

Turkish Stream significance exaggerated, TANAP priority for Turkey

Trend News Agency, 08.10.2015



The Turkish Stream project is currently at an impasse, Igor Ponomarenko, the Russian political analyst, Ph.D., the member of the “Russian network intelligence” expert community, told Trend. “An intergovernmental agreement has not been signed yet,” he said.

“The start date of the operations has been disrupted. The contract with the contractor - Italian Saipem for the construction of the first branch of the pipeline has been dissolved. These are stubborn facts.” “One part of the widely advertised project with a capacity of 15.75 bcm for supplying gas only to Turkey will likely to remain,” he said.

“Its construction and introduction is now hampered by an unresolved dispute about a discount on gas (10.25 percent) for the Turkish BOTAS. The expert said that Turkey’s interest in this project was initially exaggerated. “Ankara has no plans to become a “gas energy center” through this project in the near future,” he said. “It considers the Turkish Stream as an opportunity to ensure uninterrupted supplies of Russian gas at a reasonable price to Thrace and nothing more. TANAP project is a priority for Turkey.”

The Turkish Stream project includes the construction of a gas pipeline from Russia to Turkey via the Black Sea. It was assumed that the gas pipeline would consist of four branches at 15.75 billion cubic meters of gas each. The gas of the first branch is completely designed for the Turkish market. The rest amount will be supplied to the Turkish-Greek border, where it is planned to create a gas hub. The construction was planned to begin in June, but the project is still being discussed.

Turkey prepares \$10 bl invest. incentive for gas storage

AA Energy Terminal, 14.10.2015



Turkey's minister of economy has prepared a \$10 billion investment incentive for the country's natural gas storage facility, Turkish Economy Minister Nihat Zeybekci said. "This investment is going to secure Turkey's energy demand," Zeybekci said.

"Since the country's gas storage level is low, Turkey needs to preserve itself from price fluctuations to ensure its gas security. This investment will be important for Turkey's elasticity against gas price fluctuations and about the sustainability of energy supply," Turkish Economy Minister Nihat Zeybekci explained.

The economy minister noted that Turkey will have a foreign partner in the project, which is planned to be built near the southern Turkish coastline provinces of Mersin and Hatay. Zeybekci also emphasized that the project would have a positive effect on Turkey's current account deficit, since the country is highly dependent on foreign energy sources. "If you have no stocks, and if you keep getting something from a single source, the supplier determines the rules. But, if you have a one-month stock, and if there is no supply from source, your stock will provide a cushion against price fluctuations, which will also benefit the Turkish economy and industry," he said.

"The second aspect is supply security. In the event of supply fluctuations, lack of gas resources would not be an issue for Turkey, because there will be gas inventories for a month. When this project, and BOTAS' other projects, becomes online, Turkey will be able to store the amount of gas it consumes in a month. That's even above the world standards," Zeybekci explained. Turkey consumed around 45 billion cubic meters (bcm) of natural gas in 2014, and plans to raise its gas storage capacity to 10 percent of its annual consumption level by the end of 2019, and increase this rate to 20 percent in the long-term, according to the Turkish Ministry of Energy and Natural Resources' strategic plan for 2015-2019.

Currently, Turkey has an operational gas storage facility in its northwestern Marmara region in Silivri town. The facility has a 2.67 billion cubic meters of gas capacity with a 20 million cubic meters (mcm) per day of withdrawal rate, and 16 mcm a day of injection rate. Operated by Turkish Petroleum, the facility's storage capacity is planned to increase by 180 mcm, while its withdrawal capacity is aimed to rise by 30 mcm per day by 2017, according to Gas Infrastructure Europe (GIE). Another operational gas storage facility is located in central Turkey at Sultanhanı in Aksaray province.

Operated by the state-owned Petroleum Pipeline Corporation (BOTAS), this facility has a storage capacity of 1.5 bcm. In addition, Turkey has two planned facilities to store natural gas. The facility in central Turkey near Tuz Golu (salt lake) is planned to have a gas capacity of 480 mcm, with a withdrawal rate of 20 mcm per day, and an injection rate of 15 mcm. It is planned to be completed between 2017 and 2019. Another facility that is planned will be located at Tarsus province in southern Turkey. The project is undertaken by Toren Dogalgaz Depolama ve Madencilik, a subsidiary of Turkish energy company Bendis Enerji Uretim Madencilik Danismanlik. The facility will have 450 mcm of gas storage capacity with 24 mcm of withdrawal rate.

Turkish Minister: Turkish Stream open to all possibilities

AA Energy Terminal, 14.10.2015



Possibilities on the realization of the Turkish Stream project are open, Turkish Energy Minister Ali Riza Alaboyun said Wednesday. In an exclusive interview with the Anadolu Agency Editors' Desk, Alaboyun said Russia could renounce the project or could offer another alternative.

In his meeting with Russian Energy Minister Alexander Novak, Alaboyun said, "We had a friendly meeting with Novak. We don't have problems about receiving or sending natural gas. These are all about the contracts. We cannot say that 'we don't want your gas' just because we buy the Russian gas at a more expensive price than others."

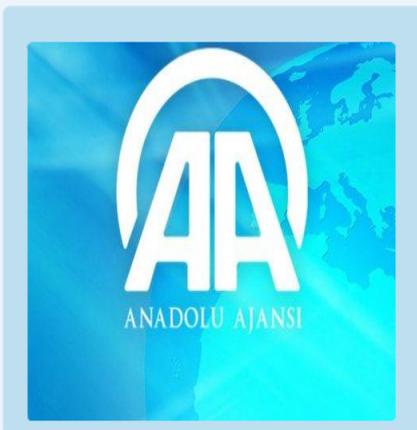
Alaboyun said Turkey may buy Russian gas at more expensive costs than other customers, but added, if necessary, Turkey could also resort to recouping its losses with interest against Russia in an arbitration court in a case of unfair gas prices. Turkey, which is the second biggest importer of Russian gas after Germany, agreed with Russia for 10.25 percent discount on natural gas prices in February 2015. However, Moscow did not apply this agreement to the prices.

Moreover, Ankara asked Moscow to trim the price more and negotiations between the two countries on this issue are still continuing. Alaboyun stressed that it will take time to decide on the Turkish Stream, as with the TANAP project with Azerbaijan which took around three years even when Turkey and Azerbaijan were considered 'one nation two countries'.



EIA highlights Turkey's pivotal gas position in region

AA Energy Terminal, 15.10.2015



The U.S.' Energy Information Administration on Wednesday underlined Turkey's pivotal geopolitical position for natural gas deliveries from Turkey's surrounding region to Europe. The administration drew importance on the proposed and under-construction natural gas pipelines around Turkey that could deliver gas from Central Asia, Russia and the Middle East to European countries.

"The TANAP, from the Georgia-Turkey border to the Turkey-Greece border, officially started construction in March 2015, and the TAP, from the Turkey-Greece border to Italy, plans to start construction in 2016," the EIA said.

TANAP and TAP are integral parts of the larger Southern Gas Corridor that plans to carry 16 billion cubic meters (bcm) of Azeri gas through Turkey annually to Greece and further into Europe. Its capacity is planned to increase to 23 billion cubic meters by 2023 and to 31 billion cubic meters by 2026 per year. EIA highlighted Azerbaijan's significance as well, citing that the country's "importance as a natural gas producer and exporter is growing."

"Until 2007, Azerbaijan was a net importer of natural gas, largely dependent on imports from Russia...The South Caucasus Pipeline (SCP), which began operating in 2007, provided transportation capacity out of the Caspian region that did not rely on crossing Russian territory," it added. Currently, the SCP carries around 6.6 bcm of natural gas annually to Turkey. Another project that increases Turkey's role for European energy security is the Russian-proposed Turkish Stream gas pipeline.

After Russia scrapped the South Stream project, the proposed Turkish Stream pipeline plans to carry Russian gas to the Turkish-Greek border via Turkey's Thrace region on its northwest. "However, Russia and Turkey have been unable to reach a final agreement on the pipeline and, in July 2015, Gazprom canceled its contract with Saipem, the Italian company contracted to lay the first part of the pipeline," the EIA noted. Initially, the pipeline was planned to carry a total of 63 bcm gas over four lines every year, while 15.75 bcm of its gas would be delivered to Turkey's domestic market for consumption. However, Alexei Miller, head of Russian gas giant Gazprom, said last week that Russia decided to halve this to 31.5 bcm to deliver it over two lines. The talks between Russian and Turkish officials continue, as the project is currently projected to be complete by 2017.

Other potential countries which may begin to have exports to Europe via Turkey are Iran and Iraq. "The lifting of sanctions on Iran would allow European countries to import gas from Iran. Although Iran already exports natural gas to Turkey, it has long had plans to export larger volumes of natural gas through Turkey to Europe," the EIA said. Iran currently exports 10 bcm of gas to Turkey every year. Whether this amount increases, or new gas pipelines are built, yet remains to be seen.

However, with foreign investment flowing into Iran's energy sector, Tehran aims to raise its gas exports both towards the east, mainly to China, and towards the west to Europe. Hamid-Reza Araqi, Iran's deputy oil minister in charge of gas affairs, said on Oct. 3 that it is possible for his country to export gas to Europe through Turkey, according to Iran's petro energy information network SHANA. However, the EIA said that other hurdles would remain, such as "agreeing on a natural gas price and meeting Iran's growing domestic demands for natural gas, especially for enhanced oil recovery, power generation, and winter heating." In addition, Turkey may receive gas from northern Iraq in future as well.

