Oil & Gas Bulletin

▶ *20.11.2015*

Russia awaits new Turkish government to progress energy projects

AA Energy Terminal, *17.11.2015*

The Turkish government must ratify three urgent legislative regulations for the country's first nuclear power plant, Akkuyu, in the southern province of Mersin, Turkey's acting Energy and Natural Resources Minister Ali Riza Alaboyun said.

The regulations cover nature conservation namely olive groves in the region as well as coastal law on governing the handling of nuclear materials and guarantees for the purchase of energy from the Energy Market Regulatory Authority's (EMRA) as well as the licensing for sales contracts on energy from the plant.

"Russia wants to make progress on the Akkuyu Nuclear Power Plant project," Alaboyun told Anadolu Agency in an interview, adding that Russia already provided 3 billion dollars for the construction of the plant. Russia is waiting for the formation of a new Turkish government to pass through the relevant regulations to progress the project.

Turkey's first nuclear power plant at Akkuyu will be built in the southern province of Mersin on the Mediterranean coast by the Russian state atomic energy corporation Rosatom at a cost of $22 billion. It will have a life cycle of 60 years to produce about 35 billion kilowatt-hours per year. In addition to the Akkuyu plant, Russia also has several projects pending, including the Turkish Stream natural gas project which has not seen any positive development since it was agreed in December 2014.

The Turkish Stream natural gas project, which involves the construction of a pipeline consisting of two parallel lines from Russia to Turkey via the Black Sea, is a replacement to the former cancelled South Stream project. Turkey's President Recep Tayyip Erdogan and the President of Russia Vladimir Putin discussed energy relations between Turkey and Russia, during the bilateral meeting at the recent G20 summit in Antalya.

Alaboyun also underlined the issue of a third country's involvement in the Turkish Stream project, and emphasized that Russia should make a deal with countries like Greece in order to move forward with the project.

Expert: Turkish Stream gas project still on table

AA Energy Terminal, *17.10.2015*

The Turkish Stream pipeline project is still on the negotiation table, although the Nord Stream 2 natural gas project has drawn more interest from European partners, head of oil and gas at the Energy Research Institute of the Russian National Academy of Sciences in Moscow said.

Tatiana Mitrova told that Russia is examining all possible options to bypass Ukraine for natural gas transfer. "As soon as the Nord Stream was announced, West Europe began to show interest in the project. It became more realistic and the Turkish option probably became less desirable or at least it was seen it is not the only option on the table," Mitrova said.

The Nord Stream 2 project was announced on June 18, when Shell, Russia's Gazprom, Germany's E.ON and BASF along with Austrian OMV signed a memorandum of understanding for the construction of the project, to add two additional pipelines to the original Nord Stream project. The project is planned to have a 55 billion cubic meter capacity, which will run from Russia to Germany across the Baltic Sea.

The Turkish Stream natural gas project, which involves the construction of a pipeline consisting of two parallel lines from Russia to Turkey via the Black Sea, is a replacement to the former cancelled South Stream project.

"I don't think at any time will we hear about the cancellation or termination of the [Turkish Stream] project. There could be delays, or a reduction in capacity, but one or two lines are very probable," she said adding that the equipment from the first line of the cancelled South Stream project has been bought and paid for and is waiting in Bulgaria to be used in the Turkish Stream project.

"The investments for the South Stream, Turkish Stream are half complete. Now Gazprom has to pay only for the construction itself. That's it! It makes much more sense to build this pipeline rather than leave the pipes laying in Bulgaria without any application. It will be done, but is waiting for political negotiations between Turkey and Russia," Mitrova stressed.

Turkey will build the 265-kilometer part of the pipeline passing through in its own borders, while the section beneath the Black Sea will be constructed by Russia. The gas from the first line is completely designed for the Turkish market, while the remaining capacity is set to be carried to the Turkish-Greek border, where the creation of a gas hub is planned. Construction of the project was set to begin in June 2015, but the project is still under discussion.

Turkey, Japan resolute to boost cooperation

AA Energy Terminal, *14.11.2015*

Turkey and Japan reaffirmed Friday political will to boost their cooperation in bilateral relations including economy and trade, said Turkish President Recep Tayyip Erdogan.

Turkish President Recep Tayyip Erdogan and Japan's Prime Minister Shinzo Abe, who is in Turkey for G20 Summit to be held in Antalya, had a tete-a-tete meeting and appeared in a joint press conference in Istanbul "I had an inclusive meeting with Prime Minister Abe, we had the chance of discussing economy, trade between Turkey and Japan, especially what we can do in energy," said the president Recep Tayyip Erdogan.

Erdogan said Abe's visit was "the most concrete and powerful manifestation of the [political] will of the two countries, adding he also discussed regional issues and the G20 Antalya Summit. The summit is dedicated to increasing growth and creating jobs around the world.

With global growth expected at 3.1 percent according to the International Monetary Fund (IMF), the G20 will propose ways to stimulate economic activity and increase productivity. "I believe Prime Minister Abe's visit will further reinforce ancient friendship and solidarity ties between the two nations," Erdogan added.

Shinzo Abe, for his part, said the meeting aimed at deepening and empowering the strategic partnership between the two countries. Abe praised Turkey for "its role regarding issues in the Middle East", saying Japan wanted to contribute to peace and stability in the region. "Japanese and Turks are connected with strong ties, the two wings that assist the huge Asia continent from east and west," Abe added.

Turkey, Russia to hold Turkish Stream progress meeting

AA Energy Terminal, *09.11.2015*

Russia and Turkey will hold a meeting for the progression of the Turkish Stream natural gas project in December this year, according to Miller, CEO of Gazprom. "The top level strategic cooperation council between Turkey and Russia will be held and the project will be negotiated at an intergovernmental level in December," Miller was quoted by Tass.

The CEO said the project could be implemented within a short period of time given that Russia and Turkey have agreed that the pipeline via the Black Sea will run in the same corridor as the cancelled South Stream project which already has pipes in Bulgaria ready for assembly.

"Both routes coincide with each other two thirds of the way. Additionally, all testing and preliminary work on the South Stream project has already been carried out reducing the project time, and therefore, the timeline of the Turkish Stream implementation could be very short," he explained. The execution time of the project remains unknown, but Miller stressed that it is dependent on the sign off of the intergovernmental agreement.

Turkish gas price drop could be reflected to public

AA Energy Terminal, *15.11.2015*

Discount to the price of natural gas could be reflected to the public, if the arbitration cases with Iran and Russia are successful, Ali Riza Alaboyun, Turkey's acting energy and natural resources minister said.

Alaboyun noted that Turkey and Russia agreed on a price discount of 10.25 percent on natural gas that Russia exports to Turkey, but Russia never implemented this agreement which led to the topic being taken to arbitration court. Similarly, Turkey has taken Iran to arbitration court for a price decrease in natural gas. Alboyun expressed hope that the arbitration suit with Iran will be resolved in the near future.

"We will win the case in Iran because our hand is strong and our data is strong," he said."If the arbitration cases against Iran and Russia are won and low oil prices continue, a drop in natural gas price will be reflected to the public," he said. Drop in price is not reflected immediately, Alaboyun said but added that if the price of natural gas decreased in the second or third term, it would be implemented.

Turkey wants more than 10.25 pct discount from Russia

AA Energy Terminal, *13.11.2015*

Turkey wants to receive more than a 10.25 discount on natural gas prices from Russia, according to Turkey's acting Energy and Natural Resources Minister.

Ali Riza Alaboyun told journalists that at the G20 meeting in Turkey's Antalya, a meeting will be held between Turkish President Recep Tayyip Erdogan and Russia's President Vladimir Putin with Alaboyun in attendance also. "The bilateral talks are important for both countries' relations. However the meeting doesn't mean that there will be a signing ceremony for discount or the Turkish Stream project," Alaboyun said.

Alaboyun noted that Turkey and Russia agreed on a price discount of 10.25 percent on natural gas that Russia exports to Turkey, but Russia never implemented this agreement. "We wish to receive more than 10.25 percent discount. As you know we went to arbitration court for this case. This doesn't mean that we will have problems with Russia over gas flow. On the contrary, we are a reliable customer for Russia and they are a reliable supplier for us. I think our case will be strengthened with the result of the arbitration," he said.

Alaboyun explained that the fate of the Turkish Stream gas pipeline project which was announced in December 2014 has yet to be resolved. "We are not against projects like the Turkish Stream. However negotiations take time and it will take more time to make to clarify issues in the project. The question remains as to who will be responsible for the construction of the pipeline from Turkey to Greece? There are still uncertain issues," Alaboyun stressed.

Other uncertain issues remain in the deal on the supply of gas from Russian to Turkey via Ukraine. Turkey has an agreement for the receipt of Russian gas through Ukraine up until 2021. However, after 2019, Russia will not route its gas through Ukraine. The minister asserted that Russia has an obligation to supply gas to Turkey up until 2021 as per the agreement.

