Oil & Gas Bulletin

▸ 17.07.2015

Taner Yildiz: Turkey should be hub, not transit for Turkish Stream

Anadolu Agency, *14.07.2015*

Russia has diverged away from the originally agreed plan for the Turkish Stream natural gas pipeline which was designed to have Turkey as a pivotal energy hub and not merely a transit country, according to Turkish Energy Minister.

Taner Yildiz said that Russia and Turkey both agreed at the beginning of talks on the Turkish Stream deal that Turkey should not be a transit country for Russian gas but play a key role as an energy hub. "The main concept of the Turkish Stream pipeline project was making Turkey an energy center at the beginning. However, Russia came to Turkey with another offer, which is not as we talked before," Yildiz said.

"As every country may has its own benefits, Turkey should think about its own benefits on this project. Russia should also do the same thing. That's why we should build a mutual framework for the Turkish Stream," Yildiz stressed adding that the project needs time to formulate and develop. The proposed Turkish Stream pipeline project is planned to carry Russian natural gas under the Black Sea to Turkey's northwestern Thrace region to reach Greece and to further travel on to reach Europe. The project will have a capacity of 63 billion cubic meters of natural gas, of which 47 billion cubic meters will be delivered to a new gas hub on the Turkish-Greek border.

Turkey expects $100m from Greece after court case

Anadolu Agency, *16.07.2015*

Turkey's energy minister has said the country could receive $100 million from Greece after an international court ruled in Ankara's favor over a gas and debt dispute.

The Paris-based International Court of Arbitration ruled yesterday on a case taken by BOTAS against DEPA.Four years ago, unable to repay debt to Turkey, Greece was expected to outline a plan for payment. Despite the fact that we are sorry for Greece and what the country is facing now, we have to prioritize our citizens and their needs," Yildiz said, adding that BOTAS and DEPA will negotiate and calculate the amount of the fee which Greece will pay to Turkey.

Turkey’s natural gas imports fell in May

Anadolu Agency, *15.07.2015*

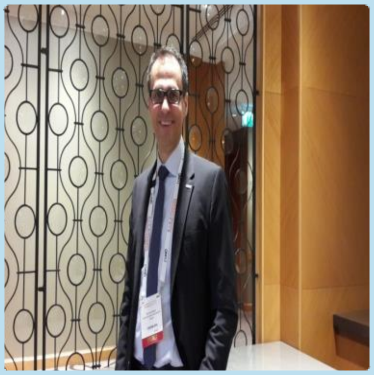
Turkey’s natural gas imports fell by 14.14 percent to 3.33 billion cubic meters in May 2015, compared to the same month last year, according to Turkey’s energy watchdog.

In May 2014, 3.88 billion cubic meters (bcm) of natural gas was imported, Turkish Energy Market Regulatory Authority, EMRA, announced on Tuesday in the Natural Gas Market Sector Report of May 2015. Turkey imported the most natural gas from Russia with 1.83 bcm. Azerbaijan and Iran followed with 548 million cubic meters (mcm) and 472 mcm respectively. Additionally, LNG imports in May rose by 0.52 percent to 480 mcm compared to the same month last year.

In May 2015 natural gas exports doubled compared to last May’s figure and reached 52 million cubic meters with Greece being the sole export country. In May 2015, production fell to 33.5 million cubic meters, less than 18.37 percent while consumption fell by 8 percent to 3.19 billion cubic meters, compared to May 2014. Natural gas output decreased the most in the western city of Edirne by 71.36 percent. The most production at 21.8 million cubic meters took place in Tekirdag, also located in the Thrace region in the west of Turkey. The most natural gas was consumed by electricity plants with 957 million cubic meters, followed by the housing sector with 490 million cubic meters. Istanbul was the biggest consuming region of natural gas followed by Izmir and Kocaeli.

Central European Gas Hub: Turkey as energy hub good for Europe

Anadolu Agency, *13.07.2015*



Turkey has all the prerequisites to become a gas hub which Europe would like to see, CEO of the Central European Gas Hub (CEGH) said.

As the operator of the Virtual Trading Point, CEGH opens a gateway for international gas traders to trade at the entry and exit zone of the Austrian market. “Turkey has huge potential for gas supply diversification. When we consider Russia, Azerbaijan, Turkmenistan, Iran, Iraq, potentially Israel and Cyprus, there is a lot of gas around which could find a hub in Turkey. Thus, Turkey is in the right place to be the major hub in the region,” CEO Gottfried Steiner told Anadolu Agency.

Steiner stated that the necessary elements in becoming an energy hub are in equality, security and trust. “Infrastructure and gas from different sources are necessary in physical terms. However, infrastructure and gas supply alone do not make a region a hub because a hub needs to have a liberalized gas market where there is a lot of market participants,” he underlined. Steiner, commenting on the impact of Trans Anatolian Natural Gas Pipeline (TANAP) and the Trans Adriatic Pipeline (TAP) projects in European gas market, said that the TAP route will predominantly affect Italy as the second largest gas consumer in Europe, but will have limited impact on the rest of Europe’s needs. “We do not think that TAP will have a major impact in terms of a gas trading mechanism. Its effect will be limited as it just goes to Italy,” he explained and added that, “It will have a positive effect on Bulgaria which is 100 percent dependent on Russia. However, the percentage affected will be low. There will be a certain positive effect but it will not change the landscape. So this will not solve the issues in the region,” Steiner concluded. The Trans Adriatic Pipeline (TAP) will transport Caspian natural gas to Europe. Connecting with the Trans Anatolian Pipeline (TANAP) at the Greek-Turkish border, TAP will cross Northern Greece, Albania and the Adriatic Sea before coming ashore in Southern Italy to connect to the Italian natural gas network. The construction of the pipeline is planned to begin in 2016. CEGH operates Austria’s gas hub in the region where 184 members are registered in a hub on daily basis.

GDPA announce application, rejection of oil licenses

Anadolu Agency, *11.07.2015*

Turkish Ministry of Energy’s General Directorate of Petroleum Affairs announced the latest application and rejection of oil exploration licenses in Turkey.

The general directorate said N.V. Turkse Perenco was granted a total of six oil exploration licenses in Turkish provinces of Mardin, Siirt, Sirnak and Batman in the country’s southeast. The firm is granted to explore oil in those fields for five years, according to Turkey’s official gazette published. In addition, the general directorate rejected the exploration license application of Turkish Petroleum in Turkey’s Diyarbakir province.

It was also announced that Memba Enerji ve Madencilik A.S. has applied for one, and Calik Petrol Arama Uretim San. ve Tic. A.S. has applied for three oil exploration licenses. Moreover, Delta Uluslararası Petrol Insaat Tic. ve San Ltd. Sti’s three oil exploration licenses in central Turkey’s Konya and Aksaray provinces, and Valeura Energy B.V.’s one oil exploration license in Edirne province, at Turkey’s Thrace region on the northwest, are abandoned. And lastly, the general directorate announced that Turkish Petroleum and Amity Oil International Pty. Ltd. Sti.’s have applied to extend their oil exploration license for two more years in their jointly owned fields in the provinces of Tekirday and Kirklareli in northwestern Turkey, based upon the firms’ discovery of natural gas on that region.

Riyadh may use 'oil' as a gun against Tehran

Anadolu Agency, *17.07.2015*

Saudi Arabia will likely respond to Iran's historic nuclear agreement by using its two primary policy instruments: oil and religion, according to Zubair Iqbal.

Negotiators in the Austrian capital of Vienna signed a final agreement Tuesday, bringing to a close nearly two years of contentious talks that focused on providing Iran with dire needed sanctions relief in return for unprecedented curbs and inspections on its nuclear program. Iqbal said that the agreement will allow oil prices to slide as Iran's production comes on board and this will constrain Iran's financial position and its ability to support proxies in the region.

"It is also likely that - unless Iran consciously tries to ease religious-based tensions, which it may do as its larger objectives will have been met through this agreement - Saudi Arabia and Gulf countries will likely increase their support for anti-Iran groups in Yemen, Syria and Iraq," he said adding that it will be in the interest of Iran to cooperate with Saudi Arabia to keep oil prices from falling too much. According to Iqbal, if Iran increases its support for its proxies then tensions between Turkey and Iran could increase however a more market-oriented approach could lead to increased cooperation on the pipeline and a win-win situation form both of Ankara and Tehran.

Geneive Abdo, an expert from the Center for Middle East Policy at Brookings Institute and in the Middle East program at the Stimson Center in Washington said that the agreement will lead to more sectarianism and added that Sunni societies are very alarmed by Iran's growing power in the region and this will only alarm them further. "First and foremost, the lifting of sanctions will give Iran a flow of cash that it does not have now. It is very likely this eventually will lead to providing the military apparatus with more resources in the Arab world," Abdo said. Saudi Arabia is not threatened by the nuclear deal itself, which is a positive for the whole region, but the Saudis do have concerns that the lifting of sanctions on Iran will allow the country to pursue a more activist foreign policy in the region, stressed Emma Ashford, an international security expert at the Cato Institute. She said that Saudi foreign policy in the last few years has become a lot more active than it used to be adding that "We will likely see Saudi policies continue, as they will continue to intervene throughout the region, in what they see as efforts to block Iranian influence. Given their poor track record in recent conflicts, however, it's unlikely they'll be entirely successful."

Ashford claims that as long a Iran and Saudi Arabia remain regional and sectarian rivals, they will both continue to interfere in the domestic politics of other states throughout the region, trying to gain influence. “One interesting factor that we are likely to see is actually increased cooperation between Israel and Saudi Arabia on the issue of Iran. It will obviously be kept quiet, as it wouldn’t be popular in either state, but we already have evidence that the two states are talking quietly about what will happen after the nuclear deal,” she said and noted that cooperation between Saudi Arabia and Israel would be a big change from the previous status quo, and could be good for regional security. In addition, Ashford said Turkish Iranian relations will be affected by deal not in the political way but economic and the deal will open up many avenues for trade and possibly for energy cooperation between the two countries, which has the potential to be extremely beneficial to both. “The main political flashpoint where Turkey and Iran are likely to disagree is over Syria, but the nuclear deal and lifting of sanctions has little impact on that,” she said. The nuclear agreement allows lifting of sanctions on Iran in exchange for allowing inspections of its nuclear sites. When sanctions are removed, it is expected that Iran will increase its oil and natural gas exports and production. Low oil prices benefit Turkey’s economy and current account deficit, as it is an oil importing country.

Iran signs $2.3 billion gas pipeline plan

News.Az, *13.07.2015*

Iranian companies signed a $2.3 billion agreement on Monday to build 1,300 kilometers of pipeline which the country sees as its most important conduit for future gas exports to Europe.

The Iran Gas Trunkline-6 (IGAT-6), with the throughput from the massive South Pars field, will boost Iran’s exports through the neighboring Iraq, Press TV reports. Iranian Gas Engineering and Development Company (IGEDC) and Pasargad Energy Development Company signed a BOT contract under which the project owner will provide 25% of finance and National Development Fund of Iran the rest.

The repayment will come from gas exports to Iraq, the Iraqi Kurdistan region and Turkey, the Mehr news agency reported. The contract includes building 590 kilometers of pipeline up to the border with Iraq in addition to five gas compressor stations in two years. According to Mehr, the construction of the pipeline for a length of 611 kilometers between Assaluyeh and Ahvaz has already completed. IGEDC Chief Executive Alireza Gharibi said Iran’s gas exports to Iraq are planned to go through two lines to Baghdad and Basra near the border. For Baghdad, a 42-inch pipeline stretches from Assaluyeh to Naftshahr on the border with Iraq. In Iraq, the 120-km pipeline passes through the volatile Diyala province to feed a power station there before branching into two lines to supply two more plants in Baghdad. Plans for exports were pushed back again last month over concerns about the security of the pipeline, the Fars news agency said. Iran is expected to initially deliver 4 million cubic meters of gas per day (mcm/d) before raising it to 35 mcm/d later to feed three electricity generation plants in Iraq.

The Eastern Mediterranean's natural gas struggles

Natural Gas Europe, *13.07.2015*

In the troubled region of the Eastern Mediterranean, each of the newly hydrocarbon-rich countries is struggling with hurdles of its own. While Lebanon has not been able to open its first licensing round to explore waters believed fertile in recoverable amounts of natural gas, Greek Cyprus faced the disappointment of meager resources and Israel seems stuck in never-ending policy debates dividing the ruling class and delaying the development of its giant offshore field.

Historically solely dependent on imports to satisfy domestic demand, the new discoveries could significantly alter the energy landscape of the Eastern Mediterranean.

