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Eyes on Gazprom for better discount to Turkish gas imports

Today's Zaman, *05.06.2013*

Recent comments from Gazprom on the reduction of prices on gas deliveries to European countries have turned eyes to the price of Turkey's natural gas imports as Turkey which pays a high price for gas is expected to demand the same.

According to statements from Gazprom Chairman Alexander Medvedev, the price of gas per thousand cubic meters would go down from seven to 10 percent to a range of $370 and $380 in the rest of Europe. Turkey currently buys gas at prices ranging from $425 to $430 meaning once the discount occurs, Turkey will pay the highest price for Russian gas among its buyers.

Gazprom, which admits Turkey is among its three major buyers of gas along with Germany and Italy, said that it is in talks with buyers like Germany's Wingas and Italian ENI to renew export agreements, as well as GDF Suez of France and Econgaz of Austria. However, Turkish Ministry of Energy sources commented to Turkish media outlets that they have not received any discount message from Gazprom. Turkey also imports gas from Iran at prices around $507 per thousand cubic meters, as well as $349 per thousand cubic meters from Azerbaijan

The trade volume between Russia and Turkey is expected to grow to $100 billion in the coming years. According to Gazprom, in the first 4 months of 2013 natural gas exports to Europe amounted to 54.7 billion cubic meters. The Western European market including Turkey absorbs the bulk of Russian supplies. In 2012, Gazprom delivered 111.13 billion cubic meters of gas to this market. The biggest importers are Germany with 34 billion cubic meters, Turkey with 27 billion and Italy with 15.1 billion.

Meanwhile, at a meeting held in Baku on Tuesday, State Oil Company of the Azerbaijan Republic (SOCAR) President Rovnag Abdullayev said the gas transfer between the countries via the Trans-Anatolian gas pipeline (TANAP) would begin in 2019. He expressed that in the initial phase 16 billion cubic meters of gas would be exported to Turkey and the capacity would be increased in following years. Responding to a question of when the route in Europe would be final, Abdullayev answered that the route would be clear by the end of the month.

Will Turkey's natural gas system be able to handle this winter's extra load?

Enerji IQ, *03.06.2013*

Four large-scale, two medium-scale, six natural gas power plants in total are expected to become operative by June 2014. When the estimated increase in the industrial and domestic consumption is added to this, the sector representatives have already become concerned about the adequacy of gas supply for the coming period.

Not only the suppliers of natural gas but also the consumers who had difficulties in making gas purchase contracts last year are worried that there haven't been any new entry point insertions to the system or a substantial improvement in the capacity of the transmission network.

Also the local elections are expected to take place on March 30, 2014. When we consider the fact that the government will pay particular attention to prevent any disruptions in power/natural gas supply during this period, it becomes apparent that certain precautions need to be taken to avoid shortages in the coming winter. An official from the Ministry of Energy and Natural Sources reported to Enerji IQ that the natural gas plant in Samsun will have no problems in gas supply as Blue Stream line is close to Durusu entry point. Because of the existing capacity limitations of the transmission network, Denizli and Gebze might have shortages particularly during the winter months when gas consumption peaks. Pressure and capacity risk in Gebze is minor when compared to Denizli region, the official said. Projects for loop lines that would feed particularly the West Mediterranean and South Aegean regions should be developed, he added. "Gas consumption of the new plants will be 2 – 2.5 bcm"

A BOTAS representative pointed out that the natural gas plants with a total installed capacity that approximates 3.000 MW which are expected to become operative by the end of 2014 1Q means an additional 2 - 2.5 bcm natural gas consumption for the year 2014. "The new natural gas plants that will become operative inadvertently will bring an additional load to the transmission system. However, by the mean time some low efficient plants will be deactivated. However, it would not be farfetched to say that the transmission network will be overloaded. The network's stability will be maintained by taking certain measures based on seasonal consumption profiles. West line is worn off, maintenance can take longer."

A representative from the private sector told that there is a high possibility that there might be difficulties in meeting the demand in the domestic market this winter. The line that will transit Ukraine and enter Turkey through Malkoclar is a very old one and certain sections of the line are currently under maintenance. The maintenance work is expected to be completed on October 15, however in case an unforeseen problem is encountered during the maintenance work, the delay affect all the outlet points on the route, including Turkey, and for this reason the issue demands immediate attention, said the representative.

"Increased number of residential users would lead higher domestic consumption" Also an official from the natural gas distribution sector made important statements about the issue. Answering Enerji IQ's questions, the official said: "We had a mild winter last year and natural gas bills remained at affordable levels for the residential users. This caused a significant increase in user penetration to distribution companies. Almost in every city in the country numbers of new consumers hit record levels. Interior installation companies could not meet the demand in some regions. If we have a harsh winter next year there will be a substantial increase in domestic consumption. Authorities should give immediate attention to this increase. Also we all know that guaranteeing uninterrupted gas supply for domestic consumption always gains importance in the eve of local elections."

