Oil & Gas Bulletin
▸ 11.01.2013

PETFORM

Turkey beating Norway as biggest regional oil driller

Bloomberg, *10.01.2013*

Turkey is drilling for oil and natural gas with more rigs than any European country and plans new rules in 2013 to speed exploration of energy supplies for the fastest-growing major economy after China.

The country fielded 26 rigs at Dec. 31, according to data compiled by Bloomberg, and the number has since risen to 34, Energy Ministry officials said. Turkey has leapfrogged Norway as offshore drilling increased in the Black and Mediterranean seas. Spending on exploration jumped to $610 million last year from $42 million a decade earlier.

With economic growth forecast at 3.5 percent this year and about twice the pace of the most advanced economies to 2017, Turkey is drilling for its own energy to ease reliance on imports from Iran, Iraq and Russia. State-owned Turkish Petroleum Corp. has taken Royal Dutch Shell Plc and Exxon Mobil Corp. as partners, after neighboring Israel and Cyprus made some of the decade's biggest gas finds in the past three years. "If there's one country that needs energy, it's Turkey," said Darren Engels, an analyst at FirstEnergy Capital in Calgary. "Their domestic business doesn't scratch the surface."

Turkish Petroleum, which is known as TPAO and has operations in Libya, Iraq, Azerbaijan, Colombia and Kazakhstan, needs to boost domestic output as it pursues a target of supplying all of Turkey's energy needs by 2023. Turkey had proved reserves of 307 million barrels of oil and gas in 2010, 88 percent of which is oil, according to FirstEnergy's Engels. In 2011 alone, the country consumed about 258 million barrels, according to the EIA.

To speed up the search for oil and gas, the government submitted a draft Petroleum Law to Parliament on Dec. 21. The bill calls for changes to "ensure speedy, continuous and efficient search of carbon resources," requiring companies to pledge 2 percent of their projects as collateral to extend licenses, a move aimed at increasing activity and avoiding speculation on licenses. "Our aim is to make Turkey one of the 10 largest economies in the world by 2023," Energy Minister Taner Yildiz said. "Finding energy" will "enable Turkey to achieve its goal." Turkey imported about 92 percent of the oil it consumed in 2011 and 98 percent of the natural gas, according to the U.S. Energy Information Administration. The scale of Turkey's energy imports is swelling the current account deficit, fueling inflation and threatening to restrain economic growth.

In the past, TPAO was designated as the national company tasked with searching and drilling oil and gas reserves in the country. The draft law no longer defines TPAO as such and in theory it will be treated like any other company, Necdet Pamir, head of Energy Studies Group at Ankara-based Chamber of Petroleum Engineers, said.

“Foreign companies are complaining that working conditions in Turkey are not favorable for them since they have to play with rules of the TPAO, which holds exclusively all offshore licenses,” Pamir said. “Chevron for example decided to pull out after drilling the first of two wells at its own cost in the Black Sea and paid a penalty under its agreement with TPAO.” TPAO is just one of the contributors to the domestic drilling boom. Shell, Exxon and smaller explorers such as Transatlantic Petroleum (TAT) and Anatolia Energy (AEE) are investing. The Turkish government “is doing everything it can to attract the foreign majors,” said Timothy Ash, head of emerging-market research at Standard Bank Group Ltd.

TPAO and Shell plan to start drilling off the coast of Antalya in the Mediterranean in 2015, Yildiz said. “TPAO is also planning to drill in the Black Sea in Kuskayasi field in 2014, which was abandoned by Chevron. Obviously, it would be cheaper if it can find a partner.” Energy officials in the ministry say the geology of Turkey, a country which is crisscrossed by active fault lines, makes it more difficult to find large reserves compared with neighbors. The Mediterranean and Black Sea regions are more likely to hold gas, while the southern part of the country is more likely to hold oil, said FirstEnergy’s Engels. Turkey produced 2.3 million tons of oil in 2012. The average production is 44,000 barrels a day with domestic production meeting 8 percent of overall consumption needs, according to official figures. In contrast, Norway produced about 2 million barrels of oil a day in 2011, according to BP’s Statistical Review of World Energy.

TPAO’s share in production of oil at home was 69 percent in the first 11 months of 2012 with the rest divided among others such as Perenco SA, Tiway Oil AS of Norway, Amity Oil International, Transatlantic Petroleum Ltd. and Aladdin Middle East Ltd. While the country has found little oil and gas in its territories, it’s one of the world’s big transport hubs for energy. With an area larger than Texas nestled between Europe and the oil-rich Middle East and countries of the former Soviet Union, Turkey has four major pipelines sending gas to Europe and there are plans for two more. It has four oil pipelines to bring crude from Iraq and the Caspian. Turkey may also benefit from plans by Iraq’s Kurdish Regional Government to build a pipeline to the north that would end dependency on Iraq’s export infrastructure, which is controlled by Baghdad authorities.

