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Turkey's BOTAS can be regional power in natural gas trade

AA Energy Terminal, *29.02.2016*

Turkey's Petroleum Pipeline Corporation (BOTAS) can be a regional power in natural gas trade, according to Fatih Donmez, undersecretary to Turkey's Energy and Natural Resources Minister.

He said that Turkey needs to increase diversity of natural gas supplies from multiple countries as well as increasing its supply capacity. Donmez said that if Turkey's gas market is not further diversified, there will be less competition in the market. "BOTAS will not just buy gas from abroad and sell at home, it will buy gas from different resources and will trade in Europe," Donmez added.

"Physical and legislative infrastructure will be completed soon for gas-to-gas competition," Donmez said in a speech during the Petroleum Platform Association's (PETFORM) closing presentation of the TRGas-Hub project in Ankara.

If this infrastructure is enabled, Turkey will be in a strong position to become one of the biggest gas hubs with the aim of setting benchmarks for gas prices. Turkey's natural gas consumption for 2016 is expected to be around 49.5 billion cubic meters, Turkey's energy watchdog, EMRA announced.

Turkey imports 55 percent of its natural gas from Russia while 18 percent comes from Iran, 12 percent from Azerbaijan, 8 percent from Algeria and 2 percent from Nigeria as LNG cargoes. Also 5 percent comes as spot LNG from multiple sources.

Petform organizes natural gas training for Anadolu Agency

AA Energy Terminal, *26.02.2016*

Turkey's Petroleum Platform Association (PETFORM) organized a training program for Anadolu Agency's Energy News Desk reporters. Renowned specialists from Turkey's energy market gave lectures on natural gas and its significance and position in Turkey's global energy market.

The five hour-long training took place at the headquarters of Turkey's Petroleum Platform Association (PETFORM) for Anadolu Agency's Energy Desk reporters in Turkish capital Ankara, on Friday, February 26 .

BP: No plans to leave Turkey

AA Energy Terminal, *03.03.2016*

British energy giant BP is determined to increase its presence in Turkey, which began 104 years ago, along with its energy investments to contribute to Turkish society, Bud Fackrell, president of BP Turkey said.

In response to over the sale of energy dealerships in Turkey, Fackrell said that BP has no plans to leave Turkey. Austria's OMV sold 100 percent of its retail fuel chain dealership through OMV Petrol Ofisi A.S. In addition, France's Total left the Turkish market in September, 2015. French oil and gas giant sold its retail filling station network in Turkey to Turkish Demiroren Group for €325 million ($366 million).

"We also renewed most of our franchise agreements in 2015. We opened new dealerships in Turkey and now we have 670 retailers in Turkey. For the last two years our market growth increased in Turkey and our revenue for 2015 was around 11 billion Turkish Liras ($3.7 billion) in Turkey," he said.

Fackrell said that Turkey plays an important role, with its location at energy cross-roads, for the transfer of energy from the producer countries in its east to markets in western countries. "Turkey's approach is successful in energy diplomacy with its strategic policy," he said noting that BP's projects have Turkey as a transit point.

BP has strategic projects in Turkey: the Baku-Tbilisi-Ceyhan (BTC) crude oil pipeline and its operations in the Southern Gas Corridor (SGC) which Fackrell declared is a project that reinforces Turkey's position as a main energy hub.

The BTC pipeline, built by the BTC pipeline company is 1,776 kilometers in length. While the Azerbaijani and Georgian sections of the pipeline are operated by BP, the Turkish section is operated by Turkey's Petroleum Pipeline Corporation BOTAS' International Limited company.

The pipeline has a capacity to carry 1.2 million barrels of oil per day. In addition to Azeri crude, the pipeline also carries oil from Turkmenistan and Kazakhstan to Turkey's Ceyhan port where it is exported via tankers to the global market. The Ceyhan port on the eastern Mediterranean coast also serves as an outlet for oil exports from northern Iraq. TANAP's shareholding percentages are as follows, Azeri Socar 58 percent, Turkey's BOTAS 30 percent, and BP with 12 percent.

The 3,500 kilometer-long Southern Gas Corridor is planned to carry natural gas starting from Azerbaijan on the East near the Caspian Sea, to pass through Turkish territory to reach Greece, and then further on to Albania and Italy. The corridor is made up of three pipelines - the South Caucasus Pipeline, the Trans Anatolian Natural Gas Pipeline (TANAP) and the Trans Adriatic Pipeline (TAP) along with an interconnector between Bulgaria and Greece.

TAP will be 882 kilometers-long with an initial capacity of 10 billion cubic meters per year to transfer Azerbaijan's natural gas through interconnections with other pipelines to Europe from the Turkish border. TAP is an extension of TANAP at the Greece-Turkey border and will cross northern Greece, Albania and the Adriatic Sea before going onshore in southern Italy. From there it will link up with the Snam-operated Italian natural gas network. Gas flow to Europe via Turkey is projected to begin in 2020.

Turkish-Japanese group offers $20bn for Turkmen project

Natural Gas Europe, *19.02.2016*

A consortium of Japanese and Turkish companies have proposed an investment in gas processing facilities in Turkmenistan. Turkish RHI, Japanese JGC and Chiyoda are negotiating with the Turkmen government over the price.

RHI and Chiyoda are already involved in big projects in Turkmenistan and the new one includes building facilities to remove impurities such as CO_2, sulphur and water from natural gas, extracted from the Galkynysh field. Japanese Nikkei quoted the president of RHI Alptekin Tizer as saying that the project's cost is expected to exceed the original value owing to the need for additional equipment.

Tizer expressed the hope of an agreement by summer. JGC and other Japanese companies signed a memorandum of understanding to build these facilities when the country's prime minister Shinzo Abe visited Turkmenistan last October.

Turkmenistan announced in January it is preparing to increase output from the world's second biggest gas field, Galkynysh, in Mary province in the east of the country, to 95bn m3/yr by fully developing the three phases, without giving a date.

The country exported about 27bn m3 to China during 2015, while Russia decreased imports from 11bn m3 in 2014 to 4bn m3 in 2015 and stopped gas importing from Turkmenistan in early 2016. According to a document, obtained by NGE, Turkmenistan's third client, Iran, increased gas imports from this country by 35% to about 7.8bn m3 during the first ten months of the present fiscal year which began March 21.

Turcas Chairman: Cheap gas will make Turkey advantageous

Turkish Maritime, *02.03.2016*

The private energy sector in Turkey is ready to support the Turkish government to enhance Turkey's energy market, Erdal Aksoy, founder and chairman of Aksoy Holding and board chairman of Turkish fuel retail company, Turcas Oil.

Aksoy told Anadolu Agency that natural gas has become an integral energy resource for Turkey mainly for electricity production and heating in the past 10 years. "In the last 10 years, Turkey's natural gas consumption increased to 50 billion cubic meters (bcm) from 30 bcm. Therefore, an increase in global natural gas production is an advantage and offers opportunities for Turkey," Aksoy said.

"With a lot of gas in the global market, Turkey will be able to develop its industry and its geographic position will ensure that it can avail of cheaper natural gas," Aksoy noted. Turkey consumed 48 bcm of gas in 2014 and 47.5 bcm in 2015.

Turkey imports 55 percent of its natural gas from Russia while 18 percent comes from Iran, 12 percent from Azerbaijan, 8 percent from Algeria and 2 percent from Nigeria as LNG cargoes. Also 5 percent comes as spot LNG from multiple sources.