"Turkey continues to negotiate with the Kurdish Regional Government and the Iraqi government on building a natural gas pipeline from northern Iraq to Turkey. While no agreement has been reached, BOTAS, Turkey's state-owned pipeline company, has begun extending the domestic natural gas transmission system to the Iraqi border," the EIA concluded.

Russia-Turkey tension brings gas trade on top of agenda

AA Energy Terminal, 09.10.2015



With tensions rising between Russia and Turkey due to Russian warplanes' infringement on Turkey's airspace and Russia's latest intervention in Syria, natural gas trade the two countries has become a topic to the top of the agenda.

According to Sputnik, Turkish President Erdogan warned that the natural gas deal with Turkey, is an issue that Russia should take into account. Turkey imported 49.2 bcm of natural gas last year. Russia's share of these imports was 54.7 percent, corresponding to 26.9 bcm, according to data gathered from Turkey's Ministry of Energy and Natural Resources and BOTAS.

While Turkey imports Russian gas through two gas pipelines - the West Line and Blue Stream, another mega project dubbed the Turkish Stream natural gas pipeline to transmit Russian gas to Europe while bypassing Ukraine, is also being negotiated between the two countries. Although Alexey Miller, the head of Russian gas giant Gazprom said on Wednesday that political factors will not affect agreements between Russia and Turkey over the proposed Turkish Stream, the recent violation of Turkey's border by Russian airplanes have raised questions over the fate of the project.

Aside from Russia, Turkey imports gas from Iran and Azerbaijan, at 8.9 and 6 billion cubic meters respectively. In addition to its pipeline imports, Turkey also imports liquefied natural gas (LNG) from Algeria and Nigeria, at an annual rate of 7.2 billion cubic meters, according to BOTAS' statistics. Turkey produces nearly half of its electricity from natural gas and is therefore heavily dependent on gas imports.

In the event of a disruption to Russian gas supplies, BOTAS officials stated that Turkey can cushion the negative effects through increasing its LNG imports. However, they also point out that this is an expensive solution which is not very sustainable in the long term. Another option could be through the Trans Anatolian Natural Gas Pipeline (TANAP) project which will become operational by 2018. Turkey plans to import an additional 6 billion cubic meters of gas from Azerbaijan once the project starts.

Meanwhile discussions to double up gas imports from Iran are still ongoing. This could potentially allow Turkey to import 20 billion cubic meters of gas annually from Iran. In addition, negotiations on importing gas from Northern Iraq by 2017 are also taking place. Turkey and Turkmenistan have signed a number of memorandums of understanding over the previous years, however, the two countries currently lack the necessary infrastructure to progress bilateral gas trade.

Energy Minister: Turkey expects big gas discount from Iran

AA Energy Terminal, 14.10.2015



Turkey is expecting a big natural gas price discount from Iranian authorities from the anticipated ruling from the arbitration, according to Turkey's Energy Minister.

In an exclusive interview with the Anadolu Agency Editors' Desk, Ali Riza Alaboyun, Turkey's energy minister, explained that Turkey applied to the arbitration court for two reasons. The first reason was for the lack of natural gas transfer from Iran to Turkey during the summer, and secondly is on Iran's overpricing of natural gas to Turkey. Alaboyun said that Turkey is in the right and has already paid \$122 million but has yet to receive the corresponding amount of gas.

Despite such issues between Iran and Turkey, Alaboyun said that Iran is showing goodwill and has renovated natural gas pipelines to Turkey. The country is the second largest gas supplier to Turkey after Russia. Turkey has voiced its concerns numerous times about the high price of Iranian gas imports, as the issue was taken to the International Court of Arbitration, ICC, in 2005 and 2012. The court ruled Iran to pay \$900 million in compensation and a 16 percent discount in the price deal in 2005, when Turkey had first taken the deal to the court. Both sides disagreed again in Feb. 2012, when Turkey brought its request to the ICC to have 25 percent discount. While Turkey pays \$418 for 1,000 cubic meters of Russian gas and \$340 for Azerbaijani gas, it pays \$487 for the same volume of gas. "We expect a high discount," he said, noting that Iran needs Turkey to transfer its gas.

SGC: Coined by EU, enabled by Azerbaijan

Natural Gas Europe, 15.10.2015



European and Azeri authorities were in unison speaking in favour of the Southern Gas Corridor at a conference, but minor divergences between Baku and Brussels indicate that continuing efforts from both sides are needed:

Europe has to avoid cases of double-standard when considering countries out of its reach. Baku's commitment to realise the pipeline connecting Azerbaijan to Italy came without "if" and "but", while European institutions' remarks indicate Brussels' intention to ask Baku not only to proceed with economic reforms, but also to replicate parts of its political structures based on a "clear separation of powers".

"The Southern Gas Corridor as a concept was originally coined by the European Union a decade ago, but apparently it has been Azerbaijan that since then has taken the role of the enabler of this corridor" said Vusal Mammadov, Director at State Oil Company of Azerbaijan (SOCAR), Representative Office in Belgium. The point here is that Azerbaijan has already signed gas Purchase and Sale Agreement (PSA) in September 2013. In other words, Azeri gas is already sold.

"These contracts enabled Azerbaijan to market Azerbaijanigas for 25 years starting as of 2020" Mammadov conceded, underlining that the country is ready to invest its part to finish the \$45 billion project. Explaining that Azerbaijan is ready to play a role also in the expansion of the Southern Gas Corridor to other gas-rich countries in the region, Mammadov said that the government will support the Trans-Caspian Pipeline, "but at the moment our main goal is to implement the commitments that we already have." "The EU is sticking to the construction of the Southern Gas Corridor" Dirk Schuebel, Head of Division Eastern Partnership bilateral at the European External Action Service, said at the conference organised by The European Azerbaijan Society. On the other hand, the EU official said that the country has to fight corruption, which was defined as "a serious impediment" for further economic ties.

Similarly, during the morning session, other European officials recognised the role of Azerbaijan, but also asked Baku to do more. "Azerbaijan is a strategic partner for the EU and not just for the country itself, but also for its geographic position" said Luc Pierre Devigne, DG Trade of the European Commission. Devigne then went on comparing Azerbaijan with Georgia, saying that Baku should learn from Tbilisi how to create better conditions for business, and how to promote freedom of press.

"Azerbaijan needs political understanding of its situation. In such a difficult period of time, for such a small country still at war, in such a difficult neighbourhood, we would like to have political support for our economic reforms" Ambassador of Azerbaijan to Belgium Fuad Isgandarov said, referring to the Nagorno-Karabakh "frozen" conflict. In this sense, Azerbaijan suggested that the European Union should focus more on economics and bilateral ties, especially in delicate moments.

Parliamentary elections will be held in Azerbaijan in November, just weeks after Russia's launch of rockets towards Syria from warships in the Caspian Sea. Ambassador Isgandarov outlined that Azerbaijan was the only country that had managed to create infrastructures in the Caspian Sea. This is a reason to praise the country, but this achievement itself will not allow Baku to attract European companies. Azerbaijan will be probably called to comply more with European standards, at least to a certain degree. From its perspective, European officials told Natural Gas Europe that it is difficult to understand what Baku wants.

Brussels is asking for clarity not only for one single project, but for future ties. This is the traditional European approach based on soft powers that made sense for a long period. Nevertheless, Brussels is asking for an exercise of clarity when its own moves are often difficult to read, while EU's paternalism might wear its partners' nerves out, Azerbaijan included.

Negotiation and flexibility are probably the only solution. Instead of being overly critical, the European Union should understand how to collaborate with countries that do not share its same culture and values. Conversely, Azerbaijan should equally understand how to deal with a block made up by several countries, and with a strange architecture where the European Parliament (with diverse and critical voices) and the European Commission often have different takes on the same opportunities and complexities.

War in Syria changes regional gas balance

Natural Gas Europe, 12.10.2015



The involvement of Russia in the Syrian war is a development of macro-historical proportions. It is the first time in history that Russia intervenes directly, and with formidable military force, in the Middle East, within a stone's throw from the Saudi Peninsula where immense hydrocarbon reserves are securing the world's energy.

Even during the height of the might of the former Soviet Union in the wars back in 1967 and 1973 in Middle East, the Soviet Union was adamant about not investing military and was cautiously supporting either Egypt or Syria via aid and training.

Apart from the wider geopolitical change of balances that are observed, there are consequent micro-trends that directly affect the natural gas sector in the region. First of all, Azerbaijan, through its Azerbaijan Methanol Company, signed a 5 year contract to secure gas imports from Gazprom for around 2 bcm annually. Although imports were being conducted between 2009-2013 never exceeded 1 bcm per year. In fact, Baku seemed hesitant in enlarging this cooperation. Nevertheless it seems that Azerbaijan is getting closer to Moscow in gas terms, since the impending opening up of the Iranian market after the lifting of international sanctions will witness a wider alliance between two gas giants, Russia and Iran, who together control around 45% of the global natural gas reserves and 25% of yearly global production.



Baku is also continuously pressurized by its hostile relations with Armenia, whilst the local administration over the past 12 months is gradually cracking down on opposition groups or liberal teams of people that are linked with NGOs financed mainly by US and EU political and business circles. Thus, we should witness a greater alliance between the Azeris and a Gazprom unravelling in the coming period based on the above realities.

Meanwhile, the Deputy Prime Minister and Minister of Energy of Georgia, Kakha Kaladze, relayed to the local press recently that Russian gas is a preferred choice and better priced than Azeri imports for the Georgian market. Already he stated that talks have been held with Gazprom's chief Alexei Miller on the issue and that Georgia is also interested in securing imports from Iran in the future. Like Azerbaijan, Georgia is facing geopolitical realities based on the dynamics of the re-emergence of the Russian role in the region and that of Iran and the destabilization of Turkey. Thus it stands to be cornered and an upturn of Tbilisi's stance towards forging stronger ties in gas business with Moscow is emerging.