- Gebze CCGT, with 918,36 MW installed capacity, currently under construction in Gebze by UNIT Group
- Samsun CCGT, with 868,6 MW installed capacity, to be activated by OMV in Samsun
- CCGT, with 806,58 MW installed capacity, built by RWE and TURCAS partnership and will start operations soon
- Hatay Erzin CCGT, with 855 MW installed capacity, currently under construction by Akenerji

Kirkuk pipeline hit yet again

Upstream Online (Reuters), *05.06.2013*

Bombs have once again struck a crude oil pipeline linking the oilfields of Iraq with the Mediterranean through Turkey, according to a report. Militants bombed the Kirkuk-Ceyhan pipeline early on Tuesday in Nineveh province, Reuters reported, quoting an Iraqi oil ministry official.

"Bombs destroyed part of the pipeline, causing severe damage, and halting crude flow," an unidentified official told the news wire. It is not known when flows will resume, however there is believed to be sufficient storage to meet the supply gap. The pipeline is regularly attacked by militants with a noticeable increase in recent weeks.

Crude exports averaged 2.6 million barrels per day in the month, affected by attacks on the pipeline. Production was 3.15 million bpd during the period. Infrastructure bottlenecks and repeated attacks on the pipeline to Turkey have kept the country short of a 2013 export target of 2.9 million bpd. May exports were flat compared with the previous month's shipments of 2.6 million bpd. Infrastructure bottlenecks and repeated attacks on the pipeline to Turkey have kept the country short of a 2013 export target of 2.9 million bpd. May exports were flat compared with the previous month's shipments of 2.6 million bpd. May exports were flat compared with the previous month's shipments of 2.6 million bpd.

Petoil looks to expand to Uganda

Hürriyet Daily News, *07.06.2013*

Petoil, a Turkish independent petroleum exploration and production company, has expressed its official interest in expanding into Uganda, announcing plans to join a tender for the East African country's petroleum resources.

"We have been in Uganda for more than five years, looking forward to a new oil law. The Ugandan government finally passed the law in April. They will announce a number of tenders for the existing petroleum sites. We will be there to compete with other energy companies for these sites," Mehmet Ali Ak, the general manager of the Ankara-based Petoil, told.

He said the sites in Uganda have around 3 billion barrels of discovered oil. "The amount is the case for one basin that has already been drilled. There are two more basins which are confirmed to have petroleum but need to be drilled to learn the exact amount," Ak said.

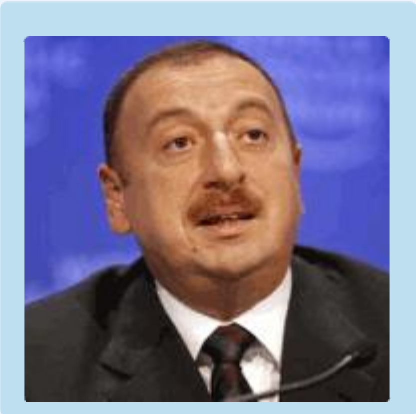
Petoil has already registered a Ugandan subsidiary to prepare for the new licensing in more than one bloc. The company is now waiting for the remaining regulations to be made and new institutions like the Petroleum Authority of Uganda and the National Oil Company, among others, which are expected in less than one year.

According to some stories in Ugandan newspapers, Petoil is one of more than 100 oil companies that have queued up for the next round of licensing in Uganda's oil industry. "We do not know whether that many companies are involved in the process. We met the C-levels of less than five companies, including French Total, at a press meeting which the Ugandan officials organized for the potential petroleum investors of the country," Ak said.

The company is looking to become one of the early-comers to Uganda's still mostly untouched oil market. Petoil representatives said Africa may be the most feasible markets for Turkish investors as other regions having proven energy resources have already been taken by big oil. The company has operations only in the Kurdish Regional Government (KRG) other than Turkey. Petoil holds 20 percent of the Chia Surkh 10 well with Anglo-Turkish Genel Energy, which owns 60 percent of the well, and the KRG, which has the remaining 20 percent.

Aliyev wants SOCAR to be Turkey's number 1

Hürriyet Daily News, *07.06.2013*



Azeri President Ilham Aliyev has requested Azeri state-run energy firm SOCAR Turkey to replace its plans to be one of the top three groups of Turkey, and instead try to be the largest one. Azerbaijan President Ilham Aliyev has said he wants Azeri state-run energy company SOCAR's Turkey arm to be the "biggest group in Turkey" by 2023.

"I want to see the State Oil Company of the Azerbaijan Republic, SOCAR, become the biggest group in Turkey by 2023," the Azeri president said after his meeting with members of Socar Turkey during the "Caspian Oil & Gas" fair in Azerbaijan.

Visiting the state energy firm's pavilion at the fair, which began on June 4 and ends today, Aliyev received some briefings about SOCAR's operations and investment projects in Turkey from SOCAR Turkey head Kenan Yavuz and SOCAR President Rövnag Abdullayev. Apparently, he was pleased with what he heard.

"Our aim was to become one of Turkey's top three groups by 2018 with a $15 to $20 billion income," Yavuz said, speaking to the press after the small presentation. "But the president wanted us to revise our target to first place." Yavuz says they "sincerely believe" SOCAR could achieve this aim with more work, considering the upward trajectory the company already has in Turkey.