"Lately, we hear things from the Russian media about the halving of the Turkish Stream project and lately Novak's announcement about Russia's readiness for Turkish Stream negotiations, but there has not been any formal confirmation from Russia to us," he said.

Russia doesn't have Europe's guarantee for Turkish Stream project implementation

Trend News Agency, *17.11.2015*

Russia has no guarantee that European countries will agree to implement the Turkish Stream gas pipeline construction project, said Ali Riza Alaboyun, Turkish minister of energy and natural resources, according to Turkish Yenisafak newspaper.

"Turkey, in principle, has a positive attitude toward the Turkish Stream project, but Russia must not rush its implementation," the minister stated. Russia shouldn't expect early execution of the project to construct the Turkish Stream gas pipeline, Alaboyun had noted earlier. Alaboyun added that the project can't be realized within 9-10 months.

He also pointed out that negotiations on the construction of the Trans-Anatolian gas pipeline had been underway for three and a half years. He also noted that after the recent parliamentary election in Turkey, Moscow hasn't officially informed Ankara that it is ready to continue discussions on the 'Turkish Stream'.

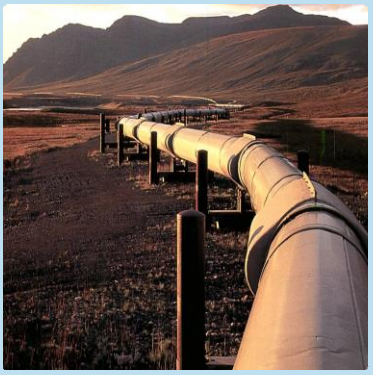
"We learned about it [Russia's willingness to continue talks] from the media," said Alaboyun, noting that along with the economic aspects, there are also political aspects of the 'Turkish Stream'. Earlier, a source in Turkish presidential administration told Trend that Ankara isn't in a hurry to implement the 'Turkish Stream' project, as currently it has more important priorities.

Earlier, Alaboyun said in an exclusive interview with Trend that the issue regarding the necessity of implementing the 'Turkish Stream' will be cleared up soon. Talks between Ankara and Moscow on realization of the 'Turkish Stream' have been brought to a halt. Earlier, Russia's Energy Minister Alexander Novak said Moscow stands ready to continue at any time the discussions on the intergovernmental agreement with Turkey on the 'Turkish Stream'. "We are ready to continue the discussions," he told reporters. "We expect our Turkish partners to form a government and the parties who will hold talks with us on the intergovernmental agreement." The Russian minister also recalled that, under laws, a government is to be formed in Turkey within a period of 45 days.

The 'Turkish Stream' project envisages construction of a gas pipeline from Russia to Turkey through the Black Sea. It was supposed that the pipeline will consist of four branches with the capacity of 15.75 billion cubic meters of gas each. The gas to be delivered via the first branch is meant completely for the Turkish market, while the rest of the volume will be delivered to the Turkish-Greek border, where it is planned to create a gas hub. It was also planned to start the pipeline's construction in June, however, the issue is still under discussion.

Turkey is favorite route for Iran's gas to Europe

Anadolu Agency, *18.11.2015*



Turkey still remains the preferred route for the transfer of Iranian gas in the post sanctions term to Europe despite other alternative routes available, according to Azizollah Ramazani, director of International Affairs of National Iranian Gas Company (NIGC) and chairman of the board of National Iranian Gas Export Company (NIGEC).

Ramazani told that Iran is currently looking for new markets to sell natural gas safely in the post-sanctions era. Iranian gas will play a stronger role in the region regardless of alternative energy sources, with Turkey being the preferred transfer route for gas to Europe, Ramazani asserted.

"Other routes could be through Iran-Armenia-Georgia and onto the Black Sea, or from Azerbaijan to Georgia to the Black Sea, or from Iraq, Syria, the Mediterranean and then to Europe. Another option could be to store natural gas as liquefied natural gas, despite the cost," he emphasized.

He added that Turkey is one of the best routes since Iran already crosses the country and could also supply gas to Turkey. "We strongly consider this option more than others," as Iran is technically and politically ready for this option, he said.

"We have the gas and infrastructure, and we are ready to deliver more gas to Turkey. Turkey is a big market; no country can supply all of Turkey's needs. In the next four to give years, Turkey will need 70 billion cubic meters of gas. This is a huge potential market which can be supplied partly by Russia and Iran," he stated.

As part of Iran's aim to expand its global natural gas markets, the country is looking at the large lucrative Chinese market. "Delivering gas as LNG via pipeline crossing countries like Pakistan, India and onto China is not a dream anymore," he emphasized. Ramazani declared that the main obstacle for the transmission of Turkmen gas to Europe is in its transfer across the Caspian sea.

"We think – in my opinion - that Iran still remains the better option to bring gas as a supplier to Turkey and finally Europe," he claimed. He explained that if there is cooperation between Turkmenistan, Azerbaijan and Iran, gas supplies from these regions can then be transferred feasibly and economically to Europe via Turkey.

Israeli energy minister expects majors to enter country's energy industry

Trend News Agency, *12.11.2015*

Yuval Steinitz, the Israeli Energy Minister already sees the light at the end of the tunnel when it comes to the approval of the long-awaited natural gas regulatory framework in Israel. In his opening remarks to Israel's 2nd Annual Oil & Gas Conference, Mr. Steinitz painted a rosy future for the Israeli natural gas industry the day after the framework is approved.

"I believe that in the middle of December this [the framework's approval process] will be over and 2016 will start with the natural gas framework fully in place, which means that immediately at the beginning or 2016 the sale of Karish-Tanin [gas fields] will go ahead," Mr. Steinitz said.

"The maximum length of time for the sale is 14 months, but it will happen much faster. Sale of some part of Tamar might take a bit longer." Mr. Steinitz said that he expects a speedy development of the Leviathan gas field since there is a commitment to do so, and it should be completed within four years, though he added "it is quite fast for such a big reservoir." As part of the framework, the expansion of the Tamar field will take place and the two small reservoirs of Karish and Tanin will be developed by a new operator.

Following those developments, Israel will launch a new round of tenders for exploration licenses in its territorial waters, in which new players, including energy majors, are expected to take part. In reference to the geopolitical situation in the region, Mr. Steinitz said that Israel has established a very good and tight cooperation with its neighbours Egypt, Cyprus, and Jordan. In the future, he expects Israel to expand its cooperation with Greece and Turkey. Cooperation between Greek Cyprus, Egypt, and Israel is already very strong, he emphasized.

Mr. Steinitz also said that it is clear there are good prospects for future huge hydrocarbon discoveries either in Israel or other neighbouring countries' exclusive economic zones (EEZs) in the Levant Basin.

Mr. Steinitz envisaged three options for natural gas export from Israel and the Eastern Mediterranean to Europe: either through the LNG facilities in Egypt, or in the case that another gas field as huge as Leviathan field is found, through the possibility of construction of a pipeline. That envisaged pipeline would transit gas from Israel to Cyprus and Greece and from there to other parts of Europe. "This is a very big and expensive project," Mr. Steinitz said.

In the conclusion of his remarks, Mr. Steinitz said that he expects major energy companies to enter the Israeli market, and since Israel is going to be an important player in the mid-east natural gas scene that it is imperative for energy companies to invest in Israel.

Iran has no plans to build a gas transfer pipeline to Europe

Natural Gas Europe, *17.11.2015*

Iran has no plans to build a gas transfer pipeline to Europe, said Alireza Kameli, managing director of National Iranian Gas Exports Company. Iranian gas is being exported to Europe in the form of LNG, Mehr news agency quoted Kameli.

Generally speaking, four to five thousand kilometres of pipeline would need to be established to transfer Iranian gas to Europe, he noted. Such a pipeline would entail construction and transit costs, as well, because it would pass several countries, he added. Iran will build a 1,850-kilometre cross-country pipeline from the South Pars field towards its border with Turkey, which is expected to cost $6 billion.

The Trans Anatolian Pipeline (TANAP) and Trans Adriatic Pipeline (TAP), aimed to transit Azerbaijani gas to EU, could be used to carry Iranian gas as well, but Iranian officials says the transit fees are high. Compared with exporting LNG, exporting via pipeline to European countries is not currently economically justified, Kameli explained.

“The prioritized policy is to start with southwest Asian countries, like India, China, Japan, and South Korea, which have higher gas consumption rates compared with European countries.” Rokneddin Javadi, the head of the National Iranian Oil Company, sees Iran joining the elite club of LNG exporters in the next two years.

