Turkey to get Iranian gas discount

AA Energy Terminal, *02.02.2016*

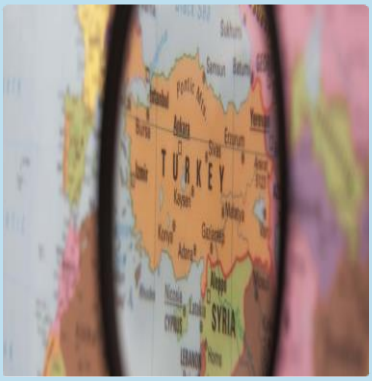
Turkey and Iran must decide within three months on the level of discount Turkey will receive on Iranian gas, Turkey's energy minister said. Berat Albayrak said an international court of arbitration would settle on a figure between 13.3 and 15.8 percent if the two countries are unable to reach a decision.

"This is a limited process that will take around two or three months," Albayrak said. "Within this period, parties will try to decide on a certain percentage. If they cannot, the court will decide the percentage of the discount between 13.3 and 15.8 percentage."

Any decision on a discount would be applied retrospectively to July 1, 2011. Turkey, which imported 10 billion cubic meters of Iranian natural gas last year, and Iran took their dispute on gas prices to the court in 2012. "We will arrange the natural gas prices that the consumers use in accordance with the discount from the court case," Albayrak added.

Turkey wins gas dispute arbitration case against Iran

AA Energy Terminal, *20.01.2016*



The International Court of Arbitration has ruled against Tehran in the gas dispute between Ankara, officials from Turkey's Energy and Natural Resources Ministry told Anadolu Agency. Turkey brought the case to court for Iran's high natural gas prices applied to Turkey during the four year period between 2011 and 2015.

According to the ruling, Iran will compensate for the price of natural gas it exported to Turkey by 10-15 percent, according to Azerbaijan's Trend news agency, who cited Hamid Reza Araqi, the managing director of the National Iranian Gas Company.

The Trend news agency said that Iran was due to pay around $1 billion in compensation for the overcharge, however, the rate of discount has not yet been agreed on. Turkey imported 10 billion cubic meters (bcm) of natural gas from Iran last year. The country consumes around 45-48 bcm of gas per year.

Turkish Stream: Funding problems, not Ankara-Moscow tension

Trend News Agency, *04.02.2016*

The implementation of the Turkish Stream gas pipeline project is in the interests of both Turkey and Russia, Agnia Grigas energy and political risk expert, nonresident Senior Fellow at the Atlantic Council, the author of new book “Beyond Crimea: The New Russian Empire”, believes.

“Turkey’s energy consumption is rising and Russia provides more than half of Turkey’s gas imports. Thus, naturally there is interest in Ankara to continue discussions for Turkish Stream gas pipeline project that offers a direct route for gas from Russia to Turkey,” Agnia Grigas told Trend News Agency.

Turkish Deputy Chief of Mission to the United States Tugay Tuncer told Sputnik that Turkey is willing to hold discussions with Russia to solidify plans for the Turkish Stream gas pipeline. “We see this [Turkish Stream] as a commercial deal. If the Russians want to talk, we can come and we can talk,” Tuncer said.

Under perfect circumstances, Russia would also like to see Turkish Stream project implemented, according to Grigas. “Turkey is the second largest European market for Russian gas exports and its needs are increasing while the demand for Russian gas in other European markets is slowing if not outright declining,” Grigas said.

In 2014, Turkey was the second largest importer of Russian gas after Germany – Ankara purchased 27.3 billion cubic meters of gas from Russian Gazprom. Moreover, Grigas said, Russia is determined to reduce flows of gas via pipelines through Ukraine and thus wants to pursue projects like Nord Stream II and Turkish Stream.

However, financially, times are tough for Russia and implementing the Turkish Stream project will be difficult, according to Grigas. “Moscow’s pointing to the recent tensions with Ankara as the main reason for slowing down the Turkish Stream project is perhaps just a way of saving face when the costs of currently implementing it would be difficult for Russia to bear,” Grigas said.

The Turkish Stream project, which envisaged the construction of a gas pipeline from Russia to Turkey through the Black Sea, had been put on hold by Russia on Dec. 3, 2015. The negotiations on the project’s imlementation have been stopped following the deterioration of the Russian-Turkish relations after Turkish Air Force jets shot down the Russian SU-24 bomber when it entered Turkish airspace Nov. 24. In December 2015, Russian President Vladimir Putin said the project will be implemented in case Turkey obtains guarantees from Brussels. Speaking about the possibility for improvement of the Russia-Turkey relations, Grigas said that in the recent past, Turkey and Russia have been friends only out of necessity due to their common energy interests.

"Russia has also been trying to win over Turkey due to its strategic geographic role in energy transit in relation to Europe, the Black Sea and the Caspian regions," she said. "At the same time, distrust between the two countries goes back hundreds of years and they have competing interests in Syria and the Middle East," she added. While relations between Ankara and Moscow may improve there will always be underlying tensions and distrust, Grigas believes.

Turkey seen as natural hub for Mediterranean gas

Daily Sabah, *31.01.2016*

EU Commissioner for Energy and Climate Action Miguel Arias Canete said there will be major changes in the energy sector in the near future, adding that the energy game will completely change with Eastern Mediterranean natural gas passing through Turkey.

Referring to the country as the perfect location for the creation of an energy hub in the region, Canete stated that Turkey has a very convenient position both for the purchase of liquefied natural gas (LNG) and the natural gas that flows through pipelines. Canete paid a visit to Istanbul to attend the Turkey-EU High Level Energy Dialogue meeting.

He said the meeting was very important for both sides, underlining that the EU has initiated the same high level meetings only with Norway, the U.S. and Algeria. According to Canete, all topics regarding energy were discussed during the meeting and Turkey is a very reliable partner for the EU to ensure energy supply security.

He stated that Turkey and the EU face many common issues, such as the development and completion of the Southern Gas Corridor (SGC), the interconnection of electrical systems and infrastructural studies in natural gas and energy efficiency.

Underlining that the EU will continue its efforts to open the energy chapter of Turkey's EU accession process, Canete emphasized that major developments have taken place in the country since 2007, adding that "Even though there are still advances to be made in the natural gas and nuclear energy sectors, the point that Turkey has reached at this point is very conducive with the opening of the energy chapter."

Canete also stated that the EU Energy Commission will initiate the process necessary for the opening of the energy chapter once political problems have been resolved. He stressed that the EU is ready to share its experiences in the nuclear sector with Turkey, where the nuclear industry is newly burgeoning. "This partnership will encapsulate all fields of energy," he stressed.

Canete said that Turkey makes use of the funds that the EU allocates for energy projects in its infrastructure projects, adding that the union can support Turkey's projects further with the funds that it allocates for innovation and technology.

Highlighting that the energy dialogue was initiated to actualize cooperation in all fields, Canete stated that the energy sector will undergo major changes in the near future as explorations in the Eastern Mediterranean are extremely promising. Referring to the required political decision regarding how these energy resources will reach the markets, Canete noted that there are new, major energy supply resources.

He stressed that Turkey and the EU must work together to establish infrastructure required for the transfer of natural gas, continuing to say that Turkey will be a route for both Azeri and Turkmen natural gas, in addition to Russian natural gas that it already imports. He said, "The game will completely change with Eastern Mediterranean natural gas passing through Turkey — a perfect location for the creation of a regional energy hub."

Canete touched on Turkey's position, saying it is very convenient for the purchase of both LNG and natural gas that flows through the pipelines, saying that the European Commission (EC) supports the establishment of an energy hub in Turkey as it will help reduce prices by boosting competition. He underlined, "We foremost need liquidity in Turkey to achieve this," noting that the EU will help Turkey increase its energy storage capacity for the creation of an energy hub.

