipeline deal

Natural Gas Asia, *22.12.2014*

Pakistan and Russia signed a $1.7 billion Karachi to Lahore gas pipeline construction deal. The energy agreement was signed during the visit of the Russian defense minister.

Pakistan is currently working on two gas pipelines, the Gwadar pipeline and south pipeline from Karachi to Lahore. Last month, Beijing and Islamabad signed a $3 billion deal under which China will finance the LNG terminal and Gwadar pipeline project. Officials sources told Express Tribune that the pipeline would be used to transport imported LNG from Karachi to Punjab, adding that LNG terminal was in progress and first supply of LNG was expected before March next year.

At present, existing pipeline network has capacity of transporting 320 million cubic feet of gas per day (mmcfd) LNG and therefore the government was going to set up additional LNG pipeline, the newspaper added.

Novak notes interest of China, India in development of Russian deposits

Russian News Agency, *22.12.2014*

The Russian Energy Ministry has noted the growing interest of China and India in the development of Russian deposits, Energy Minister Novak said.

He said the high-profile 30-year gas contract with China signed in May is a "strategically important decision." "We diversified gas supplies to the east. A new infrastructure will be built for tens of years ahead and maybe even more," Novak said. "India is another huge market that needs to be occupied, including by gas supplies. The talk is not only of liquefied natural gas; there is an instruction to consider the construction of a gas pipeline to India," he said.

Speaking about the level of oil production in 2014, Novak said: "This year, we expect oil and gas condensate production to grow by some 3.4 million tons that is 0.7%. In 2015, oil production is expected at the level of 525 million tons." The minister called Western sanctions "a challenge for the (oil and gas) industry", which has in the past 14 years developed in more than favorable conditions.

"Now that some of our foreign partners in conditions of sanctions, contrary to their own benefit leave Russian projects, we have to solve two tasks at once: seek new partners to develop deposits and replace technologies," he said. In order to remain competitive, "it is necessary to master new technologies, and Russian companies are doing that," Novak said. "The production of the so-called shale oil is one of the industry's strategic priorities for the medium term." He said shale gas could be considered as a promising source of natural gas for Russia.

Natural gas price lowest since 2013

Anadolu Agency, *22.12.2014*

Natural gas prices have dropped to the lowest level globally, since the first half of 2013 due to warm weather, increasing stocks and the developments about Russia. Following the crisis between Ukraine and Russia and the sanction of European countries on Russia, natural gas prices decreased. Besides, Russia's announcement about the South Stream project had an effect on natural gas price drop.

Natural gas was $ 4,09 in Nov. 2014, which started to December with a sharp fall. For the last two days, fall of natural gas price gathered speed and it is $ 3.27 on Monday, which is the lowest price since 13 August 2013.

The U.S.' natural gas stocks, warm weather and decrease in demand causes the cheaper natural gas price, according to experts. Experts also say that natural gas production in South Pars / North Dome Gas-Condensate field in Iran also caused the decrease in price.

BP 'eyes $800m Rosneft deal'

Upstream *24.12.2014*

BP is close to spending up to $800 million to acquire a stake in a Russian oil field that would further cement its already significant relationship with Rosneft. The UK supermajor is looking to tie up a 20% stake in the Tass-Yuriakh field in East Siberia, Moscow-based daily Kommersant reported, citing unnamed sources.

The newspaper said BP would pay between $700 million and $800 million for the stake from Rosneft. A BP spokesperson would not comment on the report. In late 2013 Rosneft increased its stake in the Taas-Yuriakh Neftegazodobycha oil and gas producer to 100%.

Rosneft did not revealed how much it paid to three western investment funds — shareholders in the producer — to obtain full control, but analysts estimated at the time that the cost was between $400 million and $500 million.

Natural Gas Lithuania receives first commercial LNG

Anadolu Agency, *23.12.2014*

Lithuania's liquefied natural gas terminal received first commercial gas shipment through Arctic Aurora vessel according to Marine Traffic. Country's third largest city Klaipeda, received the naval transport, which carries 150 thousand cubic meters of natural gas equivalent to more than 5 percent of Lithuania's natural gas consumption.

The first commercial natural gas in the region, which is coming from Statoil arrived into port of Klaipeda at 12.18 a.m. Meanwhile, until the delivery regional states such as Lithuania, Latvia and Estonia were fully dependent on Russia for their natural gas supply.