Turkey is also of wider importance. Already it is in dire straits due to its effective civil war with the Kurdish guerillas and the disastrous policy of meddling in the Syrian war that resulted in considerable financial losses, up to \$40 billion since 2011, a massive refugee wave of more than 2 million Syrians and a significant drop in the credibility of the Turkish diplomacy in the region. More importantly Turkey imports some 29 bcm per year from Gazprom and 10 bcm from Iran who both constitute around 80% of its import market.

As such, new developments on the Syrian front are forcing Turkey in theory to re-examine such reliance, nevertheless there are no other alternative suppliers apart from Azerbaijan, which from 2020 will be able to deliver to the Turkish market just 6 bcm of gas. The gas reserves in the Shah Deniz field of Azerbaijan may be enough for a prospective increase of more volume capacity in the Turkish market but there are three points of interest. One is the overall geopolitical reality faced by Baku as explained previously and the intentions of the TANAP-TAP shareholders to use Shah Deniz as a route to export gas mainly to the EU markets and not solemnly to Turkey.

Further, the reserves are not certainly infinite and would only last for a generation or so with an annual volume transfer of 25 bcm per year for all countries involved (Azeri domestic needs, Turkey, Balkans, EU markets). In addition the grand plan in geo-energy terms of Qatar with the support of Saudi Arabia back in 2010-2011 to topple Assad's regime in Damascus in order to set up a "mega-pipeline" through Turkey towards Europe to overthrow Gazprom's dominant role is effectively neutralized. Thus Turkey will not be able to secure Qatari-sourced gas in the near or distant future, unless it proceeds in expensive and rather unstable LNG imports from it.

Lastly the cold and even hostile relations between Ankara and Israel plus Egypt excludes Turkey from joining forces with those countries, and Cyprus island to exploit gas riches in the East Mediterranean. Adding the fact that the Turkish society is being extremely polarized between secularists and the decaying in political terms, Islamists of the AKP party, along with the Kurdish uprising, leave little room to Ankara to maneuver. Turkish Stream, which is essentially a "diplomatic" pipeline, could well develop into an enlarged Blue Stream, cementing further Moscow-Ankara gas ties. In that sense, the tables are turning in the upper Middle East region with seismically geo-economic tremors to be felt first in the Caucasus before eventually reaching South and West.

Trans-Caspian gas pipeline – promising project, says Turkmen president

Trend News Agency, 12.10.2015



The possibility of delivering Turkmen energy resources to Europe is under discussion and the Trans-Caspian gas pipeline is a promising project in this regard, Turkmenistan's President Gurbanguly Berdimuhammadov said during the last government meeting.

Moreover, a seminar, which highlighted the legal and tax issues related to the Trans-Caspian gas pipeline and export opportunities in this direction was held as part of the forum titled "Oil and gas of Turkmenistan - investment opportunities" recently held in London, UK, with participation of 78 companies.

The transnational main pipelines should be regarded as a real contribution to creating international energy cooperation and as an effective stabilizing factor able to have a positive impact on the process of strengthening the socio-political stabilization, said Berdimuhammadov. Turkmenistan, which ranks fourth for the volume of gas reserve, studies the opportunities for entering the European market. For this purpose, it promotes the project for laying Trans-Caspian gas pipeline to the coast of Azerbaijan wherefrom the Turkmen gas can be delivered to Turkey and further to Europe.

The Trans-Caspian gas pipeline could become a part of several large-scale projects, including AGRI and TANAP. In recent years, Turkmenistan, Azerbaijan, Turkey, Georgia and the European Union have intensified the talks on implementing the Trans-Caspian gas pipeline project. In addition, the EU wants to reduce its dependence on Russian supplies. The Southern Gas Corridor, which includes the Trans-Caspian project, is becoming a notable priority for Brussels. The EU hopes to receive Turkmen gas in 2019. In turn, Azerbaijan, Georgia and Turkey expect to receive their dividends for transit in the medium term.

It is necessary to lay a 300-km pipeline under the Caspian Sea to Azerbaijani coasts for delivering Turkmen resources to Europe. Ashgabat believes that the consent of the countries the territories of which are covered by the project (Turkmenistan and Azerbaijan), is sufficient for laying the pipe under the Caspian Sea. Azerbaijan, for its part has expressed readiness to offer its territory, transit opportunities and infrastructure for implementing this project.

Bulgarian PM comment on Russian-backed energy projects draws reproach from Moscow

Novinite, 14.10.2015



Bulgarian Prime Minister Boyko Borisov must feel ashamed before voters of his statement that Russian energy projects in his country have been stopped in favour of partnership relations with the United States, Russian Foreign Minister Sergey Lavrov said.

“I was stupefied when I read a quote from a statement by the Prime Minister of Bulgaria Boyko Borisov, who had said that Bulgaria had backtracked on the implementation of energy projects with Russia, including the South Stream, in the interest of the United States,” Lavrov said in an interview with Russia’s NTV channel.

Interruption of Russian gas supply through Ukraine improbable this winter

Trend News Agency, 13.10.2015



The Russian gas supply through Ukraine to Europe will unlikely be disrupted this winter, Vladimir Likhachev, the deputy director of the Energy Research Institute of the Russian Academy of Sciences, told Trend. “The probability of such failures is quite low,” he said. Of course, everything can happen, especially provocations in eastern Ukraine. But I think that Gazprom firmly intends to supply in winter.”

The Russian company resumed gas supplies to Ukraine morning, by receiving the advance payment worth \$ 234 million of promised \$500 million from Naftogaz Ukraine, the Russian media reported, citing Gazprom head Alexey Miller.

In late September, Russia, Ukraine and the European Commission initialed an agreement on the conditions of winter gas supplies to Kiev. According to the protocol, Ukraine undertakes to buy 2 billion cubic meters of gas from Gazprom for injection into underground storage facilities. For this purpose, the international financial institutions will allocate \$500 million to Ukraine. In June, the Gazprom declared that Russia will abandon the transit of gas through Ukraine after 2019. As part of these plans, Russia initiated the Turkish Stream project, as well as negotiations on the expansion of the Nord Stream gas pipeline.

Commenting on the recent statement by EU Commissioner for Energy and Climate Action Miguel Arias Cañete that the currently available pipelines running from Russia are only half filled even without the implementation of the expansion of the Nord Stream project, Likhachev said that Russia is interested in the pipelines that bypass Ukraine, regardless of how full the current capacities are.

“Russia wants to have capacities sufficient to meet European demand for gas without using the transit through Ukraine,” he said. The expert also linked the statement by the EU Commissioner with the desire of Europe to diversify its sources of gas supplies. Likhachev went on to add that regardless of the volume of gas supplied by Russia, the EU will support the diversification of sources, in particular the project on Azerbaijani gas supplies.

The Southern Gas Corridor is one of the priority energy projects for EU. It envisages the transportation of gas from the Caspian Sea region to the European countries through Georgia and Turkey. At the initial stage, the gas to be produced as part of the Stage 2 of development of Azerbaijan’s Shah Deniz field is considered as the main source for the Southern Gas Corridor projects. Other sources can also connect to this project at a later stage.

Putin bets on Germany as gas ties with Turkey sour on Syria

Bloomberg, 13.10.2015



It’s taken less than a year for Russian President Putin to go from hailing Turkey as a potential linchpin in natural gas supplies to Europe to shunning it. As the nations fall out over the conflict in Syria, Moscow-based Gazprom PJSC, the world’s largest gas producer, said it would cut the capacity of a planned link to Turkey and on to Europe by 50 percent.

Turkish President Erdogan warned Russia energy cooperation could suffer because of former Soviet nation’s violation of his country’s airspace and military buildup in the region. That’s a far from last year, when Putin said Turkey could become an energy hub for southern Europe



As the proposed link under the Black Sea would help Russia reduce its dependence on gas transit via Ukraine, the current route for more than 10 percent of Europe's gas. Putin feels able to change tack on Turkey, the second-largest customer for Russian gas, because in September he agreed to expand the Nord Stream pipeline that links Russia directly with Germany. "Putin is betting on Nord Stream, but that bet is risky," Sijbren de Jong, energy security analyst at the Hague Centre for Strategic Studies, said by e-mail. "Can Gazprom really afford to annoy Turkey and forgo gas revenues? Hardly."

Russia relies on oil and gas for about half of its budget earnings and is adept at mixing its energy policies with political aims. It stepped up energy cooperation with Turkey and China last year as relations with the EU and the U.S. soured over the Ukraine conflict and profits from gas sales in Europe slumped on weaker commodity prices. Europe receives about a third of its gas from Russia with a third of that volume flowing through Ukrainian pipelines. Gazprom aims to end or at least cut its gas transit through the former Soviet republic after the current transit contract expires in 2019.

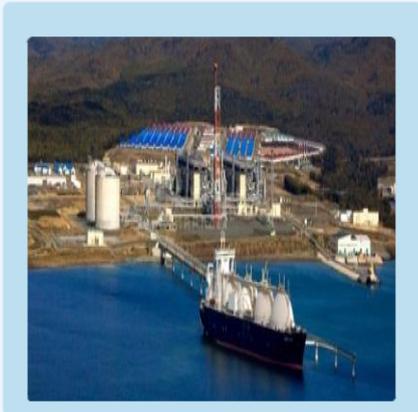
Putin said last year that the new Turkey route would help Russia to meet this goal. After talks on the link stalled over the summer, Gazprom said that the Baltic Sea link directly to Germany known as Nord Stream-2 was a priority. Putin's bet on Nord Stream-2 is risky as the project may face opposition in the EU, De Jong said. EU Energy Commissioner Miguel Arias Canete said last week the link risked concentrating 80 percent of the bloc's Russian gas imports on one route while eastern European nations have also warned of the risk of circumventing Ukraine. Gazprom said that key markets for Nord Stream-2 are boosting gas purchases from Russia, with total European exports in early October gaining almost 36 percent from last year's level.