The country’s future depends on having secure supplies of energy. The International Monetary Fund forecast Turkey’s economy will expand 3.5 percent this year, compared with 2.1 percent in the U.S. and 0.2 percent in the euro area. In 2017, Turkey will expand 4.4 percent, while advanced economies will grow 2.6 percent on average. In 2011, Turkey was the 18th largest economy in the world and expanded faster than any other in the top 20 after China. Turkey got about half of its oil from Iran in 2012 and is compensating for decreased purchases through imports from Saudi Arabia, Libya and Russia amid U.S. sanctions, Yildiz said. Turkey’s contract to buy oil from Iran will “definitely be extended,” Yildiz told reporters on a plane from Libya to Qatar on Jan. 6. “Turkey now buys 35-40 percent of its oil needs from Iran, compared with 50 percent before” international sanctions against Iran.

Turkey seeks more Maghreb resources for diversification

Hürriyet Daily News, *09.01.2013*

Turkey renews a crucial LNG deal with Algeria, demanding additional capacity for private buyer. The country is also considering petrol trade with the North African country and oil search in recovering Libya. Energy Minister Taner Yildiz invites Qataris to build a gas facility in Turkey.

Turkey's energy minister has taken steps on his current Maghreb tour in a bid to diversify Turkey's supplies with a renewed liquefied natural gas (LNG) deal with Algeria and fresh petrol talks with Libya. The minister will also be visiting Qatar, where he will try to attract LNG investments in Turkey.

Algeria and Turkey have decided to a sign a 10-year renewal valid from 2014 on in which the former will deliver 4 billion cubic meters of gas annually to Turkey, Algerian Energy Minister Youcef Yousfi said Jan. 5. Turkey is facing fresh difficulties in its natural gas supply due to the Western sanctions on Iran, its second largest provider. The country is highly dependent on Russian natural gas as it produces around 45 percent of its ever-rising electricity at gas-burning power facilities.

Algeria's APS news agency said it was "decided to extend the agreement by 10 years, with the possibility of increasing the volume of gas exported." Algeria and Turkey signed a 20-year agreement in 1988 on the sale and purchase of 4 billion cubic meters of gas annually in a deal that came into effect in 1994. "We have said we wish to increase our imports to 6 billion cubic meters a year. Everything will depend on Algeria's export capacity," Yildiz said.

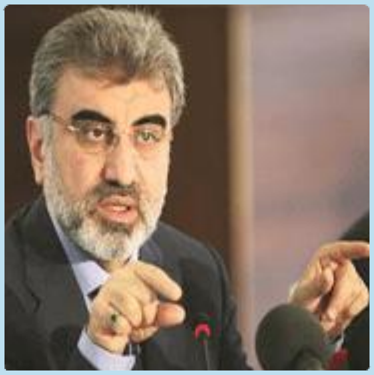
Turkey also wants to buy Algerian gas at spot markets, Yildiz told journalists before leaving for the North African country. Speaking after a meeting in Algiers with the visiting Yıldız, Yousfi told reporters that Algeria's Sonatrach and Turkey's state-run Botaş have "already decided on the conditions and terms of the new agreement," Agence France-Presse reported.

Turkey wants TPAO, the state-run oil firm, which has been increasing its onshore and offshore activities, to work in Algeria, Yildiz said, adding that entering some tenders with Algeria's oil firm Sonatrach was also on the table. Algeria's oil production is 1.8 million barrels, which is two times Turkey's consumption, Yildiz said. "We will suggest that Qatar invest in Turkey," he said. "We will suggest to them that they found an LNG facility in Turkey."

An LNG facility in Saros by the Dardanelles Strait would ease tanker traffic in Turkey's straits and this would be good for Bulgaria and Greece also, he said. "An LNG facility with a minimum annual capacity at 5 billion to 6 billion cubic meters would be appropriate." After meeting with Libyan Oil Minister Abdulhadi al-Arusi yesterday, Yıldız said Turkey would always support the country with its entrepreneurs from the construction, infrastructure and energy sectors. "We will build energy policies all together."

Turkey ends take-or-pay with Russia

Hürriyet Daily News, *11.01.2013*



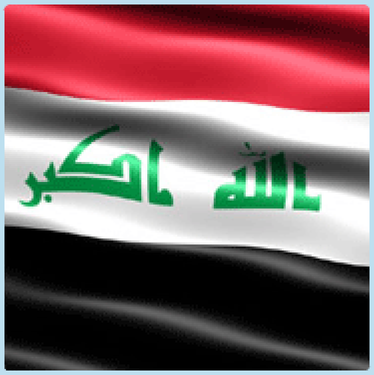
Some 3.6 bcm worth of gas in the take-or-pay relationship Turkey has with Russia has been nullified, meaning BOTAS is to increase its cash flow $1.3 billion in April, said Turkish Energy and Natural Resources Minister Taner Yildiz.