Meanwhile, Iran’s deputy oil minister for international affairs Amir Hossein Zamaninia said in August that developing gas exports to neighboring countries is Iran’s foremost priority, as it helps deepen Iran’s relations with those countries. The official noted that Iraq can be among the major consumers of Iran’s gas, noting that in addition to Iraq, “Oman, Kuwait, the United Arab Emirates, Bahrain, Saudi Arabia, India and Pakistan will also need Iran’s gas.”

New Iranian oil is not needed, but neither is its gas in Asia and Europe

Forbes, *16.11.2015*

This isn't exactly what global oil markets need, more supply hitting already saturated oil markets. But that's what the market is going to get soon.

Iran is poised to start adding at least 500,000 barrels per day to global oil supply when the deal reached this summer to remove sanctions on the Islamic Republic's energy sector kick in early next year. Meanwhile, some think that Iran should be thinking more about natural gas than oil. Hossein Askari, told that Iran should focus more on gas exports than oil as the country is gifted with huge reserves of gas and the world is also embracing gas and renewable energies.

Askari said that Iran can't compete with Saudi Arabia in terms of oil exports even when the sanctions against the country are removed, noting that Iran's oil industry is in need of large investments. "If Iran is looking to boost revenues dramatically from oil sales, it will be disappointed," he said, adding that Iran's future is more gas than oil.

One has to wonder if Askari, an Iranian, was prompted by Saudi Arabia to make his comments. Saudi Arabia, as the world's top oil producer and OPEC's de facto leader, since OPEC's November meeting last year has protected its oil market share at all costs by not decreasing production, throwing down the gauntlet, not only at what the Kingdom must truly despise (upstart US shale oil producers) but also punishing other OPEC members, especially Venezuela, who is on the verge of financial collapse since the more than halving of oil prices since mid-June 2014.

Some reports claim that Venezuela is even selling gold as the government runs out of cash. Other OPEC producers have also been hit hard by Saudi Arabia's brilliant, but brutal policy of protecting market stance. The Saudis, with one of the lowest oil break-even points in the world, can more easily endure the current low oil price environment, others can not.

One could argue that Saudi Arabia at this point would like nothing better than stopping or impeding increased Iranian oil from hitting global markets. Will additional Iranian crude put even more downward pressure on oil prices? Yes. Will that cut into oil producers' coffers even more, Saudi Arabia included? Yes again. Will that stop Iran from ramping up production and securing oil sector investment (much of it Western) needed for even further production? No. Tehran has little choice.

As much as global oil markets need less supply while needing more demand, Tehran needs petro-dollars, even if it drives oil prices lower, perhaps dipping below $40 per barrel – something the country must surely understand as it prepares to push forward with increased exports.

Moreover, if Iran places its hydrocarbon hopes on gas, it will surely be disappointed. With an ongoing liquefied natural gas (LNG) supply glut underway that has seen prices for the super-cooled fuel fall by more than 60% in the Asia-Pacific region (which accounts for two-thirds of global LNG demand) since the start of last year, Iran's natural gas ambitions might have a hard time materializing, even if it focuses more on European demand as Askari suggests.

Most forecasts call for LNG markets to be awash in supply until the end of the decade amid more projects coming on-stream from Australia which will soon pass Qatar as the world's leading LNG producer in terms of total liquefaction capacity, the US (which will export first gas from Cheniere Energy's Sabine Pass terminal on the Gulf of Mexico in January), five more LNG projects under construction in the US, with other players, including Mozambique, to join the ranks of LNG producers by the end of the decade.

While European gas demand can help mitigate lessening demand in Asia, particularly from the world's two top LNG exporters, Japan and South Korea, respectively, China's gas demand growth is also taking a hit amid that country's economic slowdown. So much so, that Chinese state-owned oil major CNOOC recently offered its second LNG cargo secured under long term contract for sale on the spot market.

In addition, European natural gas demand should not keep Iranian energy planners up at night celebrating. A July report by Energy Post says that gas demand has consistently been overestimated by EU bodies in recent years. Gas demand in Europe is at its lowest since 1995, the reports states, while the possibility of lower future demand is hardly taken into account by planners. In light of these factors, the timing of sanctions being lifted from Iran's energy sector could not have come at a worse time – at least for global energy markets.

Obama allows US to continue buying Iranian crude oil

Azernews, *05.11.2015*

The U.S. President Barack Obama announced Wednesday that his country will continue to buy crude oil from Iran, a move that shows the Obama administration's commitment to the nuclear deal with Iran.

Due to its nuclear research program, the western powers, including the U.S., had imposed sanctions on Iran over the last decade which hindered its oil production and exports. In addition, the U.S. limited its private companies' crude oil purchases from Iran during the last 10 years. However, Obama said Wednesday that he will not make additional cuts to the U.S.' crude oil imports from Iran.

“My administration is not seeking further reductions of Iranian oil purchases,” Obama said in a presidential memorandum for the U.S. secretaries of state, treasury and energy, according to the White House. Obama noted that although there is sufficient supply of oil and oil products from other countries to permit a significant reduction in oil purchases from Iran, the U.S. president said he will not reduce his country’s oil purchases from Iran.

“In the Joint Plan of Action, the interim arrangement to address concerns with Iran’s nuclear program reached between the P5+1, EU and Iran in Nov. 2013, the U.S. committed to allow oil purchases from Iran to continue at the levels that prevailed at that time,” the memorandum read. “I will continue to monitor this situation closely,” he added. In fact, Obama’s move is mostly symbolic, and it shows his commitment to Iran nuclear deal that his administration brokered.

There is no need for the U.S. to import oil from Iran because of its domestic oil production that has risen since 2008, and its high level of crude imports from Latin American and other Middle Eastern countries. Since its shale revolution, the U.S. has almost halved its oil imports from overseas, from 12.9 million barrels per day (mbpd) in 2008 to 6.9 mbpd this past week, while domestic oil production increased from 5 mbpd to 9.2 mbpd during the same period.

Iran and the world powers P5+1 group -- consisting of the U.S., the U.K., France, Russia, China, plus Germany -- reached a final nuclear agreement on July 14 this year which aims to curb Tehran’s nuclear program in return for the easing of sanctions on Iran.

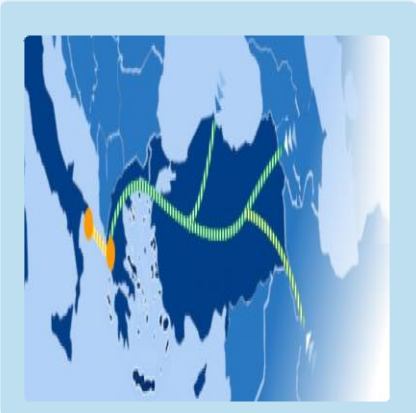
Due to its nuclear research activities, a series of sanctions were imposed on Iran that lowered its oil production significantly, from 3.6 million barrels per day (mbpd) before the sanctions to its current rate of 2.8 mbpd. In addition, Iran’s crude oil exports also fell, from 2.6 mbpd in 2011 down to 1.4 mbpd in 2014.

Before the sanctions, most Iranian crude was exported to China, India, Japan, South Korea and Turkey. However, Iranian Oil Minister Bijan Zangeneh said Tuesday that Iran is not interested in exporting its crude oil to the U.S. “Iran has never had any interest in exporting oil to the American market...since oil prices are lower [there],” he said, according to Iranian Republic News Agency (IRNA).

The minister added that Iran plans to increase its oil exports to the Asian market due to its proximity in the post-sanctions era, and stressed that his country is determined to gain back its share in the oil market.

The interconnector Greece-Italy is back on track - but for how long?

Natural Gas Europe, *18.11.2015*



At this stage, it's fair to say that the ITGI is an old project. First conceived around a decade ago, the pipeline project has at several points in its history been coupled with the South Stream project as a likely spur towards Italy from Greece.

Then the emergence of the TAP, which opted for its own direct route to Italy via Albania, put a temporary end to ITGI plans. ITGI has since been revived, mainly due to the possible introduction of the Turkish Stream pipeline project. The CEO of DEPA, Spyros Paleogiannis, remarked that Turkish Stream means it's game on for ITGI, a pipeline with a mature plan and studies already conducted for its viability.

The main problem so far for this pipeline has been the lack of substantial sources of gas. That is an issue that could be solved via the introduction of the Turkish Stream, Paleogiannis noted. DEPA has also drafted bold plans to link ITGI with future gas deliveries from Iran and from the East Med. project that aims to deliver Israeli and Cypriot gas reserves to Europe.

Concurrently, Greek media outlet Energy Press revealed that Gazprom's president, Alexey Miller, met with his counterpart from Italy's Edison, Bruno Lescoeur, to discuss possible routes to transfer Russian gas via the Balkans.