The Baltic country will import 0.54 billion cubic meters of natural gas per year from Statoil via naval shipments. LNG shipments will cover around 18 percent of Lithuania's total consumption and country is expected to distribute the rest of gas to the neighboring states. Lithuania's consumption in 2013 was almost three billion cubic meters according to Amber Grid country's national energy company. Lithuania will pay 900 to 1,000 Litas ($346 - $384) per 1,000 cubic meters of natural gas to Statoil, according to figures from the Lithuanian Energy Market Regulator.

Cancellation of South Stream: Advantage for Turkmenistan

Anadolu Agency, *25.12.2014*

Cancellation of the South Stream Project may be a chance for Turkmenistan to be an important energy player in European countries, said Salihe Kaya, an economics research assistant from SETA.

"Turkmenistan made a breakthrough for its economy in 2000s and it continues to develop its economy to export natural gas to European countries besides its neighbors," Kaya said. Kaya reminded that Turkmenistan has the fourth largest natural gas reserves in the world after Russia, Iran and Qatar and said that cancellation of South Stream in the short and long term will be an advantage for Turkey and Turkmenistan.

"Adding Turkmen gas to the Trans Anatolian Pipeline Project, known as TANAP, would be possible only if pipelines will go through Turkey and this is on behalf of Turkmenistan. Turkmenistan should use the opportunity of cancellation and it should act thoughtfully," she said. Kaya said that, 66 percent of Russian natural gas, which goes to European Union countries, is transferred via Ukraine and after Ukrainian crisis EU countries began to worry. "Russia used its energy prosperity as a political and economic power with its threatening behavior. The crisis between Russia and Ukraine and European countries' sanctions on Russia, resulted with the cancellation of South Stream," she said. "Nowadays, most of the countries, which are devoid of energy resources, make agreements with the energy-rich countries. Therefore, EU supports the Trans-Caspian Gas Pipeline Project which will broke the monopoly of Russia. Within the scope of this project EU aims to unite the Trans-Caspian Project and South Stream Project together," she added. Turkmenistan, who has 17.5 trillion cubic metres of natural gas, exports it mostly to China, Russia, Iran and former Soviet countries.

Construction of third branch of Uzbekistan-China gas pipeline completed

Bloomberg, *20.12.2014*

The construction of the third branch of the gas pipeline running to China has been completed in Uzbekistan, the management of Uzbekneftegaz National Holding Company told Trend. The project cost totaled $2.05 billion.

The source said that the linear part of the gas pipeline has been fully welded and laid throughout its full length. It is expected that the third branch will be filled with gas in Q1 of 2015.The length of the third branch of the Uzbek section is 530 km, while its design capacity is equal to 25 bcm of gas per year. Uzbekistan-China gas pipeline is the section of the CentralAsia-China gas pipeline running through Uzbekistan

The gas pipeline is designed to export natural gas from Turkmenistan, Kazakhstan and Uzbekistan to China. The construction of the Central Asia-China gas pipeline started in 2008. Its total length nears 7,000 kilometers, while the pipe's diameter equals 1,067 millimeters. The first branch of the gas pipeline was commissioned in December 2009 and the construction of the second branch of the gas pipeline was completed in 2010. The total capacity of the two branches is 30 billion cubic meters of gas per year.

The operator of the project on the Uzbek section is Uzbek-Chinese Asia Trans Gas LLC JV created by Uzbekneftegaz National Holding Company and China National Petroleum Corporation (CNPC). Uzbekistan and China signed an agreement in 2013 to construct and operate the fourth branch of Uzbekistan-China gas pipeline with the capacity of 30 billion cubic meters of gas per year. The fourth branch is designed to run on Turkmenistan-Uzbekistan-Tajikistan-Kyrgyzstan-China route. The export contract to supply Uzbek natural gas to China was signed in October 2011. The framework agreement envisages the purchase of 10 billion cubic meters of Uzbek gas by China per year. Uzbekistan ranks third for the natural gas production volume among CIS countries. At the same time, it is among the top 10 largest gas producing countries of the world. Around 60 billion cubic meters of gas is produced in Uzbekistan per year.

Kazakhstan PM Massimov meets Eni's CEO

Anadolu Agency, *22.11.2014*

The Prime Minister of Kazakhstan, Karim Massimov, met Eni's CEO Claudio Descalzi in Astana announced by the company.