The discovery of natural gas in Israeli and Greek Cypriot waters promises energy security for decades to come, and even substantial gas revenues that could revive the strained economy of the island of Cyprus and launch infrastructure, healthcare and education projects in Israel. Greek Cyprus and Israel are eyeing the regional market as a first destination for their newly found offshore riches. Jordan and Egypt, both facing a severe energy crisis, make ideal customers for both Greek Cyprus and Israel given their geographical proximity to the fields and their immediate need for the hydrocarbon. With its underused offshore LNG terminals, Egypt could also provide a solution for its gas-producing neighbours to sell gas to far-reaching markets. The Eastern Mediterranean countries' entry into the export market is not void of hurdles. Greek Cyprus was hoping to discover as much as 60 Tcf (trillion cubic feet of gas) in its waters. In 2011, Noble Energy discovered the Aphrodite field, estimated at 4.54 Tcf, in Block 12 of the island's Exclusive Economic Zone (EEZ). ENI/KOGAS, licensed to drill in Block 9 of the island's maritime zone, failed to find any amount of recoverable gas. TOTAL, licensed to drill in Blocks 10 and 11 of the island's EEZ, has announced its temporary withdrawal from the island's water for not having identified any "drillable prospect" according to the company's statement in late 2014. The island's negligible domestic consumption will still allow Greek Cyprus to export most of its discovered gas.

Israel's most significant finds are the Leviathan field estimated at 22 Tcf and discovered by Texan Noble Energy and the Tamar field estimated at 10 Tcf, also discovered by Noble. Both fields are owned by Israel's Delek Drilling and Avner Oil Exploration, and Texan Noble Energy. The partners in Israel's largest offshore fields have been involved in a competition dispute with Israel's Antitrust regulator. In December 2014, David Gilo, Israel's Antitrust Commissioner that has since submitted his resignation from his post, has accused the partners in Tamar and Leviathan of constituting a cartel that would distort competition in the domestic natural gas market and push the price of natural gas up for the consumer. After a long debate, Israel's rightwing government agreed on a proposal that would allow the companies to retain their shares in Israel's Tamar and Leviathan on the condition they sold their stakes in smaller fields off Israel's coast and reduced their shares in Tamar and Leviathan.

The lenient resolution of the dispute has prompted a wave of demonstrations in Israel and the anger of leftwing politicians arguing that the arrangement was siding with Noble Energy and its partners against public interest. The Eastern Mediterranean has no doubt the potential of bringing significant changes to the region, and particularly to the parties directly involved. Such a scenario would therefore require important prerequisites: a friendly investment climate for investors in Israel, the discovery of additional amounts of gas in Greek Cyprus and Lebanon's passing of the pending pieces of legislation that would launch the country's first licensing round and allow it to explore its hydrocarbon potential.

Russia extends energy hand to Greece

UPI, *13.07.2015*

The Kremlin will do its part in the Greek economic recovery by working to support the country's energy sector.

European finance ministers ended 17 hours of negotiations Monday that set the stage for a $39 billion support mechanism for Greece, nearly two weeks after it defaulted on its $1.73 billion loan from the International Monetary Fund. Hours before the deal was secured, Russian Energy Minister Alexander Novak said the Kremlin was ready to lend a hand in the Greek energy sector. "In connection with this we study options for direct supplies of energy resources for the Greek government, and they may begin shortly," he said.

Greek Prime Minister Alexis Tsipras met in April with Russian President Vladimir Putin in Moscow to discuss potential Russian financial assistance. Reports circulated then that the Kremlin pledged $5.5 billion in advance of a new pipeline to help deliver gas to Europe. Disputes between Moscow and Kiev placed European energy security at risk and prompted both Moscow and Brussels to search for other options as the bulk of Russian gas for Europe runs through Soviet-era pipelines in Ukraine. British energy company BP has awarded more than $1 billion in development contracts since selecting the Trans-Adriatic gas pipeline as its option to carry gas to Europe from the Shah Deniz project off the coast of Azerbaijan in 2013. TAP would connect to the Trans-Anatolian natural gas project running through Turkey to the Greek border.

Russia's role in the European energy sector is a contentious economic issue for both parties. Valentina Matviyenko, the speaker of the upper house of Russian parliament, told Russia's Rossiya 24 news station last week Greece "has love and respect for Russia in their veins," adding it was Russia that assured Greek independence in the early 1800s. On Monday's debt agreement, European Commission President Jean-Claude Juncker said he was satisfied with the form and substance of the bailout deal. "There will not be a 'Grexit'," he said in a statement.

Snam confirms room for TAP investment

Natural Gas Europe, *07.07.2015*

Snam's CEO Carlo Malacarne confirmed that there are TAP's stakeholders willing to sell their shares to the Italian company, adding that a 20% interest would cost around 400 million euros. The price has also to do with the current market conditions.

"We will not witness an increase in gas consumption in Europe by 2030. It will be necessary to substitute the current production from the depleting fields with new sources" he said to Italian daily newspaper Corriere della Sera. He explained Europe has not to decrease its imports from Russia, but find new partners to import new gas.

"We have to get gas where there is some, in the Caucasus, prospectively in Iran, in North Africa. And here we come into play" he said, adding that Italy should take a more central role in the Mediterranean, and especially in Algeria. A few hours after the interview, European authorities agreed a deal with Greece that should be approved in the Greek parliament in Athens by Wednesday. The TAP pipeline will pass through Greece and Albania. Meanwhile, several reports seem to indicate that a deal on Iran seems increasingly more likely.

Greek LNG as a strategic priority, not a conditional one

Natural Gas Europe, *15.07.2015*

"A well-connected EU energy market where energy flows freely across borders and no Member State remains isolated from the EU energy networks is a pre-condition for creating a resilient Energy Union with a forward-looking climate policy."

These were the words used by the European Commission in the meeting of the Central Eastern and South-Eastern European Gas Connectivity High Level Working Group (CESEC) meeting which took place in Dubrovnik on the 10th of July. Energy ministers and officials from 15 EU Member States and members of the European Energy Community came together for what was the second meeting.

The objective: to propose next steps for the development of South East Europe's energy market and agree on a concrete list of priority projects. The key outcomes of this milestone meeting were: the signing of a Memorandum of Understanding, the outlining of Terms of Reference for CESEC, a List of 21 Projects, as well as a clearly defined Action Plan with specific steps to be taken by the Governments, National Regulatory Authorities (NRAs), Project Promoters and Transmission System Operators (TSOs).

The 21 projects listed in the Appendix have been assessed and – to varying degrees – are considered to provide benefit to the region, particularly in terms of contributing to security of supply and facilitating price alignment between markets and, with it, establishing competitive wholesale prices and affordable prices for end users. These are achieved – fully respecting EU legislation – via the development of reverse flows in existing pipelines and the establishment of new interconnectors, the development of new indigenous resources, the development of LNG regasification capabilities and storage capacity, as well as the introduction of the Southern Gas Corridor. The CESEC meeting has been eagerly anticipated both by the energy industry, as well as policymakers eager to strengthen their countries positions on the evolving energy chessboard of South East Europe. In light of the Ukraine crisis and the EU's stressed relations with Russia, the dealings of the CESEC have become crucial for transatlantic energy cooperation – both US Assistant Secretary of State, Victoria Nuland and the US Special Envoy and Coordinator for International Energy Affairs, Amos Hochstein, were present in Dubrovnik. From a Greek perspective, the CESEC meeting was also the battle ground for discussions concerning the future of LNG development in Northern Greece, as it had been rumoured in past weeks that Greece's LNG projects would be side-lined by the European Commission.

Initially, Greece had submitted two LNG projects for EU funding, one backed by Greece's state-owned natural gas company (DEPA) in Kavala, and one by Gastrade S.A in Alexandroupoli – both cities are coastal and strategically located near the existing DESFA pipeline network with close proximity to neighbouring countries. Both LNG projects featured in the EU's Projects of Common Interest (PCI) list of 2013, which sparked a head to head competition. The project proposed by DEPA for the Aegean LNG import terminal had figured in the 2013 PCI list to receive funding of 252,500 EUR for a study relating to the permitting procedure. Similarly, the project proposed by Gastrade S.A was recognised as a PCI with funding of 1,755,000 EUR for a FEED study, preparation of the engineering procurement and construction process, as well as an invitation to tender. These projects remained in the spotlight when they featured in the European Commission's Energy Security Strategy Communication of May 2014, where they received further political support from the EU, by being listed as a key security of supply infrastructure projects in the medium term.

However, driven by the current economic situation and market environment in Greece, and considering DEPA's difficulties in accessing financing, a suggestion was made for the two project sponsors to pool resources and jointly propose the construction of a single facility, taking the form of a Public-Private Partnership (PPP). Such an endeavour would make economic sense, and would overcome a number of challenges that the two projects would struggle with if maintaining an individual approach. First of all, the PPP would see the project built in Alexandroupoli and not Kavala - a city with intense environmental sensitivities. Secondly, financing hurdles would be surpassed with the support of both DEPA as well as private capital and EU funds. This suggestion, however, has not managed to secure the support of the Greek Ministry, mainly due to the fact that the concept of PPP's is not aligned with the political ideology of its current leadership.

It is now clear following the outcomes of the CESEC meeting that the European Commission has shifted its focus away from the prospect of LNG in Northern Greece. Croatian LNG on Krk Island, which has been discussed for the past two decades, has been rubber stamped as a priority project. Responding to Greek dismay at the labelling of LNG in Northern Greece as ‘conditional’, the European Commission has on the one hand stressed that the upgrading of the existing Revithousa LNG terminal – located close to Athens – will cover the capacity requirements of Greece. On the other hand, the European Commission’s hesitation to give clear support to a new LNG facility could be interpreted as another signal of the growing disparities between the energy strategies of Brussels and Athens. It would appear that the mistrust characterising Eurozone discussions has spilled over to the energy world.

In spite of this; exploring scenarios for the development of the natural gas market in South East Europe and the East Mediterranean region, Greece – at a minimum – is going to have an important role in the the transit of natural gas. When coupled with the involvement of the Greek shipping industry in the LNG market, one can immediately see the potential not only from an energy security perspective, but also in terms of economic growth, job creation and competitiveness. In particular, a lot of discussion has taken place regarding the functioning and commercialisation of East Mediterranean natural gas sources, and whether a trading hub, be it virtual of physical, will be established in one or more countries of the region. Greece’s role in this equation is secured due to its comparative advantage in the region when it comes to LNG. Its geographic location makes it a preferential location for minimising the high LNG shipping costs for cargoes originating from North Africa, the East Mediterranean and the Middle East; it already has a functioning terminal that receives both contract and spot cargoes, while it also enjoys a dominant role in the LNG shipping industry.

From the outset, the LNG capacity of Greece provided by the Revithousa will be enough to cover the domestic demand for the years to come. However, there are significant complications with regards to the transmission network and regulatory framework that govern the gas flows from Revithousa. Specifically, gas molecules from Revithousa cannot travel north in the absence of a new compressor station. The Revithousa terminal is also linked to the Koula-Sidirokastro pipeline, which pumps Russian gas towards the South. As long as regulatory hurdles and Bulgaria’s position on the issue of the Koula-Sidirokastro pipeline remain unclear, LNG from Revithousa cannot contribute towards the goals of CESEC and the broader scope of the Energy Union. On the flipside, the joint project of DEPA and Gastrade offers strategic advantages for Greece and the region, and fits perfectly into the timeline of upcoming regional and mega projects as well as existing infrastructure. Unlike Croatia, Greece already has a network of pipelines and planned interconnectors that can be utilised for gas transmission and facilitating cross border gas trade, thus minimising total costs needed to improve the interconnectivity of the region. Croatia on the other hand is severely lacking sufficient infrastructure to link LNG to other markets and will require substantial investment to develop a new energy network. The Greek LNG terminal in Alexandroupoli will facilitate flexible LNG supplies which could join the existing DESFA pipeline network and also TAP – with whom completion dates are aligned. TAPs capacity can be extended from 10bcm to 20bcm after 2020, so theoretically, it could transport gas from Greek LNG in Alexandroupoli. Furthermore, TAPs cooperation with the Interconnector Greece-Bulgaria (IGB) - long identified as a priority project of transatlantic interest- could enable direct access of new gas supplies to Bulgaria and the rest of the Balkans.

The possibilities for synergies between these projects are immense, and LNG can be the key to balancing the supply of natural gas in these markets, thus contributing to security and diversification of supplies. There is a significant strategic opportunity that could potentially be missed if support for this project were to evaporate. LNG is a game changer for the global energy market and Europe is a sellers market. Knowing that LNG volumes will be flooding the markets fully by 2020 when US LNG will be added on top of supplies from North Africa, the Middle East, and Australia, the European Commission should consider all the variables before selecting the LNG projects which it is going to support in the EU LNG strategy expected to be published in the beginning of 2016. A pragmatic and strategic approach has to be applied in considering which projects are branded as priority and which conditional projects. While the construction of a wider regional network may be the long term objective, it's impossible to neglect that these projects are to be financed mainly by the industry based on their commercial viability and potential. Thus, issues such as feasibility, financing, inter-connectivity, flexibility and profitability are all critical factors that should not be overlooked.

SOCAR still struggles in Greek market

Natural Gas Europe, *16.07.2015*

Since 2013, the European Commission (EC) has effectively blocked the State Oil Company of Azerbaijan Republic (SOCAR) from completing its 66% majority takeover of Greece's Hellenic Gas Transmission System Operator (DESFA). Brussels has been reluctant to give the transaction the final go-ahead despite a €400 million agreement signed between Athens and Baku in July 2013.

The deal has been scrutinized by the EC's Directorate-General for Competition, fearing it may conflict with European Union (EU) regulations prohibiting energy asset monopolies led by firms from outside the EU.