Despite that news, a well-placed source in the energy private gas sector in Athens informs Natural Gas Europe that the probability of sending Russian gas to Southern Italy, even if Turkish Stream is constructed, are slim. According to the source, the Russian political elite has placed heavy political capital on establishing the central Balkan route, also known as the Tesla pipeline, and it is economically not feasible to have another spur into Italy, unless Edison and other companies are willing to bind themselves into long-term contracting via this route.

Furthermore, while speaking at the same conference, Dimitris Mardas, the deputy Greek foreign minister added that Athens is fully backing TAP, but also East Med., IGB and Turkish Stream. According to Mardas, the country's aims are to diversify flows, ensure energy security, protect the consumer base, and establish a gas hub.

All the above projects have as a common denominator the willingness of the actual consumers, who are all situated in countries like Italy, to accept Greece's role as a transit route and as a pricing hub--a task that is not entirely practical judging by the current business and currency risk the country is facing, as well as purely geographical obstacles. ITGI, in particular, rests its chances of success on the willingness of the Italian side to assume a long-term responsibility to import large Russian gas flows through it. That necessity is contrary to the fact that Italy's main consumer needs are centred on the north of the country where it is better served via the Austrian hub.

The Tesla Pipeline route fits better around the Italian strategy and also the German one, despite Germany's recent commitment to the Nord Stream-2 extension. Iranian gas flows through Greece will have to deal with a Turkish-Iranian agreement and many other issues of a global geopolitical nature. The East Med. project is at too early a stage for a decision to be made about whether it's a project worth investing heavily in. That's before the ability or willingness of Israel to export into Europe is determined.

That's why, for the moment, there's a definite commotion around the ITGI issue. It's a commotion that rest outside Athens' control--partly due to the Russian-Italian situation and partly because we're still waiting for Turkey to conclusively agree to the establishment of Turkish Stream.

Is US liquefied gas capable of ousting Russian gas from European market?

TASS, *18.11.2015*

Liquefied natural gas from the United States will hardly succeed in ousting Russian fuel from the European market to any significant extent, but Gazprom will have to conduct a very flexible price policy anyway, experts believe. Their opinions of how real the related risks are vary a great deal.

The supplies of US liquefied natural gas to Lithuania are scheduled to begin in February 2016, and to the whole of Europe, by 2019. The overall amount is likely to exceed 60 million tonnes (84 billion cubic meters of gas), Reuters said. In the meantime, Russia's share of the European market is as large as 30%.

"True, the fear Russia may be faced with competition in the European gas market is justified to an extent," the Svobodnaya Pressa (Free Press) portal quotes the dean of the international energy business department at the Russian Oil and Gas University, Yelena Telegina, as saying. "Export development prospects are being implemented already and the supplies are scheduled to gain momentum by 2017. It is going to be a major challenge to the customary providers of gas by and large.

"True, pipeline gas for Europe is far less costly. But Europe has consciously opted for reducing the presence of Russia on its market. I believe that in this aspect politics are more important than economics. To my mind certain losses are unavoidable," she said.

"US gas is low-priced at home, but transportation costs would make it more expensive than Russia's pipeline gas, pegged to the price of oil," the chief adviser of the Russian government's Centre of Analysis, Leonid Grigoriev, said. "If Lithuania or any other country is prepared to pay more just for the sake of buying gas elsewhere, and not from Russia, this is not exactly what one calls a normal economy."

In relation to Russia's export interests these amounts will remain insignificant for the time being, Grigoriev said. Besides, Russia provides gas under contracts concluded for 10-15 years ahead, so all amounts will have to be consumed.

Russia has nothing to worry about for the time being, says Associate Professor Ivan Kapitonov, of the Russian presidential academy RANEPA. "It is anyone's guess if the rest of Europe decides to follow in Lithuania's footsteps," he told TASS. "Cardinal changes in the European market are very unlikely. We provide more than 150 billion cubic meters of gas. Let's imagine the United States provides another 20 billion. Gazprom's positions are unlikely to be seriously affected."

Research fellow at the Centre for World Energy Market Studies at the Energy Institute, Svetlana Melnikova, thinks otherwise. Risks for Russian exporters do exist and they will begin to materialize as early as 2016, she told TASS.

"The United States' first pilot project Sabine Pass is scheduled to deliver the first portion of liquefied natural gas. In all, the country will have five such gas production facilities with a total capacity of 84 billion cubic meters. A large share of future products has been distributed and contracted, with 30% percent addressed to the European countries, and 70% to Asian ones. But all of those agreements and calculations were based on higher prices of hydrocarbons in 2011-2014, when the price scissors between the US and European markets were at about $200, and between the US and Asia-Pacific markets, about $400.

In the current situation this price gap has been narrowing and US-provided gas no longer looks as lucrative as it used to be. According to our calculations performed on the basis of the Cheniere Energy company's methodology, in the current price situation all supplies of US gas to any of the target markets would be loss-making. For instance, 1,000 cubic meters of US gas is $70 above the average European price."

One should not rule out that US natural gas may begin to be sold at prices below production costs, Melnikova said. "It is important that the LNG projects' operators had sold gas to the European and Asian consumers in advance, thereby securing themselves against all price-related risks. Those who concluded such contracts in Asia and Europe and major international companies will have to bear the main burden of uncertainty. All amounts have been sold for 20 years ahead and what the consumers will have to do then is a big question.

If US liquefied natural gas begins to be traded below production costs, most probably it will get to the European market, where it will be competing with Russian, Melnikova believes. "As a result Russia will be forced to opt for a more flexible price policy. Whereas before it was possible to disregard the possibility of an extra ten to twenty billion cubic meters hitting the market, now this amount may prove tangible. Should it appear on the market, prices will start rolling down."

Nord Stream II: High hurdles?

Natural Gas Europe, *20.11.2015*

One of Europe's leading gas thinkers has poked some holes into the prospects of developing the Nord Stream II project.

In his presentation at an Atlantic Council event, Professor Alan Riley will point out that Nord Stream II, a joint project involving majority shareholder Gazprom, E.ON, OMV, Shell, Wintershall and Engie, is a threat to Ukraine, to countries in Central & Eastern Europe, to Western Europe, impacts EU energy policy, and affects the EU's policy on Ukraine. Additionally, the further development of Nord Stream, according to Prof. Riley, may not be in compliance with the EU's Third Energy Package, nor with EU antitrust laws.

"If Nordstream II is built and comes onstream in 2019," he explains, "allowed to use its full capacity of 55bcm, then Ukraine's transit revenues from Russian natural gas will be reduced to minimal levels - Ukraine will lose over $2 billion in revenues from transit flows."

Of the threat to countries in CEE, Prof. Riley says: "The prospect of reverse flow gas, i.e. Russian gas flowing to Germany via Nord Stream and then reverse flowed eastwards, is not particularly reassuring for CEE states or Ukraine. Ultimately, the CEE states and Ukraine are dependent on (a) German goodwill, and (b) Russia not attempting to manipulate gas flows to limit the amount of gas that can be deployed for reverse flow."

Moreover, he adds that Nord Stream II at full capacity will undermine market deconcentration and diversity in Western Europe, and impact European Union energy policy. Among several other aspects that threaten the project's completion, Prof. Riley notes that financing the building of Nord Stream to the tune of €10 billion is likely to be a major challenge for Gazprom. He says, "Even with partners such as Shell, the collapse in oil prices, plus the financial constraints for Gazprom in also being involved in the Power of Siberia and Turkish Stream will make financing difficult. There is also the issue of how EU and US sanctions will impact on Gazprom's capacity to fund the project."

U.S. and Russian gas exporters square up over Europe

Reuters, *17.11.2015*

The first export of U.S. gas to Europe will head for Lithuania, two industry sources say, a gesture to the Baltic states, reliant on Russia for supply, and the likely first shot in a price war over market share in Moscow's backyard.

The February delivery will be of U.S. LNG transported by sea to custom built terminals, challenging Russia's land locked pipelines, as producers turn from wilting Asian market to Europe. Europe has attained strategic importance for US, where companies have already invested $60 billion in building export schemes offered a lifeline by the continent's deep markets and dozens of under-used import terminals.

Talks are ongoing on the inaugural U.S. shipment, though Lithuania's state-run Lietuvos Energija wants a discount to Russian piped deliveries, one source said. With U.S. exports set to top 60 million tonnes/year in 2019, EU regulators see LNG as the solution to rising Russian market dominance as they challenge the legality of Russia's Gazprom's pipeline strategy.

The European Commission says it will also scrutinise Gazprom's planned Nord Stream pipeline expansion to Germany which is part of the company's plan to boost European sales by offering gas direct into freely-traded markets. But for all the Commission's LNG enthusiasm, analysts and utility sources are split over how much U.S. gas will reach Europe.

"If you have massive U.S. LNG building up in 2017 and 2018, new Australian supply and Qatar - this means lots of LNG into Europe, at that point Russia will have to fight," senior gas analyst Thierry Bros of Societe Generale said.