Canete stated that Turkey and the EU will improve their economies together and defined Turkey as the perfect location as a potential energy hub in terms of natural gas supply security, infrastructural development, market competition and efficiency. Canete further noted that the EU is developing a new LNG strategy for resource diversity and referred to natural gas as the cleanest fossil fuel in the international transition to clean energy.

Meanwhile, the Southern Gas Corridor Project is estimated to be worth $45 billion. It is one of the most complex gas value chains ever developed in the world. Encompassing more than 3,500 kilometers and spanning seven countries, the Southern Gas Corridor Project covers three important pipeline projects.

One of these projects is the Trans-Anatolian Natural Gas Pipeline (TANAP), which will bring natural gas produced from Azerbaijan's Shah Deniz-2 gas field and other areas of the Caspian Sea primarily to Turkey and Europe. The first phase of the project is expected to be completed by 2018.

The second important project is the South Caucasus Pipeline (SCP), which was built to export Shah Deniz gas from Azerbaijan to Georgia and Turkey and has been operational since 2006. Finally, the Trans Adriatic Pipeline (TAP), which connects with the Trans Anatolian Pipeline (TANAP) at the Greek-Turkish border, will cross Northern Greece, Albania and the Adriatic Sea before coming ashore in Southern Italy to connect to the Italian natural gas network. The TAP, like the TANAP, is also expected to be completed by 2018.

S&P: Low oil prices unlikely to benefit Turkey rating

The Journal of Turkish Weekly, *02.02.2016*

The sharp decline in oil prices is unlikely to benefit the rating on Turkey in the coming year, according to a Standard & Poor's report. "What low energy prices give in terms of a lower import bill, they at least partly take away via declines in exports and lower capital inflows," said S&P's credit analyst.

According to the report exports to oil-producing economies account for 20% of Turkey's exports in U.S. dollars. In Jan.-Nov. 2015, exports to these countries were 15% lower compared to the year before, the report said, adding that foreign direct investment inflows into Turkey from these markets also dropped by more than 20% in the same period.

Although the falling oil prices have slightly narrowed Turkey's current account deficit, S&P said this alone would not help rebalance Turkey's external finances, whose profile has shifted since late 2009 from "equity to debt inflows, and an increase in investment in construction, consumption, and non-tourism services, which do not generate foreign currency receipts".

"We assess Turkey as having one of the weakest external profiles among all the major emerging market sovereigns we rate and as being highly susceptible to shifts in investor sentiment and global liquidity," the credit rating agency said. Sakhuja added: "One of the risks that we see for Turkey is that external debt might not be rolled over, leading to a sudden stop and a growth shock for the country."

Fire breaks out in Turkey's largest oil refinery

Daily Sabah, *03.02.2016*

A fire broke out at the İzmit oil refiner of Turkey's largest industrial enterprise Turkish Petroleum Refineries Corporation (Tüpraş), in the northwestern province of Kocaeli. The fire has partially been taken under control and technical teams are still working to put the fire out. Production at the refinery has not been halted.

Refinery workers and residents in nearby areas were evacuated from the scene immediately as a large number of firefighters were dispatched to the area. Tüpraş made a written statement in the day that said the fire had broken out at 3:15 p.m. on due to a failure in technical equipment.

"Our operations are continuing with no interruption," a spokeswoman for the company said. Television footage from Doğan News Agency showed large plumes of dark smoke curling up from the plant, located in the town of Izmit. The refinery can process around 11 million tonnes of crude per year and has a storage capacity of 2.91 million cubic meters. Izmit Bay is also a key shipping hub for Turkey's crude imports. Sole Turkish refiner Tupras, owned by Turkey's biggest conglomerate Koc Holding, has a total of four refineries across Turkey with over 28 million tonnes of crude processing capacity.

Turkey's Aksa expands further in Africa

AA Energy Terminal, *01.02.2016*

Aksa Energy is in talks to develop energy projects including the development of a new electricity generation company in African continent, the company's general manager said.

Following the company's Ghanaian venture to relocate its Samsun Natural Gas Power Plant from Turkey to Ghana, Aksa is currently holding talks, which remains unidentified, to form an electricity generation company and relocate their Van Natural Gas Power Plant to the African continent. Their decision to relocate the Samsun plant from Turkey to Ghana was taken due to market conditions which have seen natural gas fall in popularity as a source for electricity generation.

As Turkey’s electricity supply has overtaken demand in the country, natural gas has fallen out of favor as a power source due to its high costs because it needs to be imported. Therefore it is a less efficient source of power compared to domestically produced renewables and coal.

Aksa Energy’s Samsun gas plant was an example of such a redundant costly plant. Consequently, the company took the initiative to move the power plant to Ghana where it will generate 370 megawatts of much needed power.

“We are at the last step to complete our moving process. Once we get the necessary letter of credit from the Ghanaian government, our machines will have a 30-35 day voyage to Ghana. We envisage that the power plant will be completely operational at the end of the third quarter of this year,” Cuneyt Uygun, Aksa Energy’s general manager told Anadolu Agency.

The company also decided to halt electricity generation at the Van Natural Gas Power Plant for the same reasons in December, 2015. “We halted the Van power plant and we are planning to move it abroad once we find a good contract. Our teams are currently in negotiations with an African country for constructing a new electricity generation company. If we can agree to terms, hopefully we will announce the move of the power plant in the near future,” Uygun revealed.

Uygun stressed that the use of domestic sources for power is necessary for Turkey. “Coal and renewable sources are our own resources. The supply of imported resources depends very much on relations among countries. Thus, for example, we were concerned about gas supplies from Russia during the jet crisis,” he explained.

“Using Turkey’s domestic sources for producing electricity is very significant. If market conditions improve and if the electricity production from coal gets some initiative or support, we will have further projects and we can start soon,” Uygun said.

He stated the second phase of Aksa’s Bolu Goynuk Thermal Power Plant in the north-west of the country, which was constructed in keeping with climate change targets, became operational last Friday and has reached its full capacity at 270 megawatts. “If coal power plants are designed according to climate criteria, there will be no concerns over climate targets,” Uygun concluded.

Aksa Energy has 17 operational assets across Turkey, and with the addition of the second phase of Bolu Goynuk Thermal Power Plant, the company’s total capacity has reached up to 2,200 megawatts.

Oil slump allows Turkey to record smallest trade gap since 2009

Bloomberg, *29.01.2016*

The slump in crude oil prices gave Turkey its smallest trade deficit since 2009, reducing the need for foreign currency.The annual shortfall shrank by more than a quarter to $63.3 billion last year, Turkey's statistics institute said. Cheaper energy imports accounted for more than half of the improvement.

A weakening currency also helped Turkish manufacturers, though the benefit was offset by the loss of trade routes due to violence in Syria and because some of Turkey's biggest trade partners are oil exporters. Overall, Turkey benefited from the commodities rout as it narrowed its current-account deficit.

Reducing the need to finance the shortfall with capital inflows, according to Enver Erkan, an analyst at ALB Forex in Istanbul. "The main story explaining imports is the fall in crude oil, which benefited buyers like Turkey while hurting the economies of oil exporters," Erkan said. "As a result, the fall in imports was much sharper than the decline in exports."

Turkey's trade gap fell to $6.18 billion in December from $8.5 billion a year ago, wider than the median estimate of $6 billion in a Bloomberg survey. Imports plunged 17.5 percent to $18 billion, compared with an 11 percent drop in exports to $11.8 billion. Turkey's energy bill stood at $37.8 billion in 2015, down from $54.9 billion a year earlier.