SOCAR Turkey was founded by SOCAR to carry out its activities in Turkey in 2008, as that was the year SOCAR entered Turkish markets by acquiring control of Turkish petrochemical giant Petkim. "Since then, we have invested $327 million in Petkim, while our continuing investments amount to $114 million," Yavuz said. SOCAR has recently inked a deal with Spain's Tecnicas Reunidas to build a $4.3 billion new refinery at the Petkim peninsula, located in the Aliaga district of İzmir. It also plans to establish Petkim Container Port and STEP energy power plant there, making SOCAR's projected total investment on the peninsula $9 billion. "The Petkim peninsula hosts Turkey's largest investment and localization projects, thanks to SOCAR's Value-Site 2023 vision," Yavuz said. SOCAR also partners with Turkey in the Trans-Anatolian Pipeline project, in which Turkey has a 20 percent stake and Socar holds 80 percent.

"SOCAR, which has initiated the Petkim Star Refinery, the Petkim Container Port, the Step Power Plant, and TANAP project up until today, will invest a total of $17 billion in a 10-year period covering the years between 2008 and 2018," Yavuz said, noting that this amount was $3 billion higher than the total amount of foreign direct investment that entered Turkey between 1923 and 2003.

Turkey revives hopes on Black Sea sources

Hürriyet Daily News, *06.06.2013*

TPAO is confident that its off-shore exploration operations in the Black Sea will pay-off with new partnerships after unsuccessful attempts. The hopes of Turkey's state-run oil researcher, Turkish Petroleum Corporation (TPAO), for potential Black Sea sources have been revived again an official has said, adding that the company was currently in talks with two global oil explorers for the region.

"TPAO's operations in the Black Sea leave a great deal to be desired considering Turkey has a 1,650-kilometer coast," Erdal Coskun, TPAO's exploration manager, said during a two-day Black Sea Oil and Gas Conference.

"But we're hopeful to obtain results with the new deals with other oil explorer companies and thanks to the better-than-expected performance of Turkey's new seismic vessel, 'Barbaros Hayrettin Pasa,' which began operations in the region a few months ago."

Turkey's exploration activities in the Black Sea basins date back to the early 1970s, but the country, desperately searching for energy, has fostered its operations there only in the last 10 years. TPAO had established several joint venture projects with giant international companies including Chevron, ExxonMobil, Petrobras and BP but failed to accomplish significant discoveries. International actors' interest in the region has freshened with a mouth-watering discovery by Romania in the Neptune block in the Black Sea, Coskun told on the sidelines of the conference.

TPAO and oil giant Royal Dutch Shell have already begun to explore jointly for oil in the Black Sea with a deal reached in February. According to the deal, Shell is bearing the cost of deep-sea operations while drilling is jointly funded. Coskun said now two other partnerships in the region were in the pipeline for TPAO. "We're currently negotiating with two companies for two different wells. One of them is entering the region for the first time, but we had a partnership in the Black Sea with the other one," Coskun said, without giving any further details about the names.

In his remarks Coskun also praised Barbaros Hayrettin Pasa's performance in the region and said the seismic vessel, which conducts two and three dimensional seismic surveys, might serve in Shell's own operations as well. After completing its duty in the Black Sea, the vessel will go to off-shore fields of Cyprus in the Mediterranean Sea to explore for energy.

Leviathan field to cost at least $4.5 billion

Reuters, *05.06.2013*

The U.S. - Israeli consortium developing Israel's Leviathan natural gas field estimates it will cost $4.5 billion to develop the offshore well, not including infrastructure for exports, an official familiar with the project said. The cost forecast was part of a development plan the consortium recently presented the government, the official said, speaking on condition of anonymity.

Export options include building a liquefied natural gas (LNG) terminal, a pipeline to a neighboring country, or even bringing in a new technology known as a floating LNG vessel, which alone would cost $3 billion to $4 billion to construct.

Leviathan, discovered in 2010 with an estimated 19 trillion cubic feet (tcf) of natural gas, was the world's largest offshore discovery of the past decade. A spokeswoman at Israel's Energy Ministry confirmed a development plan had been received, but provided no details. The Leviathan partners declined to comment. The forecast came as Israel, long reliant on energy imports, struggles to find the balance between how much gas to keep and how much to export. At a fiery debate in parliament on Wednesday, exploration companies presented their case to set a high export quota, while a number of lawmakers and environmental groups demanded a large majority of Israel's reserves be kept for domestic use.

Noble Energy to appraise Aphrodite find

Upstream Online, *06.06.2013*

US independent Noble Energy is to spud a closely-watched appraisal well on its Aphrodite gas discovery off Southern Cyprus on Friday. The explorer believes it may have uncovered natural gas resources of between 5 trillion and 8 trillion cubic feet with the probe in December 2011.

Cash-strapped South Cyprus is thought to be keen to see the discovery through to development as quickly as possible and Greek Cypriot officials will be looking out for the results of the appraisal in three to four months' time. The Ensco 5006 semi-submersible is in position and preparing to drill the Aphrodite 2 appraisal to a planned total depth of 5607 meters.