Delays in the Nord Stream expansion may lead Russia to once again step up gas cooperation with Turkey. While Putin and Erdogan may never be able to agree on Syria, gas cooperation will be unaffected at the end of the day, Altay Atli, a lecturer at the Asian Studies program of Bogazici University Istanbul, said by e-mail.

There's "a very strong interdependence between the two countries," he said. "Neither Turkey nor Russia would be willing to sacrifice the economic prospects just because they have different ideas about the future of Bashar al-Assad." While Nord Stream-2 doesn't need to be approved by the European Commission, the onshore network may face legislation and political obstacles. Gazprom faces similar problems with the Opal gas pipeline in Germany linked to the existing Nord Stream, which can use only half of its capacity because EU rules require access for competitors. While political issues don't hurt talks with Turkey, Gazprom will target Nord Stream-2 for gas supplies to western Europe and also to southeastern states, Miller said last week. Current developments are making Nord Stream-2 "far more important" for Russia, John Roberts, energy security specialist at Scotland-based consultant Methinks Ltd, said by phone from Antaliya, Turkey.

Energy ministry says Georgia open to gas supply talks with Gazprom

Civil Georgia, 10.10.2015



Georgia will consider gas supplies from Gazprom on top of what the country is already receiving from the Russia's state-controlled energy giant if the proposal is commercially viable, Georgia's Energy Minister, Kakha Kaladze, said. Georgia receives most of its gas supplies from Azerbaijan; it also receives, as a transit fee, 10% of gas shipped by Russia to Armenia through a pipeline running via Georgia.

Kaladze, who is also Deputy PM, met Gazprom chief executive, Miller in Brussels. "Gazprom is already in Georgia. We receive natural gas from Russia for years already and I think these relations will continue," Kaladze told journalists.

"Our main gas supplier is Azerbaijan, which is our strategic partner," he continued. "But any developed country thinks of diversifying its energy supplies. We are not talking about additional supplies only from Russia; we are also actively working in respect of Iran." He said that at the meeting with Gazprom CEO in Brussels, he discussed possibility of increasing gas shipments through North-South pipeline through which Russia supplies gas to Armenia.

"It is important for us to have this pipeline maximally loaded, because it will give us more gas [as a transit fee]. In addition, if private companies [in Georgia] want, they also can buy gas from Russia," Kaladze said. The issue was raised at a parliamentary hearing on October 10, when opposition lawmakers from the Free Democrats party were meeting deputies of various ministers, among them Deputy Energy Minister Iliia Eloshvili. FD MPs, like lawmakers from another parliamentary opposition party, UNM, have expressed concerns over possible gas purchase from Gazprom. Deputy Energy Minister Eloshvili told opposition lawmakers that relying fully on a single country in terms of energy supplies, no matter how friendly this country might be, is not a right policy. "We should try to have as many sources of supply as possible," he said.

"I want to remind you that during the winter period we rely on electricity supply from Russia and it has been the case for decades already," the Deputy Energy Minister said. "But I want to stress that we should not in any way damage our relations with Azerbaijan, because we have long-term contracts with Azerbaijan and this helped us in the most difficult times," he continued.

"Up until now Russia has not expressed interest in engaging in serious commercial negotiations [over gas supplies]. We will definitely speak to them, we will see what they have to offer – it will be open and transparent process," Eloshvili said. "There will be no problem whatsoever in [Gazprom] gas supply if it is commercially acceptable and provided that we don't become dependent on such supplies."

After being pressed again on the issue by FD MP Zurab Abashidze, who criticized possibility of gas supply from Gazprom, which he described as the Kremlin's foreign policy tool, Eloshvili responded by referring again to the fact that Georgia has been purchasing electricity from Russia's state-controlled Inter RAO for decades already during the winter period.

"Inter RAO is 'Gazprom' in electricity," the Deputy Energy Minister said. "Last year we bought 800 million kWh electricity from Inter RAO – 7 percent of our total consumption. Electricity provided by them was the cheapest, so I would ask a rhetoric question: shall we refuse to buy electricity under acceptable terms just because it comes from Russia and shall we go and buy it from Turkey, which will cost us much more?"

"I absolutely agree with you that it is inadmissible to fully switch on [Gazprom] gas or to buy significant amount of gas on terms, which will not be profitable. But if we receive this gas in an amount that would not pose threat to us, it will be an additional source of supply," Eloshvili said. "If their terms are better or the same as we now have with other suppliers, it will be acceptable," he said. "The process will be open and transparent, based on our pragmatic interests," the Deputy Energy Minister said.

Poland Opens LNG Terminal, Pledges to End Russian Dependence

Bloomberg, 12.10.2015



Thirteen days before Poland's general election, Prime Minister Ewa Kopacz opened the nation's first terminal to import liquefied natural gas and promised "full independence" from Russian gas supplies from next year.

The facility is ready for startup tests and will get a first shipment of LNG from Qatar between Dec. 11 and Dec. 17 to cool the plant, with commercial deliveries starting in 2016, two years later than initially planned. Poland has criticized plans by Gazprom PJSC to expand its undersea pipeline directly to Germany, which bypasses east European countries that rely on Russia for their energy.

"Next year, we'll be fully independent from supplies from the east," Kopacz told reporters at the terminal's site in the Baltic port of Swinoujscie, near the German border. Poland plans to expand its gas grid to enable the transport of fuel from Swinoujscie to its neighbors in the Czech Republic, Slovakia, Ukraine and Lithuania. That would also allow it to boost the use of the terminal, which currently only has supply agreements for 30 percent of its capacity.

The Law & Justice opposition party, which leads opinion polls ahead of the Oct. 25 election, said the terminal wasn't ready and that Kopacz was staging a "show" to woo voters. Polskie Gornictwo Naftowe i Gazownictwo SA, the nation's Poland's dominant gas company, still has to buy a minimum of about 8.5 billion cubic meters of gas per year (300 billion cubic feet) from Gazprom under a long-term contract signed in 1996. The accord will remain in force until 2022.

"The prime minister is cutting a ribbon and the terminal's construction will continue, the terminal isn't open," said Beata Szydlo, the opposition's candidate for prime minister. The facility, which can import 5 billion cubic meters of gas a year, will create an additional supply route for Poland, which got about 4 billion cubic meters through pipelines from Russia in the first six months of this year. The country can also access more gas by reversing flows in existing links carrying Gazprom's supplies to the west. "A real chance to fully utilize the terminal will emerge from 2018, when new investments and cross-border links are completed," Jan Chadam, chief executive officer of Swinoujscie terminal operator Polskie LNG SA, said last week in an interview.

Russia, Kazakhstan sign deals for Caspian oil production

AA Energy Terminal, 15.10.2015



Russian President Vladimir Putin and President of Kazakhstan Nursultan Nazarbayev signed a series of agreements on Thursday that may pave the way for oil production in the disputed Caspian Sea.

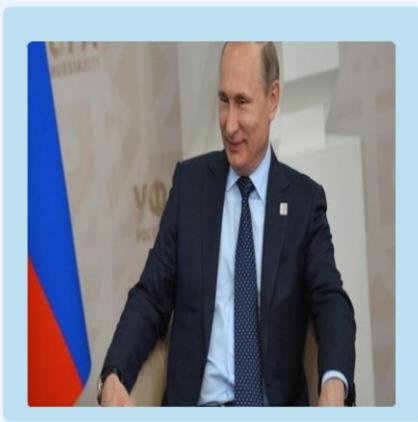
"We have a major plan to jointly produce oil in the Caspian Sea. This will enable oil companies of the two countries to manage two massive hydrocarbon sources in the Caspian Sea," Putin explained. "We made some adjustments to the previous deal signed in 1998," he added, regarding the sharing of the bottom of the sea in the northern part of the Caspian Sea.

After the fall of the Soviet Union, Caspian littoral states -- Russia, Kazakhstan, Turkmenistan, Azerbaijan and Iran -- started negotiations for the legal status of the sea. However, the wide divisions between these countries created a deadlock preventing the sharing of the rich hydrocarbon resources of the sea. Putin also emphasized that most of the Kazakh oil will be exported through the Russian territory, but did not provide any additional information about its route. In addition, the Russian president stated that Moscow wants to develop its cooperation with Astana on nuclear activities. "Russia and Kazakhstan are working on a joint electricity energy market. We are preparing to build Kazakhstan's first nuclear power plant," he said.

Although Kazakhstan has some of the largest uranium deposits and is the largest uranium producer in the world, its only nuclear power plant, a BN-350 nuclear reactor at Mangyshlak, was decommissioned in 2001 after almost 30 years, according to the U.S. Energy Information Administration.

Putin: Avert politics from Nord Stream-2

AA Energy Terminal, 14.10.2015



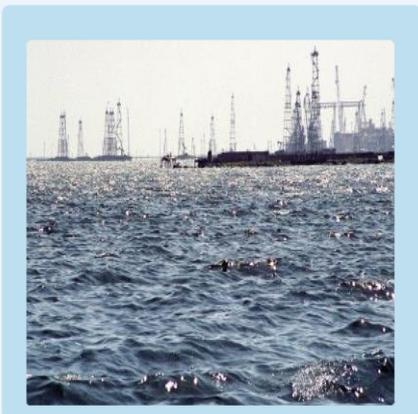
Russian President Putin called for the avoidance of politicizing the Nord Stream-2 pipeline project which aims to provide energy resources to Europe through the provision of transit opportunities.