The decline in exports was led by falling shipments to Iraq, Iran and Russia, according to Turkstat. The European Union accounted for 44.5 percent of total Turkish exports compared with 43.5 percent in 2014. The data show a "pretty mixed picture" for the Turkish economy, as lower oil prices and a weak lira could have resulted in an even smaller trade gap, Timothy Ash, head of emerging-market strategy at Nomura International Plc in London, said in an e-mailed note.

"The drop in exports is a big disappointment," Ash said. "That said, Turkish companies have done relatively well in re-orientating trade back towards recovering European markets." The lira weakened 20 percent in 2015 and has lost a further 1.5 percent so far this year. It traded 0.1 percent higher at 2.9654 at 11:55 a.m. in Istanbul.

Turkey to continue current joint energy projects with Russia

Sputnik, *27.01.2016*

The minister also expressed hope for continued implementation of joint long-term and medium-term nuclear energy projects. "Of course, we are evaluating various energy supply alternatives, we are looking into diversifying supplies and finding new suppliers.

However, current reliable projects in the energy sphere, which we have and which have not been problematic, will carry on steadily as before," Albayrak said. Russia and Turkey signed an agreement to construct and operate Turkey's first nuclear power plant at the Akkuyu site in the southern Turkish province of Mersin, in May 2010.

The plant, at an estimated cost of $20 billion, is expected to produce about 35 billion kilowatt-hours per year. Turkey's downing of a Russian Su-24 jet over Syria on November 24 cast doubt on the further development of the Akkuyu project. In early December, a source familiar with the situation told RIA Novosti that construction of the Akkuyu facilities was continuing despite the tensions in bilateral relations.

Soon after the Su-24 incident, Russia introduced a set of economic measures against Ankara, prohibiting the import of some products and suspending several economic activities. Russia's Turkish Stream gas pipeline to Turkey also fell victim of the economic restrictions, with Russia suspending the project and halting the creation of a joint Russian-Turkish investment fund in late November.

$1.3 billion of natural gas pledged for two new Israeli power plants

Times of Israel, *01.02.2016*

The consortium developing Israel's massive offshore Leviathan natural gas field has signed its first deal to supply gas, contracting with two private companies for $1.3 billion. Edeltech Group and its Turkish partner, Zorlu Enerji, have purchased six bcm of gas, to be supplied over 18 years, to build two new power stations in Israel, it was reported.

The gas will be used to fuel the Tamar station, to be built next to the Haifa Chemicals plant at Mishor Rotem in the Negev Desert, at an estimated cost of $250 million. Solad Energy, earmarked for a site next to the CHS plant in Ashdod, will be built at an estimated price of some $125 million.

Edeltech, Israel's largest private power producer, owned by the Edelsburg family, has already partnered with Zorlu Enerji to build the Dorad Energy plant in Ashkelon, along with the Ashdod Energy and Ramat Negev Energy stations. Taken together, the five power stations are slated to produce 10% of the power demand in the Israeli economy, the Globes newspaper reported.

"We continue to work with all our might to make progress on developing the Leviathan reservoir and to bring the gas to the Israeli economy and its industry," Delek Drilling CEO Yossi Abu said. "This deal is a harbinger of things to come, and we intend to further promote sales contracts with customers in Israel, Jordan, Egypt, and Turkey," Globes quoted him saying.

The exact quantity of gas purchased by Edeltech and its Turkish partner will be adjusted according to the size of the plants the partners eventually build and the price will be linked to production costs set by the Israeli Electricity Market Regulatory Authority.

The Leviathan field, controlled by Israel's Delek Group and Texas-based Noble Energy, is thought to contain some 22 trillion cubic feet of natural gas and is expected to transform the country into a regional energy powerhouse. The government signed an agreement in December to allow the consortium to start work on extracting gas from the Leviathan field, after months of argument and public protest.

While Prime Minister Benjamin Netanyahu has argued that the agreement opens the way for hundreds of billions of shekels to stream into state coffers, critics fear regulations favor the companies over Israeli consumers.

Turkey's import bill expected to drop further in 2016

AA Energy Terminal, *04.02.2016*

Turkey's energy import bill is likely to further decrease in 2016 due to falling oil prices and with Turkey's success in winning the gas arbitration case against Iran, energy analyst of the Istanbul-based Caspian Strategy Institute said. Speaking to Anadolu Agency, Emin Emrah Danis, energy analyst at Caspian Strategy Institute, noted that Turkey's import bill decreased by 31 percent in 2015, compared to the previous year.

According to the Turkish Statistical Institute's data, Turkey paid around $38 billion for energy imports in 2015 compared to $55 billion in 2014.

He stated that even though the Turkish lira and dollar parity played a large role in the value of imports, the positive impact of falling oil prices was taken into account in the import bill. Turkey pays in dollar for imports, and when the Turkish lira and dollar parity is high, the import bill increases accordingly. One dollar currently equals to 2.91 Turkish liras. Last year, there were times when the dollar rose to 3.08 Turkish liras.

"Falling oil prices also triggered more of a tendency to import oil. Turkey's oil imports increased by 43.4 percent in 2015. Turkey imported over 25 million tons of oil which is the highest record over the last 20 years," Danis explained. Danis pointed out that the country's import bill is likely to reduce more in 2016 because oil prices are expected to remain at low levels.

"Falling oil prices will impact natural gas prices in six to nine months' time. We will see this impact along with the discount on gas imported from Iran, due to recently winning the gas arbitration case," he stated. The price of gas imports from Iran is expected to decrease between 13.3 percent and 15.8 percent after Turkey and Iran agree on the rate. If the parties fail to agree on a reduction within two to three months, the international arbitration court will step in and make the decision.

Iran’s gas plans: Hopes meet reality

Natural Gas Europe, *30.01.2016*

Tehran and its potential customers have shown interest in gas deals at home and abroad once the sanctions on Iran have been lifted. But some buyers will be disappointed. Production of dry gas and associated gas will eventually reach 1.11bn m³/d on the basis of what is already planned, while demand at home and abroad totals 1.13bn m³ in the shorter term.

Iran has contracts with Iraq, Oman and Pakistan to export 50mn m/d, 28mn m3/d and 22mn m3/d in the coming years. It already exports 28mn m³/d to Turkey; while on the credit side are 20mn m³/d from Turkmenistan.

Iran also wants to export gas to Europe using floating LNG plants, and liquefying gas for export either at home or using spare capacity in Oman. But none of these projects are expected to be realized by 2018.

On top of that, it needs more gas than ever for use at home: to enhance oil recovery; to grow its large foreign currency-earning petrochemicals sector; to replace other fuels in the power and industrial sectors; and to heat more homes.

The country’s total gas production in the year to March 2015 stood at about 553mn m3/d, of which 93mn m3/d were re-injected to oil fields and 37mn m3/d delivered to petrochemical plants.

During the nine months of this year Iran has boosted production by 18mn m3/d thanks to new production capacity in the previous fiscal year, while phases 15 and 16 of South Pars became fully operational in December, adding about 30mn m3/d. Iran’s gas production level will average 572mn m3/d this fiscal year. Iran had aimed to add 100mn m3/d to this year’s output, but it only spent $1.7bn on those plans, a fifth of what they called for, and so it achieved only 30% of its target.

The country’s dry gas output comes mostly from the giant South Pars field, whose development depends on foreign investors bringing billions of dollars. Some, such as Italy’s Eni, France’s Total, Malaysia’s Petronas and Russia’s Gazprom, have already worked there to some extent, some of them in defiance of the US Iran-Libya Sanctions Act of 1996. Iran has invested $64bn in South Pars, while further $20bn investment is needed.

