

## Caspian gas is looking for a way out while major changes on TANAP underway

Enerji IQ, 12.06.2013



Idea of strengthening BOTAS's existing transmission network to be used at transit came to the agenda again, while conflicts of TANAP's high cost and transmission values remain. Like the other 10 projects which were developed for transmission of Caspian gas to Europe since the 2000's, TANAP project is also facing the possibility of revise.

It is expected that the pipeline which was planned to be 1.700 km long and 56 inches wide to be under some changes because of its astronomic transportation fees and high construction value. It was announced that the cost of TANAP would be USD 7 billion at November 2011.

However at the beginning of this year, the cost was revised to USD 12 billion by the authorities. The information that Enerji IQ obtained from Shah Deniz Consortium partners shows that TANAP could not be considered as a feasible project under these circumstances and to account a basis for Nabucco West and TAP projects, which will be connected to it. The information obtained from the same sources points out 2 possible ways for the Caspian gas to be transported to Europe:

1. Reducing the costs of TANAP by decreasing diameter of the pipeline from 56 inch to 48 inches
2. Strengthening BOTAS's existing transmission network part by part to be used at transit (Which was proposed by TAP and ITGI projects years ago)

A Shah Deniz Consortium partner company executive told Enerji IQ that reaching lowest cost values would be achieved by BOTAS transmission network model. He stated that the compressor stations and lines that will be constructed would cost around USD 1 – 1.5 billion. The executive also stated that in case of constructing TANAP with a diameter of 56 inches, the price for the transportation cost would be around USD 150 / 1000 Sm<sup>3</sup>. On the other hand, the executive pointed out that BOTAS's costs of transportation cost inside Turkey would be around USD 15 / 1000 sm<sup>3</sup>. The executive stated to Enerji IQ that, TPAO and BOTAS need to lay a serious amount of equity capital due to Turkey's 20 per cent shares on TANAP. He also pointed out that the transportation cost on this pipeline will also include the 6 bcm of gas which BOTAS to import from Shah Deniz Phase II.

“BOTAS being a state owned enterprise pays approximately USD 15 / 1000 sm<sup>3</sup> in the domestic market. How will it be possible for BOTAS to pay USD 100 for a pipeline which is similar to the existing network?” the executive questioned. He said that another possibility for TANAP to display a lower and competitive transportation price, different gas resources should also be carried by the pipeline and continued: “Other fields than Shah Deniz might provide gas to this pipeline, however these fields needs a decade to be developed. At the same time Northern Iraq, Eastern Mediterranean, Turkmenistan and Iran who are aiming for export, might join this pipeline with their gas due to political and technical reasons

# Exxon in talks for stake in Turkey's Black Sea block

Reuters, 12.06.2013



ExxonMobil is in talks with Turkey's TPAO to buy a stake in a block in the Black Sea, and the country is on the hunt for shale gas in its own territory, the acting head of the state-owned energy company said.

"ExxonMobil wants to be in the Black Sea with us, in deep offshore," TPAO's acting president and chief executive, Besim Sisman, told on the sidelines of an industry conference. "It's on the Ukraine and Romania side," he added, without giving further details on the talks between Turkey's state owned energy company and Exxon, the world's largest publicly-traded oil company.

An Exxon spokesman said the company did not comment on commercial discussions. Turkey, keen to reduce its dependence on imports, has stepped up exploration efforts in the Black Sea and Mediterranean in cooperation with foreign companies. Turkey has yet to find any oil. Its domestic production is in decline and covered only about 7 percent of demand in 2012, according to the International Energy Agency (IEA). Of its hefty imports, about 39 percent came from Iran in 2012 but sanctions have resulted in sharp cuts.

The country is also seeking exploration and production assets elsewhere in the region and is just starting to look for shale gas on its own territory. Sisman said TPAO would not bid for blocks in Algeria, a turnaround from January when Energy Minister Taner Yildiz said TPAO planned to take part in upcoming Algerian oil exploration tenders. He did not give a reason for the change. In Iraq, "we have four projects and that is enough for us," Sisman said, adding that "it is not our business to go to the north side of Iraq." Turkey is hoping to work on exploration and production in northern Iraq through commercial contracts with Russian and U.S. companies, Yildiz told Reuters last month, after Turkey's prime minister said that a Turkish company had a contract in place with Exxon.