“Previously, we paid cash in return for gas we didn’t use, but now, we pay for one quarter of the amount we use. We managed a great gas trade with Russia as we erased our take-or-pays worth $3.6 billion with Russia,” he said. Yildiz emphasized that demand is guaranteed when the investor is the owner of the gas, not the merchant, referring to recent talks on Qatar investing in a LNG facility in western Turkey.

The minister also revealed that Qatari investors prefer to partner with existing facilities Aliaga or Marmara Ereglisi. He said that the Aliaga facility operated with 2 bcm in 2012, whereas its capacity is actually 6 bcm. “The targeted production amount is 6 bcm and Turkey will prioritize using the gas produced there,” he said. However, he also added that Turkey would welcome any attractive offers coming from any country, including the U.S., and Qatar was not the only option, though Turkey would appreciate an order from Qatar. Recently, Turkey stressed interest to Libya as well in terms of oil exploration abroad.

Kuwait Energy seals Iraq block deal

Upstream Online, *09.01.2013*



Iraq has approved an oil exploration deal with a Kuwait Energy-led group that will replace Turkey's state-owned TPAO, which the Cabinet decided to expel, according to a report.

Iraq last year asked Kuwait Energy to acquire TPAO's shares in exploration Block 9, in which it held a 30% stake, amid souring diplomatic ties with Turkey. “Kuwait Energy has acquired the stake of the Turkish company TPAO, and now it's holding 70% of the contract, and Dragon Oil will hold 30%,” Abdul-Mahdy al-Ameedi, director of the Oil Ministry’s contracts directorate, said.

The ministry plans to sign the final deal on 27 January, he added. The contract gives the consortium rights to explore and develop the oil block located in Iraq's southern Basra province. The Iraqi government has been angered by Ankara's moves to forge closer ties with the Regional Government in Northern Iraq, which is in a dispute with the federal government over oil and land rights. Turkey and Iraq have also accused each other of inciting sectarian tensions and have summoned each other's ambassadors in tit-for-tat maneuvers.

Tüpras to keep Iranian oil trade secret

Hürriyet Daily News, *05.01.2013*

Tüpras, Turkey's leading oil refiner and crude exporter, has asked the state-run Turkish Statistical Institute (TUIK) to keep data on crude imports from Iran secret due to the U.S. embargo on the Iranian fuel trade.

TUIK stopped revealing Iranian trade data toward the end of December 2012, the source told Reuters, who reportedly could not contact Tüpras executives and received no comment from TUIK. The U.S. administration is trying to stop Iran's allegedly military nuclear program by hardening the embargo on the Islamic Republic, while Iran maintains that its nuclear program is peaceful.

Turkey decreased its oil imports from Iran by 20 percent last year in order to benefit from a U.S. waiver on the sanctions, and the decline worked. Turkish officials insist that it was not easy to cut fuel imports from Iran due to a high demand for energy. Turkey's natural gas imports from Iran are also a matter of discussion. Turkey is buying gas from Tehran and de facto paying in gold, Turkish Deputy Prime Minister Ali Babacan has said.

Economy Minister Zafer Caglayan said Jan. 4 that Turkey sold $6.5 billion worth of gold to Iran in the first 11 months of last year, in addition to another $4.2 billion to the United Arab Emirates, from where the gold reportedly goes to Iran also. "It is not right that we are using gold as a payment tool to Iran because we are not selling gold to the Iranian Republic as the Turkish Republic. It is not a state-to-state trade," Caglayan said.

KRG starts independent crude oil exports

Reuters, *08.01.2013*

The Kurdish Regional Government (KRG) has begun to export crude oil directly to world oil markets through Turkey, industry sources said on Monday, which poses the biggest challenge yet to Baghdad's claim to full control over Iraqi oil.

The export of crude, in addition to small volumes of niche condensate, demonstrates the semi-autonomous region's growing frustration with Baghdad as it moves towards ever greater economic independence, the sources said. The volume of oil involved is small, but industry sources said the direct export is highly symbolic as the KRG seeks more financial independence from Baghdad.

The first crude has been delivered by truck to the Turkish port of Mersin on the Mediterranean, shipping and industry sources said. "The KRG gave us permission to start crude exports from the Taq Taq oilfield," Genel Energy President Mehmet Sepil said in an interview. Control of oil is at the heart of a dispute between Iraq's Arab-led central government and the autonomous region run by ethnic Kurds in the north. Baghdad insists the central government has the sole constitutional right to export oil. In an apparent renewed dispute over payment, the KRG halted shipments through the Baghdad-controlled Iraq-Turkey pipeline last month. The KRG began exporting its own very light oil, or condensate, independently to world markets in October by truck to a Turkish port, where it was sold via an intermediary. Now the Kurdish region is adding crude from the Taq Taq oilfield, where London-listed explorer Genel Energy has a stake, to its slate of exports.