It is not clear when phases 19, 20 and 21 will start production and at what initial capacity, but Iran produces 23mn m3/d of gas from phases 17 and 18, while the final production capacity of these two phases is 50mn m³/d.

So if Iran brings all five phases to full production capacity, and assuming 75mn m³/d of commercial gas output for trains 19-21, output would rise by about 100mn m3/d, exceeding 680mn m3/d by March 2017.

Iran says South Pars would only become fully operational at the cost of another $20bn by late 2018. Output could reach 700mn m3/d. However that is unlikely as phase 11 has not been developed yet, while phases 13, 14, 22, 23 and 24 are lagging far behind the development plan. South Pars may become full operational in 2020-2022, at the current rate.

On the other hand, no significant new volumes of associated gas amount are expected to be added to Iran's gas output by 2018, because Iran might by that point be operating only three new oil fields with 180-200,000 b/d output capacity.

However, Iran introduced a new contract in November which offers 21 gas and 29 oil fields to foreign entities. The oil fields are estimated to add 200mn m3/d of associated gas while production from the gas fields is estimated at 380mn m3/d. Some of the projects can become operational by 2020, but the majority of them might be inaugurated by mid-2025 or later. It is not expected that foreign companies will start to invest in the projects before the end of 2017. Iran exports 28mn m^3/d of gas to Turkey and imports about 20mn m^3/d from Turkmenistan.

The country needs to spend $2.3bn completing a sixth cross-country pipeline to export 25mn m^3/d to Baghdad and the same amount to Basra. On the other hand, Iran has agreed to export 28mn m^3/d of gas to Oman, which entails building a $1.5bn subsea pipeline.

Iran also has a project to deliver natural gas to Pakistan. That will cost Iran $2bn, while Pakistan has not started work on the so-called Peace pipeline that will take the 22mn m^3/d of gas. It seems none of the projects will be operating at full by 2018.

The managing director of National Iranian Gas Export Co Alireza Kameli told Wall Street Journal January 26 that Iran was in talks with Golar LNG to build floating LNG facilities – offshore vessels on which the gas would be liquefied – so Iran could supply the EU in under two years from the date of an agreement.

He also said that the country plans to complete the Linde-designed Iran LNG plant with 10.4mn mt/yr production capacity. This plant also needs money: $2.5 bn will finish off the half-built plant by late 2018. However, by 2020 all the gas export projects are theoretically realizable.

Last FY, Iran's daily gas demand stood at more than 520mn m^3/d, while oil production needs a further 200mn m3/d to keep reservoir pressure up. Iran re-injected 93mn m3/d of gas into old oil fields, accounting for over four-fifths of the overall output. It delivered a further 135mn m3/d to power plants, but substituting gas for more valuable diesel and so on will bring this up to 190mn m3/d.

Iran has also planned to increase power generation at 5%/yr, while more than three million new households should be supplied with gas – a 13% increase – by 2018. At present, 19 million households overall use more than 250mn m3/d. The country also should gasify 19,000 more industrial units, a rise of a fifth, during this period. Iran also plans to double petrochemical production level to 120mn mt/yr by 2020 an triple to120mn mt/yr by 2025 . For now, this sector consumes 37mn m3/d. Gas accounts for two thirds of Iran's total primary energy consumption. It seems Iran would face at least 350mn m3/d domestic gas consumption demand growth, to fulfill all the foregoing domestic projects.

Iran expects to absorb $185bn investment from the new upstream contracts, while $53bn are needed to develop power plants and water projects; $40bn are needed to double the cross-country pipelines, equipment, and so on and $70bn are needed to triple petrochemical production capacity by 2025.

On the other hand, Iran needs a $200bn investment in total to halve its energy intensity by 2021. Iranian officials have warned that without halving energy intensity, the oil-rich country may become net energy importer in mid-term.

In total, the country's needed investment is more than $500bn in the energy sector over the next 10 years. However, according to the United Nations Conference on Trade and Development (UNCTAD), Iran's annual inward foreign direct investment (FDI) was $2.408bn on average during 2005-2007, while this figure for 2011-2014 was $3.523bn. Iran's total FDI inward from 1995 to 2011 was a little more than $33bn, according to the UNCTAD.

It seems Iran could become a major gas exporter by mid-2025 to 2030 and exporting 100mn m^3/d to Europe and the same amount to neighbors is feasible. However, more attractive terms should be offered to foreigners and the concerns over the country's nuclear program should be eliminated entirely.

For now, releasing the tens of billions of dollars tied up in overseas assets could help Tehran fund projects in relatively short order, but in the mid and long term, Iran has no choice but to attract hundreds of billions from foreign investors if it is to become a serious gas exporter.

Gas from Israel's Leviathan could reach markets by late 2019 -Noble manager

Reuters, *31.01.2016*

Partners in Israel's Leviathan natural gas field could reach a final investment decision by the end of 2016 if government and regulatory approvals are granted as hoped, an official of the companies involved said. That would enable the first gas from the field to reach markets by the last quarter of 2019, Zomer, the Israel country manager for Noble Energy, said.

Holding estimated reserves of 622 billion cubic meters off Israel's Mediterranean coast, Leviathan will cost at least $6 billion to develop. It is meant to supply billions of dollars worth of gas to Egypt and Jordan, and possibly Turkey and Europe.

After years of political infighting, Prime Minister Benjamin Netanyahu signed a framework deal last month approving the development. But the final go-ahead is in the hands of Israel's Supreme Court, which is expected to decide soon on its legality after opponents filed an injunction request.

Critics argue that control of the country's major gas reserves - Leviathan and a smaller field Tamar - by one consortium will limit competition. Development of Leviathan is being led by Texas-based Noble and Israel's Delek Group through its units Delek Drilling and Avner Oil and Gas. "There is no doubt that the gas and oil industry is facing many challenges," Noble's Zomer said in a statement.

"Despite those challenges, Noble believes that the Leviathan project can move forward based on domestic and export opportunities and because of the positive climate created by the natural gas framework." Shares in Delek Group were up 4.7 percent in afternoon trade in Tel Aviv while Avner and Delek Drilling stock were both up 4 percent.

Noble said it will slash its quarterly payout 44 percent and cut spending about 50 percent this year as the exploration and production company looks to save cash in a time of depressed crude prices.

The Leviathan partners said they had signed a deal to sell about $1.3 billion of gas over 18 years to Edeltech Group and its Turkish partner Zorlu Enerji for power plants they plan to build in Israel.

Saudi source to Arabiya TV: Saudi Arabia didn't make output cut proposal

Reuters, *31.01.2016*

Saudi Arabia was not the source of a proposal to cut oil production that Russia was studying, al-Arabiya television reported on Sunday, quoting an unnamed Saudi source. But the kingdom, the world's biggest oil exporter, wanted to cooperate with other producers to support the oil market, the source also told the Saudi-owned and Dubai-based satellite channel.

Russian Energy Minister Alexander Novak said that OPEC had proposed output cuts of up to 5 percent to help reduce a glut of crude and prop up sinking prices, in what would be the first such deal globally in over a decade.

It was not clear if Novak was referring to a months-old proposal by OPEC members Venezuela and Algeria, or a new one backed by Saudi Arabia. Sunday's Arabiya report implied the proposal was not new.

The Saudi source's comments were in line with remarks made by a senior Gulf OPEC delegate to Reuters. Saudi Arabia has long said it is willing to act to stabilize prices but that the other countries, particularly higher-cost producers, must also reduce their output. The possibility of supply restraint by producers boosted oil prices to almost $36 a barrel last week from a 12-year low close of $27. But there is widespread scepticism that a deal will happen, especially since Iran is keen to boost its market share now that sanctions on it have been lifted.