“It is absolutely not aimed at depriving some of transit opportunities, and I would like to put aside these political speculations,” Putin said. According to Sputnik, Putin said the Nord Stream-2 is aimed firstly facilitating energy needs of Northern Europe. “Firstly Northern Europe considering the decreasing production in the UK and in Norway and the simultaneously increasing energy demand,” he said.

The Nord Stream-2 project was announced on June 18, when Gazprom, E.ON, Shell and OMV signed a memorandum of understanding for the construction of the project, which will add two additional pipelines to the original Nord Stream project.

Analysis: Traders skeptical on French-Spanish MidCat gas line project

Platts, 14.10.2015



Some market participants have expressed skepticism about the need for the proposed 7 Bcm MidCat gas pipeline between Spain and France, given expected LNG supply and the current size of the Spanish network. The MidCat pipeline project is set to be built through the Catalan Pyrenees by 2020 and connect with France and on to Central European networks.

The aim is to diversify the sources of gas supply in Europe and reduce European dependence on Russian gas. The project is also intended to integrate the Spanish and French gas markets further.



A French trader said Franco-Spanish transit capacity should be enough to receive the LNG surplus expected in the next few years. "Various analyses show that the global LNG surplus will be about 18 Bcm in 2016-17," he pointed out.

"If you consider that 50% or 9 Bcm LNG surplus is going to Europe and that about 18% is destined for Spain according to the ratio of the past two years, this means that we can expect an around 1.6 Bcm LNG surplus in Spain," he said. "You can see that the 7 Bcm capacity available by the end of the year is enough to send gas up to France."

Gas transport capacity between France and Spain will increase to 7 Bcm by the end of the year from the current 5.4 Bcm, the Spanish, French and Portuguese authorities announced in July. The trader also said that even in a scenario where the entire global LNG surplus would come to Europe, the capacity on the Franco-Spanish link would still be sufficient. "If we take out current exports from France to Spain, which are about 4 Bcm, we get 11 Bcm of capacity available from Spain to France," he said.

French gas exports to Spain have already slumped 57% year on year to 344.5 million cu m in September, data from Eclipse Energy, an analytics unit of Platts show. According to Eclipse data, the baseload, or average volumes coming into Europe including the UK regardless of the surplus, is 22 Bcm/year of gas equivalent. Eclipse forecasts 46 Bcm will arrive in Europe in gas year 2015, making the European surplus for the gas year 24 Bcm.

Zooming in on Spain, Eclipse says the average LNG baseload is 9 Bcm. In gas year 2015 Eclipse forecasts Spain's LNG arrivals at 14 Bcm, which means the surplus would be 4.2 Bcm. This implies 17% of the global surplus would be delivered to Spain. However, the volume of LNG sendout to the Spanish grid could be limited by a weak network infrastructure in Spain, sources said. "The average send out of all LNG terminals in Spain is about 320 GWh/day [10.88 Bcm/year]," which is below the 11 Bcm/year needed to take up all the export capacity from Spain to France, the French trader said.

But it is unlikely that the Spanish network is sized to send the flows from all the terminals to the North: "Can the interconnector network send the gas up from Huelva or from El Ferrol or from Cartagena without issue? I am not sure," he said. A UK-based gas industry source specializing in EU balancing issues also highlighted Spain's low pipeline capacity in proportion to the country's size causing an issue when flowing gas from south to north. "The Spanish are scared about swimming in gas by 2020. Their infrastructure is oversized compared with the peninsula's needs, and they know that," another French gas trader said.

"They are right to say that MidCat could reduce European dependence on Russian gas, but from the market point of view, the more LNG arriving in Europe -- with new LNG terminals in Northwest and even in Southeast Europe -- the less the need for pipeline connections," he said. A spokeswoman from the European Commission said: "The Commission is encouraging the construction of MidCat by 2020. And generally there is a Connecting Europe Facility budget of almost Eur6 billion (2014-2020) available for this type of project..." Spanish gas industry association Sedigas and the gas grid operator Snam, largest shareholder in the southern French TIGF gas grid were unable to comment on specific interconnector capacity needs.

However a spokesman from The Public Diplomacy Council of Catalonia said: “The future Iberian Gas Hub will require the strengthening the interconnections of the Iberian Peninsula with the rest of the European natural gas markets, which is why it is essential to promote the project MidCat.” Spain could become a pivotal gas transit hub in the future, with a gas surplus allowing to cover 43 Bcm/year of European supply. This is equivalent to half of the gas volume transiting via Ukraine from Russia, Spanish Energy and Tourism Minister Jose Manuel Soria told a parliamentary committee in April.

BP: Oil unlikely to ever be fully exploited because of climate concerns

The Guardian, 13.10.2015



The world’s oil resources are unlikely to ever be fully exploited, BP has admitted, due to international concern about climate change. The statement, by the group’s chief economist, is the clearest acknowledgement yet by a major fossil fuel company that some coal, oil and gas will have to remain in the ground if dangerous global warming is to be avoided.

“Oil is not likely to be exhausted,” said Spencer Dale. Dale, who chief economist at the Bank of England until 2014, said: “What has changed in recent years is the growing recognition [of] concerns about carbon emissions and climate change.”

Scientists have warned that most existing fossil fuel reserves must stay in the ground to avoid catastrophic global warming and Dale accepted this explicitly. “Existing reserves of fossil fuels – i.e. oil, gas and coal – if used in their entirety would generate somewhere in excess of 2.8trn tonnes of CO₂, well in excess of the 1trn tonnes or so the scientific community consider is consistent with limiting the rise in global mean temperatures to no more than 2C,” he said. “And this takes no account of the new discoveries which are being made all the time or of the vast resources of fossil fuels not yet booked as reserves.”

Dale said the rise of shale oil in the US, along with climate change concerns, meant a “new economics of oil” was needed. “Importantly, it suggests that there is no longer a strong reason to expect the relative price of oil to increase over time,” he said. The low oil price over the last year has led to billions of dollars of investment being cancelled.

The concept of ‘unburnable’ fossil fuels is closely linked to the idea of stranded fossil fuel assets – that reserves owned by companies will become worthless if the world’s nations act to tackle climate change. Analysis of these issues was pioneered by the Carbon Tracker Initiative (CTI), which warned in 2014 that \$1trn was being gambled on high-cost oil projects that might never see a return. “As BP now recognises, there is a substantial risk in the system of ‘peak [oil] demand’,” said Anthony Hopley CEO of CTI.

“This arises from a perfect storm of factors including ever cheaper clean energy, ever more efficient use of energy, rising fossil fuel costs and climate policy. These are key factors the industry has repeatedly underestimated.” “Institutions including the World Bank, the G20 and city analysts have stated their concerned about stranded fossil fuel assets. Bank of England governor Mark Carney warned recently that the losses were “potentially huge”.

Gazprom wants to improve ties with the EU

New Europe, 15.10.2015



Ukraine will remain a transit state for some of the Russian gas supplies to Europe despite statements by Russian gas monopoly Gazprom that it will stop gas supplies via the former Soviet republic by 2019.

Russia has invested lots of capital and they have invested politically in Ukrainian pipeline system, Constantin Filis, director of research at Institute of International Relations, told. “I don’t think that they will exclude it as they say from 2019. They will keep Ukrainian system as part of their export policy to Europe. They will add probably more quantities to Nord Stream with the expansion of Nord Stream 2.

And then maybe if there is further need they might explore the idea of bypassing Ukraine from the southern branch. But Ukraine in my view will remain part of the equation. The Europeans want that, the Russians want that so it’s just a matter of a tactical game between the three sides,” Filis said, speaking on the sidelines of a conference on Investing in Energy in Athens. Gazprom accounts for around a third of Europe’s gas needs and typically about half of that is pumped via Ukraine.

Russia signed recently an agreement with five European companies to increase the capacity of the Nord Stream pipeline from Russia to Germany under the Baltic Sea to 110 billion cubic metres per year from as early as 2019,” Filis said. Filis said that the two recent agreements between Gazprom and Royal Dutch Shell as well as Gazprom and Germany’s BASF show that business interests “show us the way in a kind of rapprochement between Europe and Russia”.

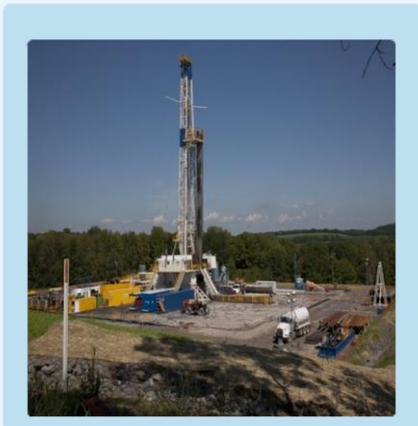
“The Russians have realised that if they continue their policy which ignores the main interests of Europe as well as some realities they would risk isolating themselves and this not something they want because the Europeans are very good clients for the Russians and its not easy to make this strategic shift – we keep listening from many circles – to China,” he said. “It’s not easy, it’s costly and it could take time. So the Russians want to improve their ties with Europe, they have shown bigger flexibility in recent months with a number of moves and I think that Russia would very much like to continue to having this strategic cooperation and this strategic goal with regard to Europe,” Filis said.