The question is whether Gazprom will defend market share by upping output and lowering prices or by restraining production, as it did during the last gas market glut in 2008-2009, and waiting for prices to recover, Stephen O'Rourke, director of gas research at Wood Mackenzie, said.

He said Gazprom would need to bring spot gas prices below $4 per million British thermal units (mmBtu), versus around $5.65 per mmBtu now, to shut Europe off to U.S. imports - a level Goldman Sachs expects could be reached by 2018/2019. Ukraine, which could lose its role as the main transit route to the EU if Gazprom pulls off its Nord Stream expansion to Germany, says Gazprom is well-placed to fight off rivals.

Western sanctions against Moscow over its annexation of Crimea and war in eastern Ukraine may delay but will not thwart Russian gas expansion in Europe, Ukraine's grid operator Naftogaz Ukrainy said in a letter, seen by Reuters, to the European Commission. Gazprom declined to comment on strategy.

Flattered by a weak rouble, its production costs have shrunk while profits on dollar-denominated sales of gas to Europe have soared, making the producer more resilient to lower prices. It is also sitting on huge new reserves and has spare pipeline capacity with which to boost exports.

But faced with more U.S. gas as well as low-cost Qatari LNG, a report by the Russian Academy of Sciences says “price dumping” will erode Gazprom revenues. U.S. LNG’s edge has already been blunted by plunging oil prices that make new Australian supply preferable to Asian buyers, who are gradually offloading their U.S. commitments in Europe.

Even if Russian gas retains its sway in Europe, the coming of U.S. LNG has already changed behaviour. Gazprom held its first public auction for spot gas supplies in October, a U-turn on previous policy built around sticking with long-term deals. It now plans to launch gas auctions next year for the Baltic region - which happens to be the first landing point of new U.S. LNG.

Lithuania: LNG export talks with Cheniere not over yet, price must be right

Natural Gas Europe, *20.11.2015*

Although several international sources hurried to announce Lithuania will be the first European country to receive tentative delivery of US LNG, with the first arrival of the cargo ostensibly scheduled for February 2016, Lithuanian official sources told this cannot be confirmed yet as negotiations between Lietuvos Energija and Cheniere Energy are not over yet.

“That the United States will start delivering liquefied natural gas to Europe in the beginning of the new year is something all agree on, but to tell at this point that it will be directed to Lithuania as early as February next year is a little bit too premature (to say), as the negotiations are not over yet.

Lithuania’s primary concern meanwhile is securing a competitive price of the US gas in the negotiations,” Mantas Dubauskas, advisor to Energy Minister Rokas Masiulis, told Natural Gas Europe.

Some Lithuanian sources who did not want to be identified speculated that Lithuanian MEP Antanas Guoga, who recently hosted an LNG export-focused event organised by Natural Gas Europe and Geopolitika at the European Parliament in Brussels, may have hastened to call the possibility of the US LNG exports as “a desired outcome” (of the negotiations). Russian and Greek news outlets were among the first to have reported that a US vessel with LNG cargo will be mooring at Lithuania’s Klaipeda-based FSRU “Independence” in February.

A source at Lietuvos energija also suggested to “have some patience,” refusing to speculate on the start of US LNG export to the Baltics. “Lithuania is on the list of the potential US LNG receivers, especially that in the Klaipeda facility we have the required technical capacities to accommodate such kind of cargo. But as I said, our primary concern now is securing a competitive gas for the US gas,” the advisor reiterated.

Lithuania is now bound by a five-year LNG supply contract with Norway’s Statoil, but as the Baltic country struggles to find buyers for the expensive Norwegian gas and deals with severe surplus gas, the Baltic country’s government does whatever it can to turn things around.

A group of Lithuanian legislators asked government to renegotiate LNG gas supply terms with Statoil and extend time period for commissioned gas from it. Lithuania’s Litgas, a state-owned gas company, signed a 5-year contract with Statoil in 2014 to buy 540 mcm/year of gas at price pegged to the UK LNG exchange, National Balancing Point.

Lithuanian authorities had tried to approach Norway’s Höegh LNG from which Lithuania leases for 10 years the Klaipeda-based FSRU Independence with the request to allow buy out the vessel ahead of the scheduled time, but the lease-holder has refused to negotiate it.

Reportedly, Lithuania uses only third of the Klaipeda LNG terminal capacity, at 3 billion cubic meters of gas now. With the gas consumption sharply decreasing in the Baltic country, the burden of the LNG infrastructure support is a major headache for the Lithuanian government. Lithuania pays Höegh LNG approximately 60 million euros yearly for the jetty lease.

Aiming to cut LNG terminal operational costs, Lithuanian Parliament has amended this week LNG Terminal legislation which from now on requires all gas consumers to help support LNG infrastructure in the country. The amendments will allow Lithuania to re-sell liquefied natural gas both on the local gas exchange GET Baltic and international spot markets.

The legislative changes were also necessary for Lithuania to push forward long-sought Lithuanian gas export to neighboring Latvia, but a Latvian court’s ruling this week to satisfy Latvijas Gaze’s request to temporarily halt Lithuanian gas deliveries to Latvia is a setback to the plans.

Lithuania’s Litgas signed a master trade agreement with Cheniere Energy last February. Litgas also signed a memorandum of understanding with Delfin LNG, the first offshore floating natural gas liquefaction project in the United States.

It is estimated that LNG projects being developed in the US may increase the output of liquefied natural gas by 30 billion cubic meters annually by 2018, which accounts for around 10 percent of the current global LNG market. By comparison, three Baltic countries of Estonia, Latvia and Lithuania consumer roughly 4 billion cubic meters of natural gas yearly.

State of the Energy Union raises doubts despite careful political process

Natural Gas Europe, *19.11.2015*

Vice President of the EC in charge of Energy Union Maroš Šefčovič presented the first State of the Energy Union, which raised doubts over the ability of European authorities to tackle fast-changing risks, while underlining the strength of the European approach - Brussels is increasing its efforts towards a pan-European energy strategy through strong engagement with stakeholders and member states.

"In 2016 we are laying foundation for a robust mechanism, while in 2017 we will come with a proposal anchors mechanism into legislation," Šefčovič said, adding that European Parliament will play a role creating Energy Union.

The European Commission and Šefčovič want to increase accountability, keeping track of the progress in the last nine months in the energy sector. On the other hand, this methodologically solid approach decreases the scope for a knee-jerk reaction. Experts unanimously told Natural Gas Europe that Šefčovič's intervention showed that there is "little progress."

For example, the Commission did not release its LNG Strategy, which is now expected in February 2016. This is likely due to unprecedented difficulties the European Union is facing at the moment.

Šefčovič explained that geopolitical risks are slowing down diversification efforts. These complexities are likely to have played a role in the European Commission's decision to reduce the scope of its actions. With respect to the first list, the executive body of the European Union took 53 projects away from the second list of Projects of Common Interests (PCI). The PCIs are now 195 projects (from 248), showing Brussels' intentions to increase its focus.

Šefčovič's priorities seem to be three. First, the EU is looking at the low-carbon economy both as a constraint and as an opportunity. "There is a road to Paris, but there is also a road from Paris, and also on the road from Paris, the EU should continue to lead the way," Šefčovič commented.

Brussels wants to do so mainly giving the right price signals. According to Šefčovič, the European Commission will soon come up with a proposal on the redesign of the electricity market, while working on the Effort Sharing Decisions in the non-ETS and developing financing instruments more suitable at the local level.

Second, Brussels wants the energy transition to be consumer-centred, through a mix meant to increase transparency and incentivise citizens' active participation. "Next year, we will present a proposal with a huge potential impact: the one on redesigning the electricity market, meant to facilitate demand-response and reward active participation in the market," Šefčovič said.

Third, the European Commission underlined the importance of dealing with geopolitical uncertainties and third countries. “We have to keep pushing for the diversification of energy sources, routes and suppliers, through an ambitious LNG Strategy which we will present in February” reads a document published by the European Commission quoting Šefčovič.

Unveiling his 16-page State of the Energy Union, Šefčovič also spoke of a “first guidance to Member States.” The European Commission did indeed publish fact sheets for each member state.

Results are probably far down the road: the State of the Energy Union shows that the intentions are there, but results are difficult to achieve. As experts unanimously told Natural Gas Europe, “it is time for action and legislation.”

An additional source of complexity has to do with timing. Being announced less than a month away from the COP21, the European Commission had to stress the need to go green. However, it did not mention clear parameters to measure this transition.

All in all, according to experts speaking with Natural Gas Europe, the documents released on Wednesday are mainly political in nature. As Commissioner Šefčovič explained, they do not include binding laws.

The Energy Union is one of the European Commission’s ten priorities, and it is one of the main projects to promote common goals, and stronger unity. Doubts over the entire process are natural, and difficulties related to striking a fair compromise are evident.