If the acquisition is blocked, SOCAR stands to lose a €40 million down payment in addition to other capital spent on promoting its bid. A final decision is expected as early as September 2015. Sources suggest the EC wants SOCAR's stake reduced to a 49.9% minority, a proposal rejected by the Azeri energy major's senior management. Greece's sovereign-debt crisis is also weighing on SOCAR's business decisions. Even so, interest remains strong. DESFA is seen as a crucial asset in conjunction with the establishment of the Trans-Adriatic Pipeline (TAP) and Greece's LNG-related prospects summarized in the EU's Projects of Common Interest plan. The acquisition of the Greek utility is central to SOCAR's plans to tap into a new long-term customer base in Southeastern Europe, and gain access to international LNG shipments.

SOCAR already owns 20% of TAP, which is scheduled to be operational by 2020, and remains unaffected by the current Greek saga due to the inclusion of global energy giants such as the United Kingdom's BP and Norway's state-backed Statoil. Greece's Energy Minister Panagiotis Lafazanis has suggested he wants to maximize his government's revenues by reopening accords signed with the TAP consortium. The group and SOCAR are eager to secure a final deal quickly and prevent further issues from arising that could delay the project's opening. Given this enthusiasm, it is not unreasonable to assume Athens may achieve concessions on higher transit fees and more social licence handouts to communities traversed by the pipeline. Neighbouring Turkey secured similar guarantees with respect to its Trans-Anatolian Pipeline. Well-placed sources say SOCAR will intensify its lobbying activities in the country by focusing on projects in the local gas market. Nonetheless, there is evidence to suggest Baku now views Bulgaria as a preferable entrance to the EU's $18.5 trillion common market.

The momentum for the Trans-Caspian pipeline

Natural Gas Europe, *14.07.2015*

The proposed Trans-Caspian Pipeline (TCP), which aims to bring Turkmen gas to Europe, has recently become a topic of intense debate. Despite the existing barriers to the implementation of the project, there have been positive shifts towards its construction.

The Ashgabat Declaration launched the work of the intergovernmental committee and provides a foundation for the practical implementation of the project. The EU is much more interested in the TCP than before, as it may face natural gas shortages after 2019 when the gas contract between Russia and Ukraine expires.

Turkey's regional energy hub ambitions mean that it is keen to play a political role. Turkmenistan sees not only financial benefits, but also advantages in terms of diversifying its export routes. The collective commitment by the interested parties - Azerbaijan, Turkmenistan, Turkey and the EU - in overcoming the various obstacles to the project's implementation indicate strong prospects for success. Foundations for high-level negotiations were laid during the visit by the Turkish president to Turkmenistan (November 7, 2014), when he stated that the Trans-Anatolian Pipeline (TANAP) is dependent on gas supplies from Turkmenistan. During the visit, an agreement on cooperation was signed between Atagas (a private Turkish Gas Company) and Turkmengas (the national gas company of Turkmenistan) over the purchase and sales of natural gas.

In 2013, the TCP was placed on the list of Projects of Common Interest of the European Commission. In the absence of a pipeline capable of transporting large volumes of gas from the Caspian Basin to Europe, the potential role of the TCP was unclear. But by 2019, with the expansion of the South Caucasus Pipeline (SCP), the construction of TANAP and Trans-Adriatic Pipeline (TAP), a Caspian-European route will become available. The other problem was the lack of available gas ready to be transported from the eastern coast of the sea. However, Turkmenistan is currently constructing the ‘East-West Pipeline’, with an expected completion date of 2015-2016. This pipeline will deliver gas from the resource-rich fields in the east of the country to its western territories. When the construction started in 2010, the plan was to feed the Russian-backed Prikaspiisk pipeline (or Caspian Coastal pipeline), but that project has been scrapped, freeing the gas up for export elsewhere. Notably, the capacity of the pipeline is as the projected capacity of the TCP (30 bcm/year). The Caspian Coastal line was scrapped in 2010 and is unlikely to be revived given the current tensions between Russia and the EU. This raises questions about the purpose of the East-West pipeline. Russia is not planning to import more Turkmen gas, and there is no need to allocate additional volumes to Iran. Turkmenistan’s intention is to prepare for gas exports via the TCP. By 2016 Turkmenistan will technically be able to transport hydrocarbons from the east to the Belek compressor station, which is located next to the city of Turkmenbashi (where the TCP will presumably start). The pipeline will not be confined to the Dovletabat field, but will also be connected to the Galkynysh Field. Thus, the opportunity to deliver vast gas reserves to the eastern coast of the Caspian together with the availability of transportation on the western coast clearly indicates the importance of the Trans-Caspian line.

Due to the absence of existing pipelines between Turkey and Turkmenistan, energy cooperation agreements remain poorly implemented. In 1997, the sides signed the first agreement on the import of 30 bcm of Turkmen natural gas to Turkey. However, without the available conduits it was impossible to realize the agreement. Therefore, the Turkish government is seeking grounds for future cooperation. In November 2014 Turkey and Turkmenistan reached a framework agreement for pumping Turkmen gas into the TANAP. Although the details of the agreement have not been revealed, it is clear that steps are being taken to enable the supply of Turkmen gas to European market. Just ahead of the Berdymuhamedov’s visit to Turkey, Turkmenistan’s Ministry for Oil & Mineral Resources released a statement promising to supply natural gas to Europe. According to the statement, Turkmenistan intends to supply 10-30 bcm per annum. Turkey understands its role in making this a reality. Ankara has increasing influence in Turkmenistan; it is now the country’s second biggest trading partner after China. Moreover, Turkish construction companies occupy a leading position in Turkmenistan’s economy. Nonetheless, Turkey’s influence in Turkmenistan is not on its own sufficient to guarantee the success of the TCP. It will have to face down the major opponents of the project, Russia and Iran.

The increasing cooperation among Turkey, Turkmenistan and Azerbaijan reveals another perspective on the TCP. The trilateral meetings, previously among ministers, have been upgraded this year to the presidential level. Turkey’s idea for trilateral energy consultations dates back to 2008, when Turkey invited both Azerbaijan and Turkmenistan to cooperate on a drilling project in the Black Sea. Since then Turkey has been promoting the idea of bringing both sides to the table to further cooperation and partnership. As such, the upcoming meeting of leaders in Ashgabat must be regarded as a diplomatic achievement of Ankara.

The intention of the EU is to reduce its dependence on Russian gas and thus diversify the routes and sources of supply. Although there is no official data on the amount of gas to be supplied by Turkmenistan, initially the EU was planning to purchase about 14 bcm per annum out of the total 30 bcm (the TCP was designed to accommodate 16 bcm of gas for the Turkish market). The distribution of volumes may change, but it is clear that by gaining access to the Turkmen resources, the EU will benefit enormously in terms of diversification of its gas supplies. Consequently, the EU is committed to helping Turkmenistan to overcome the existing barriers to the project's realization. For instance, experts have emphasized that "the EU has repeatedly expressed its support to Azerbaijan and Turkmenistan regarding the exclusive right to lay a pipeline in the Caspian Sea between the two littoral countries in line with international agreements and conventions." Furthermore, according to resent research, "the European Commission proposed in 2009 the creation of the Caspian Development Corporation envisaged as a single commercial vehicle that could aggregate the purchase of Turkmen gas. Finally, in apparent desperation at the lack of progress, the Commission in September 2011 se- cured an unprecedented decision by the EU's governing Council, mandating it to negotiate a legally binding treaty with Turkmenistan and Azerbaijan providing for pipeline construction."

Ashgabat appears to be intensely engaged in the diversification of export routes. Given that Russia has reduced its gas imports from Turkmenistan to 4 bcm per annum, compared to 11 in 2014, Turkmenistan's interest in finding an alternative market should not be underestimated. Furthermore, because of the disruption of plans to deliver vast volumes of natural gas to Europe, Russia has pivoted towards China. Five years from now, it will be able to deliver extra 40 bcm/year to China via the Power of Siberia (known as Yakutia–Khabarovsk–Vladivostok pipeline). Competition with Russia over the Chinese market may lead to cheaper Turkmen gas. Iran, the second biggest consumer of Turkmen gas, is also refusing to buy the gas at current volumes. Iranian Oil Minister Bijan Namdar Zanganeh said on August 11, 2014 that his country no longer needed gas from Turkmenistan. Zanganeh went so far as to say, "Iran is importing Turkmen gas just because it is important to promote political and economic relations with Turkmenistan. Iran is rapidly boost- ing its domestic gas production. Moreover, once the sanctions are lifted, Iran, which has the world's second largest gas reserves, may become an export rival. In this context, official Ashgabat is urgently seeking new energy partners. Note that Turkmenistan may only support the TCP in line with the golden rule of "zero financial burden, hundred percent effectiveness". In addition, it will never agree upon the construction of the pipeline to the detriment of relations with Russia.

In general, there are two hurdles to the implementation of the TCP: the uncertainty over the status of the Caspian (along with opposition from Russia and Iran) and the financial burden that few are will- ing to share (because of the high risks of the project). In regard to the resolution of the legal status of the Caspian, many consider the Astrakhan summit as a big step forward and a chance to consolidate the final document, now that parties have reached agreement on points of dispute. Khalaf Khalafov (deputy foreign minister of Azerbaijan) characterized the last summit as the beginning of a new stage in negotiations. "I believe we will be able to agree upon all the points of the convention before the summit in Astana so that we can sign the final act." In addition, the Caspian states agreed on six more points on the juridical status of the Caspian, reported Iranian Prime Minister Ibrahim Rahimpoor. Khalafov said that the sides had agreed upon some controversial issues. At the 39th meeting of the Working Group on the determination of the legal status of the Caspian Sea, issues related to environmental problems and use of water were agreed among the Caspian littoral states, according to the Azerbaijani side.

However, one of the remaining questions is how to resolve the issues related to the division of undersea territory. This question must be solved in accordance with the sovereign rights of each littoral state, as claimed by Azerbaijan and Turkmenistan. Now the focus is on the summit in Astana, where some experts expect the final agreement to be signed. The future of the TCP has been closely linked to the determination of the legal status of the Caspian; without the inked document there is no room for progress. Thus, further intensification of the dialogue over the implementation of the TCP is expected following the Astana Summit in 2016. Along with some major political hurdles to the project (such as the question over the status of the Caspian), there are some others of minor importance that bear mention. For instance, significant efforts must be taken to resolve the dispute between Turkmenistan and Azerbaijan over the oil fields, Kapaz (Serdar). A positive sign is that the leaders of both countries have demonstrated their willing- ness to work hand in hand within the framework of trilateral cooperation with Turkey. There is also significant scope for the EU to persuade Iran to set aside its intentions to block the construction of the Trans-Caspian. Previously these negotiations would have been unthinkable, and so once the sanctions are eliminated, the opportunity will be there. One potential means to appease the Iranian government would be to propose a spot for Iranian natural gas in the TANAP and TAP pipelines. If this were not enough, the EU could additionally offer a helping hand in modernizing Iran’s outdated gas infrastructure. Iran has also made clear in the international arena that it is ready to offer its territory as alternative and reliable route for delivering Turkmen gas to Europe.

Brussels has put all its efforts into achieving a breakthrough on the realization of the TCP. It has called upon European energy companies to join the negotiation process. The Caspian Development Corporation, established in 2009, can help in this regard. This will help Turkmengaz find common ground with the relevant European energy companies. Experts also believe that Ashgabat is especially interested in cooperation with companies willing to invest in the development of the Turkmen sector of the Caspian Sea. Earlier, during talks with Turkmenistan, the Eni management voiced its willingness to assist with the Turkmen gas delivery to the world markets in the long term. The dialogue between the EU, Turkmenistan and the representatives of energy giants does not require any additional outside help, as the parties involved are committed to the project’s realization. This is a strong indicator of success. It has also been argued that Turkey may utilize its leverage over Russia, via Turkish Stream - the only viable route for gas delivery from Russia to Europe - to address Russian opposition to the TCP. In other words, the subsea pipeline between Turkmenistan and Azerbaijan could progress in light of Turkey’s increased diplomatic power. However, one should not overlook the strategic interests of Russia in the region, as well as its desire to remain Europe’s major gas supplier. If the second part of the puzzle can be solved easily (since the capacity of the Turkish Stream is twice that of the TCP), the first part remains unanswered.

Despite the existing political obstacles, the technical requirements of the TCP have been met. Most of the projects that may feed the TCP are either under construction (East-West, TAP and TANAP) or already in place (South Caucasus Pipeline). Thus, only 300 km is remaining, needed to link one port to another in order to connect Turkmenistan with Europe. However, this step has always been something of a Herculean task. The key to the whole success of the project lies in those 300 km. The elimination of political challenges will not immediately bring the pipeline to life; there remain financial constraints. First of all, the European companies have to come to an agreement with Turkmenistan over the sales of gas; there may be a need for a Production Sharing Agreement. This is not a question of a few weeks.