Gazprom expects European gas export rise in 2013

ICIS Heren, *04.06.2013*

Russia's Gazprom expects natural gas exports to Europe to rise to around 150 billion cubic meters (bcm) in 2013, up 8% from 2012's 138.8bcm, the general director of Gazprom export, Alexander Medvedev told a conference in Moscow.

The company was basing its forecast on figures for the first five months of 2013, which put European exports - including Turkey - at 66bcm, up 6.4% from 2012. Gazprom reported the average export price of Russian gas in Q1 '13 at $399.42 (€305)/thousand cubic meters (kcm), equivalent to €28.991/MWh. Gazprom expected its European market share to rise as European gas production depleted as demand rose.

Company expected that on top of current gas import volumes, Europe would require an additional 145bcm by 2025 or an additional 200bcm by 2035. But such estimates would require an increase in gas-fired power generation which is not imminent based on current financial spreads. The latest round of price revisions in long-term contracts with several key European customers, including Italian Eni and French GDF SUEZ, should be concluded at the end of June according to Medvedev. These were revisions already scheduled into the long-term contracts. Gazprom expected downward price adjustments in European long-term contracts to be below the 7-10% implemented last year and said the average weighted price of its gas exports to Europe in 2013 would come to $370-380/kcm compared with an average $402/kcm in 2012.

The Russian company expected that retroactive payments to its European customers to cover earlier overpayments for long-term contract gas where the price had been renegotiated would come to more than $800-900m this year - not including any payments that might follow a settlement with German RWE. Last year, Gazprom's retroactive payments to European customers came to around $3bn. The share of spot gas indexation across Gazprom's export portfolio remained as it had previously been, according to Medvedev, around 7-8%. He added that downward price revisions of long-term contracts were not based on increasing the spot component of indexation, but by adjusting the existing price formula. Medvedev said that Gazprom was still in arbitration proceedings with RWE, but added the two companies were also continuing negotiations this process.

Regarding Gazprom's stance on reverse flow of gas from Europe to Ukraine, Medvedev said virtual reverse flow was not possible without the involvement of the gas supplier. He said he would not comment further on the specifics of Ukraine as there were complex technical systems at the Ukrainian border (at Uzhgorod) and it would be incorrect and even dangerous from all points of view to try and reverse the flow on an unilateral basis. The gas supplier, transport operator and the shipper all needed to be involved. Ukraine has been taking reverse flow gas from Hungary and Poland, but not Slovakia.

Gazprom makes concessions to Russian buyers as competition bites

Hürriyet Daily News (Reuters), *03.06.2013*

Russia's Gazprom said on Monday it cancelled take-or-pay requirements for domestic consumers in a concession to major industrial clients who have been switching to lower-cost supplies from independent producers such as Novatek.

Gazprom's domestic supply agreements expired at the end of 2012. A spokeswoman for Gazprom's domestic supply division, Mezhregiongaz, said the take-or-pay requirement was excluded from all new contracts, including those that had yet to be fully finalised in negotiations. New contracts are five-year deals will expire in 2017. Rule requires consumers to pay for gas whether they take physical delivery or not.

In Europe, it is a bulwark against competition from sometimes cheaper spot supplies from rivals such as Statoil. "Fines for failure to draw gas are completely absent from the new contracts," Mezhregiongaz spokeswoman Maria Frolova said.

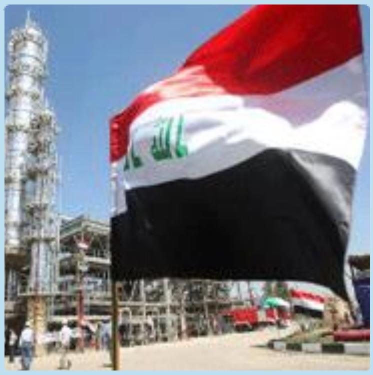
Gazprom's domestic gas sales are dwarfed by the take from its exports to Europe, but just when the Russian giant faces more competition in foreign markets it has lost share at home to rivals producing lower cost gas. The decision to cancel the requirement for domestic consumers has no impact on the key export market, where Gazprom has made price concessions while defending take-or-pay in a European court, but it underlines Gazprom's eroding competitive edge. Gazprom said its share of the domestic market fell to 73 percent last year from 80 percent in 2008, reflecting rising output of low cost gas from independent producer Novatek and increased sales by oil companies with associated gas.

In a sign that state-owned Rosneft is stepping up its bid to take business from Gazprom at home, sources said last week it would pay $3 billion to consolidate a domestic gas producer, Itera. Since first buying into Itera last year, it agreed to sell 4.65 billion cubic metres of locally produced gas in 2013-2015 to a power station owned by E.ON, one of several sizeable contracts sealed in the last year between large consumers and non-Gazprom producers.

A number of similar contracts sealed over the past year by Novatek with most of Russia's steelmakers have also eroded Gazprom's share with key industrial customers. Rosneft has also joined forces with Novatek to lobby for the right to export liquefied natural gas (LNG) - challenging Gazprom's goal of increasing exports of LNG to Asia to reduce its reliance on pipeline gas exports to Europe.