According to the companys statement, Descalzi illustrated Eni's activities in Kazakhstan, with a particular focus on the projects for the Kashagan and Karachaganak fields, and Eni's partnership with KazMunaiGaz, both for the Isatay offshore exploration area and the shipyard project in Mangystau Region. Descalzi also commented on the recent agreement between Kazakhstan and the Kashagan partners, which resolved a number of operational and financial matters.

"This agreement provides further momentum to achieve the earliest safe restart of Kashagan production and reinforces our strategic decision to continue investing in Kazakhstan, a country with supergiant oil and gas fields and a positive investment climate.

Sinopec to boost winter gas supplies by 11%

Natural Gas Asia, *22.12.2014*

China's Sinopec announced it will increase domestic gas supplies during November-March by 11 percent to 8.4 bcm to meet winter demand. The company further said that its gas production is expected to go up by 8 percent on year to 20 bcm aided by supplies from conventional fields such as Zhongyuan and shale gas field at Fuling in Chongqing.

Sinopec said that it is in the process of enhancing energy security by diversifying into sources such as shale gas and imported LNG. In July this year, Sinopec's Fuling field was verified by Chinese government as country's largest shale gas play.

China's Ministry of Land and Resources verified proven reserves of nearly 107 billion cubic metres (bcm) in the Fuling shale gas field. Commercial production at the project commenced in March last year. The company is currently supplying the gas to local industries and households. Company's first LNG terminal at Shandong has began operations. The Shandong LNG project, located in East China's Shandong province, will have receiving capacity of 3 million metric tons per year after completion of the first phase. The terminal is designed to receive LNG imported from Papua New Guinea under a binding sales and purchase agreement between Sinopec and ExxonMobil concluded 2009.

Vietnam, Japan sign MoU for grassroots Vietnamese refinery

Oil & Gas Journal, *23.12.2014*

Petrolimex and JX Nippon Oil & Energy Corp., a subsidiary of JX Holdings Inc., have signed a memorandum of understanding (MOU) to jointly develop a 10 million-tonnes/year refining and petrochemical complex to be located in Van Phong Economic Zone in Khanh Hoa Province, Vietnam.

The MOU was signed in Hanoi, Vietnam, on Dec. 19, Petrolimex and JX Nippon said in separate statements on Dec. 22.As part of the agreement, the companies will obtain a license to set up a joint venture intended to revise a project feasibility study for the refinery, according to the MOU.

The agreement also calls for the companies to gain approval for JX Nippon to become a strategic shareholder of Petrolimex through a share issuance package. Legal work for the share issuance and joint-venture license is scheduled to be completed by mid-2015, Petrolimex said. A timeframe for the development of the integrated petrochemical complex was not disclosed.

Japanese firm signs Alaska LNG Deal

Natural Gas Asia, *23.12.2014*

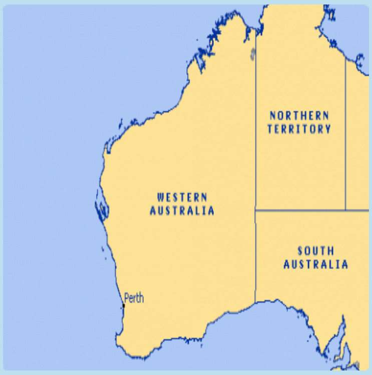
Alaska Governor Bill Walker Tuesday signed an agreement with Japan's Resources Energy, Inc to form a partnership in developing Alaska's LNG market. "This agreement is an extension of Alaska's longstanding partnership with Japan in energy markets," Walker said adding it is an important step forward in securing Alaska's energy future.

Resources Energy, Inc. is the American branch of Energy Resources, Inc. a Japanese company. REI was formed to explore the possibility of purchasing natural gas from Alaska and to build liquefaction facilities in order to export LNG to Japan.

REI has contacted many Japanese governmental and private organizations that also want to buy gas from Alaska, Governor's office said in a statement. REI is also working on a smaller LNG project in Cook Inlet to begin deliveries by 2020. The state will work with REI on this project through a coordinated permitting system and potential partial funding through the Alaska Industrial Development and Export Authority (AIDEA).

Empire Oil & Gas embarks on survey of perth basin acreage

Natural Gas Asia, *21.12.2014*



Empire Oil & Gas has officially embarked on the aggressive exploration program planned for its onshore Perth Basin acreage in Australia, agreeing to acquire a state-of-the-art geophysical survey, the company said.