Turkey's natural gas imports from Russia were around 25.4 bcm in 2011 and it increased to 26.9 bcm in 2014. On the other hand Azerbaijani gas exports increased to 6 bcm in 2014 from 3.8 bcm in 2011. Turkey is attempting to diversify its natural gas supplier countries and has tried to bring Israeli gas to Turkey via Turcas Oil.

Batu Aksoy, chief executive of Turcas Oil confirmed that many discussions and negotiations on the possibilities of transferring natural gas from Israel to various destinations including Turkey and Europe were in progress in December. With the Trans Adriatic Pipeline (TAP) and Trans Anatolian Natural Gas Pipeline (TANAP) coming online in the near future, Turkey will further have access to more gas supplies.

TAP will be 882 kilometers-long with an initial capacity of 10 billion cubic meters per year to transfer Azerbaijan's natural gas through interconnections with other pipelines to Europe from the Turkish border. TAP is an extension of TANAP at the Greece-Turkey border and will cross northern Greece, Albania and the Adriatic Sea before going onshore in southern Italy. From there it will link up with the Snam-operated Italian natural gas network. Gas flow to Europe via Turkey is projected to begin in 2020.

All are part of the Southern Gas Corridor, which will connect the giant Shah Deniz gas field in Azerbaijan to Europe through the South Caucasus Pipeline (SCP), TANAP and the Trans Adriatic Pipeline (TAP). Aksoy said that Turcas, expects cheaper natural gas for Turkey in the future from gas producing countries which will help Turkey finance its deficit and contribute towards Turkey becoming an industrial center.

"In the next five years this may happen. From now on we should work harder. There is no separation between the private sector and public corporations anymore. We will work together so Turkey can progress and prosper," Aksoy stressed. Turcas Petrol A.S is mainly active in fuel distribution, natural gas projects, renewable energy projects especially wind and geothermal and energy investments.

Turkish companies 'may go to arbitration for Gazprom gas cut'

Hurriyet Daily News, *02.03.2016*

Turkish gas importers may go to arbitration court for the gas cut by Gazprom, according to sources. "We want this issue to be resolved in line with the contract with Gazprom in the most positive manner as possible. If this is not possible, the addressee to whom the issue will be brought is clear, which is international arbitration," said a sector representative.

Gazprom reduced gas supplies to Turkish companies. Sources then said the Turkish private sector and Gazprom were in talks over the future of a 10.25 percent price discount, but the Russian side recently canceled this discount unilaterally, underlining "disagreements over the gas price."

Gazprom Export said it is continuing negotiations with gas consumers in Turkey and aims to maintain stable contractual relations, according to TASS News Agency. “As is the case in our contracts with other gas companies, there is an article stipulating the possibility of going to the arbitration court for unresolved disagreements in our contract with Gazprom Export.

If we need to go to arbitration, this is quite normal as arbitration is a civilized and lawful way,” said a sector source, adding that all companies cannot apply for arbitration and that separate filings may be the case instead.

“According to the contract, any issue can be brought to the arbitration court if an issue cannot be resolved in six months. The point here is if Russia does what it did in the Lithuanian and Ukrainian markets to Turkey, it may lose the Turkish market,” added the source. Turkish companies import 10 billion cubic meters (bcm) of gas from Gazprom annually in line with a 2013 contract.

Turkey’s route for Israel’s natural gas promising, Israeli minister says

Daily Sabah, *25.02.2016*

Israeli National Infrastructure, Energy and Water Resources Minister Yuval Steinitz, speaking to the press at the IHS CERAWeek 2016 Energy Conference in Houston, Texas, commented on the promise of Greece and Turkey’s routes to carry Israeli natural gas to Europe.

“In order to realize this project, the diplomatic relations between the two countries needs to go back to normal. Both sides are eager. I believe the problems will be solved in the next few weeks or months,” Steinitz said, adding that Turkey’s route looks good for transporting the Israeli gas to Europe. On Turkey’s natural gas market, Steinitz said:

“Turkey’s demand for gas will increase. The possibility to sell natural gas supplies to the Turkish market and Europe via Turkey is promising.” He also highlighted the fact that while the diplomatic problems between Turkey and Israel need to be solved immediately, the economic relations are strong.

Steinitz concluded that due to the new natural gas fields found beneath the eastern Mediterranean Sea, energy collaboration between Turkey, Israel, Cyprus, Greece and Egypt will increase, and more stability will be achieved.

According to data provided by the United States Energy Information Administration (EIA), the Levant Basin off the shores of Israel has reserves that contain up to 510 billion cubic meters of natural gas while the Aphrodite gas field off the southern coast of Cyprus has reserves that contain up to 200 billion cubic meters of natural gas.

Meanwhile, in the process of drawing an energy roadmap, Energy and Natural Resources Minister Berat Albayrak announced in February that priority will be given to local resources, and the share of renewable energy supply resources will be increased.

He also drew particular attention to the prospect that the variety of supplier countries for crude oil and natural gas will be increased, while risks arising from imports will decrease. Accordingly, the $110 billion investment required over the next 10 years will mainly be covered by the private sector, and related regulations will be enforced in order to facilitate it. Seasonal fluctuations in demand and the necessity to ensure supply security require the current storage capacity to be increased. Albayrak also added that as a result of regional energy collaboration, Turkey is to become a regional hub and an energy terminal.

In an effort to increase natural gas supply security, Albayrak said in December that the ministry’s priority will be to increase the country’s natural gas storage capacity. Regarding energy policy, he stressed that the government will support investments in two natural gas storage facilities with a total capacity of 4 billion cubic meters by introducing a comprehensive stimulus package.

The investment aims to make a major contribution to natural gas supply security and trade in Turkey as a part of endeavors to increase the country’s natural gas storage capacity. The government is set to offer a stimulus package for the construction of two new natural gas storage facilities to be constructed in Mersin via Toren Natural Gas Storage and Mining Inc. and Gas Storage and Mining Inc. by Bendis Energy. Bendis Energy will invest nearly $10.5 billion in storage facilities, which will have a total capacity of 4 billion cubic meters.

The natural gas supply from Russia to Turkey topped the agenda after a Russian military jet violating Turkish airspace over the southern province of Hatay was downed by the Turkish Armed Forces in November 2015. As a result, the Russian government decided to impose economic sanctions against Turkey, including banning some Turkish goods from entering the country.

Due to binding agreements, the Russian natural gas flow to Turkey has continued and been uninterrupted; however, Turkey held talks with several natural gas suppliers since the incident to ensure future energy supply security.

Turkey determined to achieve regional energy supply security

Daily Sabah, *29.02.2016*

Energy and Natural Resources Minister Berat Albayrak delivered a speech at the second presidential meeting of the council of consultants of the SGC in Baku, Azerbaijan. He said that the SGC project was first coined by the European Commission in order to contribute to energy supply security and resource diversity, adding that the project aims to carry Caspian resources to Turkey and Europe.

He also said the SGC represents the chain of the most complex natural gas projects, beginning from the production of natural gas to its transportation to consumers with a whole package of investments worth $45 billion.

While drawing attention to the exemplary cooperation between Azerbaijan and Turkey, Albayrak stressed TANAP's importance as one of the most fruitful products of cooperation between the two countries. He said that the TANAP is a crucial part of the SGC.