Genel Energy: Receipt of payment for KRI oil exports

Oil and Gas News, *05.02.2016*

Genel Energy plc ('Genel') is pleased to announce that the Taq Taq field partners have received a gross payment of $16.3 million from the Kurdistan Regional Government ('KRG') for oil exported through the Kurdistan Region of Iraq-Turkey pipeline. Genel's share of the gross Taq Taq payment is $9 million.

As the Ministry of Natural Resources announced, the payment is based on the monthly production entitlement, inclusive of crude quality differentials compared to Brent and the deduction of applicable transportation charges and handling costs.

Payments will be subject to full reconciliation with the terms of the production sharing contract in due course. An additional $3.2 million payment ($1.8 million net to Genel), equivalent to five percent of the gross monthly netback revenue of the field, has been made towards the recovery of the receivable. The KRG has stated that payments will be increased as oil prices rebound. In total, Genel received $10.8 million for the Taq Taq field for the month of January.

Analysis: Gazprom to defend market share

Argus, *03.02.2016*

Russia's state-controlled Gazprom plans to keep its share of the European gas market at around 30pc, even with the possibility that the region will receive more LNG. The company provided 31pc of Europe's gas in 2015, up from 30pc in 2014, Gazprom deputy chief executive Alexander Medvedev said.

As Europe needs to increase imports to counter the region's declining production, it will need more Russian gas, Gazprom has said. Stricter caps on Groningen field in the Netherlands have reduced output in northwest Europe, while Dutch and German small fields have been in long-term decline.

UK production had steadily dropped over the past few years before it increased in 2015, as the ramp-up of new projects offset the decline of older fields.But the decline in European production could be offset by higher LNG receipts, with global liquefaction capacity increasing.

This is largely driven by new projects in Australia and the restart of production in Angola, as well as the expected start this year of US firm Cheniere Energy's Sabine Pass LNG facility in Louisiana. Gazprom may need to increase its exports to Europe to defend market share in the event of an influx of LNG. Northwest European LNG imports have risen in the past two years from their low in 2013 (see table), but are still well short of their 2011 peak.

LNG receipts had slipped as firm northeast Asian demand and prices in the wake of the 2011 Fukushima nuclear disaster in Japan drew supply away from Europe. Mild weather in northeast Asia so far this winter may also have freed up cargoes for delivery to Europe. And the ramp-up of Japanese nuclear plants could curb northeast Asian LNG demand, although other fuels would first need to be displaced from the generation mix.

Producers could adjust output if any change in the supply-demand balance is seen as a short-term factor, such as in 2014 and 2015. Mild weather — combined with weak industrial consumption following the 2008-10 global economic recession and the increase in renewable capacity in previous years — curbed demand in the 2013-14 winter. This left higher-than-average stocks at the start of April 2014, limiting summer injection demand.

Norway's state-controlled Statoil deferred production from its giant Troll swing field in April-September 2014 as prompt and near-curve prices slipped to discounts to the summer 2015 market. And Gazprom delivered less than nominated to some European customers for six months starting from early September 2014, but did not comment on the reasons for the shortfalls.

Gazprom sold 19.1bn m^3 less to Europe and Turkey in the 2014-15 winter than in the previous winter, which pushed European hub prices above oil-indexed levels by the 2015 summer because of strong demand for Russian gas to fill depleted storage.

Statoil and Gazprom's sales to Europe were then strong in the 2015 summer, as prompt prices moved to a premium to forward contracts and were around Gazprom's realised price. Producers may choose to maintain market share if higher European LNG receipts are expected to persist over the long term. The NBP and TTF summer 2016 contracts have opened at discounts to the summer 2017 markets, which are already slightly wider than the summer 2014-summer 2015 spread was in early February 2014.

But northwest European forward curves' contango — prompt discounts to forward values — has largely been driven by mild weather so far this winter, resulting in a slow draw on storage. Lower oil prices have also weighed on northwest European gas prices since early February 2014, which could leave less room for a steeper contango to develop.
NBP prices have already slipped below levels that have encouraged gas to displace coal from the generation mix in the UK. And the NCG summer 2016 contract has dropped to prices that could encourage subsidised combined heat and power plants to displace coal and closed on levels that could bring efficient combined-cycle gas turbines into competition with older coal-fired units.

Stronger power sector gas demand, if coal is displaced from the generation mix, could allow Europe to absorb brisk Russian receipts and LNG deliveries. But northwest European hub prices would need to fall to encourage gas to displace coal from the generation mix.

TTF near-curve prices have slipped below oil-indexed levels in recent months, which could encourage firms with flexible crude-linked contracts to minimise their Russian receipts. Gazprom may have to sell gas below oil-indexed prices to maintain its market share if European LNG receipts quicken. The firm has planned to auction extra supply for April 2016-March 2017, but there would be little incentive to bid above hub prices.

In 2011, when Europe's LNG receipts had been at their highest, Gazprom also maintained strong sales to the region. Aggregate sales of 150bn m³ in 2011 were the highest since the 158.8bn m³ in 2008 and were only surpassed again by the 161.5bn m³ in 2013.

Gazprom recorded an average price on its sales to Europe and other non-FSU countries of $383/'000m³ (€26.01/MWh) in 2011, which was well above the TTF everyday market of €22.52/MWh.

Global gas market braced for price war

Financial Times, *03.02.2016*

With the prospect of a wave of US LNG supplies starting to hit the market later this year, energy investors fear the Russian state gas giant may adopt the same strategy in the gas market that Saudi Arabia has done in oil.

It may seem like a gas price war is the last thing that Russia, reeling from the impact of low oil prices, needs. But analysts say such a strategy may be economically rational for Gazprom: already low prices mean it could relatively easily push prices to a level at which it would be unprofitable to ship LNG from the US — and in doing so defend its market share in a region that accounts for the bulk of its profits.

Such a move would have significant repercussions for the global energy markets: a fully-fledged price war in the European gas market could have a ripple effect across other regions and commodities — from Australian LNG to Colombian coal — as well as threatening the viability of the nascent US LNG industry.

"Why would you concede market share to a higher cost producer?" says James Henderson, Russian oil and gas specialist at the Oxford Institute for Energy Studies (OIES). "If I was an investor in US LNG I would be worried." The argument in favour of a price war is simple. Just as Saudi Arabia is the main swing producer for the global oil market thanks to its ability to ramp up production if needed, Gazprom is the main holder of spare capacity in the global gas market.

According to Gazprom executives, the company has about 100bn cu m of spare production capacity — thanks largely to investments made on over-optimistic assumptions about future gas demand — equivalent to almost a quarter of its production and about 3 per cent of world output.

And just as Saudi Arabia has been unnerved by the prospect of US shale oil producers eroding its market share, Gazprom faces a similar prospect in the gas market. The flood of cheap gas unleashed by the US shale boom has prompted a wave of US LNG projects in recent years. The first cargo of LNG from the “lower 48” contiguous states of the US is due to be shipped in the next two months, and the total export capacity under construction is equivalent to two-thirds of Gazprom’s exports to Europe.

Finally, like Saudi Arabia in oil, Gazprom is one of the lowest-cost gas producers. According to calculations by Mr Henderson at OIES, the cost to Gazprom of delivering its gas to Germany is $3.5 per mmbtu (million British thermal unit) — compared with an estimated $4.3 per mmbtu break-even for US LNG supplies despite US gas prices trading near 16-year lows.

Put all those facts together, and it would seem to make sense for the Russian company to push down prices to keep US LNG out of the market. “Now the market is getting excited about it; but also the Russians have done their maths and they know they can win if it happens,” says Thierry Bros, European gas analyst at Société Générale in Paris.