The actual implementation of the Southern Gas Corridor (SGC) has accelerated talks on the construction of the Trans-Caspian pipeline. The climax of these talks resulted in the Ashgabat Declaration, with some minor practical results (such as the establishment of the inter-governmental committee). At the same time, the trilateral meetings among Turkmenistan, Turkey and Azerbaijan have achieved top levels of engagement. At first glance, this trilateral energy cooperation does not seem to be directly linked to the TCP, and progress remains suspended until the Astana Summit. However, in the long term, this new format could facilitate energy dialogue between Baku and Ashgabat; and involvement in joint projects, no matter how small, could be a positive step during this initial stage. Furthermore, the East-West pipeline of Turkmenistan will be commissioned soon. Thus, Turkmen gas will be delivered right to the coast of the Caspian Sea, ready for transportation to Europe. The other SGC components, aside from the TCP, will be operational by 2019, delivering Azerbaijani gas. In other words, the pipelines to the east of the TCP are almost ready. The only fly in the ointment is that that the most complex part, i.e. the sub-sea conduit (TCP), needs much more work.

However, given the commitment of the EU, Turkey and Turkmenistan, there is significant impetus for the realization of this final step. Along with Azerbaijan, these parties more committed than ever. The EU needs to meet its energy demand once the Russian supplies via Ukraine are terminated in 2019. Turkey, which has harbored ambitions to become a regional gas hub, sees great potential in the opportunity to play a crucial role in both the project implementation and the transportation of Turkmen gas to Europe. Turkmenistan, which has been forced to reduce its exports to Russia, is urgently seeking new partners and customers in order to avoid dependence on a single buyer, namely China. Moreover, Iran may not need gas from Turkmenistan for its northern region, because once the sanctions are lifted it will be able to cover that demand through domestic production. Azerbaijan is also willing to become a transit country and thus contribute even further to EU energy security. This raft of potential benefits cannot be ignored.

Armenia can become gateway to Europe for Iranian natural gas

ARKA, *15.07.2015*

Armenia can become a transit way to Europe for Iranian natural gas if it displays ample independence for participation in construction of a gas pipeline sidetracking Russia, Zhamanak says. The newspaper says a rally in Iran’s economy and the lifted sanctions against the country will have favorable impacts also on relations.

Armenian companies and financial organizations were cautious before in cooperating with Iran, while now no obstacles will be on their way. Besides, the significance of Iran’s role as a regional superpower will rise as well casting shade on Turkey. And this is important for Armenia.

Naftogaz plays its cards to decrease political intervention

Natural Gas Europe, *13.07.2015*

Naftogaz hopes that the collaboration with Baker & McKenzie and PricewaterhouseCoopers will help coming up with a plan meant to eliminate undue political intervention in the company's business.

'Naftogaz has initiated a project on developing a Corporate Governance Action Plan in order to fundamentally improve the company's efficiency and transparency for the benefit of Ukrainian people as the ultimate owner of Naftogaz' reads a note released. The plan also aims to set up a Supervisory Board of Naftogaz and gradually increase its independence, while proceeding with the unbundling of the TSO.

'The company defined corporate governance reform as a priority immediately after the change of management last spring. Given the complexity of this reform, including its political sensitivity, it proceeds in several stages.'

Frontera, Naftogaz sign 2-year MOU for upstream, LNG

Natural Gas Europe, *15.07.2015*

Ukraine is trying to find in the US a strong business partner, with Kiev asking Washington to help reforming the country's oil and gas sector. Meanwhile, Naftogaz also opened the door to an American company, which could soon cooperate in the upstream and LNG sectors.

"We're inspired by this considerable interest in our country, and we highly appreciate US support for reforming Ukraine's oil and gas sector. The investments are needed to reduce Ukraine's dependence on gas imports, create new jobs and make energy consumption in Ukraine more efficient", Andriy Kobolyev, CEO of Naftogaz, commented.

Kobolyev informed US businesses about Ukraine's efforts to reform Naftogaz and Ukraine's gas market over the last 15 months, mentioning the elimination of intermediaries in gas trade, the the development of the corporate governance reform strategy, and the adoption of the new Gas Market Law. During the same conference in Washington, Naftogaz signed a 2-year Memorandum of Understanding with Frontera Resources, a US oil and gas company. 'The parties plan to assess feasibility of a potential cooperation in exploration and development of Ukraine's oil and gas, as well as in implementation of the project of LNG imports from Frontera Resources capacities in Georgia.' Frontera could emerge as a strong voice in the region. "We are very pleased to continue to advance our initiatives in Ukraine and, in particular, our relationship with Naftogaz. This important MOU reflects Frontera's ongoing focus to progress its Greater Black Sea Strategy by pursuing new growth throughout a region that contains significant underdeveloped and under-explored oil and gas potential" Steve Nicandros, Chairman and Chief Executive Officer, commented in a separate press release.

Frontera is interested in exporting LNG to Ukraine from Georgia. The company said it identified combined prospective natural gas resources of as much as 12.9 trillion cubic feet (365 billion cubic meters) of gas-in-place, with as much as 9.4 trillion cubic feet (266 billion cubic meters) of recoverable prospective natural gas resources at the Mtsare Khevi Gas Complex and Taribani Field Complex. Naftogaz also discussed cooperation opportunities with a second American company. 'TrailStone, a US-based oil and gas company which supplies gas to Naftogaz in the European market, announced its plans to enter the Ukrainian market in the autumn of 2015. Naftogaz welcomed this decision and expressed its commitment to support the entry of new Western market players in the Ukrainian market.' Last month, Senator John McCain said at a press conference in Kiev that the United States will be able to supply gas to Ukraine and other countries of Europe within two years.

Is Gazprom cutting the Turkish Stream in half?

RBTH, *17.07.2015*

Gazprom is halving capacity for its Turkish Stream pipeline. The Russian natural gas monopoly has cancelled a deal with an Italian contractor to lay Black Sea pipelines. Experts believe that the Turkish Stream is now destined to be a local project.

Gazprom, the Russian gas monopolist, is halving the transit capacity of the Turkish Stream pipeline, which extends from Russia to Turkey and then to southern Europe, cutting to 32 billion cubic meters the volume of gas it can carry. Business daily Kommersant says the company has frozen its investments in the South Corridor project.

Market observers say that the Turkish Stream may turn into a local Russian-Turkish project, and that Gazprom will instead expand its North Stream pipeline in the Baltic Sea. The South Corridor project was planned to supply gas to the South Stream pipeline, which was supposed to run along the Black Sea seabed from Russia to Bulgaria, and after the South Stream was cancelled, to the Turkish Stream. Kommersant says Gazprom halted work on the eastern - the longest and most expensive - branch and now plans on finishing the western branch. The length of the western branch is 547 miles and the eastern - 1,010 miles. At the start of 2015 Gazprom invested almost 300 billion rubles (£3.3 billion/$5.2 billion). Gazprom has declined to comment.

Italian contractor Saipem says that it has received a notice from Gazprom stopping their collaboration. A vessel belonging to the Italian company had been moored in Russian waters, waiting to start laying the pipeline on the seabed of the Black Sea. Gazprom has agreed to pay all penalties associated with the six months it had kept Saipem waiting, which Kommersant says amounts $300 million. The Russian government denies there is any relation between the annulment of the contract and the possible reduction of the Turkish Stream's capacity. "The cancellation of the contract between Gazprom and the Italian contractor Saipem will not influence the Turkish Stream project," Alexander Novak, Russia's energy minister, claims.

"The South Corridor project is a priority for Gazprom. It is actively being carried out and no one plans on 'freezing' it," Dmitri Baranov of consultants Finam Holding says. "Furthermore, a significant amount of work has already been done on the project." If the Turkish Stream project is cut back, it will be transformed into a local project that will supply gas only to Turkey, he adds. "As of today no agreements on gas transit through Turkish territory have been signed," Baranov says. "If the agreement on transit is signed, then it will be yet another direction for Russian gas supplies to Europe. But it will only add to the existing directions, not replace them." In June 2015 Gazprom, Shell, OMV and E. On signed a memorandum on the construction of a second North Stream gas pipeline in the Baltic Sea with an annual capacity of 55 billion cubic meters. "The signed memorandum, in essence, is only an agreement of intent, it is not binding," says UFS IC chief analyst Ilya Balakirev. The existing two branches of the North Stream are only half loaded due to regulations of the EU's Third Energy Package, he says. EU anti-monopoly rules forbid one company from supplying gas and controlling its transit. Ideally, Gazprom would like to have both projects, but it is important for the company to show its partners that it can effectively renounce one project for the other, as it helps strengthen a company's negotiating position, Balakirev adds.

Bypassing Ukraine will be costly for Russia's Gazprom

Reuters, *16.07.2015*

Russia's plans to drop Ukraine as a route for pumping natural gas to Europe will still leave state-run Gazprom facing about $1 billion in annual transit fees to Slovakia and Bulgaria for years to come, analysts and industry sources say.

Russia wants to circumnavigate Ukraine to pipe its gas to Europe because of pricing disagreements, but doing so will come at a cost which some analysts say is too high. Billions of euros will be needed to build and expand alternative routes, and the route of the existing pipeline means transit fees to Slovakia and Bulgaria will have to be paid by Gazprom even if Russia manages to bypass Ukraine by 2020.

Under the contracts with the two countries, which ship gas on to western and southern Europe respectively, Gazprom will have to pay Slovakia until 2028 and Bulgaria until 2030 regardless of whether they actually ship any gas through them. The route through Slovakia is key for gas flows to some of Gazprom's biggest clients, Italy and Germany. "This is the biggest issue - no-one knows what to do with this (Slovakia) contract," a Gazprom source said. Slovakia's Eustream had revenues of 630 million euros ($695 million) last year, down from 697 million euros in 2013, and most of this came from Gazprom, the company's accounts and Reuters calculations show. Another $100 million, about 90 million euros, was charged by Bulgaria, according to Bulgarian state company Bulgartransgaz. The combined transit fees of both countries were about the same as a quarter of Gazprom's net income last year. Ukraine's state gas firm, Naftogaz, earned about $2 billion in transit fees from Gazprom last year, according to its reports, equal to about 6 percent of Ukraine's budget revenues.

Gazprom's plans to avoid shipping gas through Ukraine - with whom relations have been strained by the overthrow of a Moscow-leaning president, Russia's annexation of Crimea and a separatist uprising in eastern Ukraine - centre around building a pipeline to Turkey. But Russia still has no firm agreement with Ankara on the Turkish Stream project, announced by President Vladimir Putin in December, and it faces opposition from the European Union. Gazprom, which generates about 8 percent of Russia's gross domestic product, has put costs for the first line of the Turkish Stream at 3.3 billion euros. The pipeline should consist of four lines, each with an annual capacity 15.75 bcm.

Expansion of the Nord Stream pipeline, which goes beneath the Baltic Sea to Germany, agreed last month, is estimated at costing another 9.9 billion euros. “It is obvious that from the economic point of view this (Turkish Stream and Nord Stream) is unlikely to be reasonable. But it may be viewed as a cost to lower transit risks,” said Andrey Polischuk, an analyst with Raiffeisen bank. Gas rows with Ukraine in the winters of 2005-2006 and 2008-2009 led to the interruption of Russian gas flows to Europe, Gazprom’s key export market where it makes more than half its revenues. Mikhail Korchemkin, head of East European Gas Analysis consultancy group, said Gazprom spent $43 to ship each 1,000 cubic metres via the Nord Stream last year compared to $33 via Ukraine. “We think our transit route is the most direct and the cheapest,” said Olyona Osmolovska, spokeswoman for Ukraine’s Naftogaz.

Some analysts doubt Gazprom will succeed in completely bypassing Ukraine by 2020. It has not yet started laying pipes for Turkish Stream and has cancelled a contract with Italy’s Saipem to build a link to Turkey. Gazprom CEO Alexei Miller said last month the company was ready for talks about continuing to use Ukraine as a supply route. Last year, Ukraine shipped almost 60 bcm of Russian gas to Europe - or 40 percent of Gazprom’s exports. “Totally bypassing Ukraine in the time that has been set is doubtful,” said Valery Nesterov, an analyst with Sberbank CIB. “We believe that in 5 to 10 years relations with Ukraine will stabilise and some of the transit flows will remain.”

Russian gas cos mull Israel cooperation

Globes, *14.07.2015*

A delegation of Russian natural gas companies, headed by Russian Deputy Minister of Energy Anton Inyutsyn, arrived in Israel for a two-day visit to examine possible cooperation on natural gas with Israeli companies. Shraga Brosh will meet with Inyustyn and representatives of the companies to promote Israeli-Russian relations, share information about gas for transportation, and promote cooperation in this area.

The Russian delegation includes representatives from Gazprom, Gas Service Composite Group, and Energo Group, gas supply and transportation equipment, natural gas for transportation, and equipment for infrastructure project.

During the visit, the representatives will conduct a round table on the subject of gas for transportation with the Manufacturers Association, in cooperation with the Israel Ministry of Foreign Affairs and the Russia-Israel Business Council. Representatives of Israeli company Supergas and government company Israel Natural Gas Lines, which is responsible for the gas pipeline network in Israel, will also participate in the discussion. Among other things, the delegation will discuss the infrastructure needed for natural gas-powered vehicles, deployment of special fueling stations, and energy efficiency in public transportation.

Rosneft, Statoil confirm technology partnership

Natural Gas Europe, *14.07.2015*

Rosneft and Statoil completed drilling works as part of the Pilot Project at the PK1 layer of the North-Komsomolskoye field in Purovsky and Nadymsky regions.