Nonetheless, despite its shortfalls, the EU’s attempt to increase transparency should be praised. The task to realise an Energy Union is daunting. The political process is, at the same time, cautious in the approach and ambitious in scope. It is giving some sign of change, while avoiding major mistakes that could add to an already difficult political situation in Europe. The slow speed is a logical consequence.

Informal agreement between Italy, Malta on moratorium offshore Sicily

Natural Gas Europe, *09.11.2015*

A new chapter has opened in the relations between Italy and Malta: Rome and Valletta agreed “informally” to suspend oil drilling in the Southeastern area of Sicily where the respective claims are overlapped.

The political commitment given by the two Countries allows to glimpse prospects for resolving their long standing dispute on the delimitation of the continental shelf (CS) as well as expresses the always excellent level of their bilateral relations. The agreement must be however followed by the formal delimitation of the maritime boundary. Moreover there is a third party concerned to be considered:

Libya, whose continental shelf borders the hypothetical limits of both Italy and Malta’s CS. In 1970 Italy and Malta entered in a provisional arrangement (Modus Vivendi through exchange of letters) concerning the delimitation of the CS between their opposite coasts (North Malta and South Sicily), within the 200 metre isobath. To this aim, a short stretch of an equidistant line was adopted.

The Italian aspirations to reach a final settlement were however disregarded. Some years later Malta unilaterally opened to research a wider area of CS extending beyond the 200 metre isobath. The limits of this claimed zone were shown in a map presented in 1981 before the International Court of Justice (ICJ) to support Malta’s request to intervene in the Tunisia/Lybia Case.

In the meantime, not only did Malta not enter in negotiation with Italy, but tried also to delimit with Libya an area claimed by Italy, South-East off Sicily, requesting the ICJ to do so. To avoid this, Italy intervened in 1985 before the ICJ in Malta/Libya Case asking the Court take note of its own interest eastwards from the meridian 15°10’. The ICJ indirectly accepted the Italian thesis since, in its judgment, established that the two Countries had to “confine itself to areas where no claims by a third State exist, that is to say, the area between the meridians 13” 50’ E and 15” 10’ E”.

After this Judgment (under which Malta and Libya signed on 10 November 1986 a delimitation agreement) Italy and Malta continued unsuccessfully their negotiations while in the meantime, they sent each other several verbal notes of protest over the disputed area.

Finally Malta presented a proposal for joint exploration with Italy in eastern disputed CS zones. Italy accepted but underlined that implementing it was not possible without a prior definition of areas of respective jurisdiction.
So Italy, as a precondition of such negotiation, approved the Ministerial Decree of December 27, 2012 extending the Research Zone “C” to South-East part of the Italian continental shelf of the Ionian Sea between the 15°10’ meridian (according with the said 1985 Judgment of the ICJ) and the arch of the parallels and meridians lying within the Italy-Greece boundary line.

The negotiations for a joint exploration agreement failed because Malta granted licence to Heritage Oil Company aiming, as reported by Maltese media, to drill a well in Area 2 and 7, including the Medina Bank, which “is considered to have the highest potential of oil discoveries due to its close proximity to massive offshore fields belonging to Libya and Tunisia”. The same area partially falls on the hypothetical Italian CS as well as on that one claimed by Libya.

Italy protested affirming that “no unilateral actions shall be taken by Malta and Italy on the disputed area”. Accordingly, on the base of their excellent neighbourly relations, the two Countries informally agreed, at political level, to stop granting oil drilling licences in the disputed area, until a positive solution will be reached.

Such an arrangement amounts to a moratorium, i.e. a sort of provisional confidence building measure aiming to reduce the diplomatic friction on CS disputes, in the spirit of Art. 83, 3 Unclos, under which the States concerned “shall make every effort to enter into provisional arrangements of a practical nature and, during this transitional period, not to jeopardize or hamper the reaching of the final agreement. Such arrangements shall be without prejudice to the final delimitation”.

Solving the maritime boundary disputes is essential for the blue economy as well as the energy security (both concepts are part of European Union long term strategy on growth and jobs). As matter of fact, investors refrain from financing offshore activities in disputed area of CS in order to avoid litigation. In this regard, the “cease and desist” 2008 warning letter that Libyan Government sent to Heritage Oil Company for oil drilling license obtained by Malta on areas 7 of the CS should be remembered.

Since Italy and Malta need for the growth of their economy, to develop the offshore industry, it is evident that the two Countries have no alternative but to enter in constructive negotiations, to be conducted in good faith and with the genuine intention of achieving an equitable solution. Otherwise, If no agreement could be reached within a reasonable period of time, the settlement of the dispute should be assigned to an international court or tribunal having jurisdiction under Unclos, Art. 287.

We should not forget, however, that Malta claims a boundary based on strict equidistance, even though such a line does not comply with the principle of customary law that requires taking into consideration “relevant circumstances” (such as the proportionality of the relevant coasts surrounding the area to be delimited) in order to adjust the theoretical equidistance line.

Needless to say, finally, Italy and Malta should jointly inform Libya, as a third state concerned, of their intentions and initiatives on boundary delimitations. This is a friendly step even more necessary given that the energy security of Libya, as affirmed by UN Security Council in several Resolutions, is a key element for maintaining territorial integrity and security of the Country.

Tesla, Eastring included in European Commission's PCIs

Trend News Agency, *18.11.2015*

Tesla and Eastring gas pipeline project have been included in the EC's updated PCIs list. Tesla is a proposed gas pipeline with a length of 1,300-1,400 km and the estimated capacity of 27 bcm, which is designed be laid from Turkey across Greece, Macedonia, Serbia, Hungary, ending in Austria.

Eastring is a pipeline project which proposes to connect the existing gas infrastructure between Slovakia and Romania/Bulgaria. Eastring will transport natural gas from different areas and alternative sources – in its first stage it will provide the Balkans and/or even Turkey with gas from the European gas market.

In its final stage, when its bi-directional mode should be in place, Eastring will transit prospective Romanian Black Sea natural gas, Caspian and Middle East natural gas to Europe. The European Commission adopted on November 18 a list of 195 key energy infrastructure projects, known as projects of common interest, which will enable the gradual build-up of the Energy Union by integrating the energy markets in Europe, by diversifying the energy sources and transport routes.

A budget of 5.35 billion euros has been allocated to trans-European energy infrastructure under the CEF from 2014-2020, helping projects of common interest to get implemented faster and making them more attractive to investors, the report said. The list of projects is an update of the PCI list adopted in October 2013. The list includes 108 electricity, 77 gas, 7 oil and 3 smart grids projects.

Since the adoption of the first PCI list in 2013, 13 projects have been completed or will be commissioned before the end of 2015. Furthermore, some 62 projects are expected to be completed by the end of 2017. The list of PCIs is updated every two years with the aim to integrate newly needed projects and remove obsolete ones.

Expert: Diversification key to Europe's gas independence

AA Energy Terminal, *19.11.2015*

Diversification of natural gas sources will bring Europe competitive capacity and independence from Russian natural gas, according to Adnan Vatansever, nonresident senior fellow of the Eurasian Energy Futures Initiative at Atlantic Council.

Europe's gas dependence on Russia is based on the lack of alternatives and its non-diversification of sources, rather than Moscow's new projects and pipelines, Vatansever told. Vatansever noted that Europe's dependence on Russian gas may subside only with new gas resources such as LNG and new gas imports from countries other than Russia.

Turkey imported around 30 billion cubic meters (bcm) of natural gas from Russia and 10 bcm of gas from Iran in 2014, while it consumed around 48 bcm for its domestic market. Europe imports around 30 percent, 150 billion cubic meters, of its total gas consumption from Russia every year, while over 40 percent of this amount is transmitted via Ukraine.

There are many projects that European countries and Turkey are developing on the energy field to reduce gas dependence on Russia. One such project is the Trans Anatolian Natural Gas Pipeline (TANAP) which will begin to carry 16 bcm of gas from Azerbaijan via Georgia. While Turkey will use six bcm of this gas for its domestic consumption, 10 bcm will be exported to Europe. The project's capacity is planned to reach 23 bcm by 2023 and 31 bcm by 2026.

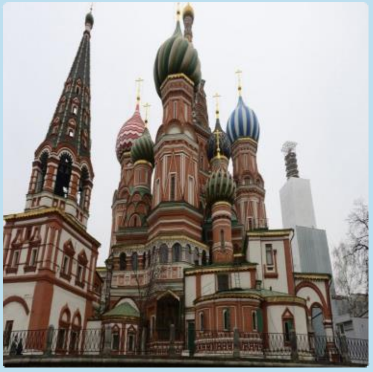
In the Baltic region, countries are constructing electricity links connecting to each other in projects including the Litpol Link - an interconnection between Lithuania and Poland. Lithuania also constructed an LNG terminal in its third city of Klaipeda to reduce dependence on Russia.