A fresh cargo of condensate is also ready to sell through an imminent tender, said a shipping source. Industry sources reckon around 15,000 bpd of condensate from the Khor Mor gas field are reaching the Toros terminal in Turkey. Crude oil exports from Taq Taq, for now, are also small. In exchange, Turkey is sending back refined products to the Kurdish region, which is short of fuel.

Over the past year and a half, KRG has upset Baghdad by signing deals directly with oil majors such as Exxon Mobil and Chevron, providing lucrative production-sharing contracts and better operating conditions than in Iraq's south. The KRG says its right to grant contracts to foreign oil firms is enshrined in the Iraqi constitution. But payments to foreign operators in northern Iraq are getting caught up in the long-running spat over land and petroleum rights.

Baghdad said last month it would not pay oil firms operating in northern Iraq because the region had failed to export the volume of crude it pledged under a deal struck in September. That agreement stipulated that northern Iraq would pump crude through the Baghdad-controlled Iraq-Turkey pipeline in return for payment. An export target of 200,000 bpd was set for the last two months of 2012, and KRG authorities pledged to raise exports to 250,000 bpd in 2013. But exports of northern Iraq oil have been halted since around mid-December, after nearing the 200,000 target early in the month. Baghdad transferred an initial sum of 650 billion Iraqi dinars ($560 million) to the KRG. But a second payment is still pending for the foreign companies in northern Iraq.

Iraq warns of legal KRG oil deal action

Hürriyet Daily News (Reuters), *11.01.2013*

Iraq says it will take legal action along with the confiscation of 'cargo smuggled across borders,' in an open reference to oil exported via Turkey. Iraq has the right to take legal action against oil companies exporting crude without dealing with the central government, including confiscating cargo and suing sellers, buyers and transporters, the Iraqi state-run SOMO oil company said yesterday.

SOMO statement made no reference to a specific company but was released after Anglo-Turkish Genel Energy said Kurdish Regional Government (KRG) had given the company permission to deliver crude directly by truck to Turkey.

Baghdad says only the central government has authority to export crude and sign oil deals, but the KRG says the Constitution allows it to be party to contracts. It has signed with major oil companies such as Exxon Mobil, angering Iraqi officials who deem the Kurdish agreements unconstitutional. "The Iraqi Ministry of Oil and SOMO shall reserve the right to take all legal actions against any company or entity that deals with bodies other than SOMO in addition to the confiscation of cargo smuggled across borders as well as suing sellers, purchasers and transporters," it said.

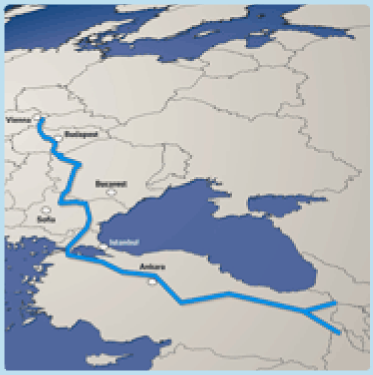
Crude reserves are at the heart of a wider dispute over territory, oil fields and political autonomy between Baghdad and the KRG capital of Arbil in the country's north. Genel Energy said on Jan. 9 that exports via trucks from the Anglo-Turkish company's Taq Taq oil field in Kurdistan could reach 20,000 barrels per day in a few weeks, after starting with relatively small amounts. The move to truck oil directly to Turkey came after KRG exports were halted through the Baghdad-controlled Iraq-Turkey pipeline due to a dispute over central government payments to oil companies working in northern Iraq under the KRG.

Baghdad has made one payment to companies, but Iraqi officials said last month they would not pay oil firms a second portion because the KRG had failed to reach agreed production under a deal made in September. The KRG is now negotiating for a pipeline to connect northern Iraqi oil fields directly with Turkey, which would be a major step for the autonomous region to break its reliance on Baghdad's pipeline for export of its crude.

Turkey and Iraq have already been at odds over political matters as Iraq has publicly urged Turkey to hand over fugitive Iraqi Vice President Tareq al-Hashemi, who has been sentenced to death in Baghdad on charges of running a death squad. Iraq had cancelled an oil exploration license in November last year for Turkey's state-run TPAO without citing a concrete excuse.