Iraq to lower oil targets

France 24, *03.06.2013*



Iraq is in talks with foreign energy firms to lower long-term oil production targets agreed several years ago because of sagging global crude demand forecasts, the country's top energy official told.

Hussein al-Shahristani said that Iraq was renegotiating all of the oil field contracts agreed in 2009 to lower the peak production target and spread output over a longer period of time. He added that he hoped oil prices stayed above $90 per barrel, after world oil prices fell sharply to around $92 per barrel in recent days. Iraq currently produces about 3.5 million barrels of oil per day.

Iraq targeted the construction of infrastructure, pipelines and storage facilities that would have allowed it to pump 12 million bpd in 2017. The revised contracts, however, would lower the country's maximum capacity to nine million bpd. “We have revised the production plan for all the fields,” Shahristani, the deputy prime minister responsible for energy affairs, said in an interview in his office inside Baghdad’s heavily-fortified Green Zone. “Some of them have already been agreed and finalised, and some of them are in discussion.”

Asked if that meant every contract awarded in 2009 was being revised, he replied: “Yes, that’s right and we may decide in certain cases that we will keep the production that was contracted for, because it will be feasible to maintain that production for a much longer time, based on our new studies.” Though Iraq could, in that scenario, theoretically pump as much as nine million bpd, Shahristani said that between five and six million bpd “would generate enough revenues to meet our needs.”

He said that while marginal oil fields around the world required that oil prices stayed above $75 to $80 per barrel -- they currently stand at around $92 for a barrel of light sweet crude -- Iraq hoped they would stay above $90 per barrel. “Our budget is based on $90,” Shahristani, a former oil minister, said. “We wish that the oil price will remain at the level above $90. Otherwise we have to revise our budget. We don’t expect it to fall below $90.” Iraq, which is almost entirely dependent on oil sales for its income, currently exports about 2.6 million bpd. It is hoping to increase sales sharply in the coming years in order to fund much-needed reconstruction of the country’s dilapidated infrastructure and conflict-battered economy.

Shale to remain top Polish priority

Upstream Online, *03.06.2013*

Shale will remain a top investment priority for Poland despite recent setbacks to the budding industry, the country's new treasury minister has said. Wlodzimierz Karpinski added that the government may even push state-owned energy companies further to treat shale gas projects as strategic goals.

"The pressure on companies to invest in this area will certainly not be smaller, it could even be bigger, because this is a matter of national interest and government was aware that pushing state-owned companies to invest in shale involved risks should be properly distributed". Kapinski said.

Five Polish state energy companies - gas monopoly PGNiG, copper miner KGHM and Poland's three largest utilities PGE, Tauron and Enea - are due to work together on developing Polish shale resources. Karpinski's remarks come after international companies such as Talisman Energy and Marathon Oil moved to quit their positions in Polish shale, citing unsatisfactory results and an uncertain regulatory framework among the factors behind their departures. Critics of Poland's shale gas potential point to reduced estimates of its reserve potential and some disappointing early test results. Poland pegged its recoverable shale gas reserves at 346 billion to 768 billion cubic metres last year, well below an earlier estimate of 5.3 trillion by the US Energy Information Administration.

Kuwait to tap heavy oil

Upstream Online (Reuters), *05.06.2013*

Kuwait is looking to drill over 1000 new wells as it targets significant heavy oil output in the years ahead, according to a report. The Opec member nation wants to produce as much as 60,000 barrels per day of heavy oil by 2015, local newspaper Al-Rai quoted a Kuwait Oil Company (KOC) executive as saying.

"Nearly 1,200 wells will be drilled to produce heavy oil," northern region deputy managing director Hosnia Hashem said, according to the report which was cited by Reuters. Kuwait may be able to produce as much as 270,000 bpd of heavy oil by 2030, Hashem continued.

Total CEO: More European refineries will close

Reuters, *02.05.2013*

Total and other oil majors will shut down more refineries in Europe over the next few years due to the broad consensus for lower CO2 emissions and fuel consumption, the French company's chief executive said.

Total CEO Christophe de Margerie declined to say which refineries Western Europe third-largest Oil Company could close. But he did tell the interview with RTL radio and LCI television that he believed there was too much refinery capacity in France, comments which could worry labor unions and government officials. Asked if more closures would follow in Europe in the next few years, Margerie said

"Europe's refining industry is struggling with declining margins for its aging plants, which require heavy spending on maintenance, while demand is weak as the region's economies slump. The pressures have led to four plant closures in 2012 and another three announced so far this year." "Of course more refineries will shut down because consumption will shrink. Everybody wants consumption to shrink, public authorities, Europe and ourselves. If we all decide to cut consumption, we have to cut production."

French President Francois Hollande said he was sticking to a target of reducing unemployment by year-end, after fresh data showed that the number of jobless hit a new all-time high in April. Some 3,264,400 were seeking work in April after two full years of monthly rises in the number unemployed. Asked if Total itself would close down refineries in Europe or France, he said: "Of course that will happen because in France as everywhere else we will continue to reduce consumption ... that will lead to a cleaner environment. France's largest oil producer, Total pledged in 2010, when it shut a refinery in Dunkirk, not to close any other refinery in France before 2016.