The Klaipeda LNG terminal began operations in December 2014 and its capacity, which is currently 2 billion cubic meters (bcm), could increase to 9 bcm. The Baltic country imports 0.54 bcm of natural gas per year from Norway's Statoil via its LNG terminal, which covers around 18 percent of Lithuania's total consumption. Lithuania's annual natural gas consumption in 2014 was around three bcm.

The Turkish Stream natural gas project, which involves the construction of a pipeline consisting of two parallel lines from Russia to Turkey via the Black Sea, is a replacement to the former cancelled South Stream project.

Lifting Russian sanctions on Europe's agenda after Paris

AA Energy Terminal, *18.11.2015*



The terrorist attacks on Paris could force Europe's hand to remove sanctions on Russia, which in turn could raise its energy production and investments, experts discussed at the Atlantic Council's Energy and Economic Summit.

Speaking at the seventh annual Atlantic Council's Energy and Economic Summit in Istanbul, Ana Palacio, member of the Spanish Council of State and the former Minister of Foreign Affairs of Spain, hinted at the possibility of lifting sanctions on Russia in return for Moscow's cooperation against Daesh in Syria, and called for a stronger U.S. presence in the Middle East for the security of Europe.

"Russia has taken the narrative of perception of reactions to those terrorist attacks," she said, adding "sanctions against Russia will be reviewed" referring to the aftermath of the attacks on Paris last Friday by Daesh militants which took the lives of 129 people. "There has to be some kind of a rapprochement with Russia," Palacio said.

Friedbert Pfluger, a nonresident senior fellow of the Atlantic Council, advocated for the lifting of sanctions against Russia in return for Moscow's assistance in Syria, and emphasized that energy is a significant factor for stable relationships between Russia and Europe.

"Russia has enormous resources of energy, and we [the western powers] need to find a compromise," he said, and expressed his lack of faith in sanctions as a western strategy on Russia by saying "Sanctions, and pressing on Russia, are false." Pfluger stressed that energy partnership was one of the stabilizing factors in the relations between Russia and Europe in the last years of the Soviet Union, "Even in the worst times with Russia, energy relations were reliable," he said.

Europe imports around 30 percent of its total gas consumption, 150 billion cubic meters, from Russia every year while over 40 percent of this amount is transmitted via Ukraine. However, due to the unrest in Ukraine, European powers and the U.S. have imposed sanctions on Russia last year, limiting Moscow's ability to seek investments for its energy sector in European banks and curbing the imports of technological equipment and know-how for its energy industry from western companies.

Adnan Vatansever, a nonresident senior fellow of the Eurasian Energy Futures Initiative at Atlantic Council, stressed Russia's energy future depends on the removal of sanctions on Russia. "Sanctions make energy production and investments in the Russian energy sector difficult," he said. Noting that half of the Russian federal revenues depend on oil and gas exports, he said Russia rose from a serious economic crisis in the 1990s.

However, now with low oil and gas prices, Vatansever said that “energy-source growth was not sufficient for Russia. The oil sector had underinvestment for two decades, while 87 percent of oil production comes from old [oil] fields,” he said. If sanctions on Russia are removed, Moscow will be able to acquire capital from western institutions to invest in its energy sector, some of which will be exported to Europe for its consumption.

New UK energy policy to be secure, affordable and clean

AA Energy Terminal, *18.11.2015*

The U.K.’s newly announced energy policy prioritizes supply security, affordability for the customer and clean energy sources, Amber Rudd, the energy and climate change secretary, announced.

Rudd set out her vision for the country’s energy system with policy priorities and the strategy to put them into action. “We want a consumer-led, competition focused energy system that has energy security at the heart of it and delivers for families and businesses,” Rudd said. “Energy security provides the foundation of our future economic success. It is the top priority,” she added.

In order to diversify sources in the energy mix and increase energy security, Rudd said that they are encouraging investment in shale gas exploration to add “new sources of home-grown supply to our real diversity of imports.” She underlined the importance of closing coal-fired power stations, which she aims to do by 2025, to increase the share of clean energy.

“One of the greatest and most cost-effective contributions we can make to emission reductions in electricity is by replacing coal-fired power stations with gas,” she said. She also explained that nuclear power had a central role in the U.K.’s energy future but it needs to be affordable. “It is safe and reliable. The challenge, as with other low carbon technologies, is to deliver nuclear power which is low cost as well,” she added.

Rudd revealed plans to construct a number of nuclear plants to avoid making “the mistakes of the past and just build one nuclear power station.” “There are plans for a new fleet of nuclear power stations,” she said and added that this gives the country the chance to explore new opportunities like small modular reactors “which hold the promise of low cost, low carbon energy.”

“We should also support the growth of our world leading offshore wind industry,” Rudd urged. She announced the government’s commitment to making funding available for the wind sector only if “the government’s conditions on cost reduction are met.” “On current plans we expect to see 10 gigawatts of offshore wind installed by 2020,” she revealed.

Rudd reiterated the government's dedication to acting on climate change and reducing emissions. "Our most important task is providing a compelling example to the rest of the world of how to cut carbon while controlling costs," she said.

Russia, Europe interdependent for conflict resolution

AA Energy Terminal, *19.11.2015*

Without Russia's contribution, a solution to the Ukrainian crisis, the Syrian crisis and the fight against terrorism cannot be found, according a professor of international relations at King's College London and a nonresident senior fellow of the Atlantic Council.

"We [Europe] can continue as we have done in the last months against Russia, but that means more conflicts, problems and dangers of war with nuclear powers. We have so many problems in the world that we can only solve them with Russia, including Syria and in fighting terrorism," Friedbert Pfluger told.

"Russia has enormous resources of energy, and we [the western powers] need to find a compromise," he said, and expressed his lack of faith in sanctions as a western strategy on Russia. Pfluger asserted that Europe needs Russian energy for the foreseeable future, as Europe imports around 30 percent, 150 billion cubic meters, of its total gas consumption from Russia every year, while over 40 percent of this amount is transmitted via Ukraine.

"We can try everything to reduce the dependence [on Russia energy] and we should. But at the end of the day, Russia as a main supplier of resources, raw materials and energy, will remain a partner," Pfluger stressed. Similarly, he argued that Russia needs Europe.

"It has a lot of energy, but it doesn't have a modern economy. It needs technology and Western investments, so there is interdependence. We both need each other to solve conflicts in this world through a new approach."

US Energy Minister: World well stocked for oil

Natural Gas Europe, *12.11.2015*

The realistic outlook for the global oil sector is that it will remain well supplied with oil as long as there are no major geopolitical disruptions, the U.S. minister of energy said.

Ernest Moniz, the U.S.'s energy minister stated oil price projections are always very risky propositions because prices can suddenly change on global terms. "We know that there are some difficult issues right now in areas that are very important for oil. Now, if there are no major disruptions and we hope there will not be, the prospect is that right now the world looks pretty well supplied with oil," Moniz added he foresees this will be the case in the next few years also.

"Energy Information Administration (EIA) projects stable prices for oil for the next several years," Moniz said. Moniz affirmed that countries made a good start with their Intended Nationally Determined Contributions, in their efforts to transition into clean energy and in their battle against climate change.

Countries across the globe committed to create a new international climate agreement to be concluded at the U.N. Framework Convention on Climate Change (UNFCCC) Conference of the Parties (COP21) in Paris in December 2015.

In preparation, countries have agreed to publicly outline what post-2020 climate actions they intend to take under a new international agreement, known as their Intended Nationally Determined Contributions (INDCs). The INDCs will largely determine whether the world achieves an ambitious 2015 agreement and is put on a path toward a low-carbon, climate-resilient future.

However, Moniz insisted that this is not enough and said, "We have to keep increasing our ambition, what we hope will come out in Paris is also the agreement in terms of how and when the commitments by different countries will be renewed with more ambition," Moniz underlined.

He also stated that the use of new technologies will be the basis for countries to make even more ambitious targets in the future. "So I expect that including at the leader level, we will see a very strong emphasis on innovation from many key countries including the U.S.," said Moniz. Speaking on behalf of his country's targets in renewables, he said that his government is helping the growth of solar power by providing loans for such projects, while wind power is also growing in the U.S.

"We have more than 20 projects being built, each above 100 megawatts just for solar. This is all going forward. So we are going to keep pushing in the innovation agenda very very hard but our deployment is already quite strong," Moniz pointed out. He asserted that his country's strategy towards a low-carbon energy will be aggressively maintained.

US senator links lifting oil export ban to highway bill

AA Energy Terminal, *13.11.2015*

The Republican Senator John Hoeven of North Dakota called for removing the 40-year-old self-imposed ban on U.S. crude oil exports by linking the issue to U.S. highway funding bill.