Gazprom CEO Alexei Miller said that Gazprom has almost halved the planned capacity of its Turkish Stream gas pipeline project to 32 billion cubic metres per year from an original capacity of 63 billion cubic metres. Filis argued that there is no need for Turkish Stream and there are no clients. “From the very beginning I was very cautious about Turkish Stream given the fact that, if we exclude the 16 bcm that are directed to the Turkish market, the rest of Turkish Stream, as it was described at first, speaking about 63 bcm reaching the European market, I don’t think that it was realistic,” he said.

He opined that if Moscow and Ankara finally agree on Turkish Stream, the pipeline could have two 16-billion-cubic-metre branches: one reaching Turkey and one reaching Italy via Greece through the revival of the Interconnector- Greece-Italy (IGI Poseidon).

EU allots financing for construction of gas interconnection Poland-Lithuania

Natural Gas Europe, 16.10.2015



Under the EU’s Connecting Europe Facility (CEF), €295.4 million has been awarded towards GIPL, the gas pipeline between Lithuania and Poland. The Polish transmission system operator Gas Transmission Operator GAZ-SYSTEM S.A and the Lithuanian transmission system operator AB Amber Grid inked a trilateral agreement with the EU Innovation Network Executive Agency – INEA.

The project is expected to significantly increase Baltic energy security, independence and boost the prospects of the liquefied natural gas terminals in the Lithuanian seaport of Klaipeda and Poland’s Świnoujście.

The signing ceremony in Brussels was attended by European Commission President Jean-Claude Juncker, Lithuanian President Dalia Grybauskaitė, Polish Prime Minister Ewa Kopacz, Latvian Prime Minister Laimdota Straujuma and Estonian Prime Minister Taavi Roivas. Noting that the investment amount of nearly €300 million is “the largest ever” for the European gas sector, Juncker explained that it will give “dividends” – guaranteeing free energy flow in Europe.

“We have already secured a passport-free movement, capital movement and now we need to do it with energy. In order to diversify the energy sources, we cannot do it alone – it is needed both to our citizens, consumers and industry,” the EC President said. Lithuanian President Dalia Grybauskaitė emphasized the importance of the pipeline for the entire European Union. “This stride will enable us to create a single (EU) energy union. Eleven years ago, we could just dream of joining the EU and being connected with it both economically and energy-wise,” she said, adding, “Now we will have the electricity interconnector with Sweden and we are about to complete the grid link with Poland. And now comes the pipeline...”



It is very symbolic that we have received today this very big financing from the European budget – until now, such projects would be most often co-financed 15, 20 or 30 percent, but we have it over 50 percent.”

Asked to comment on the Lithuanian Energy Ministry’s deliberations to supply the gas to Ukraine, the Lithuanian leader brought up the issue of the Nord Stream pipeline, which capacity, if built, would be directed, according to her, not to supplying gas to Western Europe, but to bypassing Ukraine and attempting isolate it from the supply. From the whole amount of financing, up to €55 million was allocated to AB Amber Grid, whereas up to €240.3 million will go for GAZ-SYSTEM S.A. The total estimated value of construction works of the Gas Interconnector Poland-Lithuania will amount to €492.2 million.

The GIPL project will integrate the gas systems of the Baltic Sea region into the internal EU gas markets in line with the European Commission’s energy security strategy to ensure that no region in Europe remains isolated. It is an achievement of close regional cooperation facilitated by the European Commission in the framework of the Baltic Energy Market Interconnection Plan initiative (BEMIP).

The planned transmission pipeline with a diameter of 700 mm will join compressor stations in both countries – the Lithuanian compressor station in Jauniūnai and the Polish station of Rembelszczyzna. The total length of the planned pipeline amounts to 534 km, including approximately 357 km running through the territory of Poland and approx. 177 km in the territory of Lithuania. Starting capacity from Poland to Lithuania is expected to be 2.4 billion cubic meters a year and from Lithuania to Poland- 1.0 billion cubic meters a year.

GIPL is the first gas pipeline connecting Lithuania and Poland and the first gas interconnector between the Eastern Baltic Sea region and the Continental Europe. It is one of the energy infrastructure projects that benefits of the status of Project of Common European Interest. The EU investment for energy infrastructure under the Union’s programme Connecting Europe Facility (CEF) amounts to 5.35 billion euro for the period 2014-2020, says EC press release.

It is anticipated that the GIPL interconnector will be operational from the beginning of 2020. “As the project design works have been purchased, they will be started and ongoing until the beginning of the year of 2017 in Lithuania and the end of the year in Poland. Throughout the process, or swiftly after it is over, tender for the project’s contractors will be announced and the actual works of the construction could be started within half-year thereafter,” Jolita Butkiene, senior officer of Strategic Planning and External Relations Division at AB Amber Grid, told Natural Gas Europe.

Anti-fracking campaigners could face police inquiry over 'fake' opponents

Natural Gas Europe, 14.10.2015



Anti-fracking campaigners face possible police investigation after it emerged people had been registered as supposed opponents of the practice in Yorkshire without their consent.

North Yorkshire County Council, which is preparing to decide on an application by shale gas explorer Third Energy to frack a well, said it had discovered the issue while verifying the identities of those who had responded to its consultation. "The council has raised concerns some representations from objectors have included emails and letters unbeknown to the owner of the email address or the named person and that personal data may have been used without consent," it said.

"The scale of the concern is unknown at this point. If any of the council's enquiries raise matters that require police attention those matters will be referred to the police." If Third Energy is granted planning permission it could be the first well to be fracked in the UK since 2011, when Cuadrilla caused earthquakes near Blackpool. Ken Cronin, chief executive of fracking trade body UKOOG, said: "There is always a place for open, transparent and honest debate in this country. It is disturbing if true that some have taken upon themselves to circumvent that position."

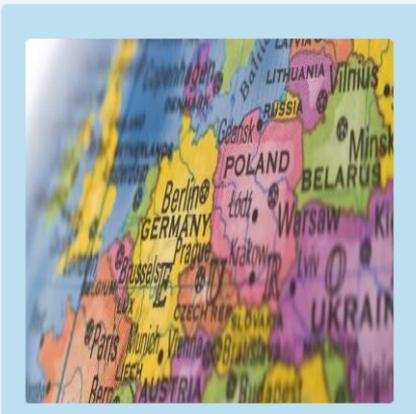
Separately new research from the University of Nottingham revealed that men are now almost twice as likely as women to be in favour of fracking in the UK. Some 58 per cent of men believe shale gas extraction should be allowed, while just 31 per cent of women agreed. The University, which conducts regular opinion surveys on the issue, said support for fracking overall was now at its lowest level since the survey began two years ago, with 46.5 per cent in favour, while opposition had risen to 36 per cent.

Two years ago just 19 per cent of people were opposed and 58 per cent in favour. A UKOOG spokesman said: "The industry is aware we have a great deal of work to do to reassure the public about fears generated by other misinformation and to demonstrate the UK's excellent regulation that protects water supplies in particular, and local communities in general." A DECC spokesman said: "There is a great deal of misleading information about unproven risks from fracking and shale gas.

"Shale gas is a great opportunity for this country, and the Royal Society of Engineers and Public Health England have both concluded that if carried out in accordance with the UK's stringent health and safety regulations, fracking can be done safely."

Poland's LNG terminal like a “Shotgun on the wall”

Natural Gas Europe, 15.10.2015



Poland's Świnoujście LNG terminal bears numerous drivers like diversification, security, having options, business interests. But in a session “The Role of Gas in the Future Energy Mix” at the 25th Economic Forum, Mr. Jaworowski, Secretary of State, Chancellery of the PM, likened his country's new LNG facility to a “shotgun on the wall.”

Calling it a game changer, both for Poland and the region, that shotgun is there on the wall “just in case.” He explained, “So it greatly enhances our negotiating power with our suppliers, because we can always say ‘well, maybe we can buy some gas from other destinations.’”

A real gas market, he added, does not exist if the infrastructure is not in place. He said that now it is almost impossible to move LNG from Spain to Poland. “Out of Spain's 230 bcm of LNG regasification capacity, more than one-fourth is in Spain. But it doesn't matter, because there is no pipeline connection between Spain and Poland, so in case of any crisis we cannot move any gas from Spain to Poland,” said Mr. Jaworowski, who added that this had encouraged Poland to invest in infrastructure in the last 7 years.

Poland has to liberalize its market, insisted Ms. Malgorzata Szymanska, Director of the Department of Oil and Gas, Ministry of Economy, Poland, who explained that the real turning point will be utilization of Poland's LNG terminal. She commented: “This will introduce a new era in the Polish gas market, and not only in Poland, but for the whole region as it is considered by the European Commission's Directorate-General for Competition as overrun by the influence of the Russian supplier.”

In connection with this Poland, she said, has invested a great amount of money into its transmission system, offering opportunities for neighboring countries like the Czech Republic and Slovakia, Ukraine by connecting them to the Polish system, all for the sake of enhancing security of supply in Central Europe.

Moreover, LNG in Poland will offer the country new opportunities via new appliances and technologies, like small-scale LNG road transportation, marine vessels in the Baltic Sea region. “So it really gives us marketing opportunity, bargaining power, negotiation arguments and, at the same time, new possibilities for new businesses to break a little bit the dominant position of companies already active in the Polish gas market.”



As for how much of a game changer Świnoujście actually is, Willem Braat, Gas Market Analyst, International Energy Agency (IEA), offered some of the specifics. Noting that it will have a capacity of 5 bcm in the context of Poland's 15 bcm gas demand (previously supplied by Russian gas), he admitted: "It is a little bit of a game changer – 5 bcm is 30% of Polish demand. "In a European perspective, LNG regasification capacity is around 200 bcm, so it's a couple of percent for Europe, and the good thing is that most are based in northwest and southwest Europe, so for eastern Europe this is a great thing to happen."