Such a move would be cheaper to implement now because European gas prices have already fallen dramatically — spot UK gas prices are down 50 per cent in the past two years. Gazprom’s contract prices, which are largely tied to oil prices, have kept pace with the spot gas market decline and are likely to fall further in the next six to nine months.

Mr Bros estimates it would cost Gazprom $1.3bn in lost revenues to price US LNG out of the market this year — less than 1 per cent of its historical annual sales. Gazprom executives have studied the economics of the price war approach and are discussing the issue, according to people familiar with the company’s thinking.

At a meeting with investors in New York this week, Alexander Medvedev, Gazprom’s deputy chief executive, argued that low spot prices in Europe had already made US LNG supplies uneconomical. “Despite the prevailing view on the market that North American LNG can change the current pricing model in Europe, in reality this is not the case at all,” he said.

Analysts say a Gazprom-led price war could have two distinct objectives: first, to price cargoes of US LNG out of the European market in the short term; and second, to disincentivise new investments in LNG projects in the longer term.

The first goal would require the European spot price to fall below the marginal cost of shipping US gas to Europe — a scenario that Mr Bros now believes is likely in the second half of this year, but which analysts say would be painful for Gazprom to maintain for a long time.

More sustainably, Gazprom could adopt a medium-term strategy of managing European prices to prevent new LNG projects being approved. While few projects are likely to be considered in the short term given low oil and gas prices on both sides of the Atlantic, it may become a consideration should prices rise in the next year or two. As one government official in Moscow puts it: “They have no choice. They are already in a price war.”

Saipem files €759m claim against Gazprom in pipeline dispute

Financial Times, *01.02.2016*

Saipem, the Italian oil services group, has filed a €759m claim against Gazprom following the cancellation of the South Stream project to pipe Russian gas to Europe. For the Russian state gas group, the claim highlights the cost of its attempts to build a pipeline across the Black Sea, which have twice been scuppered by political disputes in little over a year.

In December 2014, the original South Stream project was abruptly cancelled by Russia's President Vladimir Putin on a visit to Turkey, amid objections from the European Commission.

European Commission wants to curb the influence of Moscow, the continent's biggest supplier. Gazprom — which had already spent billions of dollars ordering pipes and improving infrastructure on the Russian side of the Black Sea — then rapidly repurposed the plan as Turkish Stream, with the pipeline set to make landfall in Turkey rather than Bulgaria.

But Russia failed to reach an agreement with the Turkish government over the pipeline despite months of negotiations. Now, officials say there is little chance of those talks resuming following a political spat between Moscow and Ankara over the shooting down of a Russian jet in November.

Saipem originally won the contract to build the first line of the original South Stream project and was then selected for the same role in Turkish Stream, but the contract was cancelled by Gazprom last summer.

Saipem disclosed its €759m claim for arbitration at the International Chamber of Commerce in Paris in a prospectus dated January 25. Although the company declined to comment further, analysts have estimated that it suffered a €2bn loss in business from the sudden cancellation of the project.

One person familiar with the case said the amount being requested by Saipem was calculated as the sum of services performed for which it had not been paid, a termination fee for the contract, and other termination costs.

A spokesman for South Stream Transport, the pipeline project company fully owned by Gazprom, said: "South Stream Transport has sought to resolve this dispute amicably with Saipem, and regrets that Saipem has chosen to resort to arbitration. South Stream Transport will defend the claim in its entirety." According to Saipem's financial statements, and its comments to investors on a conference call last year, the company received €495m in 2014 and €300m in the first quarter of 2015 for work on the South Stream project.

However, Alberto Chiarini, chief financial officer, told investors in October that Gazprom had been "very, very aggressive" following the cancellation of the contract. Losing the South Stream work came at a particularly troubling time for Saipem because it — alongside other energy infrastructure companies — also had to grapple with the effects of plunging crude oil prices.

Saipem has been trying to revive its fortunes through aggressive cost-cutting in recent months, including the projected lay-offs of 9,000 people, or a fifth of its workforce. In the meantime, it is trying to raise new capital through a €3.5bn rights issue that was launched in late January and is due to close at the end of this week.

But some analysts have questioned whether even the new restructuring effort being pursued by Stefano Cao, chief executive, is based on overly optimistic assumptions for commodity prices, which could force it to make further cuts.

Meanwhile, Saipem is hoping to win a bid to lay pipelines in the Baltic Sea as part of the controversial doubling of the Nord Stream 2 pipeline and recently inked €5bn in deals with Iran to build out its energy infrastructure after the lifting of sanctions.

Gazprom sees record EU exports as it shrugs off U.S. LNG

Bloomberg, *01.02.2016*

Gazprom PJSC, the world's biggest natural gas producer meeting investors in New York and London, seeks to increase supplies to Europe to record levels as it dismissed the prospects of U.S. exports to the region.

The company, which provided 31 percent of Europe's gas, plans to boost flows to the region by more than 2 percent, with further growth, according to its non-public budget. That is more ambitious than statements by the company. Russia has "the most competitive" gas price in the EU and Gazprom isn't concerned about rivals, including lng from the U.S., the company's deputy head Medvedev told investors.

Russia, which relies on pipeline gas sales outside the former Soviet Union for more than 10 percent of its total exports, has increased its dominance in Europe as crude's 30 percent decline over the past year made Gazprom's oil-linked prices more attractive.

The company held an annual investor day in New York for the first time since 2014 after last year seeking to woo bond and shareholders in Asia. The meeting in London is scheduled for Feb. 4. Gas exports to Turkey and the EU bar the Baltic States are seen at 162.6 billion cubic meters (5.7 trillion cubic feet) this year, up from about 159 billion in 2015 and above a record 161.5 billion in 2013, the budget shows. Supplies are seen at 166.1 billion cubic meters in 2017, with 166.3 billion in 2018.

Most of the increase is seen in flows through the Nord Stream gas pipeline under the Baltic Sea to Germany. While Gazprom didn't disclose the outlook at the meeting, it reiterated the company's aim to keep its market share in Europe at least stable at about 30 percent through 2035. The exporter's outlook makes sense at least for the next two years as the EU needs "a replacement of falling domestic production," Deutsche Bank AG energy analyst Pavel Kushnir said by e-mail Monday. Still, Gazprom will likely face increased competition in 2018 that may force it to cut its supplies, he said.

Russia needs a new marketing model in the European gas market to compete with LNG, especially amid a possible hike in supplies from the U.S. seen after 2018, the Oxford Institute of Energy Studies said. U.S. LNG is still too expensive for Europe and most of the fuel will go to Asia, according to Gazprom.

"In a five-year perspective, the cost of U.S. LNG is seen higher than forward prices at the British hub NBP," Medvedev said in New York, referring to the National Balancing Point. "Imports of North American gas to Europe will be limited."

Gazprom also sees no threats from Iranian gas and can't rule out a few export-related gas projects in Iran for itself, Medvedev said. The Middle East nation needs time to build LNG-plants and infrastructure to boost deliveries to the EU, he said. The crude plunge has dragged Gazprom's first-quarter price in Europe down 37 percent year on year, Chairman Viktor Zubkov said Jan. 20. The company's gas revenue in Europe may shrink to less than $28 billion this year, the lowest level since 2004, if the average oil price remains at $40 or lower, according to Bloomberg calculations based on forecasts from Gazprom and the Russian Economy Ministry.

The company has reserves to cope with the current situation, Igor Shatalov, first deputy head of its financial department, said in New York. Gazprom has tested its plans for this year using a "conservative" scenario with oil averaging $35 a barrel and is testing with crude at as low as $20, he said, without elaborating.