'Rosneft and Statoil plan to hold wells testing and determine further prospects and methods of PK1 layer development based on the testing results' Rosneft wrote on Tuesday. According to the Russian company, the joint operations indicate a strong resolve to work together in the long-term. "Creation of partnerships for technologically complex projects' development is one of the strategic dimensions of the Company's evolvement." Igor Sechin commented.

The pilot drilling at the North-Komsomolskoye field opens a new stage of the joint work of Rosneft and Statoil. The companies are working actively and continue developing the long-term cooperation" Igor Sechin added. Eleven months ago, the two companies started explorations operations at the Pingvin License PL713 prospect in the Norwegian section of the Barents Sea.

EU condemns Russia's plans to Dutch gas transit through Ukraine by 2019

Reuters, *15.07.2015*

Russia's refusal to pump gas through Ukraine will change the balance in Europe, which will have a negative impact on the energy security of Europe, said European Commission Vice President for Energy Union Maros Sefcovic.

"If you look at the construction and plans of gas pipelines, one of the goals is to make the Ukrainian transit system less relevant, or to cut off supplies through Ukraine completely. This would have very negative consequences for energy security in Europe, because the Ukrainian transit is very important, it is the largest, at 140 billion cubic meters per year," said Sefcovic.

He said that if the purpose of the Turkish Stream project is to gradually empty the Ukrainian transit route, it is unacceptable for the EU, as it will change the balance of gas in Europe. It will put the countries of Central and South-Eastern Europe in a very difficult situation, he added. In July, the President of Ukraine Petro Poroshenko said the agreement between Russia and Ukraine on gas transit to Europe would be prolonged after 2019, when the current transit contract expires, as there is no alternative to the Ukrainian route. Russian Energy Minister Aleksandr Novak and Gazprom CEO Aleksey Miller have repeatedly said that Russia does not plan to renew the contract for gas transit through Ukrainian territory after 2019. However, at the end of June Russian President Vladimir Putin instructed Miller to hold talks with Ukraine on the extension of the transit contract. Ukraine's Naftogaz wants to raise the rate of transit from the current $2.70 to $5.00 per thousand cubic meters per 100 km, which is unacceptable to Russia. Turkish Stream is intended to reduce gas transit through Ukraine. The 1,100 km pipeline that will have four lines and an annual capacity of up to 63 billion cubic meters (bcm) of gas. About 16 bcm will be supplied to Turkey; the remaining 47 bcm will go to a hub on the Greek - Turkish border, where the gas can be transported onwards to Europe.

However, the project has been facing difficulties. Last week Gazprom decided to sever an agreement with Italy's Saipem as the major contractor, just as construction of the first part of the project under the Black Sea was about to start. The termination would not affect the construction schedule, as it is a technical issue, Russian Energy Minister Aleksandr Novak said. In addition, Russia had planned to sign an intergovernmental agreement with Turkey on the project by the end of June, but it never happened. The new Turkish government hasn't yet been formed after the parliamentary elections in early June. Turkish gas company Botas is expecting a discount from Gazprom, and is threatening the Russian company with court action if it doesn't get it.

From Brussels with regulations

Natural Gas Europe, *14.07.2015*

On July 1st 2015, Russia's state-owned gas company, Gazprom, announced that had it ceased deliveries of natural gas to Ukraine for the fifth time in a decade. The decision was the result of a breakdown in negotiations between Ukraine and Russia on a new agreement concerning the price of gas.

For Gazprom and Russian President Vladimir Putin, the breakdown in negotiations represents a fresh opportunity to illustrate to EU Member States that Ukraine is an unreliable partner and that it would therefore be in EU states' interests to engage directly with Gazprom and do away with Ukrainian transit altogether.

In fact, Gazprom repeatedly stated that it intends to do just that after 2019. However, in promoting alternative pipeline routes such as the Turkish Stream and Nord Stream, which bypass Ukraine, Putin and Gazprom forget that in Europe, politics do not trump the rule of law; rather it is the rule of law that trumps politics. For many years, Russia has advocated that the frequent gas interruptions are the fault of transit states such as Ukraine, whom the Kremlin sees as unreliable. As a result, Gazprom rolled out several pipeline projects that would bypass Ukraine altogether and provide a direct route to its customer base in Europe. On June 18th, Gazprom announced an agreement with Royal Dutch Shell, Germany's E.ON and Austrian energy company OMV to double the capacity of the 'Nord Stream' pipeline – an existing 55 billion cubic metres (bcm) capacity pipeline that connects Russia to Germany via the Baltic Sea.

On July 1st, Turkish officials announced that Ankara and Moscow are likely to finalise a deal on gas prices for the Turkish Stream pipeline by mid July. Turkish Stream is a 63 bcm pipeline project to ship Russian gas via the Black Sea to Turkey and onwards to South Eastern Europe. The project was announced as a replacement for the now defunct South Stream pipeline on December 1st 2014. South Stream failed because it did not comply with Europe's rules on competition, which stipulate that under EU law, energy companies are not allowed to simultaneously own production capacity and transmission networks. With their latest pipeline endeavours, Putin and Gazprom appear to have learnt little from the South Stream debacle. The July 1st announcement notwithstanding, negotiations between Turkey and Russia have not exactly been progressing smoothly in recent months. Barely a week ago, Ankara warned that it could seek international arbitration if both parties failed to come to an agreement. Russia has agreed to cut prices by 10.25 per cent, but Turkish state-owned gas company BOTAS is likely to want a bigger discount from Gazprom. Turkey knows all too well that Russia needs to use Turkish territory in order to dodge the EU's rules on Third Party Access.

This brings us to the real sticking point. Supplying gas from Russia to Turkey is one thing, but transporting gas from the Turkish-Greek border into South Eastern Europe is a wholly different matter. On June 18th, during a visit to St Petersburg, Greek Prime Minister Alexis Tsipras signed a Memorandum of Understanding with Gazprom that would see the construction of a gas pipeline, an extension of the Turkish Stream project, which will carry Russian gas further into Europe. Russia committed to pay for the pipeline and provide hundreds of millions of dollars in transit fees. This is where Tsipras should have realised he is being used as a stooge in a larger scheme. Why would Gazprom agree to fund a pipeline across Greek territory if it will be forced to share the capacity in accordance with EU law? If the South Stream episode demonstrated one thing, it is that Gazprom does not like to share. What's more, Greece is in no position to fund the pipeline itself and the case for private financing is weak. In addition, the Greek government will have a difficult time trying to prove to the European Commission that such a pipeline will contribute to source diversification rather than mere route diversification for Gazprom. Putin knows he can use Greece to drive a wedge between Brussels and individual EU Member States. Tsipras should have known better than to mislead his own people with what looks like another pipedream at such a crucial time for his country.

The announcement to extend Nord Stream also raised eyebrows. Owing to disagreements over the access regime to the OPAL pipeline that connects Nord Stream with European markets, the existing Nord Stream pipelines are not used to their full capacity. Although the latest agreement represents only a Memorandum of Understanding and no solid business deal, the idea to extend Nord Stream is remarkable for numerous reasons. If one adds up all the existing and planned pipeline capacity that bypasses Ukraine, the construction of both Turkish Stream and the extension of Nord Stream would merely lead to overcapacity. Moreover, European Commissioner for the Energy Union, Maroš Šefčovič, was quick to remind parties involved with the Nord Stream extension that these pipelines would have to comply with EU rules. He also noted that if doubling Nord Stream would mean the end of the Ukrainian gas transit network (GTS), this would harm European energy security as it reduces transit from three lines to just two. Ultimately, something has got to give. It is unlikely that both pipeline projects will be realised and Gazprom's stated aim of getting rid of Ukrainian transit from 2019 onwards looks increasingly unrealistic.

These observations give credence to the perception that Putin and Gazprom are involved in a flurry of pipeline politics that aims to create a larger North-South divide in Europe, based on energy policy. What Putin forgets is that in trying to build Turkish Stream and extend Nord Stream, Gazprom is likely to face a protracted legal battle with Brussels – one that the Eurocrats are likely to win. What's more, given the constraints posed by EU competition rules, Turkish Stream is likely to find its Waterloo with the construction of just the Turkish pipeline. Not only would this leave several EU Member States, including Greece, bereft of a role as a transit state, it would also ensure that Ukraine continues to have a role to play in European energy security. In Europe, the rule of law trumps short-sighted politics and rewards such as cheap gas, and it is high time that Putin, Gazprom, and EU leaders alike to started realising this.

EU to finance development of Lithuania's LNG infrastructure

Baltic Course, *13.07.2015*

As Energy company Klaipedos Nafta and Sweden's port of Helsingborg received confirmation that the European Union (EU) will allocate over EUR 10 million to develop liquefied natural gas (LNG) projects in the Baltic Sea region.

The Coordination Committee of EU's Connecting Europe Facility has approved EUR 10.2 million or 35 percent funding for Helsingborg and Klaipeda Infrastructure Facility. Klaipedos Nafta will receive EUR 6 million for the construction of onshore LNG distribution station. Meanwhile, the port of Helsingborg will receive the remaining amount for the construction of LNG liquefaction plant.

It is planned that the station will be launched in early 2017. Klaipedos Nafta had earlier received EUR 150,000 for the planning and other preparatory work on the LNG distribution station. “The company is building the distribution station using own and borrowed funds, the project is not subsidised or otherwise supported by the state, thus it was important for us to receive financial support for the construction from the EU. The application for financing – the project’s quality, relevance and importance for the EU’s strategy and impact on the region – was highly evaluated. Our company, the operator of the LNG terminal, is striving to manage the infrastructure as efficiently as possible. The distribution station will significantly contribute to his goal and will reduce LNG terminal’s maintenance costs,” said Mantas Bartuska, Director General of Klaipedos Nafta. The financing agreement is expected to be signed in September, while the first payment should be made in October.

Amos Hochstein: “South gas corridor is a project which guarantees the energy security of Europe”

Azertag, *14.07.2015*

“South gas corridor is a project which guarantees the energy security of Europe, and U.S. will continue to support the further projects as the strategic partner of Azerbaijan,” said Special Envoy of the Bureau of Energy Resources of the State Department of the USA as he met Azerbaijani Minister of Energy Natiq Aliyev.

The meeting featured discussions on bilateral ties between Azerbaijan and USA, as well as the prospects for and current state of the cooperation in energy sector. The two hailed the cooperation between the countries and highlighted the importance of continuation of relations in this field.

Natiq Aliyev spoke of the high prospects for the “South” gas corridor in terms of energy security. The guests also were informed about the works done as part of the Trans-Anatolia gas pipe line - TANAP project.

Member states approve EC’s €150 million plan for energy infrastructure projects

Natural Gas Europe, *14.07.2015*

Member States agreed on the Commission’s proposal to allocate €150 million to key trans-European energy infrastructure projects, confirming once more a strong focus on Bulgaria.

In total, 20 projects were selected following a call for proposals under the Connecting Europe Facility (CEF), an EU funding programme for infrastructure. Of the 20 projects, 17 relates to studies and 3 to construction works. The majority of the funds and the projects are in the gas sector (11 projects for financial aid worth €80 million) and the remaining 9 projects, worth €70 million, are in the energy sector.

‘In the gas sector, the allocated grants will cover, amongst others, studies for the Chiren underground storage expansion project in Bulgaria and works on the interconnection between Poland and the Czech Republic’ reads the note released by the European Commission. Funds will be also meant to promote innovation, specifically to improve practices of odorising gas in the transmission system, and solutions to to allow bidirectional flows on a major north-south pipeline in Germany. ‘Under the first CEF Energy 2015 call for proposals, 23 eligible proposals were received, requesting, in total, €216 million of financial support. Proposals that were not selected under the first call may apply for funding again under the second call for proposals, which was launched on 30 June with an indicative budget of €550 million. The deadline to submit applications is 30 September 2015’ the note explains. In the electricity sector, there are studies for the Celtic interconnector to link France and Ireland, the construction of a transmission line between Bulgaria and Greece, and the construction of the Lithuanian part of the Litpol Link.

Egdon resources farms-out pedl005(r) to terrain, union jack

Natural Gas Europe, *14.07.2015*

While experts keep underlining that other North Sea fields might soon cease production earlier than planned as a consequence of the low oil price environment, Egdon Resources announced deals for two separate farm-outs of License PEDL005(R), located in Lincolnshire, UK, to Terrain Energy and Union Jack Oil.

The two farm-outs present different conditions. 'Under the terms of this farm-out, Terrain will earn an additional 20% interest in the Keddington oil field in return for paying 40% of the cost of a new appraisal/development well expected to be drilled in Q4 2015 as a side-track to the Keddington-4 well.'

The one with Union Jack will earn a smaller additional interest. 'Under the terms of a second farm-out, Union Jack will earn a 10% interest in Licence PEDL005(R), in return for paying 20% of the cost of the new side-track appraisal/development well at Keddington (as above) and 20% of the cost of an exploration well on the Louth prospect.' However, Union Jack will also earn a 10% interest from Egdon in any new licence block awarded to the existing PEDL005(R) Joint Venture in the UK 14th Landward Oil and Gas Licensing Round which contains a mapped extension of the Louth prospect. Two weeks ago, Egdon reached a deal to farm-out the Weald Basin (PEDL143) to UK Oil & Gas Investments (UKOG). VSA Capital reiterated their buy rating on shares of Egdon Resources Plc in a research note released on Tuesday morning. The British oil and gas industry keeps suffering, but some companies like Egdon Resources seem to be able to cope with the current uncertainties, which are both legislative and financial in nature. "It's a sign that many of the meetings I'm going to, the first issue on the agenda is decommissioning," Gunnar Olsen, business development director at Total E&P UK, told Reuters on Tuesday, referring to North Sea production and low oil prices.