The country has increasingly courted KRG over oil and gas, upsetting the central government in Baghdad which says it alone has authority to control oil exports from Iraq. Sisman said TPAO would join the latest bidding round for blocks offshore in Lebanon with Royal Dutch Shell Plc. which it already partners with in the Mediterranean and in shale exploration. TPAO is drilling a first well for shale gas with Shell currently, Sisman said, and is talking to other companies for further work in the sector. "Small and big, they are coming to Turkey ... but we want to choose only strong companies" with experience of fracking, the process used to extract oil and gas from shale rocks, he said. Sisman said TPAO is scouting for oil assets in Africa as it wants to take more risk to generate higher returns.

## Privatization of BaskentGaz completed

Hürriyet Daily News, 14.06.2013



The privatization of Turkey's second largest natural gas grid, BaskentGaz, was completed yesterday with a signature ceremony of the company's shares transfer contract.

Big Food company Torunlar's subsidiary, Torunlar Energy, won the tender for Turkey's second largest natural gas grid, BaskentGaz, with a \$1.16 billion offer on January 26. Of the \$1.16 billion Torunlar Gıda guaranteed to pay, the Treasury will receive \$352 million, the Metropolitan Municipality of Ankara will receive \$130 million and the state-run gas pipeline company, BOTAS, will take around \$620 million.

The natural gas provider for Ankara possesses 1.4 million subscribers, with a sales capacity of 2.3 billion cubic meters and a distribution capacity of 3.6 billion cubic meters. BaskentGaz has a license for natural gas distribution until 2037. However, the Energy Market Regulatory Authority's (EPDK) head, Hasan Köktas, said the energy privatization portfolio had reached around \$14 billion.

## BOTAS's import licenses have been extended for additional 10 years

Enerji IQ, 12.06.2013



EMRA extended the natural gas import licenses of state owned BOTAS for an additional 10 years period. BOTAS's natural gas import licenses covering the Turkey's imports from Russian Federation, Azerbaijan, Turkmenistan, Iran, Nigeria and Algeria has been extended by the market regulator EMRA as they were granted for 10 years in 2003.

This procedural extension also enables to import gas until 2013 unless it releases the contracts to the private companies. Turkmenistan license had also been extended. The import license of BOTAS, covering the natural gas sales and purchase agreement signed with Turkmenistan on 1999.

According to the agreement, natural gas delivery was supposed to start within January 1st 2002 – December 31st 2004, but Turkmenistan did not undertake their responsibilities for the Hazar transaction. On the other side BOTAS had the legal right to terminate the ineffective contract as of July 2002; however BOTAS has not decided to do so.

# Hopes renewed for Turkmen gas delivery to Turkey

Today's Zaman, 09.06.2013



Turkey and Turkmenistan have revived hopes for a long-term plan with regards to the delivery of Turkmen gas to Turkey after signing a cooperation agreement during President Abdullah Gül's high-level official visit to the country last week.

During Gül's visit, in addition to agreements in many fields ranging from science and technology to foreign ministry cooperation, the two countries signed a framework agreement on delivering Turkmen gas to Turkey. The agreement was inked between Baymurad Hojamukhamedov and Taner Yildiz.

The agreement is a bilateral one, and no international project involving Turkmenistan was included in the text of the agreement, but Turkey's ultimate aim with such agreement is to link Turkmenistan to the Trans-Anatolian gas pipeline (TANAP) project, a source with Turkey's Energy Ministry told Sunday's Zaman. Turkish officials and energy analysts claimed that the signing of the agreement during a high-level meeting between Gül and Turkmenistan leader Gurbanguly Berdimuhamedov is also very important in terms of giving the agreement a concrete status in the future. The \$8 billion TANAP project is controlled by Azerbaijan's State Oil Company of Azerbaijan Republic (SOCAR) and is intended to transport Azerbaijani gas to Turkey and markets in Europe. There are discussions to construct a gas pipeline from Turkmenistan to Azerbaijan across the Caspian Sea within the scope of the project.