Albayrak said that efforts to realize the TANAP project will carry 6 billion cubic meters of natural gas to Turkey and 10 billion cubic meters to Europe. He said that consortiums working on Azerbaijan's Shah-Deniz natural gas field and the TAP, which will carry Caspian natural gas to Western Europe, should move their project schedules up in order to put the SGC into full effect soon. "Turkey will resolutely continue to provide great political, technical and economic support for the realization of the TANAP and SGC projects," he said.

Albayrak said Turkey believes that all parties taking part in the project will get the best of it in a win-win situation, adding that Turkey aims to boost its energy supply security and those of the surrounding region with its multifaceted energy policies.

Stressing that Turkey has more diversified resources and routes than other countries in the region, he said that Turkey's commitment to turn its potential of bringing together producer and consumer countries in concrete projects continuously rises.

Turkey says has started work to repair oil pipeline with Iraq

Hurriyet Daily News, *27.02.2016*

Turkey has begun work to repair a pipeline taking crude oil from northern Iraq to the Mediterranean port of Ceyhan and aims to restore flows in the shortest possible time, the Turkish energy ministry said. "The pipeline was halted on Feb. 17 due to temporary security measures following sabotages of the terrorist [Kurdistan Workers Party] PKK," the ministry said in a written statement.

The outlawed PKK militants carried out a bomb attack on the pipeline in the Idil district of Şırnak province on Feb. 25, but a fire was avoided as the crude flow had already been halted, the ministry said.

Turkish security forces had detonated explosives set at several points along the pipeline, it added. "Work has been launched to repair rapidly the damage caused on the pipeline and the necessary measures have been taken for the line's security. It is envisaged that supplies will begin again in the shortest time," it said in a statement.

With the drop in global oil prices, the Kurdistan Regional Government (KRG) is already struggling to pay the salaries of its military arm, the Peshmerga, and other security forces from its oil export revenue. "Such attacks directly damage the welfare of the people of our region and harm the KRG's ability to pay its Peshmerga and fund the fight against the Islamic State of Iraq and the Levant [ISIL]," said the KRG in a statement earlier February.

Turkish EPIAS working on day-ahead gas market launch

ICIS, *02.03.2016*

Turkish energy exchange EPIAS is working on drafting legislation with the regulator and writing the software for the launch of a day-ahead gas market in Turkey, as interest in reforming the sector is picking up, two sources told ICIS.

EPIAS had been designed to become a cross-commodity exchange to rival established European energy bourses. But since it was launched in September it has only operated the platforms for the electricity day-ahead and intra-day markets. Progress in the gas sector has been slow, not least because the industry requires reform in order to establish a complete market with a reference day-ahead price.

As the new government is expected to revisit reform plans initiated more than 15 years ago, EPIAS's day-ahead gas exchange is likely to take central position in the emerging market. The two sources said EPIAS was now drafting the legislation with the regulator, including spelling out the role of the market operator as well as the mechanism whereby natural gas would be traded.

It is also writing the required software in-house and would start trading simulations as soon as the project approaches completion, the sources said. Some Turkish gas shippers think a balancing market is more urgent than a day-ahead gas market.

Turkey was expected to launch a balancing market in January 2014, but the plan has been repeatedly delayed as discussions between the private sector and the Turkish transmission system operator on new software and governing rules dragged on. Both EPIAS and gas incumbent BOTAS are yet to announce a roadmap and timeline for the introduction of balancing and day-ahead markets.

Senior Turkish official signals interest in gas market reform

ICIS, *01.03.2016*

The Turkish gas market could see radical changes in the upcoming period as the new government is determined to reignite reform appetite and give the private sector a greater stake, the country's energy under-secretary told in Ankara.

Speaking at the closing ceremony of the Turkish Gas Hub project, Fatih Donmez said plans ranged from building reverse flow interconnectors with neighbouring countries to establishing a reference price for gas. As a short-term plan, the ownership of the Silivri underground gas storage site is likely to be transferred from the state-owned Turkish Petroleum company (TP) to oil and gas incumbent BOTAS.

Although he did not provide a time-line for the project, Turkish shippers said the transfer was part of wider plans to unbundle BOTAS and create separate entities, including one that would oversee the operations of the network. These plans are stipulated in proposed amendments to the existing Natural Gas Market Law 4646 and had been sent to parliament for approval in August 2014.

Donmez said the government was also pushing for the establishment of cross-border interconnection pipelines with reverse flows in a bid to boost Turkey's security of supply, stressing the need for diversification of supplies.

He admitted that Turkey required a reference price for the market, recognising the role of competition in the formation of such a benchmark "Copy-paste [long-term gas import] contracts do not work," he told the audience. "They bring no opportunity to increase competition." Donmez's comments came as a surprise to the audience as the government had been slow in pushing through the reform agenda initiated 15 years ago.

Appetite for the unbundling of BOTAS and the establishment of a traded market had also receded as gas had been seen more as a political lever than as a commodity. "I was not expecting such a statement [from a government official]," a shipper who attended the meeting said. "Let's hope they [the government] will remain committed [to reform]."

Donmez's comments came at the end of a two-year EU-sponsored project to train Turkish gas companies and to introduce them to the experience of European gas markets. The project was spearheaded by the Turkish private gas companies' association, Petform, ICIS, the European Federation of Energy Traders (EFET) and the Turkish ministry of energy.

Gazprom's pressure on Turkish firms illegal, according to Enerco Enerji

Daily Sabah, *02.03.2016*

Enerco Enerji, one of the Turkish energy companies that imports natural gas from Russia, said that Russian energy giant Gazprom's pressure on private Turkish companies that import Russian natural gas is not legitimate and that the problem must be resolved through the existing deals.

A written statement released by Enerco Enerji stressed that state-run Gazprom demands an immediate rise in natural gas prices and threatens Turkish importers, saying that it will reduce natural gas flow to Turkey. According to the statement, Gazprom started reducing the natural gas flow without an official statement.

The statement said that all private importer companies, including Enerco Enerji, reached an agreement with Gazprom Export (GPE) on revising the contract price in April 2015, adding: "With this permanent revision, the contract price was reduced.

This revision is not temporary, and no party can change or cancel it without the approval of the other party. At the end of last year, GPE demanded a revision on the contract price. Although our contract allows such a demand, it requires parties to negotiate, reach a mutual agreement and finally go to arbitration. Negotiations started in a constructive way."

The statement underlined that Enerco Enerji does not have an outstanding debt to Gazprom Export as a part of the contract, adding that there is nothing unclear in the contract. It argued that no party could change the contract price unilaterally, continuing: "We are deeply saddened by such acts, as parties have to abide by contract provisions.

As GPE's customers, private Turkish companies have defended the price and position of Russian natural gas in Turkey for many years. The current situation might harm private importers greatly and tarnish the prestige of Russian natural gas in the Turkish energy market. We hope such acts will end, and the issue will be resolved within the framework of contracts."

They say Gazprom reduced natural gas flow to Turkey through the western line when private Turkish companies rejected paying high prices after the cancelled 10.25 percent discount was removed from bills last week.

Private Turkish supplier companies Bosphorus Gaz, Enerco Enerji, Batı Hattı, Kibar Enerji, Avrasya Gaz and Shell Enerji import 10 billion cubic meters of natural gas annually from Russia in accordance with an agreement that was signed in 2013.