Gazprom budgeted its gas output at 456.7 billion cubic meters this year, up from about 420 billion in 2015, a record-low level for the company. Its dividend payments set in the budget match last year's level of 7.2 rubles a share and are in line with public statements made by Gazprom executives over the past months.

Gazprom not planning price war against U.S. liquefied natural gas exports

WSJ, *04.02.2016*

Russia's state-controlled gas giant Gazprom PAO doesn't plan a "price war" against U.S. exports of lng to its most lucrative market in Europe, a senior company official said.

U.S. LNG suppliers will find it hard to compete in Europe with Russian gas prices under current market conditions, Gazprom's deputy chairman Alexander Medvedev said at an investor meeting in London. U.S. gas must be liquefied, shipped and turned back into gas, costing more than Russia's product, which is transported by pipeline. "There is no need for us to launch any price war," Mr. Medvedev told investors.

"We are very relaxed about U.S. LNG, though very attentive." However, he added that if U.S. LNG prices did fall, Gazprom would seek to cut its own costs. European governments have been hoping that U.S. LNG exports, due to start this year, would help the region diversify its energy supplies away from Russia. Relations between Russia and the European Union have soured amid the crisis in Ukraine and western sanctions.

Gazprom has long been the single biggest gas supplier into Europe. Last year, Russian gas amounted to almost 31% of European gas consumption, up from 30.2% in the previous year. Gazprom has stated that it intends to keep that market share steady for the foreseeable future.

Gazprom also ramped up exports into the region last year to 158.6 billion cubic meters—an 8.2% increase on the year, partly replacing declining domestic production from mature gas fields such as Groningen in the Netherlands.

"The European market is and shall remain the main market for our exports," Mr. Medvedev said. Europe accounts for the bulk of Gazprom's profits, helping to offset the lower revenues the company earns in Russia. Gazprom's recent pivot to focus on energy markets in Asia is unlikely to yield significant results there for at least another five years, analysts say.

Gazprom's defense of its core European market will be of fundamental importance both to its own financial performance and to the Kremlin's ability to use gas as a geopolitical tool over the next few years, said James Henderson, Russian oil and gas analyst at the Oxford Institute for Energy Studies. Gazprom could begin acting like Saudi Arabia, the world's largest oil exporter.

Saudi Arabia has some of the world's cheapest oil to produce and has shown it so far that it won't buckle even with oil prices 70% below their June 2014 peak. Faced with higher-cost competition from the U.S., it has pumped flat out to keep its market share, sending prices into a monthslong malaise.

"There may be some logic for Gazprom, as one of the lowest cost suppliers to Europe with spare capacity, in adopting a Saudi-like strategy to reinforce its long-term competitive advantage," Mr. Henderson wrote in a recent report.

Developing a Western energy strategy for the Black Sea region and beyond

Natural Gas Europe, *02.02.2016*

Russia's natural gas leverage over countries in Europe has become a recognized challenge for European energy security. Currently, the European Union imports about one third of its gas from Russia, with almost half of that coming through Ukraine.

Countries that get most of their supply from the Russian Federation have become the most vulnerable as their consumption data shows. The Kremlin uses energy not just as a commodity to earn cash, but also as a means of increasing its neighbors' political dependence and fostering corruption – sometimes, at the highest levels.

The last 25 years have demonstrated that Moscow would use its energy muscle to impose its foreign policy agenda on the European countries, which import a large share of their natural gas from Gazprom.

The Black Sea region is pivotal in terms of addressing the challenge of gas supply diversification for Europe. The principal solution to this problem is geographic diversification of gas sources. Only a strongly competitive environment will force Gazprom to begin acting like a corporate entity and not a government agency. In a 2009 meeting with this author, Gazprom CEO Alexei Miller has admitted that his company is "half-corporation and half-state agency."

Russia attempted diversification of Ukraine gas transit by building the Nord Stream pipeline to Germany and planning for a Black Sea-focused South Stream project. However, In December 2014, Putin replaced South Stream with Turkish Stream, initially projecting four gas pipelines across the Black Sea to Europe via Turkey.

According to a study published by the Oxford Institute for Energy Studies, "Of the 63bn m^3/yr of capacity, 14bn m^3/yr would replace the volume currently delivered to Turkey via Ukraine and the trans-Balkan pipeline, while the rest would be delivered to the Turkish-Greek border, where Gazprom would set up a natural gas hub for southern and central European customers."

However, in the light of the recent events – the downing of the Russian SU-24 bomber by Turkish Air Forces – the fate of the project becomes grim. Worsening relationships between countries make further energy cooperation unlikely.

An alternative project that would fit Europe’s interests better is Tanap/TAP (Trans-Anatolian/Trans-Adriatic pipeline). The Tanap/TAP project was announced in November 2011, at the Third Black Sea Energy and Economic Forum in Istanbul, as an alternative to the failed Nabucco pipeline project.

Tanap is a new 48-56-in standalone pipeline already under construction across Turkey, and is intended to carry Azeri natural gas from the Shah Deniz II field. The estimated reserves of Shah Deniz II alone are 991bn m^3. Tanap’s projected capacity is 16bn m^3, expandable to 30bn m^3/y, and the field itself has reserves for at least a 30-year supply.

TAP is an important component of the greater energy project – Southern Gas Corridor initiative – as it would link Asia and Europe. TAP would bring up to 10bn m^3/yr of Azeri gas from Turkey, via Greece and Albania, across the Adriatic Sea to Italy.

Aside from such large-scale projects as Tanap/TAP, a variety of smaller scale initiatives is also on the list of options for European energy supply diversification. The most noteworthy ones are the following:

Greece-Bulgaria Interconnector. Although only three countries will be directly involved in the TAP project, the number of countries that could benefit from its implementation is likely to rise in the future. For instance, in early 2014, Turkey and Bulgaria agreed to build a 114-km pipeline connecting the two countries’ natural gas distribution networks, which would allow for the supply of additional volumes from Shah Deniz to Europe.

But there is more. The Nabucco West project has been frozen, but not entirely abandoned. Eastring is the most intriguing pipeline project in the region. It addresses the vital needs of the countries concerned – and is reversible. The proposed pipeline would connect Slovakia with Romania via Hungary. One version of the pipeline would be 832 km long, while another would be 1,274 km long and reach Bulgaria.

The North-South Corridor is a proposed project that would include a system of integrated power lines and transportation routes, as well as oil and gas pipelines running from the Baltic Sea to the Adriatic and the Black Sea. It includes Adria LNG, a proposed floating LNG terminal on the island of Krk, Croatia.

Development of domestic resources might also serve as a viable option for the local consumers. Significant reserves of natural gas in Eastern Mediterranean, including Egypt’s Zohr and Israel’s Leviathan, Tamar and another new discovery may come online either as LNG plays or as a pipeline via Cyprus island and Turkey. Possible deposits of shale gas on the territories of Black Sea nations such as Georgia can also be a much-needed solution of energy diversification in the region.

Gas supplies from sanctions-free Iran will also bring a relief to Turkey and Europe, especially through the existing Iran-Turkey pipeline. However, it may take years to bring Iranian LNG capacity online. With oil prices remaining in the record low levels, natural gas prices and investment will be low as well.

This is a bad news for Russia. If the situation in the European energy markets does not change within a relatively short period (within 1 or 2 years) Gazprom is likely to lose its grip over Southern and Eastern Europe – a welcome energy security development for the region and for Europe as a whole.

BofA: Low oil prices to create $3 tn wealth transfer

AA Energy Terminal, *03.02.2016*

The decline in oil prices will lead to a wealth transfer of $3 trillion annually from oil producers to consumers, Bank of America Merrill Lynch said in a report.