Azad Garibov, a foreign policy analyst at the Center for Strategic Studies under the President of the Republic of Azerbaijan (SAM), believes that the recent agreement is definitely an important development in terms of the ongoing TANAP negotiation process, whose stakeholders are Turkey, Azerbaijan, the EU and Turkmenistan. "Azerbaijan believes that the deal will have a positive impact on the project of the Southern Gas Corridor, which includes TANAP. ... Turkmenistan joining the project is one of the most important additional factors for the success of the Southern Gas Corridor," Garibov stated in a written response to Sunday's Zaman.

The Southern Gas Corridor is a project that foresees the delivery of natural gas to Europe. The EU sees the project as a multi-stage one, with the possibility of involving Turkmen and Iraqi gas. "Nevertheless, we should not forget that Turkmenistan signed similar agreements with lower-level representatives from Pakistan, India and Afghanistan. ... Turkmenistan is prone to signing such agreements and keeps its options open. It is not guaranteed that Turkmenistan will be able to fulfill all its commitments," Garibov also added.



Meanwhile, SOCAR Chairman Rovnag Abdullayev stated recently that the route for TANAP, which is planned to deliver gas from Azerbaijan to Europe, would be determined at the end of this month. Emre Iseri, an energy and security analyst teaching at the international relations department of İstanbul's Kadir Has University told Sunday's Zaman that once this is determined, Turkmenistan's place within the project would also become certain.

In May 2012, the Turkmen state gas monopoly entered into an agreement for the sale of natural gas with India's state-run gas firm GAIL India, Ltd., and Pakistan's Inter State Gas System companies. A memorandum of understanding was later signed with Afghanistan to build a 33-billion-cubic-meter Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline. Another agreement was signed with China which is anticipated to eventually boost annual gas export to China by 25 billion cubic meters (bcm) to 65 bcm per year via the Galkynysh gas field. Galkynysh is also under consideration for supplying TAPI and Turkmenistan's gas exports to Turkey.

While Galkynysh is a huge field capable of supplying both pipelines -- its reserves are estimated to be between 13.1 and 21.2 trillion cubic meters -- it requires a long period of time to fully develop the field to extract the needed gas. Turkmenistan has the world's fourth largest proven gas reserves according to the "BP Statistical Review of World Energy" released in June 2012. The country has expanded its production capacity after gaining independence, and its most important gas buyer is China, whose growing energy needs run parallel to it becoming a global power.

Meanwhile, Guner Ozkan, an analyst for the Caucasus region at the International Strategic Research Organization (USAK,) believes the Turkish-Turkmen agreement will not produce concrete results in the near future because of some regional disputes that would block such cooperation. Ozkan lists the existing objections by Russia over the Southern Gas Corridor and the unresolved territorial disputes between Baku and Ashgabat over the Caspian oilfields as possible barriers to gas cooperation between Turkey and Turkmenistan.

"However, with this agreement, Turkey and Turkmenistan could increase their cooperation in the energy field without necessarily initiating strategic projects like establishing a pipeline. Turkmenistan is an energy-rich and sparsely populated country, and its capital accumulation is increasing every day due to its energy wealth. Thus Turkey could also attract Turkmen capital within the scope of the energy cooperation plans between the two countries," said Ozkan in remarks to Sunday's Zaman. Ozkan pointed to the increasing Azerbaijani energy investments in Turkey, after its growth in capital accumulation due to energy gains, as a similar example.

Russian leaders have long opposed the construction of a pipeline that would transport gas from the Caspian region due to its concerns that such projects would circumvent Russia and thus limit the Kremlin's ability to control European-bound energy exports. Baku and Ashgabat have wrestled since the Soviet collapse in 1991 over the ownership of three Caspian oilfields. Two of the three fields are now among Azerbaijan's energy gems -- the Azeri field (from Omar to Turkmenistan) and the Chirag/Osman (620 million tons in oil reserves), both developed by a BP-led consortium. The third disputed field, Kyapaz -- as Azerbaijan calls the field -- or Serdar -- the Turkmen name for it -- has about 50 million tons of oil reserves and is still undeveloped.

## Shahristani: No deal so far on Iraq, KRG oil payments

Reuters, 12.06.2013



No agreement has been reached between Iraq and Kurdish Regional Government on payments to oil companies working in the region despite a meeting this week between Baghdad and Kurdish leaders, Hussain al-Shahristani said.