Margerie said the company would need to discuss the question of refining capacity with its social partners before making any decisions. "The first debate, which is an important one, is whether there is too much refining capacity in France," the outspoken 61-year-old said in the interview. "I say yes. They (the unions) say no. Or rather some say no and others say yes."

Total's strategy is to focus on investing in its larger, integrated petrochemical and refining plants to make them more efficient, while keeping a lid on investments at its other European refineries. The French company cut its European refining capacity by 500,000 barrels per day between 2007 and 2011 and has said it aims to cut the region's refining and petrochemical production even more, while it wants to grow in Asia and the Middle East. France's Rouen commercial court rejected in April two takeover offers for a French refinery owned by Swiss refiner Petroplus, a decision that led to the liquidation of the plant. "Our goal is not to shut down refineries, it is to keep them, but for them to be profitable," Margerie said.

Banks in the dark over $15 billion of promised Rosneft M&A business

Reuters, *01.06.2013*

Banks that helped Russian oil company Rosneft finance its $55 billion buyout of rival TNK-BP have been left waiting for their payback - a share in $15 billion in asset sales expected to follow the deal, sources familiar with matter said.

State oil company Rosneft's takeover of TNK-BP this year aimed to create a major oil group producing more oil than Exxon Mobil, but it also tightened the Russian government's grip on the country's energy sector. The asset sales promised by Rosneft Chief Executive Igor Sechin would offload less-profitable businesses to turn the company into the major oil player the CEO has said he wants it to be.

The delay shows Rosneft has a lot on its plate integrating TNK-BP and that the sales are on the back burner. Rosneft had dangled the juicy divestment mandates at the banks in exchange for a $29.8 billion loan - the largest in Russia's history - on good terms, three out of four sources with direct knowledge of the loan talks said. "All the lending banks are waiting," said one of the bankers who asked not to be named because the talks are private. "We thought (refinancing) bonds and asset sales would kick start straight after the closing (of TNK-BP deal). We are now in the dark."

Rosneft's slow motion is frustrating the banks as they would earn fat fees from advising the oil giant on the asset sales this year, which would help boost M&A revenues in an otherwise arid deal making landscape. M&A activity across all sectors is down 7 percent in Europe, Middle East and Africa since January according to Thomson Reuters data, partly due to the impact of the euro zone crisis on business confidence.

Banks that maintained big balance sheets throughout the financial crisis have been hoping to use this muscle to win lucrative M&A advisory business from rivals which had to shrink partly to meet tough European capital rules. Banks often use their balance sheets to offer cheap loans to corporate clients to secure higher-margin business such as share or bond issues or M&A work.

Big balance sheets helped Barclays and Deutsche Bank, for example, to achieve number 2 and 3 rankings in M&A league tables last year, challenging U.S. rival Goldman Sachs, which had the top slot, Thomson Reuters data showed. Rosneft's jumbo loan raised $16.8 billion in 2012 and $13 billion earlier this year to finance the TNK-BP deal with banks including Bank of America Merrill Lynch, Barclays , BNP Paribas, Citi, Credit Agricole , JP Morgan, Mizuho, Societe Generale and UniCredit. Soon after deal closed, Rosneft planned a bond issue to refinance part of the loan. But the company turned instead to Russia's domestic bond market where big Russian banks such as Sberbank and VTB dominate. Rosneft is also doing an M&A deal, but plans to buy a local gas firm rather than sell off some of its own assets.

As a result, the banks' hopes of getting their hands on the asset sales business quickly could be disappointed. The timing and extent of any disposals were never discussed in depth with the banks and have yet to be approved by the Kremlin, all of the sources said. "These assets are producing on-shore fields, they are big cash cows. The pressure to sell is not there", said the first banker. "They (Rosneft) have never sold anything, ever. It's not in their genes." said a second banker, who said Moscow was currently reviewing which assets were no longer strategic and could be sold.

One of the sources, on the Rosneft side, confirmed the parties to the loan talks touched on possible asset sales after the closure of the deal but without reference to particular assets or mandates. "It was never discussed in such specifics." The asset sales are also considered a test of CEO Sechin's ability to get to grips with the Rosneft empire, and re-fashion it into a modern, efficient corporation. But Sechin, ally of President Vladimir Putin for more than 20 years, also is under pressure to ensure that the oil which underpins the Russian economy remains safe in trusted hands.

Rosneft's main non-core assets are in Western Siberia, where the company pumps most of its crude. Some of these are mature and the company struggles to squeeze out a margin. A sale of these fields would also mark a reversal in the Kremlin's decade-long drive for control of Russia's oil riches. Western Siberia's fields make up 70 percent of Rosneft's market capitalisation, according to one analyst estimate. They also host, deep underground, some of Russia's biggest potential unconventional resources which are seen as key to mid-term production growth. Potential buyers are therefore expected to be mainly Russian companies Lukoil and Gazprom but also some resource-hungry Asian players, the bankers said.