Nuclear deal to allow Iran to create JV's with EU, US companies

Natural Gas Europe, *14.07.2015*

Iran and six world powers reached a nuclear deal that could change the cards on the table of the European gas industry. Iran, which holds the second largest proven reserves of natural gas in the world after Russia, could soon benefit from the comprehensive lifting of all UN Security Council sanctions as well as multilateral and national sanctions.

According to the speech by EU High Representative Federica Mogherini and Iranian Foreign Minister Javad Zarif, Iran will not seek, develop or acquire any nuclear weapon. In exchange of this commitment, Iran will enjoy the lifting of sanctions targeting trade, technology, finance, and energy.

"We know that this agreement will be subject to intense scrutiny. But what we are announcing today is not only a deal but a good deal. And a good deal for all sides – and the wider international community" Mogherini and Zarif said at the conclusion of the negotiations. At the moment, sanctions targeting Iran cover several sectors. For what concerns the oil and gas industry, sanctions are directed on import of oil and gas from Iran, on the import of Iranian petrochemical products, on the export of key equipment for the industry, on investment in the Iranian industry.

The effects of the lifting of EU economic and financial sanctions are described in Annex 2. Speaking about the oil and gas industry, the following activities will be allowed from the implementation day: 1. Import, purchase, swap or transport of Iranian crude oil and petroleum products, natural gas or petrochemical products and related financing; 2. Sale, supply, transfer or export of equipment or technology, technical assistance, including training, used in the sectors of the oil, gas and petrochemical industries in Iran covering exploration, production and refining of oil and natural gas, including liquefaction of natural gas, to any Iranian person, in or outside Iran, or for use in Iran; and 3. Granting of any financial loan or credit to, the acquisition or extension of a participation in, and the creation of any joint venture with, any Iranian person that is engaged in the oil, gas and petrochemical sectors in Iran or outside Iran.

Similarly, the effects of the lifting of US sanctions will have positive repercussions on Iran too. 'Are part of the energy sector of Iran; purchase, acquire, sell, transport or market petroleum, petroleum products (including refined petroleum products), petrochemical products or natural gas (including liquefied natural gas) to or from Iran; provide to Iran support, investment (including through joint ventures), goods, services (including financial services) and technology that can be used in connection with Iran's energy sector, the development of its petroleum resources, its domestic production of refined petroleum products and petrochemical products; or engage in activities with Iran's energy sector, including NIOC, NITC, and NICO)' reads the note released.

Apart from Federica Mogherini, other European authorities welcomed the decisions. "If fully implemented, the agreement could be a turning point in relations between Iran and the international community, paving the way to new avenues of cooperation between the EU and Iran. Geopolitically, it has the potential to be a game changer" said European Council President Donald Tusk in a separate press release. US President Barack Obama and Iran's President Hassan Rouhani welcomed the deal, speaking about "hopeful world" and "constructive engagement". According to Reuters, though, Israel said it would do what it could to kill a deal that it called an "historic surrender". Iran has its sights set on resuming economic ties, especially in energy sector, with his number one European partner Germany after an increase in good imports. Iran's Oil Minister Bijan Namdar Zanganeh visited Germany on May 7th after a large German economic delegation of more than 100 businessmen arrived in Tehran in late April to spur bilateral ties. Germany has increased good exports to Iran by 30% in 2014 to $2.4 billion due to easing sanctions since Novermber 2013, when Iran and P5+1 (US, UK, France, Russia, China+Germany) reached an interim nuclear deal.

Low oil price domino effect to shut more North Sea fields early

Reuters, *14.07.2015*

Low oil prices have tightened the screws on some of the most depleted and costly oilfields in Britain's North Sea, forcing operators to cease production earlier than planned and adding to fears of a domino effect in mature areas.

For years North Sea producers have delayed expensive decommissioning projects, supported by high oil prices that have helped paper over soaring operating costs. But with oil prices halving over the last 12 months, some companies are faced with the unenviable choice of operating at a loss during a field's twilight years, or limiting losses by bringing decommissioning forwards.

"It's a sign that many of the meetings I'm going to, the first issue on the agenda is decommissioning," Gunnar Olsen, business development director at Total E&P UK, said. The most recent casualty is Fairfield's Dunlin cluster in the Northern North Sea, which shut down in June. Fairfield's chief executive David Peattie cited the depressed oil price and challenging operational conditions as contributing factors. As more platforms and fields cease to operate, terminal and pipeline costs for neighboring fields in the same chain are expected to rise. This is of particular concern in mature areas such as the Northern North Sea, where interdependence is high. "Dunlin will shut five years before plan, which will mean all the other fields going into Sullom Voe (oil terminal) will have increased operating costs," said Olsen, speaking at a Society of Petroleum Engineers (SPE) conference in June. "The domino effect is now a significant challenge. If some of these fields are shut in, it will affect the whole basin."

Fairfield said the Dunlin Alpha platform would continue to export oil from third parties into the Brent system pipeline until decommissioning gets underway. But the ticking clock puts pressure on its neighbor EnQuest to find a work-around, as its Thistle and Don fields currently export oil via Dunlin. Although decommissioning is still in its infancy, major removal projects such as Shell's Brent complex are underway. More announcements are expected the longer mature fields operate significantly below break-even (see graphic). “A low oil price will force you to decommission earlier,” said Ian McLelland, global head of oil and gas at Edison, an investment research firm. “The cashflow from an asset is very different in a $60 (a barrel) world compared with a $100 world. It means some will be much closer to abandoning a field than was previously thought.”

Sir Ian Wood's strategic review of the UK North Sea, published in February 2014, warned that up to 2 billion barrels of oil equivalent, worth $120 billion at current prices, were at risk from early decommissioning of existing infrastructure. Trade body Oil & Gas UK has since estimated that decommissioning expenditure could surpass 2 billion pounds in 2018, up from 1 billion pounds in 2014. It added that the full impact of the low oil price had yet to be felt, and the numbers could rise “significantly” over the remainder of the decade. “The maturity of the UK North Sea has really started to show and with the fall in the oil price, companies are placing a lot more scrutiny on projects and fields and taking a view on whether they can continue to produce economically,” said Fiona Legate, a research analyst at Wood Mackenzie. “We expect to see more announcements like Fairfield's.” She noted the FPSO contract for the Athena field had been renegotiated this year, so producer Ithaca Energy only has to give 60 days' notice to terminate the lease, allowing it to cease production earlier if necessary.

The problem isn't confined to the Northern North Sea – the Southern gas basin is also challenged by falling production and high costs. Andy Bevington, director of UK operated assets at Centrica, also speaking at the SPE conference, said the A-fields, Audrey, Annabel, Ann and Alison, were all in negative cashflow, with revenue of about 5 million pounds and operating expenditure of about 31 million pounds per annum in total. The gas from these fields is currently exported via the Conoco-operated LOGGS pipeline system, but this is proving costly for Centrica. “The A-fields are tied into an historic processing and operating services agreement with Conoco and in terms of the domino effect, that's just a cost share for all the operators, so as they fall away your costs go up and up,” he said. WoodMac's Legate said another problem for the gas producers in this basin was the risk that LOGGS would not continue to operate for as long as everyone needed it to. The cost of operating pipeline systems in the UK has shot up in recent years, partly because ageing infrastructure requires more maintenance, but also due to legislative changes. “That has been quite costly and pipeline operators have passed that cost on to the users. For smaller producers, who have to pay this cost on top of their tariff to use the system, it has been damaging to their economics. So we are likely to see some fields cease production earlier than expected,” she said.

French Foreign Ministry calls out to gas industry

UPI, *16.07.2015*

In his appearance at the World Gas Conference in Paris, on behalf of French Foreign Minister Laurent Fabius, Christian Masset, French Deputy Foreign Minister, directly addressed the natural gas industry community in connection with the United Nations Conference on Climate Change set for the end of 2015. He stated: "The success of COP 21 depends largely on you."

Companies, he said, often placed the onus upon governments for taking decisions regarding climate change, but given the magnitude of the challenge both sides must do more.

He explained, "The post carbon economy entails teamwork between states and companies. By December, decision makers will have to take clear decisions, define the path we shall all take and make a formal commitment by signing a universal agreement – it's our responsibility and we're fully aware of this." The private sector's responsibility, he said, consists in joining the Paris Alliance for the Climate, like joining the initiatives and coordination structures of enterprises in favor of sustainable development. "We mean business caring for climate," he said. Corporates publishing commitments to reduce carbon emissions, he added, is another effort, while a long-term goal is states placing themselves on paths towards carbon neutrality. "It would be particularly useful for the main economic sectors to do likewise, by proposing sectoral roadmaps running up to 2050," he commented.

Regarding innovation, he said, "We need you to undertake to develop and disseminate innovative, low-carbon technologies. The automotive sector is a good example of a sector that has evolved a lot in this direction, and sector by sector we must build together a carbon neutral economy – this entails major coalitions for innovation." Mr. Masset opined that climate change must be a key element in the decision-making process for investments, a hot topic for the natural gas industry. "Investors are increasingly beginning to talk about the carbon risk and climate risk, which is important when deciding on investment – that's good news, and we have to move faster," he said, adding that upper management needs to take climate change into account in their investment choices. He recognized the trend of integrating such elements into company strategy, as well as disclosure of enterprises' emissions data and exposure to climate risks. Investment funds are paying attention to such criteria. To the gas sector, he said: "In many regions you are a part of the solution, in the short and medium-term. Gas is the least polluting fossil fuel."

In that context, he mentioned the US and unconventional gas outcompeting coal, helping to reduce GHG emissions, along with state and federal initiatives to develop renewable energies and improve energy efficiency. At the same time, he said the common goal which we must espouse is to commit to a deep-seated decarbonization of our economies, reducing the share of fossil fuel. “Big companies within the energy sector are all developing activities in the area of clean, renewable energies,” he recognized. “This also involves accelerating the development of technologies to minimize emissions – particularly carbon capture storage.” Mr. Masset noted that later this year Paris will be welcoming COP 21, in cooperation with Peru and Morocco, the UN and the other 196 parties involved in the negotiations. The question, he said, is what is to be achieved in Paris in the context of COP 21. He answered, “What we want is, together, to build a Paris alliance for the climate, which will enable us to contain the rise in the average temperature to under 1.5-2 degrees compared with pre industrial levels – an alliance which will send out a clear signal to our fellow citizens, to our local governments and enterprise that we resolutely moving towards a transition towards a low carbon economy, while guaranteeing all equitable access to sustainable development.”

The Paris alliance, he said, has four dimensions: 1) a universal, legally binding agreement that applies to all countries, dependent on development levels, providing a clear framework for action, and rules that guarantee monitoring of commitments and regular upward revision of national objectives, 2) contributions of states – the intended nationally determined contributions (“INDCs”), according to which each country agrees to lay down objectives in terms of reducing greenhouse gas emissions by 2025, 2030 or 2050, 3) financial/technical means and capacity strengthening, according to the commitment made in Copenhagen by which $100 billion/year is mobilized for developing countries from 2020 via a “green fund,” and 4) the Paris “plan of action” designed to involve non state players, local governments, enterprises and NGOS, getting them to make commitments to support and not replace efforts made by states to reinforce the collective effort before 2020. Mr. Masset explained the importance of the contribution to such efforts by business: “Because the goal that the international community has set itself – to limit global warming to 1.5-2 degrees C – while not unrealistic, is still very ambitious. “We can attain this goal if, in the second half of the 21st century, we achieve what is known as carbon neutrality, the long-term goal. That means that greenhouse gas emission in the world must be considerably reduced. This implies a deep-seated change in our economic models, which have been built in the last 2 centuries on the use of fossil fuels,” he explained.

According to him, a decarbonized world can only be achieved if everyone makes an effort towards this. He stated, “We need to send out clear signals, sent out by governments, particularly in terms of carbon prices; there must also be responsible investment made by companies – we need joint technological partnerships.” He mentioned a business dialogue that has recently been initiated on a global level, enabling fruitful discussions with the private sector that will continue up to the COP 21 conference. France, he said, supports an initiative towards the elimination of routine gas flaring by 2030, and hopes that more companies will join that effort, whose timeline could be sped up. “The conditions for a substantial agreement on the climate have never been brought together to this extent before, because the scientific facts and figures have never been less challenged, the political will is growing stronger,” said Mr. Masset, who noted the Sino-American agreement from November of last year. “The two biggest emitters undertook to reduce and cap their emissions – this hardly would have been imaginable just a few years ago,” he observed. “It’s an amazing piece of progress.”