Iraq's Prime Minister Nuri al-Maliki visited KRG on Sunday for talks with Kurdish officials in a symbolic step to ending their long-running feud over oil and land, but there was little concrete progress. KRG officials say it is owed more than 4 trillion Iraqi dinars, or \$3.5 billion by Baghdad to cover the costs accumulated by oil companies operating there, but the central government rejects those contracts as illegal.

"No deal has been reached. We have not discussed this issue during our visit to the region," Shahristani told reporters on the sidelines of an energy presentation. The payment dispute is part of wider disagreements over who controls the world's fourth-largest oil reserves. Baghdad says the central government has the exclusive right to decide on oil development, but KRG says the constitution allows it to sign its own oil contracts.

## Israel's Delek interested in Greek Cyprus' gas facility

Today's Zaman, 10.06.2013



Greek Cyprus' Energy Minister says Israeli energy firm Delek is looking to take part in the development of a gas processing facility on the island.

Delek and subsidiary Avner Oil exploration hold a 30 percent stake in a gas field off Greek Cyprus' southern coast that's estimated to contain 5-8 trillion cubic feet of gas. Texas-based Noble Energy holds the other 70 percent. Gideon Tadmor, Delek Drilling Chairman, said he was hopeful of "a long-lasting cooperation between our companies, the state of Israel and Cyprus."

# DEPA privatization fails amid bailout difficulties

Hürriyet Daily News, 12.06.2013



Greece failed to attract any buyers for its natural gas company DEPA by June 10's deadline for binding bids, in a major setback to the country's ambitious privatization program.

The failed sale overshadowed upbeat data showing Greece was on track to meet budget targets, just as inspectors from the EU and the IMF returned to Athens to monitor progress under the country's latest bailout. Failure to find a buyer for DEP - as much as 900 million euros - leaves the country unlikely to meet privatization goals this year, forcing the government to seek other savings to hit its bailout targets.

It also threatens to undermine improved economic sentiment in Greece that has prompted the government to declare an economic recovery has taken root. The European Commission would like Greece to have another go at selling the state-run gas firm DEPA as soon as possible after Athens failed, Commission spokesman Simon O'Connor said yesterday. The privatization revenues are important for Greece to put its public finances back in order under the terms of an international bailout.

The sale floundered after Russia's Gazprom, the frontrunner to buy DEPA, withdrew at the final stage of the sale before a deadline to submit binding bids expired. Gazprom said it was worried about DEPA's financial position, but Greece said the Russian firm may have been discouraged by fears that the EU would impose stringent conditions. "We haven't received enough guarantees that DEPA's finance position would not get worse after the deal is completed," said Gazprom spokesman Sergei Kupriyanov. "The company is already experiencing difficulties with users' unpaid bills."

Athens, which has a binding goal to raise 1.8 billion euros from asset sales by the end of September, got just one bid - from Azerbaijan's SOCAR - for natural gas grid operator DESFA, a DEPA unit that it wanted to sell separately. Greece said it would press ahead with the sale of DESFA despite the DEPA failure and may reconsider the timing for the privatization later this year of state oil refiner Hellenic Petroleum.

## Italy, Greece, Albania and Croatia meet to push for TAP

Natural Gas Europe, 12.06.2013



TAP is one of two contenders, the other being Nabucco, for the transport of natural gas from the Shah Deniz II field in Azerbaijan. “Our message to Shah Deniz is that TAP is less costly as it’s shorter, and that all the governments involved support it,” said Croatian Deputy Foreign Minister Josko Klisovic

Azerbaijan’s Energy Minister confirmed he expects a decision by the end of this month on which of two rival pipeline projects will ship Azeri gas to Europe. Recently, Minister Natic Aliyev said the decisive factor will be ensuring quick financial returns.

## Fresh EIA estimates cement transition from oil to gas

Natural Gas Europe, 03.06.2013



Fresh estimates on global shale production by the Energy Information Administration (EIA) suggest that shale formation can entrench the shift from oil to gas.