Statoil makes find near Vigdis

Upstream Online, *05.06.2013*

Statoil has made an oil discovery in the vicinity of its Vigdis field in the northern North Sea off Norway, though the jury is still out on its commercial potential. The 34/7-H-2 H probe hit a 24-metre oil column in the Cook formation after being drilled in Statoil-operated production licence 089 by Fred Olsen Energy's rig Bideford Dolphin, according to the Norwegian Petroleum Directorate (NPD).

The goal of the so-called observation well was to prove hydrocarbons in Lower Jurassic reservoir rocks, as well as collect data for further development work, but reserver quality was poorer than expected.

The NPD stated that the commerciality of the find is still under evaluation. The well was drilled from a subsea template at the Vigdis North East field to a vertical depth of 2546 metres below the sea surface in a water depth of 292 metres. It will now be plugged back and sidetracked to Vigdis NE as a water injection well. Statoil is partnered in the licence by Petoro, ExxonMobil, Idemitsu, RWE Dea.

US crude output surges past exports

Upstream Online (Bloomberg), *05.06.2013*

US domestic crude-oil production exceeded imports last week for the first time in 16 years, a report Wednesday said, citing government data. Output was 32,000 barrels per day higher than imports in the seven days to 31 May, according to weekly data from the US Energy Information Administration, Bloomberg reported.

Production had been lower than international purchases since January 1997, the news wire said, noting that new applications of technologies like horizontal drilling and hydraulic fracturing in the US have unlocked new domestic oil supplies.

The surge in oil and gas production helped the US meet 88% of its own energy needs in February, the highest monthly rate since April 1986, EIA data show. Crude inventories climbed to the highest level in 82 years in the week that ended 24 May. “The US market is much more comfortably supplied than a few years ago,” Tim Evans, an energy analyst at Citi Futures Perspective in New York, told. “We have a reduced need for imports.” The US pumped 7.3 million bpd of oil last week, up 8000 barrels from the prior week, the EIA said in its Weekly Petroleum Status Report.

Imports fell 549,000 bpd last week to 7.27 million. Stockpiles slid 1.6% to 391.3 million barrels last week as imports dropped and refineries used more crude to produce fuels. Supplies reached 397.6 million barrels in the week ended 24 May, the highest level since 1931.

Production climbed 42% over the past five years and reached a 21-year high of 7.37 million bpd in the week that ended 3 May. Imports have tumbled 26% since May 2008. “This is an extension of trends that have been well established over the last few years,” Evans told the news wire. Crude futures for July delivery gained 43 cents, or 0.55%, to settle at $93.74 a barrel on the New York Mercantile Exchange. Prices have slumped 35% since settling at an all-time high of $145.29 on 3 July 2008.

Obama orders further sanctions on Iran

Hürriyet Daily News (AP), *05.06.2013*

The United States speeds up its efforts to isolate Iran for its suspected nuclear weapons program, targeting Tehran with currency and auto-sector sanctions following last week's ban on the petrochemical industry

Turning the screw on Iran and its nuclear program, the Obama administration imposed new sanctions on Iran's currency and auto industry, seeking to render Iranian money useless outside the country and to cut off the regime from critical revenue sources. Executive order from President Obama broadens what is already a concerted, multifaceted sanctions campaign aimed at crippling Iran's economy.

Officials described the move as part of a dual-track effort to offer meaningful negotiations to the Iranian regime while continually upping the economic pressure. "Even as we intensify our pressure on the Iranian government, we hold the door open to a diplomatic solution that allows Iran to rejoin the community of nations if they meet their obligations. However, Iran must understand that time is not unlimited," said White House press secretary Jay Carney, adding that more sanctions would be levied if the regime doesn't change course. The new sanctions marked the first time Iran's currency, the rial, has been targeted directly with sanctions, the White House said. The sanctions apply to foreign financial institutions that purchase or sell significant amounts of the rial, as well as to those who hold significant amounts of the rial in accounts outside Iran.

Senior administration officials said the sanctions were designed to make the rial essentially unusable outside of Iran. The hope is that banks and businesses holding Iranian currency will dump the funds, making the rial weaker. The value of the rial has fallen by half since the start of 2012, the White House said. Officials would not specify what constitutes a "significant" transaction. The officials were not authorized to speak on the record about the sanctions and spoke on condition of anonymity.

Another set of sanctions will target those who enable Iran's auto manufacturing sector by banning the sale or transfer of goods or services to be used in Iran's auto sector. Officials said the auto sector is a key source of revenue for the regime. Many of the auto parts and components from subsidiaries are dual-use and can be used in centrifuges or missiles. Also subject to penalties will be anyone who provides material support to Iranians and others who have been blacklisted under previous U.S. sanctions. An exception will be made for some activities related to a pipeline project to move natural gas from Azerbaijan to Europe and Turkey.

The appetite has been growing on Capitol Hill for even tougher measures against Iran, fueled in part by lawmakers' concerns about key U.S. ally Israel, which considers a nuclear-armed Iran to be an existential threat. Last month the House Foreign Affairs Committee approved legislation that would impose even tougher economic sanctions against Tehran, while the Senate resolved the U.S. should back Israel if it's forced to take military action against Iran.