South Korea plans to boost Iran oil imports, especially condensate

Reuters, *02.03.2016*

South Korea plans to boost imports of Iranian oil, especially condensate, this year to meet growing demand after sanctions on the Islamic nation were lifted in January. The world's fifth largest importer of crude is also a big buyer of condensate, a super light oil that can be processed into fuels and petrochemicals.

Iran's return would help ease tight condensate supply in a market dominated by fellow OPEC producer Qatar. "We will increase oil and natural gas (liquids) imports from Iran, especially Iranian condensate," South Korea's trade and energy ministry said.

Iran is exporting 100,000 barrels of oil a day to South Korea, one of its main crude customers, and hopes to double that figure by the end of 2016, Oil Minister Bijan Zanganeh was quoted as saying. The Islamic Republic emerged from years of economic isolation as sanctions over its disputed nuclear program were lifted.

That encouraged a tripling of South Korea's oil imports from Iran in January, but shipments remained far below pre-sanction levels. South Korea's trade ministry said the two countries would establish a payment system to facilitate smooth trade of crude and condensate between National Iranian Oil Company and South Korea's SK Energy [SKENGG.UL] and Hyundai Oilbank [INPTVH.UL]

South Korea's condensate demand is expected to grow this year as Hyundai Oilbank will start operations at a new splitter. Hanwha Total Petrochemicals, another South Korean condensate buyer, is considering whether to resume imports from Iran from April, a company spokesman said.

He added that the company would have to see if Iranian condensate fits well at their plant before they sign a term contract. South Korea also expects to sign a memorandum of understanding with Iran to lease out oil storage in the North Asian country, the South Korean trade ministry said. Asia's fourth-largest economy currently operates 9 oil storage facilities, capable of holding 146 million barrels, according to Korea National Oil Corp's website.

Saudi Arabia is trying to steal Iran’s biggest oil customer: China

CNN, *02.03.2016*

Saudi shipments of oil into China jumped by 36% in February to the highest level in at least three years, according to ClipperData, a firm that tracks global crude shipments. The shipments accounted for a 75% increase in Chinese imports of Saudi crude from January.

The timing of this shift is sure to raise eyebrows. China is the Number One customer of long time Saudi enemy Iran. And the oil sales are heating up even though the kingdom has called for global oil producers to “freeze” oil output at January levels. Iran has blasted the Saudi freeze plan as a “joke.”

In fact, Iran told CNN it’s doing the opposite, with plans to dramatically ramp up production now that economic sanctions have been lifted. Analysts believe the Saudi shipments to China are more about politics than economics.

“It’s a political shot across the bow of Iran,” said Matthew Smith, ClipperData’s director of commodity research. “The timing of it seems extremely interesting. It looks like there’s something underway there.”

The Saudis have no interest in helping Iran’s triumphant return to the oil market. The new oil revenue will strengthen Iran’s position as a rising regional power. It will also give Iran an influx of resources it could use to fight ongoing regional proxy battles against the Saudis in Syria, Yemen and elsewhere.

“It’s a broader attempt by the Saudis to thwart the resurgent influence of Iran,” said Vincent Piazza, an energy analyst at Bloomberg Intelligence. Saudi Aramco, Saudi Arabia’s state-owned oil company, warned in January at Davos that it won’t withdraw production just “to make space for others.”

While the Saudis continue to flood Iran’s biggest customers with cheap crude, ClipperData said it has yet to see evidence that Iran has been successful at ramping up production. Asia remains a key market for both producers. China is Saudi Arabia’s third-biggest customer, behind the U.S. and Japan, according to ClipperData. Iran is the sixth largest supplier of crude to China behind Saudi Arabia, Russia, Angola, Iraq and Oman.

The new Saudi crude has been flowing to terminals and refineries controlled by Sinopec, China’s state-owned oil company. It will be interesting to see how much oil the Saudis send to China in the coming months. Was February a blip or is this part of a more concerted effort by the kingdom to undercut Iran?

In any case, the battle over China between Saudi Arabia and Iran is a fresh reminder of how deeply divided OPEC remains -- and how difficult a production freeze would be to implement. “Saudis’ actions speak louder than their words,” Smith said. “They may be willing to entertain a production freeze if everyone plays ball, but in the meantime they are continuing to flood the market.”

Egypt SuMed pipeline yet to accept Iran oil after sanctions

Bloomberg, *02.03.2016*

Egypt and Gulf Arab crude producers have yet to let Saudi Arabia’s regional rival Iran resume oil shipments through a pipeline they operate to supply customers in Europe and the Mediterranean Sea region, more than a month after international sanctions against Iran were lifted.

Arab Petroleum Pipelines Co., which operates the link known as SuMed, is still reviewing terms of the agreement that removed sanctions on Iran in January, according to a company official. The operator is seeking to ensure Iran complies with sanctions regulations before resuming oil shipments halted, said the official, citing company policy.

Egyptian General Petroleum Corp. owns 50 percent of SuMed, which connects the Red Sea with the Mediterranean. State-run Saudi Arabian Oil Co., known as Aramco, owns 15 percent of the link; International Petroleum Investment Co. of the United Arab Emirates, 15 percent; three Kuwaiti companies, 15 percent; and Qatar Petroleum, 5 percent, according to SuMed’s official website.

Iran is seeking to rebuild its energy industry after shedding sanctions that choked off growth and foreign investment. Last month the country loaded its first cargoes destined for European buyers since the removal of sanctions. Political friction between regional powerhouses Iran and Saudi Arabia, backed by its Gulf Arab allies, has intensified their battle for oil market share.

One of those vessels, the Atlantas, a very large crude carrier chartered by Total SA of France, loaded at Iran’s Kharg Island last month and is rounding the Horn of Africa on its way to Europe, according to ship-tracking data compiled by Bloomberg. Another oil tanker, Distya Akula, has been anchored at the southern approach to the Suez Canal since Feb. 24 after loading at Kharg.

SuMed provides an alternative transit route for oil cargoes from the Gulf region to the Mediterranean that are too large to be shipped through the Suez Canal. The tankers can use the SuMed pipeline to transfer some of their oil, thus lightening their loads for passage through the canal. Officials in the international marketing department of National Iranian Oil Co. weren’t available for comment on the pipeline after business hours in Tehran. Iran plans to increase its output by 1 million barrels a day this year. Daniel Yergin, vice chairman of energy consulting group IHS Inc., estimates the country will add 400,000 to 600,000 barrels a day, without specifying a date.

"There is lots of talk about investment in Iran," Yergin said Thursday at a conference in Abu Dhabi. "We think companies are going to be very cautious because of Iranian politics, and Iranian decision making."

Iran hopes to raise March oil exports on higher European sales: sources

Reuters, *03.03.2016*

Iran, OPEC's No. 3 producer, is expected to raise its oil exports in March to around 1.65 million barrels per day from 1.5 million bpd a month earlier on the back of higher crude shipments to Europe, two industry sources told Reuters.

State-run National Iranian Oil Co. (NIOC) is expected toship around 250,000-300,000 bpd to Europe this month after it finalised term deals with France's Total and Spanish refiner Cepsa, effective from March 1, said the sources, who are familiar with Iran's exports. The French oil major has a contract to buy about 200,000 bpd, while Cepsa's deal was for about 35,000 bpd, one source said.

Total is expected to lift at least 5 million barrels in March, the source added.Litasco, the trading arm of Russia's Lukoil, Cepsaand Total have become the first buyers in Europe after thelifting of sanctions and lifted trial cargoes in February,trading sources told Reuters.