Under the contract signed with CGG Aviation Pty Ltd, the survey will comprise 12,775 line km across approximately 10,000 square km of Perth Basin tenements. The survey data, which will be acquired by airborne surveying techniques from late March to May 2015, will be used to identify strong exploration leads and prospects for drilling. The interpreted results are expected to be available the September 2015.

The survey, which is subject to regulatory approval, will be flown over the entirety of EPs 368, 426, 389, 440, 454, 430, 480 and 416. Empire Chief Executive Ken Aitken said this would be the first time a survey of this magnitude had been undertaken across the Perth Basin.

Carbon energy close to developing its first gas project in Queensland

Natural Gas Asia, *21.12.2014*

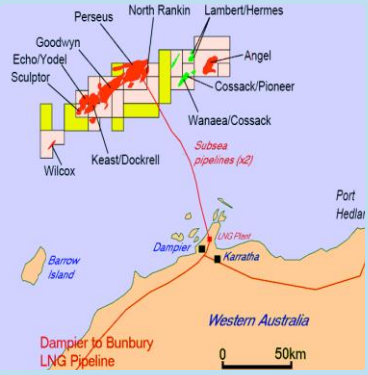
Carbon Energy said it is one step closer to obtaining approval to develop its first commercial scale gas project in Queensland, Australia. The company has received confirmation from the Department of Environment and Heritage Protection that the Government appointed external consultant has completed its review of the company's Decommissioning Report and Rehabilitation Plan.

"The company understands that a decision by Government is now only subject to consideration of the final reports from DEHP and the Department of Natural Resources which are expected to be submitted in the New Year," Carbon said.

CEO and Managing Director Morné Engelbrecht said, "As soon as the Government has fully considered the Departmental recommendations, we are poised to move ahead with commercializing the Blue Gum Gas Project." While the Queensland Government considers the Departmental recommendations, the Company will increase its attention on securing further licensing opportunities globally, armed with the data supporting the outcomes from the Bloodwood Creek trial.

North West shelf project moves towards processing third party gas

Natural Gas Asia, *22.12.2014*



Woodside said North West Shelf (NWS) Project participants signed a non-binding Letter of Intent with Hess Exploration Australia Pty Ltd to process resources from Hess' permits in the Carnarvon Basin.

"The Letter of Intent specifies the proposed terms, including tariff fees, to toll resources from WA-390-P, WA-474-P, and potentially other permits, through the NWS Project's Karratha Gas Plant. It is intended that, subject to the parties entering into binding agreements, Hess will deliver gas to the NWS Project's offshore infrastructure for processing at the Karratha Gas Plant Woodside announced.

NWS is a joint venture between BHP Billiton Petroleum (North West Shelf) Pty Ltd, BP Developments Australia Pty Ltd, Chevron Australia Pty Ltd, Japan Australia LNG (MIMI) Pty Ltd, Shell Australia Pty Ltd and Woodside Energy Ltd (Operator). Woodside's Senior Vice President NWS Niall Myles said that the Letter of Intent forms the basis for the negotiation of binding agreements in 2015. "The Letter of Intent with Hess is an important step indicating the Karratha Gas Plant is 'open for business' – it provides an attractive option for third party gas owners to commercialise their resources in proximity to existing LNG infrastructure," he said. A tie-in and operational integration front-end engineering and design (FEED) studies agreement is expected to be executed for the project in early 2015. Hess holds 100 percent interests in both the WA-390-P and WA-474-P permits that contain the Equus fields. These permits cover over 1 million acres and are located approximately 115 miles off the northwest coast of Australia in water depths of approximately 3,600 feet.

Norway's Statoil to reduce stake in U.S. shale formation

Reuters, *23.12.2014*

Statoil has sold part of its stake in a shale field in the northeast of the United States to Southwestern Energy for $394 million, the Norwegian energy firm said.

Statoil said it had agreed to reduce its stake in the U.S. Southern Marcellus onshore asset to 23 percent. Statoil has stakes in 615,500 acres of the formation, of which 91,400 are operated by Statoil. The stake it sold is not operated by Statoil. "The proceeds from this deal represent approximately one crown per Statoil share and helps it maintain its dividend for the next quarter, but not much more than that," ABG Sundal Collier analyst John Olaisen said.