"Lifting the U.S. ban on crude oil exports will benefit not only our nation and our allies, but also North Dakota," Hoeven said. "That's why I am working to include legislation lifting the ban in the new highway bill that Congress is on track to pass," he added. A group of U.S. senators proposed a highway transportation bill on July 21 that would be partially funded by selling some of the country's Strategic Petroleum Reserves, which stands at 695 million barrels at the moment.

Some lawmakers in the U.S. Congress proposed on Oct. 27 to sell 58 million barrels of crude oil from the country's SPR between 2018 and 2025, which would generate revenues for the country's budget. Sen. Hoeven defined the bill as "a must-pass legislation" and added "it will be hard for the president to veto, and the benefits of allowing crude oil exports are multiple."

The U.S. President Barack Obama had said earlier that he would veto any bill that would try to lift the ban, and urged the U.S. lawmakers to focus on clean energy initiatives instead. However, the oil price slump and OPEC strategy not to trim its output have put U.S. oil producers in a difficult position to see a return of their investments.

Although lifting the crude export ban in the current low price environment may not maximize benefits for the producers, it could give them enough breathing room to gain capital and raise investments to maintain their oil production levels.

"The drop in the price of oil this year has slowed domestic production, but the dedicated workers and companies in the Bakken continue to produce oil because they are resilient and innovative...Crude oil exports will increase revenues and boost overall economic growth," Sen. Hoeven said.

The U.S. state of North Dakota, which is home to Bakken formation that has rich oil and gas reserves, produces more than one million barrels of oil per day -- the second highest among the U.S. states after Texas, and larger than even some of the OPEC countries. "We finally have an opportunity to curb the disproportionate influence OPEC has had on the world oil market for five decades, and we should take it," the senator said. When oil producing Arab nations had put an embargo on the U.S. in 1973, this threatened American energy security and revealed the country's dependence on foreign oil resources. Thus, the U.S. Congress had placed a ban on exporting domestically produced crude oil during the 1970s with a series of legislation.

Sen. Hoeven said the world has dramatically changed in the last four decades. “Back then, the conventional wisdom was that there is a finite quantity of oil in the world...Nobody envisioned the kind of energy revolution we’re seeing in North Dakota, Texas and elsewhere in the country,” he said.

Due to its shale revolution in 2008, the U.S. managed to increase its oil production from five million barrels a day to 9.6 million barrels per day in April 2015. The senator also linked the issue to Iran and sanctions removal, after which Tehran hopes to boost its oil production and exports dramatically to gain a foothold on global oil market share.

“The president’s deal with Iran lifts sanctions against Iranian oil -- bringing one million barrels a day of their product on the global market -- sending jobs, revenues and economic growth to Iran while blocking the same benefits for American citizens. We need to lift the ban,” he concluded.

Energy ministers set course for new era at IEA

AA Energy Terminal, *07.11.2015*

IEA announced ministers and high-level officials from all 29 IEA countries and nine partner countries joined with 30 top business executives met in Paris for the IEA’s 2015 Ministerial meeting. High level officials, bussiness executives and participants also delivered a strong signal of unity and support for France, IEA’s press release said.

Gathering to discuss “Innovation for a Clean, Secure Energy Future,” under the chairmanship of US Secretary of Energy, Dr. Ernest Moniz, participants welcomed IEA Executive Director Birol’s vision for modernising and making inclusive, global energy organisation, according to press release.

Birol told, “This week we joined together in solidarity from all corners of the globe following the terrorist attacks perpetrated in Paris, we felt it was necessary to send a powerful message of support – to France and the world – especially in the lead-up to the very important COP21 climate negotiations that will begin here in less than two weeks.”

French Foreign Minister Laurent Fabius and French Minister of Ecology, Sustainable Development and Energy Segolene Royal were among the key speakers at the IEA Ministerial meeting, which also issued a statement calling for a successful outcome at COP21, press release said.

IEA released that the Executive Director Fatih Birol laid out three main pillars for modernising the IEA in a transformed global energy landscape, the first of which is to further open the doors of the IEA to emerging economies.

Mexico announced its decision to pursue IEA membership. On Wednesday, the IEA welcomed China's and Indonesia's decision to activate their status as association countries. Brazil, India and South Africa continue their active review of this initiative, while Thailand and Morocco declared their interest in joining the process. The IEA also renewed a number of bilateral work programmes with Brazil, Chile, China, Indonesia, Mexico and South Africa.

As the second pillar of Birol's vision, he proposed broadening the IEA's core mandate of energy security – in part to take into account the continued evolution of global oil markets but also to factor in the rising role of liquefied natural gas (LNG) in the global energy trade, press release said.

According to IEA's notice, Birol's third pillar involves transforming the Agency to become a global hub for clean energy technologies and energy efficiency. Ministers voiced support for strengthening the role of the IEA's Technology Collaboration Programmes, an existing network of 6 thousand energy technology experts worldwide, said IEA in its press release.

IEA proclaimed that the two-day meeting was a unique opportunity for government ministers and industry leaders to discuss major energy-related issues, and the future of a world energy system transitioning in response to the threat of climate change. To discuss how these efforts will be realised in the context of an energy system that is increasingly defined by emerging economies, the 2015 IEA Ministerial meeting convened ministers and delegations from 29 IEA member countries and 9 partner countries – Brazil, Chile, China, India, Indonesia, Mexico, Morocco, South Africa and Thailand – together with the European Union. Around 30 executives from the IEA Energy Business Council (EBC) also took part.

IEA which is founded in 1974, was initially designed to help countries co-ordinate a collective response to major disruptions in the supply of oil. While this remains a key aspect of its work, the IEA has evolved and expanded. It is at the heart of global dialogue on energy, providing authoritative statistics and analysis. The IEA examines the full spectrum of energy issues and advocates policies that will enhance the reliability, affordability and sustainability of energy in its 29 member countries and beyond.

WPC Head: Global oil prices to slightly increase in 2016

AA Energy Terminal, *18.11.2015*

We expect some modest stabilization and a little increase in global oil prices next year, Jozef Toth, the head of World Petroleum Council told Anadolu Agency in an exclusive interview.

"But we are not thinking of going back to the 100 dollar per barrel prices," Toth explained. Oil prices have declined by around 60 percent since mid-2014, hurting the economies of many oil-exporting countries around the world. However, OPEC, with its production of around 30 percent of global oil, did not cut its production quota at its last two biannual meetings, on Nov. 2014 and June 2015.

As core-members; Saudi Arabia, Kuwait, and the United Arab Emirates refused to trim their output in order to preserve their market share against non-OPEC producers. Toth asserted that at a time of low oil prices, consuming countries, like India, could increase their imports of crude oil which would then reduce oversupply in the market.

Commenting on the expectations that crude demand from China could fall amid the slowdown in the country's economy, Toth noted that China's overall oil consumption did not decrease. "So it's the facts versus the expectations. We have to look at the facts always. Otherwise, we can easily mislead each other," he said.

Iran with one of the world's biggest oil reserves, poses another concern in the global oil market. The country is planning to increase its oil production when sanctions imposed on the country are planned to be removed next year. "I think the Iranians are and were always good traders," Toth said, adding that "I'm sure they will respect the current situation in global oil markets. I don't think that they will make a move that will result in a sudden collapse in oil prices again."

Announcements & Reports

► *Natural gas in China: A Regional Analysis*

Source : OIES
Weblink : http://www.oxfordenergy.org/wpcms/wp-content/uploads/2015/11/NG-103.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/

► *Developing a Western Energy Strategy for the Black Sea Region and Beyond*

Source : Atlantic Council
Weblink : http://www.atlanticcouncil.org/images/publications/Black_Sea_Energy.pdf

► *Iran's Energy Policy After The NUclear Deal*

Source : Atlantic Council
Weblink : http://www.atlanticcouncil.org/images/publications/Iran_Energy_Policy.pdf

Upcoming Events

► *Project Financing in Oil and Gas Conference*

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

► *The 9th ICIS European Gas Conference*

Place : Amsterdam - The Netherlands
Website : http://www.icisconference.com/europeangas

► *Interconnecting Europe: Natural Gas in Romania*

Date : 09 December 2015
Place : Brussels - Belgium
Website : http://www.gasdialogues.com/interconnecting-europe-natural-gas-in-romania-9-december-2015

► *European Gas Conference 2016*

Date : 19 – 20 – 21 January 2016
Place : Vienna, Austria
Website : http://www.europeangas-conference.com/?utm_source=external%20&utm_medium=banner&utm_campaign=naturalgaseurope

► *Kazakhstan Oil and Gas Summit 2016*

Date : 22 - 23 February 2016
Place : Almaty, Kazakhstan
Website : http://www.kazakhstanogs.com/