Meanwhile, a growing number of governments are calling for the establishment of a carbon price. “In March, we learned for the first time in over 40 years, CO2 emissions in the energy sector remained stable in 2014, despite the fact that world economic growth increased by 3% the same year. “It’s good, but it’s not sufficient,” he continued. “It’s urgent to transform in-depth our economic models, and each and every one of you are indispensable players in this change – we’re counting on you to make COP 21 a success,” Christian Masset said in his conclusion to delegates at the World Gas Conference.

Sound Oil sees commercial production from Nervesa by year-end

Reuters, *16.07.2015*

UK-headquartered Sound Oil received the award of the Casa Tonetto production concession (which includes the Nervesa discovery) in Italy from the Italian Ministry of Economic Development.

‘The award of the Production Concession is the final step in the permitting process to enable commercial production from the onshore well successfully drilled at the Nervesa gas discovery by Sound Oil in 2013. Construction of production facilities is expected to commence shortly in anticipation of securing first commercial gas later this year’ reads the note released.

Nervesa is a 21 billion standard cubic feet field discovered by ENI in 1985. “The Nervesa discovery is approximately 80 metres from the high and low pressure gas distribution networks. Similar to the Company’s other existing onshore discoveries, Nervesa benefits from very strong gas prices. A Gas Sales Agreement with a long term partner is expected to be signed shortly” James Parsons, Sound Oil’s Chief Executive Officer, commented.

Norway's preliminary production figures higher than expected

Natural Gas Europe, *16.07.2015*

Norway's preliminary production figures for June 2015 show an increase in gas production with respect to the same period of 2014. Figures for June also indicate that actual production is higher than expected.

'The total petroleum production for the first six months in 2015 is about 111.6 million Sm3 oil equivalents (MSm3 o.e.), broken down as follows: about 44.4 MSm3 o.e. of oil, about 11.1 MSm3 o.e. of NGL and condensate and about 56.0 MSm3 o.e. of gas for sale. The total volume is 3.6 MSm3 o.e. higher than for the same period in 2014' reads a note released by the Norwegian Petroleum Directorate.

The final figure for May 2015 is slightly lower than forecasts, but higher than production in May 2014. Norway's gas industry failed sending positive signals to markets. Det Norske announced it would appeal the recent decision on the ownership interests on Johan Sverdup field, while Wintershall came up dry in Norway's PL734. A report published in June by Aberdeen & Grampian Chamber of Commerce in partnership with Bond Dickinson suggested that confidence in the oil and gas industry decreased over the last months, after two-thirds of North Sea operators abandoned projects over low oil prices.

Confusion continues in North Africa, despite positive signals

Natural Gas Europe, *13.07.2015*

Egypt aMixed figures emerged from North Africa in the last hours, as experts see a deterioration of the situation in Egypt, and the international community seems unable to find common ground to solve the situation in Libya. Against this bleak scenario, the EU welcomed the initialing of the political agreement in Misrata to promote a political settlement.

'With the initialing of the political agreement, the House of Representatives, the independents and representatives of Misrata proved their determination to find a peaceful solution to the crisis that, for almost one year, has divided' EU High Representative Federica Mogherini said.

Mogherini said that the European Union is ready to support a government of national accord (GNA), underlining that Brussels would immediately step in helping with its know-how. ‘In particular, the EU will immediately help with capacity and institution building to national and local authorities, with a view to assist with the rapid resumption of service delivery, should the Libyan authorities require so, in a spirit of equal partnership.’ According to Ian O. Lesser, Senior Director for foreign and security policy at German Marshall Fund (GMF), the situation in the region is deteriorating. IS admitted it lost control of Derna in eastern Libya, but it promised to avenge its fighters. The Wall Street Journal wrote that the US is in talks with North African countries about positioning drones at a base on their soil to combat the Islamic State in Libya.

Höegh LNG sells LNG Libra to Chinese company

Natural Gas Europe, *16.07.2015*

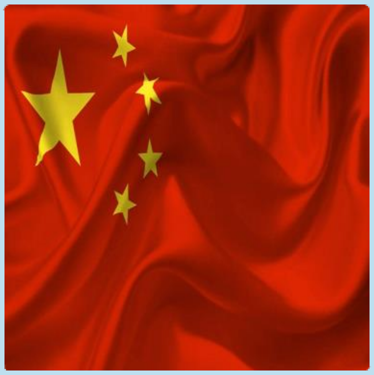
Norway-headquartered Höegh LNG sold the LNG Libra (built in 1979) to a Chinese energy company for around USD 20 million. The delivery of the LNG carrier will happen once the vessel will complete its current charter with Gas Natural.

Höegh LNG wrote in September 2014 that Gas Natural exercised its option to extend the charter period for additional 12 months. “LNG Libra was acquired to meet the bid conditions for a specific FSRU project as a conversion candidate, however, we succeeded in placing one of our newbuild FSRUs instead” Höegh LNG’s President and Chief Executive Officer, Sveinung J. S. Støhle, said.

Höegh LNG owns and operates floating LNG import terminals. It committed to the FSRU and FLNG market, recently explaining that its focus is on new build FSRUs. “Since HLNG’s main focus is newbuild FSRUs and these have become the preferred solution among LNG importers, LNG Libra is today a non-core asset, and therefore we are very pleased with having completed this transaction in a very challenging LNG shipping market” Støhle added.

China to step up oil imports from Iran after deal

Anadolu Agency, *15.07.2015*



China, as a major Iranian oil importer, is expected to raise oil import volumes from Iran after the country reached a historic deal with world powers on its nuclear program on Tuesday, a strategic analyst said.

Iran and the world powers group P5+1 reached an agreement on a detailed nuclear accord on Tuesday that allows the lifting of sanctions on Iran in exchange for allowing inspections at its nuclear sites. "China was and remains one of the main destinations of Iranian oil exports," Sijbren de Jong, a strategic analyst at The Hague Centre for Strategic Studies, told Anadolu Agency.

"I expect China to start buying more Iranian oil after the deal," de Jong added. Iran has the world's fourth-largest proved crude oil reserves, according to the U.S. Energy Information Administration. "International sanctions have profoundly affected Iran's energy sector and have prompted a number of cancellations or delays of upstream oil and gas projects," the EIA explained. According to BP's Statistical Review of World Energy published in June 2014, Iran has the biggest proven natural gas reserves in the world, estimated at 33.8 trillion cubic meters.

US oil rig count continue to recover from massive slump

Anadolu Agency, *13.07.2015*

U.S. oil rig count continued its rise for the second consecutive week, oilfield services company Baker Hughes data revealed last Friday. The number of oil rigs in the U.S. rose by 5 to reach 645 for the week ending June 10, from 640 the previous week.

Since Dec. 5, 2014, the number of oil rigs in the country decreased for 29 weeks in a row. The number of oil rigs in the country was at its highest level in October 2014 at 1,609, but decreased around 60 percent since then due to low oil prices. The oil price slump put U.S. producers in a difficult position in seeing a return on their investments.

However, both the decline in the U.S. rig count, and falling oil inventories in the country seem to have bottomed out. The U.S. Energy Information Administration (EIA) data showed last Wednesday that commercial oil stocks in the country rose by a modest 0.4 million barrels, compared to the week before, to reach 465.8 million barrels for the week ending July 3. This was also the second week in a row that U.S. commercial oil inventories rose, after falling for eight consecutive weeks. The increase in the oil rig count in the U.S. and rise in oil inventories are expected to raise oversupply in the oil market and put a downward pressure on oil prices.

LNG as a fuel: Isolating "sweet spots" in demand

Natural Gas Europe, *16.07.2015*

In a session dedicated to "LNG as an alternative fuel" at the World Gas Conference in Paris, France, Richard Lammons, Manager, Commercialization, Chevron noted that a success factor in the evolution of LNG as fuel is growth in the availability of small scale LNG facilities, with the business developing rapidly across the globe.

The session, he said, would explore the evolving role of LNG as a fuel across all industries that consume hydrocarbon energy, especially transportation – road, rail, marine or aviation, heavy machinery, mining, drilling, agriculture and power generation.

According to him, it is possible to witness real-time evolution of LNG as a fuel. "Every day you see another opportunity that is being captured, another business that's being expanded," he observed. One of the session's speakers was Michael Stoppard, Chief Strategist, Global Gas, IHS Energy, who outlined the market and economic prospects for LNG as a transportation fuel. He noted that there is much talk of a revolution on the supply side of the production of natural gas, which he said is about the development of sweet spots of shale gas. "I'd like to suggest that if we're to find markets and value for gas we need to develop sweet spots on the demand side; that we need to do a better job of developing the market and demand for natural gas," he offered, adding this it is possible to do this in the space of LNG as a fuel for trucks.

Noting the drastic change in oil prices, he said it is a tough market with serious headwinds for those operating in the heavy duty vehicle market for alternative fuels relative to oil at this time. Still, Mr. Stoppard contended that for the medium and long-term market perspective the prospects remain strong, so it is good to look beyond the short-term cycle. The global outlooks for gas, he observed, are very much focused on the power sector. He commented, "Power is seen as the key big growth market for gas; transport's something of an afterthought, something of a niche market." He asked whether more value might be achieved by turning the focus away from power and more toward the transport market, trying to get the full value of the oil-diesel value chain.

“We do believe that the value of gas in transport can be stronger than in power, as the oil price recovers, as it will, and as natural gas vehicle truck costs decline in retail infrastructure expands,” he opined. The medium-term outlooks, he offered, remain very positive. Meanwhile, according to IHS global gas is set to increase from 125 TCF to up to 180 TCF by 2030. “Almost 50% of that growth is expected to be in the power generation market; the industrial market is expected to be the second main driver of growth; and a smaller, but I think very important market, for transportation with significant potential upside if we can crack some of the key challenges.” He showed how the industry is facing a “value squeeze” in the power sector, under pressure from low cost competitive coal. “We expect the differential between coal and LNG to remain at at least the $4-6 level – that’s a big premium to ask people in the power sector to pay to use LNG versus coal.”

The sector also faces competition from the renewable sector, with costs from onshore wind and PV coming down already below or less EUR 100/megawatt hour and likely to fall less rapidly than in the past, “but surely they can go only one way – renewable costs will continue to come down.” Alongside the enormous pollution advantages of gas for transport there are also developments on the engine and tank storage side of the business, according to him. In terms of historical price relationships, the gas versus diesel price has come down significantly as of late last year, he said. While bearing a lower price advantage in Asia, it is still significant and likely to grow. In China, an action plan for air pollution prevention has transportation prioritized for gas use. He commented, “In Europe, this is still seen as a very early opportunity, but I think we need to keep our eye on the European Commission Power for Transport package. The European Commission policy is now beginning to look beyond decarbonization within the power sector and beginning to focus on the environmental challenge and policy challenge within the transport sector.”

Mr. Stoppard broke down the global oil market into sector: heavy goods vehicles (HGV), shipping and rail. He explained: “These are sizeable areas which the LNG industry can go after.” He showed that the consumption used for HGV (12 million barrels/day) is not that much different than the demand for cars (15 million barrels/day). “If LNG could just get 10% of the HGV market we’re up to over 50 million tons of LNG – a very significant potential incremental demand that would be for the LNG industry. The entire global LNG industry in its traditional form is somewhere in the equivalent of 6 million barrels/day – only half the size of the truck fuel,” he explained, underlining the importance of the heavy truck market, which has far more consumption than for the use of busses.

In connection with changing truck fleets to gas, he showed the average life of trucks in China, the US and Europe, explaining the average life of a truck in China is 4 years. “Most of the trucks on the road in 2020 have not yet been ordered or built,” he said, “so the chance to get a transformation in the technology and the fuel use.” Successful penetration of gas engines into the truck market, getting into China and a quick turnover in the US – 7 years for a truck, and maybe more like 10 years in Europe. By 2040, according to the IHS study, LNG will win approximately 13% (80 BCM) of the global market for heavy freight from diesel; CNG winning approximatly 10% (60-70 BCM). Ralf Grosshauser, Senior Vice President, Ramp-up Management Gas, MAN Diesel&Turbo SE, said his company is a worldwide producer of diesel engines, and the company’s applications are typically diesel driven, things like trucks and busses, 4-stroke engines in propulsion and power plants.

Noting the forthcoming population growth and resulting energy demand growth in transportation, he said that MAN, as a manufacturer, feels the need to contribute to improving the greenhouse gas emissions situation. As gas is the cleanest fossil fuel, for example a gas-driven power plant is more optimal in a rural situation than a diesel one, Mr. Grosshauser admitted. “Today about 50% of seaborne transportation of goods is propelled by 2-stroke engines, so we have a huge responsibility to offer those opportunities related to gas to our customers, to our markets,” he opined. For these reasons, he said MAN has developed a huge portfolio of gas-driven engines. He said that the company’s engines have tremendous field experience in the diesel world, with 150,000 hours operating per piece being “nothing special.” “That’s our world,” he remarked, explaining that all this experience has been transferred into gas engines complemented with new technology on the gas trend side, including the combustion chamber.