Diversification is the key word when speaking about gas in Central & Eastern Europe, according to Michael Labelle, Assistant professor, CEU Business School, who opined that the Energy Union is working towards that robustly, at a political level. "At the national levels, there's always going to be pressure to keep energy prices low – we see that here in Poland, for example, in its pursuit of shale gas, retaining coal. It's not a problem, but occurs in every country." He noted unsustainable, low prices in Hungary and Bulgaria, something which fuels energy policy actions at the national level.

"The Energy Union as a whole, as it plays out over time, will be much more of a technocratic project that tries to buffer these political swings from privatization to re nationalization, and develops the market that's integrated through infrastructure and certain network codes that allow the gas to be traded within the region," said Prof. Labelle, who predicted the market would eventually be more stable as a result.

The Energy Union is certainly possible, according to Mr. Chris Johnson, General Manager, New Markets Europe, Shell, who said his company is very supportive of that initiative, but admitted that it depended on national commitments to those agendas. He offered, "There's a clear driver there. In terms of energy security, it's a key part of it being able to move the gas throughout Europe to actually unlock the diversification, so there becomes a clear drive for that, ultimately showing a competitive market which is good for consumers."

As to the question of how much LNG will actually be available and at what price, Mr. Johnson said that on the supply side large new volumes are becoming available out of Southeast Asia and Australia. "Previously, a lot of LNG in the last few years has been flowing out of the Atlantic Basin to serve those Asian markets – that becomes available with those coming onstream," he explained.

Next year, he noted, US LNG will be flowing, an estimated 100 bcm into the next decade, which would support the market, and many projects are on the drawing board, as well as those that can be expanded – meaning the supply will clearly be there. "We need to make sure," he added, "that Europe sends the right signals as well to attract that LNG. It is a global commodity and other markets have been demanding that moreso than in Europe in recent years."

But would Gazprom's share of supply have gone down, even without the Ukraine crisis? The IEA's Willem Braat said it's important to realize that indigenous European production of natural gas is decreasing in the coming years, by 35 bcm, while demand will reach 500 bcm by 2020. "So, Europe, either way, will need to get more supply," he said. Noting there have not been any disruptions in Russian supplies in the last 5 years, Mr. Braat said that Europe will need to secure its gas supplies for the future. He said, "How we will do that is basically the question of diversification."

“Geopolitics is absolutely inseparable from this debate,” said Secretary of State Jaworowski. “Given the fact that Russia supplies about one-third of Europe’s gas demand makes it the ‘elephant in the room’ – it’s obviously a key factor.”

From Poland’s perspective, he explained, not much has changed since Russia’s invasion of Ukraine in 2014. “All of the things we’ve been saying and all the fears simply materialized – we’ve always been saying that there is a problem there,” he recalled, “that, out of 28 EU countries, 10 rely on Russian gas for more than 50% of their gas supplies. And we’ve always advocated a change in EU policy towards the gas market. The only thing that’s changed is that more people realize it’s a threat. Still, he conceded, much has happened since the gas shut-off of 2009: interconnections and the price movements of a real gas market. The Ukraine crisis, he said, has only accelerated a process that had already begun.

Eni’s growing presence in the Eastern Mediterranean

Natural Gas Europe, 15.10.2015



Eni has been awarded two new exploration licenses offshore Egypt, as a result of a competitive bid round. Eni has been awarded a 37.5% participating interest and operatorship in North El Hammad, where it partners with BP (37.5%) and Total (25%), and a 50% participating interest in North Ras El Esh, where it partners with BP (50%) which will act as operator, according to a press release by the Italian company.

The two blocks, which will be managed by IEOC, are in the shallow waters of the Mediterranean Sea, facing the Nile Delta and located southwest of the Tamsah and west of the Baltim, where Eni operates existing fields and production facilities.

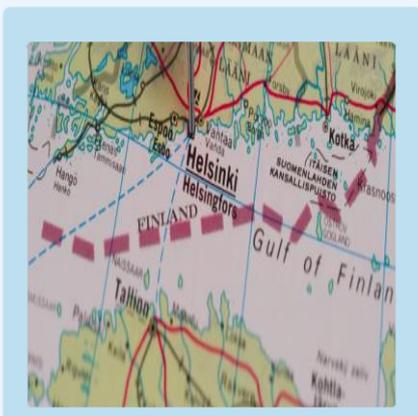
The new concessions strengthen ENI’s presence in the Eastern Mediterranean. End of August, the Italian company announced a giant discovery off the Egyptian coast. The Zohr field, located in the Zohr field in close vicinity to Cypriot waters, is estimated to hold up to 30 Tcf of natural gas. The size of the discovery means that the field may be the solution for Egypt’s ongoing energy worries. The expected production date is 2020.

The country has been looking for potential suppliers of natural gas. It has been eying the Israeli and Cypriot newly gas fields as a short term solution to address its natural gas shortages. Should the deals be sealed, importing gas from Israel and Cyprus island via an undersea pipeline could help Egypt solve its natural gas shortages in the short-term.

ENI is also involved in Cypriot waters. Despite two unsuccessful previous attempts to encounter natural gas off the island's coast, the Italian company's giant success in Egyptian waters, and in very close vicinity to Cyprus island' maritime zone, is a great boost of confidence that not only reaffirms ENI's strong presence in the Eastern Mediterranean, but also Cyprus island's significant potential. Cyprus island has the ambition to enter export markets. The sale of its offshore riches could lift its economy still suffering from the 2013 financial crisis.

Estonia and Finland regroup following Gasum decision to scrap LNG terminal, Balticconnector

Natural Gas Europe, 12.10.2015



Finnish gas transmission network operator Gasum has decided to scrap plans to build a regional LNG terminal in the Gulf of Finland as well as an undersea gas pipeline with Estonia, the Balticconnector.

“Implementation of the projects requires them to be commercially viable. On the basis of the studies Gasum has conducted the Fingulf and Balticconnector projects are not regarded as commercially viable and there is not sufficient demand for them in the Finnish market. Therefore Gasum will give up the implementation of both projects,” the Gasum statement says.

Estonia, however, exerted great efforts for both, especially the Balticconnector, and says it is not distracted and will continue pursuing them - through other entities or, if needed, on its own. “Yes, Gasum has abandoned the project, but Finland is to establish a new state company tasked with construction of the Balticconnector. So, the gas pipeline will be built in cooperation between the two countries. The LNG terminal is not a governmental project and could be developed by private investor,” Rasmus Ruuda, chief of the Public Relations department at the Ministry of Economic Affairs and Communications, told Natural Gas Europe.

Gasum noted in the statement that the Finnish gas market and its future outlook have changed “substantially” since 2008 when plans for the projects were drawn. Among the factors to be considered is fallen gas demand and lower gas consumption as a result. For many years, Finland and Estonia were discussing the site of a joint LNG import terminal of capacity of 2.5 bcm/year by 2015 in Inkoo (Finland) or Paldiski (Estonia), which would supply gas to the neighboring country through the Balticconnector gas pipeline. In March 2014, the countries finally agreed after missing a deadline to apply for EU financing on building two small-size LNG terminals on each side of the Gulf of Finland and to be connected by the pipeline by 2019.



As the two LNG facilities were not eligible for European funding, the countries resumed discussions and struck an accord on erecting a regional LNG terminal in November 2014. Gasum says it will continue pursuing active development of the Nordic gas market.

“In Finland there is demand for LNG, particularly among users outside the gas network and in transport, with LNG providing a competitive alternative to oil-based fuels. The Gasum subsidiary Skangas is constructing an LNG terminal in Pori, Finland, and Skangas is also a co-owner of the LNG terminal under construction in Tornio, Finland. The Pori and Tornio terminal projects will serve the growing needs of the market outside the gas pipeline network in industry, shipping and heavy-duty road transport. Additionally, the market for the biogas, which is 100 percent Finnish and renewable, is growing strongly and Gasum desires to be a forerunner in developing the market,” the Finnish company says on its website.

Gasum did not answer questions from Natural Gas Europe. An October 2nd statement by the Finnish Ministry of Employment and Economy Affairs states Finland will apply this autumn for EU subsidies for a gas pipeline between Finland and Estonia. The application deadline is said to be October 14th. For that purpose, a state-owned company will be established and empowered with the implementation of of the Balticconnector.

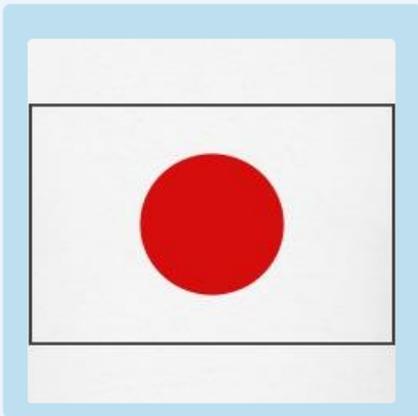
Minister of Finnish Economic Affairs Olli Rehn emphasizes that, when finished, Balticconnector will link Finland with European gas networks and make Finnish gas market competitive. “When completed, the Balticconnector pipeline will link Finland with European gas networks and open the Finnish gas market to competition. The project cannot be implemented without substantial European investment funding. To carry out the project, Finland will need 75 percent from the Connecting Europe Facility of the European Union,” Olli Rehn, Minister of Finland’s Economic Affairs, is quoted as saying in the Ministry’s website.