“Based on U.S. shale production experience, the recovery factors used in this report for shale gas generally ranged from 20 percent to 30 percent, with values as low as 15 percent and as high as 35 percent being applied in exceptional cases. Because of oil’s viscosity and capillary forces, oil does not flow through rock fractures as easily as natural gas. Shale formations are changing the prospects of the two fuels, increasing the relative advantage of gas to oil.

Consequently, the recovery factors for shale oil are typically lower than they are for shale gas, ranging from 3 percent to 7 percent of the oil in-place with exceptional cases being as high as 10 percent or as low as 1 percent,” reads the report released by the EIA. The new report released on Monday presents estimates on 95 basins in 41 countries, taking into consideration 47 new basins and 9 countries not analyzed in the 2011 report. Global shale gas estimates were increased by 10.2 % from 2011, as the US Energy Information Administration (EIA) expanded its assessment of shale gas resources.

## Iraq to increase production in 2014

Rigzone, 12.06.2013



Iraq will ramp up oil production to 4.5 million barrels per day by year-end in 2014, an increase of about 1.6 million that the country currently produces.

Under the country's strategy to boost production, Iraq is bearing in mind three scenarios for increasing production, with the "medium scenario seeing the country reach 9 million barrels per day by the end of 2020; or the high scenario of boosting production to 13 million bopd, with the low scenario reaching a peak of 6 million bopd," stated Chairman of the Prime Minister's Advisory Commission on Energy Thamir Ghadhban.

Around \$620 billion needs to be invested in its oil and gas and related industries through 2030, Iraq's Integrated National Energy Strategy reported. The report also forecasts that by 2022 all domestic energy requirements could be met, and that by diversifying the country's economy, an additional 10 million jobs could be added. "The strategic goals of the plan are to meet local energy needs, maximize government revenues, encourage economic diversification and improve the standard of living and create jobs," said Ghadhban, Reuters reported.

## Macedonia to sign agreement for South Stream

Natural Gas Europe, 13.06.2013



Macedonia will sign an agreement to join the South Stream Pipeline, according to the Macedonian newspaper Utrinski Vesnik. The South Stream Pipeline will deliver natural gas from Russia to Central and South Eastern Europe, connecting Austria and Italy to the world's largest gas reserves.

According to Deputy Prime Minister Zoran Stavreski, Macedonia's participation would allow the connection of Kosovo and Montenegro. The contract will be signed next week. South Stream consists of one offshore and several onshore sections. The South Stream Offshore Pipeline will run from Russia through the Black Sea to Bulgaria.

## DNO makes Jurassic discovery in Tawke

Rigzone, 11.06.2013



Norway's DNO International reported a new oil discovery on its Tawke field in Northern Iraq. DNO said that its deep Tawke-17 well flowed oil from an Upper Jurassic reservoir at 1,500 barrels per day with an API gravity of between 26 and 28 degrees.

Meanwhile, DNO also reported that its Tawke-20 well – its first horizontal well in the Tawke field – has flowed an average of 8,000 barrels of oil per day from each one of the first four of 10 fractured corridors penetrated by the well. Testing continues on both wells. DNO Executive Chairman Bijan Mossavar-Rahmani commented in a company statement:

“We are very pleased that initial Tawke-17 results are in line with the company’s pre-drill estimates. This discovery in the Sargelu formation, over 200 meters below the main field Cretaceous reservoir, likely bumps recoverable reserves on the Tawke license to the one billion barrel mark.” Rahmani also confirmed that a second Tawke horizontal well continues on schedule. “If this second well, Tawke-23, demonstrates the significant deliverability uptick we are now seeing in Tawke-20, we will go back to the drawing board and consider further enhancements to our current target of 200,000 barrels a day of production capacity by 2015.” DNO International holds a 55-percent interest in and operates the Tawke license. Genel Energy holds 25 percent, while the Kurdish Regional Government holds the remaining 20 percent.