Mr. Grosshauser described the “chicken and egg problem” of using gas as a marine fuel, requiring 20-25 years of investment into a ship, making it difficult to take such risks. Given that, about 2 years ago the first pure gas-driven 2-stroke propelled ship was unveiled, he recalled. “It’s soon to be commissioned and it was quite surprising and promising that in the meantime about 130 gas engines of that size are on order; it sounds like a small number, but not when you consider that about 6-700 2-stroke engines are produced per year, then it’s quite a good start,” he said. This is a signal, he said, that the market believes in gas. Still, marine transport is still dominated by duel fuel, which is more accepted, he said, for example, for LNG carriers. In power generation, he reported that MAN is offering the biggest 4-stroke gas engine with more than 20 megawatts of power; an engine to be soon released, he added, had 49% power efficiency, including all pumps and supply systems. He described a “power ship” which is transported to different areas for operation. “And the owner never knows whether the next job he has to fulfill is in an infrastructure where gas is available, so duel fuel is the option to go with.”

Combined heat and power, according to Mr. Grosshauser, enabled the use of heat emanating from the generator making it is possible to get an efficiency of 90% or more, depending on the ratio of gas, steam and hot water. “The advantage compared to more standardized gas turbine applications is that a diesel engine offers relatively more electricity compared to the steam produced, so the ratio is one to one; compared to a gas turbine, it’s one to two.” CHP, he explained, is a baseload application, but more and more peak load requirements are emerging. He offered, “International power producers want to participate in the spot market for electricity in order to balance the instability of renewables. Here it is necessary and relevant that power can be supplied within a very short time.” Now, he added, modern gas engines do not have the reduced torque like those of days gone by. “If the command comes from net management to supply power it takes about a minute to accelerate the engine up to full speed and synchronize with the grid and, after 4 and a half minutes the engine is available in full load,” he explained, “giving a much higher flexibility than a typical gas turbine application can ever provide.” For transportation, Mr. Grosshauer said it is a question of infrastructure. MAN, he said, has recently won an award for LNG bus of the year. For trucks, rural application is less developed – middle and long-haul transport are challenges. MAN is using LNG and CNG in order to offer flexibility.

MAN, he said, is able to provide a huge range of gas engines. “All the application segments – marine, power, transportation – can be fulfilled with these gas engines without problem seen from the gas engine point of view, and certainly the big benefit is the local combustion creates less pollution than diesel oil does.” However, he offered the caveat that at present, based on the example of a 40-ton trailer truck, the overall relative CO2 emissions related to using LNG as a fuel are higher than those from a diesel engine, due to the production and transportation of LNG. “The engine is there, but we have to improve the infrastructure. We have to make the whole picture look attractive,” he said.

Gas versus coal power: Challenging conventional wisdom

Natural Gas Europe, *13.07.2015*

At the World Gas Conference in Paris, France, Massimo Di Odoardo, Director, Gas & Power Research, Wood Mackenzie, addressed the conventional wisdom over the global coal versus gas debate in a session dedicated to the role of natural gas in the power generation mix.

He offered, “In Europe, commentators love telling the story of the shale gas revolution and its effects on the coal price in Europe, the thesis being that cheap gas is displacing coal in the power sector in North America and boosting coal exports that, in turn, are reducing coal prices in Europe and displacing gas.

In a chart from 2011, he showed that cheap gas was displacing coal in the US, with gas prices below $25 Mm/Btu, that coal displacement was quite substantial. With gas prices in the US currently well below $3/Mm Btu, he reported that Wood Mackenzie estimated some 3.7 BCF of gas to coal displacement in the US, but asked whether this would result in the increased export of coal into Europe. To address that, he also showed the European coal price and the share of US coal exports as a percentage of thermal seaborne trade. “What it shows is that, while in 2012, when gas’ price dips, coal exports increased from the US and effectively did contribute to a reduction in global coal prices; since then, though, coal export from the US has declined,” he explained, adding that in reality the coal markets are oversupplied, a consequence of overcapacity in the Pacific and much lower coal demand in China than expected.

US coal exports, he said, remain at the margins. “We estimate that for the cheaper coal in the US to be exported to Europe we need a coal price of about $75/Mm Btu, and with coal prices in Europe trading below $60/ton, coal exports from the US are going to continue to decline this year, despite these very low gas prices.” Another contention in Europe, he said, is that gas cannot compete with coal, and that coal has no role whatsoever in price formation in Europe.

Gas certainly is uncompetitive with coal in continental Europe, explained Mr. Di Odoardo, whose diagram predicts coal switching given an EU Emissions Trading Scheme price of $7-10/ton at the $60 price of coal and natural gas under $6/Mm Btu. According to a coal to gas switching mechanism in the UK, providing carbon price support, coal to gas switching can take place there with a gas price just under $7/Mm Btu. “It’s effectively establishing some sort of ‘soft floor’ across all European gas prices,” he explained, “so not only can gas compete with coal in the UK, it is also a pretty strong determinant of price formation across European countries these days.”

Meanwhile, talk of the “Golden Age of Gas,” he reported, inferred that coal has no role in OECD Asia, with coal power going down by 1.5% in Q1 of 2015, compared to last year. “Increasingly, people are talking about ‘peak coal’ in China,” he commented, adding that he intended to challenge those conclusions in his presentation. He noted the pressure on the Chinese government to clean up the environment along with the introduction of restrictions, in particular regarding the emissions of coal-fired power generation. “But, at the same time, provinces across China still believe coal remains the cheapest choice for producing electricity, and programs to support retrofitting are flourishing at the province level,” commented. Mr. Di Odoardo. Given the restrictions on carbon emission are still not on the Chinese government agenda, it remains determined, he said, to keep coal production in the West, where pollution is less. That coal production, he contended, along with substantial additional nuclear capacity in the East, will provide much competition for gas in coastal provinces.

In OECD Asia (i.e. Japan, Korea and Taiwan), he explained that over the last 5 years gas-fired power generation has outpaced that of coal in those countries, but at the same time coal is experiencing a new renaissance. “In South Korea, for example, there is about 10 gigawatts of additional coal capacity being brought online in the next couple of years,” he said. In Japan and Taiwan, uncertainties about nuclear are certainly favoring both coal and gas, but coal still providing economic advantage has fuelled proposals to build new facilities. “Unless a broader carbon policy is adopted in Asia, coal to gas competition is going to be extremely challenging for gas,” said Mr. Di Odoardo, who concluded that going forward US LNG exports are likely to put further pressure on global gas prices, coal switching in the UK is just a matter of time, and low gas prices might help introduce carbon pricing mechanisms in Asia.

Sund Energy’s analyst Alan Whitefield introduced a study on the possible role that gas could have in the generation of electricity. Among the key messages, he offered, “The first is that regions are moving in different directions for generation. And coal and renewables are more to blame than gas itself.” Meanwhile, relative fuel prices and costs matter greatly. “In Europe, coal and renewables have replaced gas somewhat, demand for gas has stagnated. However, there are some signs of green shoots of recovery in Spain and the UK, very recently.” Gas has replaced coal in the US, he said, primarily due to price. Renewables are growing everywhere, in all regions, he said, explaining: “It’s domestic, popular with voters. Renewables bring secure supply when the sun shines and the wind blows. It makes people feel good, or so we’re told,” explained Mr. Whitefield, who added that, of course, economic driver are also involved, like the price of gas compared to competing fuels. Gas, especially LNG, he noted, is becoming cheaper. He mentioned other factors like the competition for flexibility and security of supply, and subsidies, among others.

China, he said, will be the big story in energy, with the country's gas demand growth for power far beyond that of other countries. "In total, the US leads the way in gas demand, but from a growth perspective it's China that stands out, with over 5% growth per year up to 2040, according to the IEA." Renewables growth, he explained, according to the IEA will be greatest in Europe and the US, and their combined gas demand for power generation far surpasses that of the rest of the world, but it is a complex picture. Mr. Whitefield offered, "The recession, and a focus on efficiency, has reduced demand – we know this. EU policy points to the direction of further demand destruction for gas." Still, there are major differences within Europe, according to him. "In some countries, gas is seen as a last choice for generation; other countries see it as the first choice. The key message is, electricity generated from gas is decreasing in Europe."

Where should Europe go next? he queried. One certainty is that renewables will grow. He commented: "As we know, they're intermittent and less predictable. Also, with more distributed generation, that makes demand less predictable, too." Noting the growth of nuclear in some countries, while decreasing in other, he called it a "messy picture." "Coal has a strong position, and gas is the last resort in some countries." It is a similar story in Asia, with uncertain demand in Japan for expensive LNG post Fukushima; despite carbon targets in Korea, the country still looks to burn more coal, with gas consumption going down. Demand for gas is growing in the Middle East, he stated, with power generation being the main driver, despite the increase there in renewables. Mr. Whitefield noted the high potential for gas resources in the Middle East and North Africa, dubbing Iran a "big story" assuming sanctions are fully lifted. Price subsidies in MENA, he explained, are quite common, with higher prices charged for industry compared to that paid by households. Economic growth is certain, but, for example, development energy efficiency measures is uncertain.

In conclusion, he said, "There are different trends in different regions, but demand is falling, there's been overcapacity and high competition in most developed countries, Europe being the classic example. Coal prices are low, often lower than gas prices – this may change over time, and support to and growth in the renewable energy sector, with all fossil fuels losing market share to renewables, along with demand growth and baseload potential in developing countries." Roger Bounds, Global Head of LNG, Shell, raised the question of what role the natural gas industry can play as an industry to encourage a further uptake of gas and to see that it penetrates more fully. Recognizing that global energy demand will continue to rise, he said, because populations are growing, primarily in cities which are energy dependent and where quality of life is improving. "With that affluence and improved quality of life, they also make greater call for cleaner air, sustainable development energy systems, and they can afford and are willing to pay for, are now prepared to make the choices which would lead them to choose gas and gas complemented by renewables." Given the increase in energy demand, how will it be allocated? asked Mr. Bounds. He offered, "We believe that gas will play a leading role in meeting that energy demand. Gas is, and has been for some time, the fastest rising share of increase in demand for fossil fuels. And within gas demand, LNG is the fastest growing contributor to that gas demand." Gas is abundant, he said, and that's why it's coming on. "Gas is acceptable," he contended. "When consumers are given the opportunity to trade off between the price of gas versus clean air, they choose clean air. When consumers and utilities are given the choice between more flexible, reliable gas sources versus liquid fuels, they choose gas – so it is acceptable."

Gas, he conceded, does not compete for baseload power versus coal, particularly when coal is used with subsidized renewables. He commented, “And that’s really been the outcome of a policy failure in Europe, where gas has been squeezed out by a combination of cheap coal and subsidized renewables.” However, Mr. Bounds said that gas, when complemented by the right sort of carbon price, can place as an economic choice. Such a choice, he explained, doesn’t come about in a policy vacuum, but because of distinct policy choices and infrastructure that was put in place from the 1970s to 2000 in order to facilitate gas coming into the marketplace: pipeline networks, LNG receiving facilities and gas pricing schemes which allowed gas to be chosen. “Why it has slowed down since 2012 is also now due to those policy choices.”

Announcements & Reports

► Global Oil Markets - Current Developments and Future Prospects

Source : OIES
Weblink : http://www.oxfordenergy.org/wpcms/wp-content/uploads/2015/07/Global-Oil-Markets-Current-Developments-and-Future-Prospects.pdf

► Eastward Shifting Oil Markets and the Future of Middle Eastern Benchmarks

Source : OIES
Weblink : http://www.oxfordenergy.org/wpcms/wp-content/uploads/2015/07/Eastward-Shifting-Oil-Markets-and-the-Future-of-Middle-Eastern-Benchmarks-1.pdf

► Drilling Productivity Report

Source : EIA
Weblink : http://www.eia.gov/petroleum/drilling/

► This Week in Petroleum

Source : EIA
Weblink : http://www.eia.gov/petroleum/weekly/

► Natural Gas Weekly Update

Source : EIA
Weblink : http://www.eia.gov/naturalgas/weekly/

Upcoming Events

► 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

► *LNG Global Congress*

Date : 23 - 24 September 2015
Place : London - UK
Website : http://www.lnggc.com/?xtssot=0

► *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

► *Shale Gas Environmental Summit*

Date : 26 - 27 October 2015
Place : London - UK
Website : http://www.smi-online.co.uk/energy/uk/shale-gas-environmental-summit

Supported by PETFORM

► *Abu Dhabi International Petroleum Exhibition & Conference*

Date : 10 – 13 November 2015
Place : Abu Dhabi - United Arab Emirates
Website : http://www.adipec.com/

Supported by PETFORM

► *CIS Oil and Gas Transportation Congress* ***(in Turkey)***

Date : 11 – 12 November 2015
Place : Istanbul - Turkey
Website : http://www.theenergyexchange.co.uk/event/cis-oil-and-gas-transportation-congress-2014/attend

► 20th Turkmenistan Oil and Gas Conference

Date : 17 - 19 November 2015
Place : Ashgabat – Turkmenistan
Website : http://www.oilgasturkmenistan.com/

► Israel's 2nd Annual International Oil & Gas Conference

Date : 17 - 19 November 2015
Place : Tel Aviv - Israel
Website : http://www.universaloilgas.com/

► European Autumn Gas Conference

Date : 17 - 19 November 2015
Place : Geneva - Switzerland
Website : http://www.theeagc.com/

► Project Financing in Oil and Gas Conference

Date : 23 - 24 November 2015
Place : London - UK
Website : http://www.smi-online.co.uk/