Shah Deniz II agrees Nabucco funding deal

Upstream Online, *10.01.2013*



The Shah Deniz II consortium has agreed in principle to take a 50% non-controlling stake in the Nabucco project, boosting the European pipeline's chances of becoming a reality. Talks on the investment were first revealed late last month by Bulgarian Energy Holdings boss Mikhail Andonov, who said then he was confident of a deal being reached.

The Shah Deniz II mega-project in Azerbaijan is operated by BP with Statoil, Socar, Total, Eni, Lukoil, TPAO and NIOC also involved. The project aims to export 16 billion cubic metres of Azeri natural gas each year, the same capacity as the downsized Nabucco West line.

Under the draft deal, the Shah Deniz II partners will jointly fund the development costs for Nabucco West up to its decision on a European export route for its gas. Nabucco is owned by six players on an equal 16.7% slice: Austria's Hungary's MOL, Turkey's BOTAS, Germany's RWE, Transgaz of Romania and Bulgaria Energy Holdings. German utility RWE is currently holding talks to sell its stake in Nabucco to OMV. Nabucco is in the running for Shah Deniz II along with the Trans Adriatic Pipeline (TAP), owned by Statoil, E.ON Ruhrgas and Switzerland's EGL.

Nabucco West runs 1300 kilometres from the Bulgarian-Turkish border to the Austrian hub of Baumgarten, while TAP runs 520 kilometres from the Caspian through Greece, Albania, and the Adriatic Sea to southern Italy. A decision on the export route is expected by 30 June. If Nabucco West is chosen, Shah Deniz II will then take up a half share in Nabucco Gas Pipeline International. The Shah Deniz II consortium has already signed a funding deal with TAP last year, and had said at the time it also planned to agree a deal with Nabucco.

Greek Cyprus and Turkey speed up their gas research

Upstream Online, *07.01.2013*

Natural gas research in the eastern Mediterranean will result in Greek Cyprus and Turkey engaging in activities to explore for new reserves. Greek Cypriot Energy Minister, Neocles Sylikiotis, met recently with a delegation from Total in order to push forward negotiations. The island has concluded final details with Italian Eni and the Korean Kogas who have pledged to invest into researching two other sea blocks. Sylikotis stated that over the coming years when all sea blocks are awarded, a total amount of 10 billion USD in investments should be expected based on the estimations that considerable amounts of gas will be found, similar to Noble Energy's Block 12.

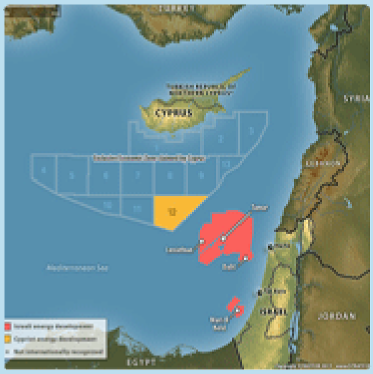
According to estimations by the Cypriot Ministry, by early 2013 all negotiations should have reached an end and by mid-2014 the newly established Cypriot hydrocarbon state agency should have found a strategic investor. The schedule details that by 2018 production at Block 12 should have started and by 2020 other potential gas reserves should also be exploited. For the moment companies such as Gazprom, Shell, BP and E.ON seem unofficially interested in becoming strategic partners with the Cypriot agency, although negotiations for that sector will commence in the near future, once the remaining blocks are awarded to various competing companies.

Turkey is also speeding up its Mediterranean gas investment strategy. It has started negotiating with the Norwegian corporation Polarcus in order for the Turkish Petroleum Company (TPAO) to acquire the research vessel Polarcus Samur built in 2001. TPAO is in a final negotiation stage with the Norwegians for the acquisition that is said to cost USD 165 million, according to the Oslo based bank DNB. If the deal is concluded, the vessel could be in Turkish ports by March 2013. Polarcus Samur has eight streamer sensors and multitude of other high-tech equipment for far-ranging offshore research.

The CEO of Polarcus, Rolf Ronningen, stated recently that TPAO is interested in wide-range 3D seismic research in all corners of the Turkish continental self, including the Black Sea. It is also interesting to note that TPAO in 2011 signed an agreement with Shell to jointly conduct natural gas research in the eastern Mediterranean through an energy exploration and production sharing agreement. This deal details that first a region offshore Antalya should be explored. Shell is estimated it will contribute USD 300 million along with technical expertise and reserves to be found will be equally divided between TPAO and Shell.

Greek Cyprus and Lebanon in energy talks

Natural Gas Europe, *08.01.2013*



Greek Cypriot and Lebanese heads of state will discuss co-operation in energy exploration at a heads of state meeting. Greek Cypriot president Demetris Christofias will discuss offshore gas and oil with his Lebanese counterpart at meetings.

Christofias will hold talks with President Michel Sleiman "to review economic issues and growth prospects after the discovery of large reserves of hydrocarbons". Cyprus is conducting energy research and development, but wants to conclude demarcation agreements on maritime exclusive economic zones with its neighbors.