“Now the massive drop in oil prices from $115 in mid-2014 to $30 per barrel, if sustained, will push back $3 trillion a year from oil producers to global consumers, setting the stage for one of the largest transfers of wealth in human history,” the investment bank said in its report titled “Global Energy Weekly: Oil is back to the future.” The plummeting prices have been disastrous for many oil companies’ return of investments and revenues.

However, low prices are much appreciated by consumers around the world, especially for transportation. “Oil is predominately a transport fuel, with 55 percent of global oil demand consumed in transport, with most of it used in roads,” Bank of America Merrill Lynch said.

“On a medium-term basis, we see strong emerging markets vehicle sales growth on lower prices, as well as in bigger and less efficient cars,” the bank’s report added. Moreover, the report emphasized that alternative-fuel vehicles, such as electric and hybrid cars, are highly costly, which makes it harder for consumers to use them, especially when oil prices are low.

The global investment bank said it anticipates alternative-fuel vehicles would comprise less than two percent of the total car sales around the world by 2020, and emphasized that demand of crude oil would continue to rise if oil prices are sustained at their current levels.

According to the bank, global oil demand grew by 1.7 million barrels per day (mbpd) in 2015, due to low oil prices, and marked the second highest growth pace in demand over a decade. The bank also said it forecasts global oil demand increasing by 1.2 mbpd per year over the next five years, supported by low oil prices while global oil demand would only peak after 2040 if oil prices remain at $70 per barrel. Oil prices declined around 77 percent from $115 per barrel on June 2014 to dive below the $30 per barrel mark in January 2016, due to the glut of supply in the global market and low demand around the world.

Announcements & Reports

► *Monthly Crude Oil and Natural Gas Production*

Source : EIA
Weblink : https://www.eia.gov/petroleum/production/

► *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

► *International Petroleum Week*

Date : 09 – 11 February 2016
Place : London, United Kingdom
Website : www.energyinst.org/events/ip-week

► *Black Sea Oil & Gas Summit*

Date : 11 February 2016
Place : Istanbul, Turkey
Website : http://www.theenergyexchange.co.uk/events/black-sea-oil-gas-summit-2015/

► *Drilling Africa Conference*

Date : 15- 16 February 2016
Place : Cape Town, South Africa
Website : http://www.iadc.org/event/drilling-africa-2016/

► *3rd Annual South Caucasus Infrastructure & New Energy Investment Summit*

Date : 16 - 17 February 2016
Place : Tbilisi, Georgia
Website : www.conventionventures.com

► *4th Annual Floating LNG Conference*

Date : 17 - 18 February 2016
Place : London, UK
Website : www.smi-online.co.uk

► *Iran Oil & Gas Post Sanctions*

Date : 22 - 24 February 2016
Place : London, UK
Website : http://www.iranoilgas-summit.com/

► *IHS Energy CERAWeek*

Date : 22 - 26 February 2016
Place : Houston, Texas, USA
Website : http://ceraweek.com/2016/

► *Kazakhstan Oil and Gas Summit 2016*

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

► *Australasian Oil & Gas Conference*

Date : 24 - 26 February 2016
Place : Sydney, Australia
Website : http://aogexpo.com.au/

► *7th Mediterranean Oil and Gas Forum 2016*

Date : 01 - 02 March 2016
Place : Nicosia, Cyprus
Website : www.energystreamcmg.com

► *International LNG Summit*

Date : 07 - 08 March 2016
Place : Cannes, France
Website : www.lngsummit.org/

► *Balkan Energy Leaders*

Date : 09 - 10 March 2016
Place : Belgrade, Serbia
Website : www.greenworldconferences.com/

► *International Conference on District Energy 2016*

Date : 20 - 22 March 2016
Place : Portorož, Slovenia
Website : www.sdde.si/en

► *COGEN Europe Annual Conference 2016*

Date : 22 - 23 March 2016
Place : Brussels, Belgium
Website : www.cogeneurope.eu

► *Gasification 2016*

Date : 23 - 24 March 2016
Place : Rotterdam, Netherlands
Website : www.wplgroup.com/aci/

► *22nd Annual BBSPA Conference*

Date : 07 – 08 April 2016
Place : Vienna, Austria
Website : www.bbspetroleum.com

► *3rd IENE Energy and Shipping Seminar*

Date : 08 April 2016
Place : Piraeus, Greece
Website : www.iene.eu

► *10th Global Oil&Gas Atyrau Conference*

Date : 12 – 13 April 2016
Place : Atyrau, Kazakhstan
Website : http://www.oilgas-events.com/

► *Global Oil & Gas Atyrau*

Date : 12 – 14 April 2016
Place : Atyrau, Kazakhstan
Website : http://oil-gas.kz/en/

► *22nd International Energy& Environment Fair and Conference*

Date : 27 – 29 April 2016
Place : İstanbul, Turkey
Website : www.icci.com.tr

► *Smart Energy Analytics 2016*

Date : 04 – 05 May 2016
Place : London, United Kingdom
Website : www.wplgroup.com/aci/

► *Flame – Europe's Leading Natural Gas & LNG Conference*

Date : 09 – 12 May 2016
Place : Amsterdam, Netherlands
Website : www.flame-event.com

► *Global Oil & Gas Turkey*

Date : 16 – 17 May 2016
Place : Istanbul, Turkey
Website : http://www.oilgas-events.com/TUROGE-Conference

► *6th International Conference & Workshop REMOO 2016*

Date : 18 – 20 May 2016
Place : Budva, Montenegro
Website : http://remoo.eu/html/general_information.html

► *Turkmenistan Gas Congress*

Date : 19 – 21 May 2016
Place : Turkmenbashi, Turkmenistan
Website : http://www.oilgas-events.com/

► *Pipeline Technology Conference*

Date : 23 – 25 May 2016
Place : Berlin, Germany
Website : www.pipeline-conference.com

► *Caspian Oil & Gas*

Date : 01 – 04 June 2016
Place : Baku, Azerbaijan
Website : www.caspianoilgas.az/2016/

► *Yamal Oil & Gas*

Date : 08 – 09 June 2016
Place : Salekhard, Russia
Website : www.yamaloilandgas.com/en/programmerequest/

► 7th International Energy Forum

Date : 10 June 2016
Place : Istanbul, Turkey
Website : www.iicec.sabanciunic.edu

► Energy Systems Conference 2016

Date : 14 - 15 June 2016
Place : London, UK
Website : www.energysystemsconference.com

► World National Oil Companies Congress

Date : 15 - 16 June 2016
Place : London, UK
Website : http://www.terrapinn.com

► ERRA Summer School: Introduction to Energy Regulation

Date : 20 - 24 June 2016
Place : Budapest, Hungary
Website : http://erranet.org

► 9th SE Europe Energy Dialogue

Date : 29 – 30 June 2016
Place : Thessaloniki, Greece
Website : www.iene.eu

► Global Oil & Gas - Black Sea and Mediterranean

Date : 22 – 23 September 2016
Place : Athens, Greece
Website : www.iene.eu

► 23rd World Energy Congress

Date : 09 - 13 October 2016
Place : Istanbul, Turkey
Website : http://wec2016istanbul.org.tr/

► 15th ERRA Energy Investment & Regulation Conference

Date : 17 - 18 October 2016
Place : Budapest, Hungary
Website : http://erranet.org/InvestmentConferences/2016

► 21st IENE National Conference *“Energy and Development 2016”*

Date : 24 - 25 October 2016
Place : Athens, Greece
Website : www.iene.eu

► *European Autumn Gas Conference 2016*

Date : 15 – 17 November 2016
Place : Hague, Netherlands
Website : http://www.theeagc.com/

► *5th Cyprus Energy Symposium*

Date : 29 - 30 November 2016
Place : Nicosia, Cyprus
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