Southwestern Energy closed an additional acquisition of oil and gas assets in the Marcellus and Utica shale fields on Monday in a $4.98 billion transaction with Chesapeake Energy Corp, the second-largest U.S. producer of natural gas. "The price is in line with what Southwestern paid in the Chesapeake deal. If Statoil could get the same price per acre for its entire stake in Marcellus, then that would be a very good price," Olaisen said.

LNG projects in US not affected by prices

Anadolu Agency, *22.12.2014*

The falling oil prices and slow growth rate of Asian economies have decreased the price of LNG in the world, but that is not expected to affect U.S. LNG export projects.

“Because of the slowdown in Chinese, Asian, and global economies, the prices of gas in Asia dipped,” said David Merkel, a senior fellow at Dinu Patriciu Eurasia Center of the Atlantic Council. “There is an increased volume of gas in the global market,” he added. “In the short-term markets, growing LNG supply and falling oil prices have already conspired to substantially reduce prices,” said Christopher Goncalves, director of Energy at Berkeley Research Group.

Although LNG prices are linked to global oil prices, there is expected to be a gradual shift towards spot and hub-based pricing, according to Global LNG 2013 report by Ernest & Young, the international audit firm. While LNG prices are influenced by oil prices and determined by bilateral contracts mostly, buyers can also pay for their LNG purchases immediately on the spot after the sale is complete, or the price of LNG can also be determined in a hub - a focal point - where different gas supplies come together. According to International Gas Union’s 2014 World LNG Report, Asian buyers increasingly shift away from the traditional, long-term, oil-linked LNG contracts. “Japanese, Korean and Indian companies have increased their interest in U.S. LNG, signing several off take agreements based on Henry Hub pricing,” the report says. The Henry Hub price indexation is used as a pricing point of natural gas in the U.S. to set the spot and future prices of natural gas.

The shale gas boom in the U.S. makes it produce more shale gas than it consumes domestically while private companies are keen to export the excess amount of gas overseas in the form of LNG. Yet, the U.S. cannot export LNG to countries that it does not have a free-trade agreement, FTA, with. According to the BP Statistical Review of World Energy 2014, most of the energy-hungry countries are close to the pacific side of the U.S. -China, India, Japan, South Korea, and Thailand- with a total gas consumption of almost 440 billion cubic meters in 2013. During the Obama administration, when the Democrats had control of the Senate, the Federal Energy Regulatory Commission approved four LNG export projects in three years, until the Republicans gaining control of the U.S. Senate in the congressional elections early November. “The U.S. Energy Department is very criticized because of its ineffective and slow movement on licensing LNG export to non-FTA countries,” said Merkel. “There will be more movement in investment and LNG exports when the Republicans come in. That will eliminate a big impediment, and LNG exports will move more quickly,” he added. Meanwhile, Goncalves emphasized that the decline in oil prices is not likely to have any impact on the U.S. LNG projects that are already under construction. “U.S. LNG supplies delivered to Asia remain very competitive due to the large volume of low-cost shale gas production in the U.S.,” he added.

Merkel highlighted that capital investment in the U.S. is very strong and interested in the LNG sector. “Importing countries are not looking for the best price. They are looking for reliable, long-term contracts. That’s why they are more and more interested in the U.S. LNG,” he concluded. While Australia, Qatar, Russia, Iran and Algeria are some of the largest exporters of LNG in the world; Japan, Korea, China, and China are some of the biggest importers, according to the U.S. Energy Information Administration.

Announcements & Reports

► *Third Party Access to The Turkish Natural Gas Transmission System*

Source : Anadolu Agency
Weblink : http://www.aaenergyterminal.com/reports.php

► *Gas Deal to Benefit Russia, Turkey*

Source : CSIS
Weblink : http://csis.org/publication/gas-deal-benefit-russia-turkey

► *Prime Supplier Report*

Source : EIA
Weblink : http://www.eia.gov/petroleum/marketing/prime/

► *World Oil Outlook*

Source : OPEC
Weblink : http://www.opec.org/opec_web/en/publications/340.htm

► *Turbulence in the Oil Market and the Economy*

Source : Brookings
Weblink : http://www.brookings.edu/research/opinions/2014/12/22-turbulence-oil-market-economy-perry

Upcoming Events

► *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/

► 14th Turkish International Oil & Gas Conference

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

► 14th 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)

► 9th Atyrau Regional Petroleum Technology Conference

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

► 14th North Caspian Regional Atyrau Oil & Gas Exhibition

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

Supported by PETFORM

► 6th 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

► 22nd 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