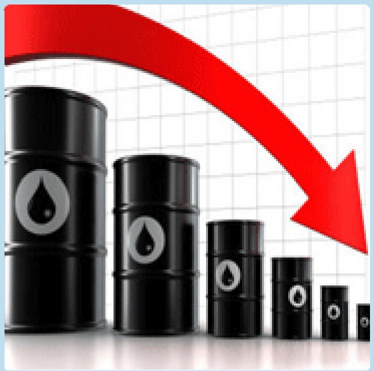
In the past, the government in Nicosia has signed delineation agreements with Egypt, Israel and Lebanon to pave the way for exploiting hydrocarbon deposits that criss-cross their boundaries. But an agreement has been held up in the Lebanese parliament due to Beirut's own dispute with Israel over sea borders.

Exploratory drilling conducted by Houston-based Noble Energy in Block 12 of Cyprus' EEZ indicates a gross natural gas reserve of up to 254.9 billion cubic meters (9 trillion cubic feet). Noble expects to commercially extract and transfer the natural gas to Cyprus shores by late 2018. Nicosia is negotiating with Italian giants ENI, France's Total and South Korea's Kogas for permits to drill for gas and oil in other blocks off Cyprus.

Greek Cyprus hopes its energy bonanza can eventually help pull it out of recession and tackle its huge debt which has forced it to seek an EU bailout. Turkey has protested against the Greek Cyprus government's offshore energy bid, branding it illegal and retaliating by beginning its own exploratory drilling off the breakaway north of the island. Ankara has warned that companies involved in the Greek Cyprus process could be shut out of Turkey's energy investment.

SOMO: December crude oil exports fell 272,000 b/d from November

Platts, *02.01.2013*



Iraq's total crude oil exports in December fell to 2.348 million b/d, a 272,000 b/d decline from November's exports, when Iraqi exports set a post-1990 record, figures obtained from sources at the State Oil Marketing Organization showed.

Exports from southern ports in December amounted to 2.023 million b/d, 172,000 b/d below the November figure. Shipments through the northern pipeline system declined by 100,000 b/d. The fall in southern exports was due to a period of rough weather in the Persian Gulf that hit tanker loadings and prompted production to be held back in southern fields because of limited storage capacity, informed sources said.

Northern exports in December fell to 325,000 b/d from 425,000 b/d in November. The fall in the northern export rate was due to a big reduction in the supply of Northern Iraq produced oil to the northern storage and export system. The Regional Government supplied an average 50,000 b/d of crude oil for export through the federal pipeline system in December compared with 152,000 b/d of Northern Iraq crude delivered in November. The Regional Government resumed oil exports in the first week of August at a rate of 100,000 b/d as a gesture of goodwill to Baghdad in an effort to resolve a payment dispute with the central government.

Erbil and Baghdad signed an agreement last September in which the Regional Government committed itself to supply 140,000 b/d during the second half of September and 200,000 b/d during the remaining months of 2012. In return, the federal government was to release around $850 million in overdue payments to the Regional Government of which a first tranche has been paid. Based on the December export figures, and taking into account the expected internal supply rates to power stations and refineries, mixed residue rates and adjusting for stock variations -- total stock levels actually fell by more than 1 million barrels in December.

Platts estimates that Iraq produced 2.890 million b/d in December, a substantial fall from 3.190 million b/d in November. Based on monthly official figures for crude oil obtained from oil ministry sources, Platts calculates that Iraq exported an average 2.422 million b/d in 2012, an increase of 275,000 b/d over the 2011 average of 2.165 million b/d and a 12% rise on a year-on-year basis.

Exports from the north in 2012 averaged 373,000 b/d, 82,000 b/d below the 2011 average or a drop of 18%. This was due mainly to the fall in the rates of Regional Government supplied oil, which averaged 94,000 b/d during 2011. Southern exports averaged 2.049 million b/d during 2012, 339,000 b/d above the 2011 average and equivalent to a rise of 20% year-on-year. This substantial rise in southern exports was due mainly to the increase in production from the new fields of Ahdab and Halfaya as well as from the major producing fields of Rumaila, West Qurna 1 and Zubair, all of which are operated by international consortia.

DEPA privatization gets a boost

Natural Gas Europe, *09.01.2013*

The privatization of Greece's DEPA recently received a boost when the Greek privatization agency (TAIPED) responsible for the divestiture process, leaked to local press its intentions and timetable.

It was made known that the process re-enacts from the 9th of January onwards and by the end of the month all binding offers will be submitted and reviewed both by the board of TAIPED and also by independent consultants of the process such as N.M Rothschild bank, Greek Alpha Bank and legal advisor Clifford Chance.