Hellenic Petroleum, Greece's biggest oil refiner,has said it will receive its first shipment of Iranian crudeoil at the end of March. Tehran is working to regain market share, particularlyin Europe, after the lifting of international sanctions in January. Oil exports rose by 500,000 bpd to 1.5 million bpd in February, a senior NIOC official said on Tuesday.

The sanctions had cut Iranian crude exports from a peak of2.5 million bpd before 2011 to just over 1 million bpd in recentyears. Tehran has said it would boost output immediately by 500,000bpd and by another 500,000 bpd within a year, ultimatelyreaching pre-sanction production levels of around 4 million bpdseen in 2010-2011.

But even a gradual increase in its exports would come ata time of global oversupply, with producers around the worldpumping hundreds of thousands of barrels every day in excess ofdemand. Oil prices are near 11-year lows at around $37 a barrel. Saudi Arabia, Qatar, Venezuela and non-OPEC Russia agreedlast month to freeze output at January levels in the firstglobal oil pact in 15 years. Iranian Oil Minister Bijan Zanganeh said thefreeze was "laughable". Iranian sources say the country would beprepared to discuss a production pact once output reaches pre-sanctions levels.

Israeli government to allow gas exports from Leviathan to Gaza

Globes, *03.03.2016*

After almost seven years of attempts by the Palestinian Authority (PA) to import natural gas to the Gaza Strip, it appears that it is really happening. Sources inform "Globes" that intensive secret negotiations between Israel and the PA, led by the Quartet on the Middle East, have taken place in recent weeks for the supply of gas from the Leviathan reservoir to the Gaza Strip power station.

The Israel Security Cabinet has agreed in principle to the measure, and the Ministry of National Infrastructure, Energy and Water Resources authorized the Leviathan partners several days ago to conduct negotiations.

The Quartet announced that it was willing to pay for a gas pipeline to be laid by Israel up to the border. The Leviathan partners and Israel National Gas Lines Company did not respond to the report. The 140-megawatts power station, which has been operating since 2003, was constructed by US energy company Enron, and is currently owned by the Houri family.

Other partners in the power station are Padico Services and the Palestinian Investment Fund (PIF). The power station, the only one in the Gaza Strip, currently operates partly on diesel fuel purchased by the PA from the Paz Oil Company Ltd. (TASE:PZOL) refinery in Ashdod.

The power station supplies only half of the electricity consumed by the Gaza Strip. The 120 megawatts supplied by Israel Electric Corporation (IEC) (TASE: ELEC.B22) are also not enough. The result is that Gaza Strip residents have no electricity for 16 hours a day.

The situation became even worse following Operation Protective Edge and Operation Pillar of Defense. In Operation Pillar of Defense, for example, an IDF tank bombarded the fuel tanks at the power station, thereby shutting it down. Up until 2010, the European Union paid for the fuel purchased from Paz Oil, but the PA has since borne the full cost of the fuel.

The PA has been unsuccessful in obtaining payment for the electricity it supplies to Gaza Strip residents, and its debt to IEC has been skyrocketing as a result, currently amounting to over NIS 2 billion. As early as 2009, Gideon Tadmor, chairman of Delek Drilling Limited Partnership (TASE: DEDR.L) and CEO of Avner Oil and Gas LP (TASE: AVNR.L) until two months ago, met with a representative of CCC at the American Colony Hotel in Jerusalem.

The meeting explored the possibility of exporting natural gas from the Tamar reservoir to the power station. Negotiations continued for years, but the Israeli government refused its consent. Following Operation Protective Edge, which ended in August 2014, the Turkish government offered to station a ship off the Gaza Strip coast to supply electricity to the residents for a new hours a day.

Israel rejected the request, however, saying that the Gaza Strip lacked adequate infrastructure for being connected to the ship. Qatar also proposed a solution for the Gaza Strip electricity crisis. Last September, Qatar announced that it wanted to pay for a natural gas pipeline from Israel to the power station, under the mediation of Mohammed al-Amadi, the head of the Qatari Committee to Rebuild the Gaza Strip, who met a number of times with IDF Coordinator of Government Activities in the Territories Major General Yoav Mordechai.

The Coordination Office for Government Activities in the Territories examined alternatives for solving the electricity crisis in the Gaza Strip. The Office has confirmed that negotiations have made significant progress in recent weeks, and that it will soon submit its final recommendations.

Meanwhile, it was learned that the Quartet, composed of representatives from Europe, the US, Russia, and the UN, had decided on an intensive effort to promote the measure. The Quartet announced a month ago that it intended to write a report with recommendations for steps leading to a peace agreement between Israel and the Palestinians.

Sources inform “Globes” that Dutch Quartet representatives recently held a series of meetings with the two sides. A senior Palestinian source familiar with the details of the matter said today that the negotiations “had reached the last hurdle,” and that a number of meetings had already taken place with Israel National Gas Lines, which is responsible for building gas pipelines throughout Israel.

The source added that the Quartet had agreed to pay for pipeline to the Gaza Strip, and that commercial negotiations between CCC representatives and the Leviathan partners would begin in the coming weeks. The Gaza power stations will consume 0.25-0.4 BCM of natural gas, meaning that the deal will be worth $50 million a year.

According to the source, there are plans for enlarging the power station’s capacity in the future, which would increase its gas consumption. He added that the PA was planning the construction of four more gas-operated power stations in Judea and Samaria, the first of which is planned for the Jenin area. The Palestine Power Generation Company (PPGC), which owns the Jenin power station project, signed a contract in January 2014 to buy gas from the Leviathan partners.

Under this $1.2-billion agreement, PPGC will buy 4.75 BCM over a period of up to 20 years. In March 2015, following the announcement by then-Antitrust Authority director general David Gilo that he was rescinding the order he had agreed with the gas companies, and following the ensuing stagnation in the Israeli energy sector, PPGC announced that it was canceling the agreement. The Gaza Strip has one natural gas reservoir – Gaza Marine.

The reservoir, located 35 kilometers from the Gaza Strip coast, was discovered in 2000 by British Gas (recently acquired by Royal Dutch Shell), which operates it and owns a 60% stake in it. Other partners in Gaza Marine are CCC (30%) and PIF (10%).

The reservoir contains an estimated 32 BCM. Since it was discovered, British Gas has tried to market the gas to IEC a number of times, but the negotiations were unsuccessful. In 2013, “Globes” revealed that Israel had continued its negotiations with British Gas, designed to examine possibilities of developing the reservoir for the benefit of the Palestinian population.

These negotiations produced no agreement due to opposition from Israel and IEC, which preferred to buy Israeli gas. The hopes of the Gaza Strip residents were then directed towards Jordan. In January 2015, Jordanian Energy Committee Chairman Jamal Gammo announced that instead of buying natural gas from Israel, as agreed in a letter of intent signed by the Leviathan partners and Jordanian Electric Power Company, Jordan would buy gas from Gaza Marine.