Approached by Natural Gas Europe, Mikhail Krutikhin, a co-owner of energy consultancy company RusEnergy, says neither country is in “necessity” of the pipeline. “Although Finland depends 100 percent on Russian gas, the supply is reliable and, importantly, cheaper than it would be from elsewhere. As far as Estonia is concerned, it does not feel any shortage of gas and the quantity it is getting fully satisfies its needs. They are pretty low, in fact, as the country does not use gas for electricity generation,” the gas market expert stated.

According to EU stats, Estonia is the least energy import dependent country of the 28 EU-member club but that roughly 10 percent of the Gazprom gas imports it continues to receive is a nuisance amid current geopolitical tensions. Estonia’s energy imports also come from the Lithuanian LNG terminal, around 20 percent of the total foreign energy supply.

Iran, Japan discuss relations to boost energy ties

AA Energy Terminal, 13.10.2015



Iran and Japan discussed bilateral relations, as Tehran hopes new ties with Japan will improve its oil and gas sector in the post-sanctions era, according to Iranian media. “I feel that there is a very bright future for relations between the two countries,” Iranian FM Zarif said after meeting with Japanese FM Kishida in Tehran, according to Tasnim News Agency.

“We had very good talks over the promotion of Iran-Japan relations, particularly in the era after the removal of sanctions,” he added. Kishida’s visit to Tehran is the second official visit by the Japanese minister to Iran in the last two years.

He was accompanied by a 23-member delegation which included directors from Japanese companies. “The post-sanctions era would prepare the ground for enhanced cooperation between the two countries in various fields, especially economic areas. That is why a delegation comprising of CEOs of major Japanese firms is accompanying me on this trip,” Kishida was quoted as saying by Tasnim.

In addition, Iranian Oil Minister Bijan Zangeneh emphasized the impact of new bilateral ties on Iran’s energy sector. He noted that Japan has agreed to increase Iranian oil exports to levels that existed before the sanctions, according to Iranian Press TV. “We expect Japan to resume its oil recovery activities from Iran to bring oil output to pre-sanctions levels,” Zangeneh said after the meeting with Kishida, according to Iranian Republic News Agency (IRNA).

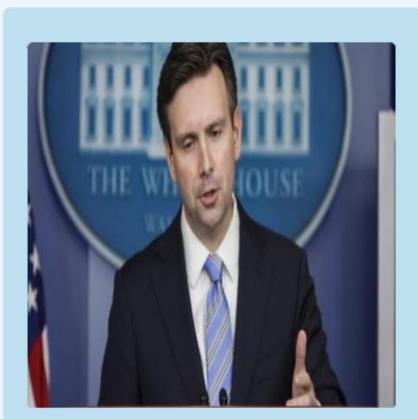
“Iran and Japan can cooperate in the petrochemical, refining, distribution and liquefied natural gas (LNG) sectors. Iran is prepared to consider bids by Japanese companies,” he added. While Japan is one of the top oil and natural gas consuming countries in the world, and the biggest LNG importer worldwide, Iran is trying to increase its oil and gas output and exports to revive its economy in the post-sanctions era. Zangeneh said that talks with representatives of Japanese companies are ongoing in this respect.

The oil minister listed other areas of bilateral energy cooperation; investing in Iran’s upstream projects, reducing gas flaring at Iranian oil fields, increasing energy efficiency in the country and LNG production, Press TV reported. The two countries have also agreed on an investment pact and on establishing an Iran-Japan cooperation council. This would enable Japanese investments to flow into the Iranian economy and its energy sector while keeping up with firms from other countries. This would also ensure that Iran would be able to benefit from Japanese technology and know-how.

After signing the final nuclear deal with the world powers P5+1 group on July 14, officials and trade missions from Germany, Italy, Japan, France, Austria, Spain and Poland have visited Tehran to establish economic relations and invest in Iran's untapped oil and gas resources.

White House: No decision on Keystone oil pipeline before December

AA Energy Terminal, 16.10.2015



There will be no decision made on the controversial Keystone oil pipeline before December, the White House said Wednesday. "There is this ongoing review at the State Department. And at this point, I wouldn't commit to a decision being announced prior to the beginning of December," White House spokesperson Josh Earnest said.

On Feb. 24, U.S. President Barack Obama vetoed the controversial pipeline to carry crude oil from Canadian tar sands to refineries in the U.S.' Gulf coast due to environmental concerns, while it is currently being reviewed by the U.S. State Department.

On July 8, the U.S. House of Representatives' Oversight and Government Reform Committee issued a subpoena to the U.S. Secretary of State John Kerry to provide all reports, recommendations, letters and comments received by the State Department on the permit of the controversial Keystone XL pipeline. "The Department has been uncooperative in the Committee's efforts to conduct oversight of the Keystone XL permitting process and has shown an unwillingness to recognize the Committee's legitimate interest in obtaining information," the committee's chairman and the U.S. Representative Jason Chaffetz said in a statement.

The U.S. Congress had approved the construction of the oil pipeline on Feb. 11, while the U.S. Senate, under its new Republican majority, had passed a bill to authorize the project on Jan. 29. However the vote fell five votes shy of clearing a presidential veto. To carry heavy crude oil from Alberta's tar sands through Nebraska and Oklahoma to reach the U.S. refineries on the Gulf coast, the northern extension of the pipeline, Keystone XL, would have brought the total capacity of the 2,150 mile-long (3,460 kilometers) pipeline to more than one million barrels a day, with the total investment reaching \$12.2 billion, according to its operator TransCanada.

US House votes to lift four-decade crude oil export ban

AA Energy Terminal, 10.10.2015



The U.S. House of Representatives voted to remove the 40-year-old self-imposed ban on U.S. crude oil exports. The House voted 261-159 in favor to lift the ban, while 26 Democrats joined the Republican cause.

“This is a major victory for the American people. Lifting the ban on crude exports will put Americans to work, enhance our national security, and lower gas prices,” Representative Joe Barton, said. “The House’s vote today to overturn the crude oil export ban is a strong step toward a more prosperous U.S. energy sector,” said Representative Henry Cuellar, a Texan Democrat, who co-sponsored the bill.

The U.S. Congress placed a ban on exporting domestically produced crude oil during the 1970s with a series of legislation after oil producing Arab nations’ embargo against the U.S. in 1973 threatened American energy security and revealed the country’s dependence on foreign oil resources. The House needed 290 votes to override a presidential veto as the White House said earlier that the U.S. President Barack Obama would veto any bill that would try to lift the ban.

The Obama administration said “legislation to remove crude export restrictions is not needed at this time,” adding the “Congress should be focusing on supporting the country’s transition to a low-carbon economy” by ending federal subsidies provided to oil companies and investing in wind, solar, energy efficiency, and other clean technologies. Obama also stated earlier that the U.S. is still a net importer country and lifting the ban would weaken government efforts to fight against climate change.

However, the House vote is a victory for oil producers in the U.S. that has been struggling with the glut of domestic oil supply and increasing storage costs. Producers also argue that lifting the ban would lower gasoline prices for American consumers and increase the U.S.’ capabilities to compete with Russian and Iranian oil in the global market. “Today’s vote starts us down the path to a new era of energy security, saving consumers billions and creating jobs across the country,” said American Petroleum Institute’s President and CEO Jack Gerard in a statement.

“American producers would be able to compete on a level playing field with countries like Iran and Russia, providing security to our allies and accelerating the energy revolution that has revitalized our economy,” he added. Meanwhile, petroleum refineries and some consumer groups in the U.S. are against lifting the ban, claiming that would increase domestic gasoline prices, lead to loss of jobs and put the environment under more risk. The largest private-sector union in the country, the United Steelworkers Union (USW), wrote a letter to the House lawmakers, stating that removing the ban would also put thousands of jobs in the U.S. refining sector at risk.



“At a time when our country and other key world nations are focused on reducing greenhouse gas emissions to combat climate change, lifting the crude oil export ban would only serve to hamper the U.S.’s efforts,” the letter read. “Instead of exporting pollution and good jobs to other countries, we need to reduce our dependence on foreign oil and improve the safety and health practices of the U.S. oil industry,” it added. The bill is expected to have a vote in the U.S. Senate later this year or early next year, as Republicans will try to attract more Democrats to pass legislation.



Announcements & Reports

► *MOMR October 2015*

Source : OPEC
Weblink : http://www.opec.org/opec_web/en/publications/338.htm

► *More Energy, Lower Emissions*

Source : OGC
Weblink : <http://www.oilandgasclimateinitiative.com/wp-content/uploads/2015/10/OGCI-Report-2015.pdf>

► *Natural Gas Weekly Update*

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

► *This Week in Petroleum*

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

Upcoming Events

► *European Shale Gas & Oil Summit*

Date : 15 - 16 October 2015
Place : Manchester - UK
Website : www.shalegassummit.co.uk

► *Shale Gas Summit*

Date : 26 - 27 October 2015
Place : London - UK
Website : www.shalegassummit.co.uk

► *Gastech 2015*

Date : 28 – 29 - 30 October 2015
Place : Singapore
Website : <http://www.gastechsingapore.com/>



Supported by PETFORM

► *Abu Dhabi International Petroleum Exhibition & Conference*

Date : 09 - 12 November 2015
Place : Abu Dhabi - United Arab Emirates
Website : <http://www.adipec.com/>



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Exhibition & Conference

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► *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>



17th Annual
**CIS OIL AND GAS
TRANSPORTATION
CONGRESS**

► *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/>

► *Atlantic Council Energy & Economics Summit*

Date : 19 – 20 November 2015
Place : Istanbul - Turkey
Website : <http://www.acsummit.org/>



► *Project Financing in Oil and Gas Conference*

Date : 23 - 24 November 2015

Place : London - UK

Website : <http://www.smi-online.co.uk/>