BP plans $1 billion in new investment, adding two drilling rigs in Alaska

Rigzone, *03.05.2013*

BP will spend at least $1 billion to increase its Alaska drilling activity over the next five years, the company said Monday. The U.K. oil company’s new investment could help Alaska stave off declining oil production and increased competition from the lower 48 states, where horizontal drilling and hydraulic fracturing have spurred an oil boom in recent years.

Alaska slid into fourth place for U.S. oil production in March, falling behind California for the first time since BP started drilling there in the 1980s, according to the U.S. Energy Information Administration.

Although extreme weather and isolation from the main U.S. oil markets makes Alaska oil drilling more difficult than in more recent fields in North Dakota and Texas, U.S. oil demand is enough to make investing there still worth it, said an analyst “This is their backyard,” Mr. Gheit said. “And when you have $90 oil, it makes sense to invest there.”

BP said it plans to spend $1 billion over the next five years to upgrade existing facilities, increase drilling and well-work activity and add two drilling rigs in the Alaskan North Slope fields. The rigs, expected to be in place starting in 2015, will increase BP’s Alaska rig fleet to nine. BP and partners ConocoPhillips (COP) and Exxon Mobil Corp. (XOM) will also evaluate whether to spend up to $3 billion for new development projects over the next decade in the wider Prudhoe Bay region, BP said. BP is considering such projects as building new drilling pads and drilling more than 110 new wells, BP said.

“Our announcement today should make abundantly clear that BP is committed to being a part of [Alaska's oil] future and to continuing to extend the life of North America's largest oil field,” said BP Alaska Region President Janet Weiss. BP credited its decision to Alaska’s cut in oil taxes. In April, the Alaska legislature overhauled its oil tax laws, including a 20% reduction in taxes collected for new oil produced, keeping taxes on profits a flat 35% and eliminating a system that increased taxes as oil prices went up. Critics of the tax break have called the Alaskan bill a “giveaway” that will keep the state in deficit, and that projects being touted were already in the works.

ExxonMobil and Kufpec set to join Total in South Sudan

Upstream Online, *03.06.2013*

Total is reportedly preparing to team up with ExxonMobil and Kuwait Foreign Petroleum Exploration Company (Kufpec) to explore part of its long-dormant onshore portfolio in South Sudan. The French explorer has not been active at its 120,000-square kilometer Block B concession in Jonglei state since 1985, owing to Sudan's 22-year-long civil war.

Last September, rumors surfaced that the new government of South Sudan was preparing to divide up the block into three concessions and to bring in two new foreign players, namely ExxonMobil and Kufpec. Henry Odwar said that "now Total has gone ahead and, with a nudge from the ministry"

"Exxon Mobil and Kufpec have been brought in to be a partner in Block B1," he told. Another industry insider told the wire service the deals were yet to be finalised but that Block B2 was likely to be held by the same partnership of companies. The government is yet to decide on the fate of B3, the source says. Exxon declined to comment, while Total and Kufpec, Kuwait's state oil exploration arm, could not be immediately reached. In May, South Sudan restarted oil production in its main oil fields, ending a 16-month shutdown triggered by a dispute with Khartoum over pipeline fees.

South Sudan wants to start exploration in Block B1, B2 and B3 because of declining reserves in its main producing fields where state-owned China National Petroleum Corp (CNPC), Malaysia's Petronas and India's ONGC Videsh are active. Enduring mistrust with between the two Sudans means the South is keen to build alternative pipelines through Kenya or through Ethiopia to Djibouti, but analysts say this would not be viable without new commercial oil discoveries. Any exploration plans in the short term could be hampered by escalating fighting between the army and rebels led by David Yau Yau, the wire service added.

Angola LNG starts production, exports in June

Reuters, *04.05.2013*

Angola's long-delayed liquefied natural gas (LNG) plant has finally started production and the first cargo is due to be exported later this month, a senior Total executive said.

"We have LNG flowing into the tanks at our Angola LNG plant, and we expect the first cargo in June," Philippe Sauquet, CEO of Total Gas and Power told Reuters on the sidelines of a gas conference in Oslo. The plant, beset by 18-month delays caused by technical failures, suffered a setback in April after a fire occurred at the plant just hours before production was due to begin. First shipment is expected to be delivered by state-run Sonangol to either Brazil or Portugal.

The Sonangol Sambizanga, which is due to make the delivery, is currently moored at Angola's LNG production facility in Soyo. "Angola will produce the first and probably a second cargo before a shutdown for routine inspection," another trade source said.

Announcements & Reports

► *OPEC Bulletin (May 2013)*

Source : Organization of the Petroleum Exporting Countries
Weblink : http://www.opec.org/opec_web/en/publications/76.htm

► *Contractual Issues Related to Energy Trade*

Source : Energy Charter
Weblink : http://www.encharter.org/

Upcoming Events

► *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

Supported by PETFORM

► *All Energy Turkey* ***(in Turkey)***

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

► *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