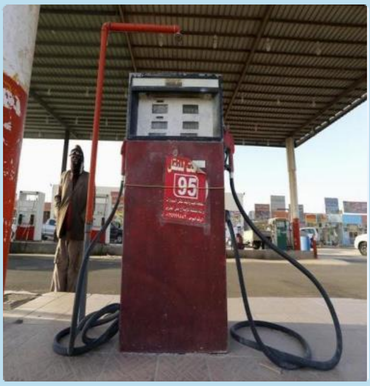
The Jordanians announced that they planned to import 1.5 1.8 BCM a year from the reservoir. The parties have not yet signed a binding agreement, and the reservoir remains below deep waters. Despite progress in negotiations between Israel and the PA, a number of unresolved issues remain. One is the route of the pipeline. Planning such a route can take considerable time; approval of a National Outline Plan alone could take three years.

Construction of the pipeline is expected to take three more years. According to a Ministry of National Infrastructure, Energy and Water Resources source, if everything goes as planned, the statutory procedures for the pipeline can be completed within 18 months, and its construction can also be shortened to 18 months. In any case, he reminds us, gas from Leviathan is not expected to begin flowing before late 2019.

Another unresolved question is the source of the gas. The Ministry of National Infrastructure, Energy and Water Resources source says that it is still possible, although less likely, that the gas for the power station in the Gaza Strip will come from the Gaza Marine reservoir. In this case, a gas pipeline will be built from the reservoir to the receiving station in the Eilat-Ashkelon pipeline facility in Ashkelon, from there to the Israel National Gas Lines system, and only then to the Gaza Strip power station.

Saudis set Asia oil benchmark at highest level since October

Bloomberg, *02.03.2016*



Saudi Arabia, the world’s largest crude exporter, raised the price formula for shipments of its benchmark grade to Asia for April to the highest since October, while lowering prices for all cargoes to the U.S.

State-owned Saudi Arabian Oil Co. set the official selling price for Arab Light crude shipments to Asia at a 75-cent discount to the regional benchmark, it said in an e-mailed statement. That’s more expensive, by 25 cents, than March shipments. The company, known as Saudi Aramco, was expected to set the price at a 50-cent discount, according to the median estimate in a Bloomberg survey.

The differential on Arab Light to Asia hasn’t been higher since October, when it was set at a premium of 10 cents. The company cut differentials for all four of the grades it sells to the U.S., lowering Arab Light, Arab Medium and Arab Heavy by 20 cents each.

Prices for the four grades sold to northwest Europe were all increased, by as much as 35 cents for Arab Light. For buyers in the Mediterranean, prices for two grades were lowered and for another two kept unchanged.

Brent crude has slid more than 50 percent since Saudi Arabia led a 2014 decision by the Organization of Petroleum Exporting Countries not to cut output amid a global oversupply in order to defend market share and drive out higher-cost producers. Saudi Arabia and Russia reached a tentative agreement last month to freeze production at January levels provided OPEC and other producers also pledge to halt growth in output. Both Saudi Arabia and Russia pumped at or near record levels in January.

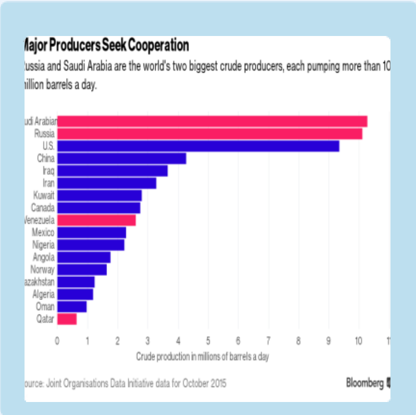
Brent futures in London were 18 cents, or 0.5 percent, higher at $37.11 a barrel at 9:20 a.m. Singapore time. Prices are down about 39 percent from a year earlier. Markets shouldn’t expect any cuts in Saudi production, Ali al-Naimi, the kingdom’s oil minister, said in a speech in Houston last month. Producers with higher costs than those in OPEC need to “lower costs, borrow cash or liquidate,” al-Naimi said. “It sounds harsh, and unfortunately it is, but it is the most efficient way to rebalance markets.”

Saudi Arabia pumped an average of 10.1 million barrels a day of crude last year, accounting for more than 10 percent of global supply, according to the International Energy Agency. The country’s output at 10.2 million barrels a day in January was close to the record 10.48 million barrels a day reached in June, according to the IEA. Russia’s production this year of crude and condensate will probably remain at near-record levels of more than 11 million barrels a day, the IEA said.

Middle Eastern producers are competing increasingly with cargoes from Latin America, North Africa and Russia for buyers in Asia, their largest market. Producers in the Persian Gulf region sell mostly under long-term contracts to refiners. Most of the Gulf’s state oil companies price their crude at a premium or discount to a benchmark. For Asia the benchmark is the average of Oman and Dubai oil grades.

Judging the Saudi-Russia oil freeze comes down to binoculars

Bloomberg, *04.03.2016*



Judging the supply of the world's most important commodity often comes down to a good set of binoculars. In a world of Twitter, iPhones and instant information, determining how much oil is pumped by global producers is a moving target.

It relies on a 50-year-old tanker-tracking system to help offset national interests that can shroud the data in secrecy and deceit. The problem: Competing analysis of that data often results in different outcomes. The International Energy Agency will tell you that OPEC pumped 32.6 million barrels a day in January. Ask the U.S. Department of Energy, and the answer is one million barrels a day less.

While measuring output is always important, it's likely to become even more key after a tentative pact announced last month by Saudi Arabia, Russia and others to freeze output at January levels. At stake is a stubborn price rout that's pummeled economies, markets and companies.

"Over the next couple of months, Saudi Arabia and Russia would like to see that the freeze is working; that tanker-tracking data doesn't show an increase in output," said Yasser Elguindi, an oil analyst at New York-based consultant Medley Global Advisors. To do this, the industry counts on a small group of little-known companies whose main job is to count the number of tankers leaving ports, at best using data gathered from satellites, at worst using simple binoculars. They then guess how much crude is being carried by measuring the depth of the vessels in the water.

Swiss-based Petro-Logistics S.A., one of those companies, calls its work "the art and science of tanker tracking," with the aim being to discover what oil producers "are really doing as distinct to what they say they are doing," according to a statement on its website.

While the information produced by companies such as Petro-Logistics and U.K.-based Oil Movements serves as a main input for estimates by consultants, traders and official bodies, it's not the only measurement stick in use.

The matter becomes even more complex for oil moved within pipelines. Russia, for instance, exports roughly 30 percent of its crude via pipeline, according to official data. That flow is most often measured by independent groups using infra-red photography, which provides only a rough approximation of output.

The Organization of Petroleum Exporting Countries traditionally has published a measure of production based on what the group calls "secondary sources," in effect consultants who calculate flows from a variety of sources, including tanker tracking data. The cartel also publishes production figures based on what OPEC countries release publicly.

At times, these figures can be very different. For instance, the United Arab Emirates has listed data in the past showing output that was as much as 10 percent higher than the figures produced by OPEC. The IEA and the U.S. government also publish estimates, as do many news organizations, including Bloomberg. The most recent addition to this flood of information is the Joint Organisations Data Initiative (JODI), a project begun in 2002 that's backed by some of the world's richest countries.

Although all of these sources rely on tanker-tracking data as a base of their data, each group also incorporates its own market intelligence and different methodologies to come up with their data. Over the next few months, these are the methods that will determine how successful the freeze agreement announced by the world's two largest producers has been.

The deal, which includes Qatar and Venezuela, has been called the "beginning of a process" that could require "other steps to stabilize and improve the market," by Saudi Oil Minister Ali Al-Naimi after representatives of the two countries met in Doha, Qatar.