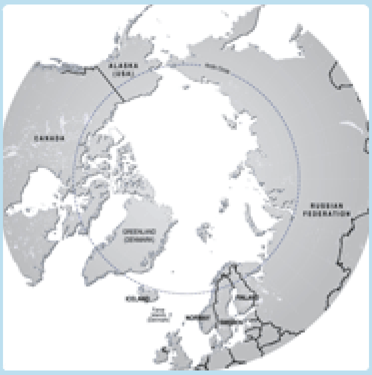
It was also made known that TAIPED acts for the interests of the Greek state to bring in the highest bids possible and the economic criteria is by far the most important. Otherwise the reliability of the whole privatization process of the Greek state is at peril. Furthermore, a high-level governmental official from the Ministry of Energy noted that there is no fear of monopolistic practices by any of the participating companies should they acquire DEPA and DESFA, the Greek network operator. This is due to the full liberalization of the market, as it exists since early 2011 with independent suppliers being able to import the commodity without any restraints. Moreover the Greek competition authority has recently decided that DEPA could only use up to 50% of the total capacity of DESFA, thus leaving open space for competition for the supply of the market.

The successful bidder of DEPA and DESFA would be obliged to separate their commercial activities. TAIPED commented that all five participating companies in the auction process have agreed in that respect. In addition, all companies have agreed to present mechanisms that will ensure the supply of the local gas market in any event, including leaving space for competitors. Another interesting aspect is that there were leaks to the Greek press regarding the non-binding offers submitted. Russia's Sintez-Negusneft is reportedly willing to pay 1.9 billion Euros for both DEPA and DESFA, whilst Gazprom it was revealed is willing to pay 900 million Euros for DEPA alone, without knowing yet the sum for the other company. Greece based M & M Gas offered 450 million Euros for DEPA alone. No data was available for the PPF Fund, Greek GEK or SOCAR.

The aforementioned confirms earlier estimations by Natural Gas Europe that the price tag may exceed 1.5 billion Euros in total for both companies and that the Russian entities are leading the competition. With the apparent resolution of competition issues and by the assurance of the Greek agency that the price is the determining factor, it is likely that Gazprom and Negusneft will contest the final round of the process. As for SOCAR, it may well be premature for Azerbaijan's state player to invest a considerable amount of capital before the announcement of the Southern Corridor preferred route which is due after the end of DEPA's privatization process.

U.S. Department of Interior launches assessment of 2012 Arctic operations

Upstream Online, *02.01.2013*



As part of its continued commitment to rigorous oversight of oil and gas activities in the Arctic, Secretary of the Interior Ken Salazar announced that the Department has launched an expedited, high-level assessment of the 2012 offshore drilling program in the Beaufort and Chukchi Seas to review practices and identify challenges as well as lessons learned.

The review, which is expected to be completed within 60 days, will pay special attention to challenges that Shell encountered in connection with certification of its containment vessel, the Arctic Challenger; the deployment of its containment dome; and operational issues associated with its two drilling rigs, the Noble Discoverer and the Kulluk.

The review is consistent with the Administration's commitment to safe and responsible exploration for energy resources in the Artic and will help inform future permitting processes in the region. The United States Coast Guard will provide technical assistance for the review. "Developing America's domestic energy sources is essential for reducing our dependence on foreign oil and creating jobs here at home and the Administration is fully committed to exploring for potential energy resources in frontier areas such as the Arctic," said Salazar. "Exploration allows us to better comprehend the true scope of our resources in the Arctic and to more fully understand the nature of the risks and benefits of development in this region, but we also recognize that the unique challenges posed by the Arctic environment demand an even higher level of scrutiny."

The review of Shell's Arctic activities will be led by Interior's Bureau of Ocean Energy Management (BOEM) Director Tommy Beaudreau, who has been selected to serve as the Acting Assistant Secretary for Land and Minerals Management. The review will look at Shell's safety management systems, its oversight of contracted services, and its ability to meet the strict standards in place for Arctic development. "As part of our Department's oversight responsibilities, our review will look at Shell's management and operations in the Beaufort and Chukchi Seas," said Beaudreau. "We will assess Shell's performance in the Arctic's challenging environment."

During limited preparatory drilling operations last season, Shell constructed top-hole sections for one well each in the Chukchi Sea and the Beaufort Sea. BSEE conducted unprecedented oversight and had inspectors present onboard each Shell rig around the clock throughout those operations. "The Bureau of Safety and Environmental Enforcement demands operators make safety at all levels at all times their number one priority, and we expect the highest level of performance from operators in the Arctic," said BSEE Director James A. Watson. "As we oversee historic domestic drilling, BSEE will continue its unprecedented oversight of drilling activities in the Arctic and we will continue to hold anyone operating in public waters to the highest safety and environmental standards."

Absheron field to start in 2020

Natural Gas Europe, *08.01.2013*

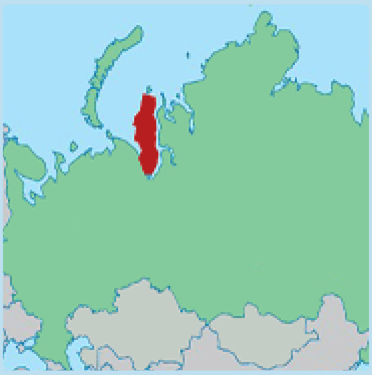
Gas production from Azerbaijan's Absheron field will start in 2020, State Oil Company of Azerbaijan (SOCAR) president Rovnag Abdullayev has said.

Abdullayev said the potential of natural gas exports will reach 25 billion cubic metres in 2020, and should reach 40 bcm by 2025. He was quoted by state news agency APA. The Absheron gas field is situated in the Caspian Sea, about 62 miles (100 kms) south of the Azeri capital, Baku. It covers approximately 100 square miles (270 square km) and lies 16 miles north-east of the Shah Deniz gas field.

Partners in exploration and production are Total (40%), SOCAR (40%), and GDF Suez (20%). A review of the Absheron field released in July indicated that the field could yield 150-300 bcm of natural gas.

Gazprom and Novatek set up LNG plant

Natural Gas Europe, *11.01.2013*



Gazprom and independent gas producer Novatek are to set up a LNG production plant in the remote Yamal peninsula of Siberia. The venture will carry out pre-front end engineering and design studies, elaborate project documents, work out a plan for the LNG plant construction and a joint program for development of the fields where the company will act as an operator for the facilities development and arrangement.

Matters of financing and a time-scale for final investment decisions will be dealt with by the end of 2013, Gazprom announced. Agencies reported that the move is part of a Russian strategy to import more gas to Asian markets.

The new facilities will be near a project already proposed by Novatek to build a 16.5 million tonne LNG facility in partnership with French multinational Total. "At the moment we view this as a doubling of production volumes compared to Novatek's initial plans," Gazprom chief executive Alexei Miller told. "With Gazprom's resource base, we could even double output on Yamal."

Announcements & Reports

► *IEA Medium-Term Coal Market Report 2012*

Source : International Energy Agency
Weblink : http://www.iea.org/W/bookshop/add.aspx?id=436

Upcoming Events

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► *Tight and Shale Gas Summit 2013* ***(in Turkey)***

Date : 27 – 28 February 2013
Place : Istanbul – Turkey
Website : http://www.wplgroup.com/aci/conferences/eu-eug2.asp

► *6th Annual Unconventional Gas Conference*

Date : 6 – 7 March 2013
Place : London – UK
Website : http://www.smi-online.co.uk/energy/uk/unconventional-gas

► *6th International Petroleum Technology Conference*

Date : 26 – 28 March 2013
Place : Beijing – China
Website : http://www.iptcnet.org/2013/

► *LNG17 - International Conference and Exhibition on Liquefied Natural Gas*

Date : 16 – 19 April 2013
Place : Houston – USA
Website : http://conferencehound.com/conference/lng17-international-conference-and-exhibition-on-liquefied-natural-gas/53874

► *Offshore Technology Conference*

Date : 6 – 9 May 2013
Place : Texas – USA
Website : http://www.gshtx.org/en/cev/908

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► *12th Moscow International Oil & Gas Exhibition*

Date : 25 – 28 June 2013
Place : Moscow – Russia
Website : http://mioge.com/about/upstream.aspx

► *Oil and Gas Conference and Exhibition 2013*

Date : 3 – 6 September 2013
Place : Aberdeen – UK
Website : http://www.offshore-europe.co.uk/page.cfm/Link=1/t=m/goSection=1

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► *All Energy Turkey* *(in Turkey)*

Date : 11 – 12 September 2013
Place : Istanbul – Turkey
Website : http://www.all-energy-turkey.com/?lang=tr

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► *Texas Oilfield Expo*

Date : 6 – 7 March 2013
Place : Texas – USA
Website : http://www.gshtx.org/en/cev/906

► *21st Kazakhstan International Oil & Gas Exhibition and Conference*

Date : 1 – 4 October 2013
Place : Almaty – Kazakhstan
Website : http://www.kioge.com/2013/upstream2013.html

► *Deep Offshore Technology International Conference & Exhibition*

Date : 22 – 24 October 2013
Place : Texas – USA
Website : http://www.biztradeshows.com/trade-events/deep-offshore-technology.html

► *World Shale Gas Conference & Exhibition*

Date : 4 – 7 November 2013
Place : Texas – USA
Website : http://www.biztradeshows.com/trade-events/world-shalegas-exhibition.html