"If the Doha meeting is even the start of some agreement on baseline production numbers, then it may open the door to more cooperation in the coming months," said Amrita Sen, chief oil analyst at consultants Energy Aspects Ltd. in London. It also may open the way for more confusion. Ahead of a production cut, countries have an incentive to claim they pump more than they do to minimize the real impact of any future curb.

In the past, agreeing to a baseline number for production has often proved more difficult for OPEC than deciding the size of a possible cut, and traditionally has required some political maneuvering. In 1999, for example, Iran only agreed to accept OPEC cuts after Saudi Arabia accepted a baseline for Tehran of 3.6 million barrels a day, rather than 3.3 million.

Gazprom secures $2.17 billion loan from Bank of China

WSJ, *03.03.2016*

Russian state gas giant PAO Gazprom has secured a €2 billion ($2.17 billion) loan from Bank of China Ltd., the largest single-bank credit in the Russian company's history and a sign of how Western sanctions are increasing Russia's economic reliance on China.

The deal is the latest in expanding Chinese investment in Russia's oil and gas sector, the country's main export earner that has been hamstrung by U.S. sanctions barring long-term dollar lending to some Russian firms. Gazprom isn't among those companies, but the restrictions have effectively cut off Russian companies' access to Western capital markets.

The surge in investment is giving China, the world's biggest energy consumer, access to Russia's huge hydrocarbon reserves, tightening ties between the neighbors that share a desire to counterbalance U.S. influence in the world.

China agreed late last year to increase its stake in a $27 billion liquefied-natural-gas project in the Arctic that is blocked from dollar financing and is also awaiting long-hoped-for credits from Beijing. Chinese prepayments for supplies from Russian state oil firm OAO Rosneft have provided an alternative form of financing. Gazprom, which accounts for more than 10% of Russia's export revenues, is hoping that a $55 billion project to supply gas to China will decrease its reliance on exports to Europe.

Russia has touted Asia as a funding alternative to the West, where some of its companies and banks have faced restrictions in response to its interventions in Ukraine in the past two years. A Kremlin spokesman said it was disappointed by a decision by the U.S., announced Wednesday, to extend those sanctions.

Gazprom's loan announcement appears timed to show that Russian companies can still raise funds despite the sanctions, said Natalia Orlova, chief economist at Alfa Bank in Moscow. “Still, one shouldn't expect that Chinese banks will replace the global capital market,” Ms. Orlova said.

Gazprom didn't disclose further terms of the five-year loan, which will likely be used for refinancing and isn't huge for a company with an investment program that was around 10 times as big last year, analysts said.

It could give China increased leverage in an expected renegotiation of the price of gas supplied to China, which could start flowing around the end of the decade, said Mikhail Krutikhin, a partner at the RusEnergy consulting firm. Russia's No. 2 gas producer, OAO Novatek, said it expected to seal financing soon in order to build its Arctic LNG plant. The plant, known as Yamal LNG, is slated to start gas deliveries to Asia next year.

Novatek, which is on the U.S. sanctions list, has repeatedly said in the past year that it was on the cusp of receiving funding, mainly from China. Meanwhile, it has relied on funding from the Kremlin and the plant's owners. China National Petroleum Corp. owns a 20% stake in the Yamal LNG project, as does France's Total SA. Chinese sovereign-wealth-fund Silk Road Fund signed a deal late last year to take a 9.9% stake.

“China is sitting in an ambush waiting for Russian companies to get into a predicament and then save them on their own terms,” Mr. Krutikhin said. President Vladimir Putin announced in 2012 that Gazprom should look to expand eastward as it faced competition and regulatory pressure in its most-lucrative European market. But the economics of a 2014 deal, signed as tensions with the West became more strained, to make China its second-largest customer behind Germany now look less attractive because of a plunge in the price for crude oil, which Gazprom uses to form contract prices.

In Europe this year and next, Gazprom will face pressure from new LNG supplies from the U.S. and Australia. Exports for the year “will probably be a bit lower than last year,” said Ildar Davletshin, an energy analyst at Renaissance Capital. “If it maintains flat volumes, it'll be a good result.”

Russia’s Lavrov: No intention to transform GECF into ‘gas OPEC’

Platts, *29.02.2016*

The member states of the Gas Exporting Countries Forum (GECF) have no plans to transform the group into a “Gas OPEC” with individual production or export quotas, and consumer countries have nothing to fear from the GECF, Russia’s foreign minister Sergei Lavrov said.

In an interview in Algerian daily L’Expression, Lavrov also said Russia and Algeria -- both GECF members -- are also looking at increased cooperation in the energy sector. Lavrov said that Russia, Algeria and other GECF countries agreed on the need for enhanced information exchange between member states.

“But the GECF countries, including Russia and Algeria, have no desire to transform the GECF into a ‘Gas OPEC’,” he said. “The GECF will not impose quotas on the production and sale of gas. That’s why it is not like OPEC. Any fear among consumer countries that the GECF will impose rules on the gas market are unfounded.”

Faced with low global gas prices, the issue of whether the GECF -- which holds around 60% of the world’s proven gas reserves -- could look to drive up prices by withholding gas from the spot market has resurfaced in the past year. However, a recent heads-of-state summit of the GECF in Tehran concluded without a mention of coordinated action.

Russia and Algeria have increased their cooperation in recent years, and a number of Russian energy companies are now operational in Algeria, including Gazprom, Rosneft and Stroitransgaz. “Energy cooperation is one of the most important factors in our bilateral commercial and economic relations,” Lavrov said as he prepared for a visit to Algeria on March 1.

Lavrov said that the talks would include the possible construction of a Russian-conceived nuclear power plant in Algeria. “A meeting of a bilateral committee on the peaceful use of nuclear power is planned for March 1-3,” Lavrov said. Algeria’s power demand and gas consumption for power generation is rising quickly, putting pressure on the country’s ability to maintain export levels.

Commission urges 3 member states to comply with third energy package

Natural Gas Europe, *29.02.2016*

The EC has urged three EU member states to fully comply with the EC's Third Energy Package. It came into force and sets out rules and regulations to strengthen and open up the EU's internal electricity and gas markets.

The EC sent "reasoned opinions" to Austria and Belgium, notifying they had not correctly transposed facets of the electricity and gas sections of the package. Austria has transposed incorrectly "several unbundling requirements concerning the independent transmission operator unbundling model and has not fully respected rules concerning the powers of the national regulatory authority."

Meanwhile, Belgium has incorrectly transposed the directives in two key areas: ownership unbundling, and some rules on the powers of the national regulator and consumer provisions. The former makes "it nearly impossible for other undertakings than the national gas and electricity incumbent system operators to develop and manage interconnectors to other EU member states," the statement said.

Additionally, Croatia was sent a "reasoned opinion" about its gas market rules, which the commission says creates "unjustified barriers" to domestic gas export and restricts import of gas from other member states. "[This] leads to delayed gas market opening, contrary to the rules on free movement of goods in the TFEU [Treaty on the Functioning of the European Union] and the Gas Directive, and the Gas Regulation," the EC said.

Following notification of the reasoned opinions, the states will have two months to inform the EC of the remedial measures they have taken. If the measures do not satisfy the EC, it has the option to refer the cases to the Court of Justice of the EU.

Sefcovic: Energy Union depends on efficiency and security

Natural Gas Europe, *29.02.2016*

In the wake of the adoption of the energy security regulations just a couple of weeks ago, European Commission's head of Energy Union, Sefcovic, addressed the participants at "The EU Strategy for LNG and Gas Storage" in Belgium. Sefcovic said the LNG and storage proposal set out by the EC has a direct impact on energy security and energy efficiency – two dimensions which are crucial for the success of EU, he said.

He added, had also assessed the Paris climate talks agreement and would propose how measures to tackle climate change should be implemented in the member states, to be discussed among those countries' ministers.

"Paris was an historical agreement in the sense that it sent a very strong signal," he told attendees. "We see it as a clear marker paving the way and confirming our efforts as a global community towards decarbonisation, towards the global clean energy transition and, therefore, we see Europe and other global players will have to adjust their policies and strategies to implement what was agreed in Paris in their national and regional frameworks."

This mandates developing the proper technologies and to use the proper transitional fuels, according to Sefcovic. "We see the key role of gas in this respect, because gas can pave the way to the low carbon economy, which we need to develop not only in Europe but across the world."

For this reason, he said, much emphasis is being placed on energy security in the Energy Union; with domestic production falling, gas consumption in Europe is also falling, but this pointed to the need for the stable import of natural gas from outside of Europe.

Sefcovic also spoke of numerous scenarios for predicting Europe's gas consumption by 2030, taking into consideration its abiity to displace coal or heavy fuel oil or marine gasoil. Consumption is set to remain at roughly the same level, in a range of around 380-450bn m3/yr.

Mentioning the discrepancies in infrastructure development between western Europe and, for example central and eastern Europe, he said it is clear that the latter region pays more for gas. "It's because of more competition in the west, better interconnection, more liquid gas hubs and better performance of the market. Taking lessons learnt from western Europe, he said those should be applied in central and eastern Europe.

Offering the perspective of the European Parliament, MEP Jerzy Buzek, who chairs the Industry, Research and Energy Committee, discussed the place of gas in the scenario that Europe's electricity market is based on renewable sources.

"We don't have any other reliable [...] backup better than gas, so this is good news for you," he said to the dozens of members of the gas community in the room. A reliable electricity market, according to Buzek, requires security of gas supply for gas-fired power stations. "We need to make gas supply more secure; more diversified.

Speaking about the Nord Stream 2 pipeline project, Buzek came right out and said, "We've got some problems with Nord Stream 2, and it's not easy to accept, and from the point of view of the European Parliament it is not acceptable – simply speaking."

Noting Sefcovic's approving mention of Lithuania's LNG terminal, Natural Gas Europe editor William Powell, who moderated the meeting, noted that Gazprom had recently announced plans to auction gas delivery on the Lithuania-Belarus border, in addition to deliveries under long-term contracts. He asked Sefcovic what he thought about Gazprom's move towards more market-based activities as more LNG is ready to come to Europe from more sources.

Sefcovic replied, "I think that all gas operators are faced with a new reality. "Gazprom, just like other players, is realising there's new competition and is fighting for market share." Of course that LNG's bringing new competition to the markets.

I think our countries in Europe are better interconnected; there's much more reverse flow. I think we will see in the future a much more important role for gas hub pricing for gas trading, and I see that even long-term contracts reflect very much this new phenomenon of gas hub pricing."

Oil prices fall but post weekly gain

WSJ, *26.02.2016*

Oil prices fell Friday as traders weighed the near-term oversupply of crude against expectations of lower production around the world.

Light, sweet crude for April delivery settled down 29 cents, or 0.9%, at $32.78 a barrel on the New York Mercantile Exchange, after hitting a one-month intraday high earlier in the session. Brent, the global benchmark, fell 19 cents, or 0.5%, to $35.10 a barrel on ICE Futures Europe, after hitting the highest intraday level since early January. Both contracts gained on the week: The U.S. benchmark rose 3.2% and Brent rose 6.3%.

An oversupply of crude oil due to robust production in the U.S., Saudi Arabia, Russia and elsewhere has kept oil prices near 12-year lows in recent months. Despite plunging prices in the past year and a half, U.S. output has declined slowly as companies cut costs and improved drilling efficiency. Some of the decline in shale-oil production has been offset by increasing offshore output from the Gulf of Mexico. But a number of large U.S. producers have said that they expect their 2016 output to be lower than last year's.

Major shale producer EOG Resources Inc. reported its first annual loss and said it expects its annual production to fall about 5% this year due to a spending cut of 45% to 50%. Apache Corp. said that its 2016 spending will be 60% lower this year than in 2014, and production will fall by 7% to 11%. Shale-oil producers Continental Resources Inc. and Devon Energy Corp. have also recently said their production will fall year-over-year.

The number of rigs drilling for oil in the U.S. has plunged 75% since October 2014. The oil-rig count fell by 13 in the past week to the lowest level since 2009, Baker Hughes Inc. said. “The situation in the US shale oil patch seems to be deteriorating substantially due to low prices,” said consulting firm JBC Energy in a note.

U.S. crude-oil production is expected to fall 1.1% this year and grow 1.7% in 2017, down from expectations at the end of last year for 2016 growth of 4.6% and 2017 growth of 3.1%, according to an analysis by Cantor Fitzgerald & Co. of 53 producers. “However, as we are all learning, it is tough to slow a ship as large as U.S. shale,” Cantor Fitzgerald said. Prices were buoyed Thursday by ongoing talks among large energy-producing nations about a production agreement.

Venezuela oil Minister Eulogio Del Pino said that four oil-producing countries, including his country, Russia, Saudi Arabia and Qatar, will meet again in mid-March to discuss efforts to stabilize the market. Oil prices have been volatile in the past two weeks as investors assessed the prospects of a deal announced by the four producers that seeks to freeze future production at the January levels.

However, Iran has vowed to ramp up production until its output reaches pre-sanctions level of around 4 million barrels a day, while Saudi Arabia said an outright production cut is out of the question.

A deal to freeze production at already-high levels “is not going to result in the global oil market rebalancing any sooner than all of the current projections are forecasting,” said Dominick Chirichella, analyst at the Energy Management Institute, in a note. “On the other hand, Saudi Arabia and the other producers are throwing out the idea that the freeze deal is just the first step,” with output cuts to follow.

According to the latest report of the Organization of the Petroleum Exporting Countries, the group’s total crude oil production in January stood at 32.34 million barrels a day, an increase of 131,000 barrels a day from December. Russia pumped crude at a record high of 10.88 million barrels a day in January. Gasoline futures settled down 3.94 cents, or 3.7%, at $1.0166 a gallon. Prices rose 6% on the week. Diesel futures fell 1.88 cents, or 1.8%, to $1.0512 a gallon. The contract rose 2.5% this week.

Announcements & Reports

► *Saudi-Russia Production Accord: The Freeze before the Thaw?*

Source : OIES
Weblink : https://www.oxfordenergy.org/wpcms/wp-content/uploads/2016/02/Saudi-Russia-Production-Accord-The-Freeze-before-the-Thaw-1.pdf

► *The UK in the EU – Stay or Leave? The Balance Sheet on Energy and Climate Policy*

Source : OIES
Weblink : https://www.oxfordenergy.org/wpcms/wp-content/uploads/2016/02/The-UK-in-the-EU-%E2%80%93-Stay-or-Leave-The-balance-sheet-on-energy-and-climate-policy-1.pdf

► *Natural Gas Weekly Update*

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

► *This Week in Petroleum*

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

Upcoming Events

► *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
Website : www.iene.eu