## EIA reduces Poland’s shale gas estimates

Natural Gas Europe, 12.06.2013

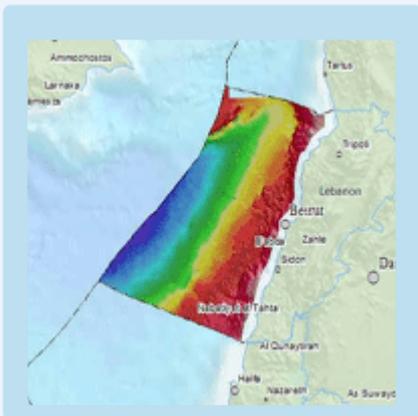


The EIA says in its 2013 report, released on Monday that China has the most in “technically recoverable” shale gas, followed by Argentina, US, Algeria and Canada. Poland, however, does not even manage to come into the top ten.

“Poland’s Lubin Basin shale gas resource estimate was reduced from 44 trillion cubic feet in the 2011 report to 9 trillion cubic feet in this report,” the EIA says. “The resource reduction was due to the more rigorous application of the requirement that a shale formation have at least a 2 percent minimum total organic content (TOC),” the report continues.

# Lebanon still on track despite neighboring turmoil

Natural Gas Europe, 14.06.2013



At a press conference, Lebanese caretaker Water and Energy Minister Gebran Bassil said natural gas offshore Lebanon is estimated at 30 trillion cubic feet. This amount of gas would be enough to meet the country's modest demand for 200 years.

Experts believe that Lebanon could have as much as 80 tcf. Bassil added that a 3-D water survey was currently covering the waters in northern Lebanon. The New Ventures Manager at Spectrum, Neil Hodgson, confirmed Gebran Bassil's statement, total deep-water reserves could be up to 80 trillion cubic feet.

Lebanon, although still behind its neighbors Israel and Cyprus in the race to develop hydrocarbon reserves (mainly due to obstacles of a political nature), has made some progress. The country has passed laws, established a petroleum authority, covered its waters with seismic data and attracted 46 companies to qualify for its inaugural licensing round. The Lebanese government estimates to sign contracts with winning consortiums by March 2014. Extraction is expected in 2018. The revenues, expected in 2019 at the earliest, will be used to save Lebanon's debt-ridden economy handicapped by a burdening debt equivalent to 140% of its GDP.

The newly found gas will also be used to improve electricity supply, supply new power stations and alleviate an oil import bill that has reached 10% of the GDP. Additional oil and gas revenue will go into a sovereign wealth fund, as dictated by the country's Offshore Petroleum Resources Law. The government, led by caretaker Prime Minister Tammam Salam, has yet to agree on a revenue-sharing framework to determine its share of the proceeds.

Although the progress so far has been surprising, the feasibility of the plan remains questionable. Delays, mostly of a political nature, are to be feared. Bassil stressed on the importance of keeping the oil and gas industry independent from political wrangling. The Syrian conflict next door is increasingly threatening Lebanon's stability and thus Lebanon's ambitious hydrocarbon plans.

## Rosneft and ExxonMobil sign agreement for Arctic Research Center

Natural Gas Europe, 12.06.2013



Rosneft and ExxonMobil established a joint Arctic Research Center (ARC) on Tuesday. The deal signed in Washington includes a technology sharing agreement to support the companies' joint ventures worldwide.

“ARC will be a platform for development of the most up-to-date and efficient technologies aimed at project implementation in complex and challenging climate and technological conditions,” said Igor Sechin, Rosneft President. According to the note released by Rosneft, Exxon Mobil will provide \$200 million in funding for the center's initial research work.

## Norway awards 24 offshore licenses

Natural Gas Europe, 13.06.2013



Norway awards 24 offshore licenses Norway announced the results of the 22nd licensing round, awarding 20 production licenses in the Barents Sea and four in the Norwegian Sea. Fourteen companies will be offered operatorships and other 15 will be offered participating interests.

“The companies have demonstrated their strong interest and submitted numerous good applications. This confirms that the Norwegian Continental Shelf is a highly interesting petroleum province,” said Minister Ola Borten Moe in a note released. By the deadline on 4 December 2012, 36 companies applied for production licenses.

Statoil was the company being offered the largest number of licenses (3) and participating interests (7). ENI Norge was offered three operatorships, for a total of four participating interests. North Energy and OMV (Norge) followed Statoil in terms of participating interests with 6 licenses. GDF Suez E&P Norge was awarded 5 participating interests. A participating interest is a minority stake in an oil or gas source, while an operatorship is a majority stake that corresponds to the right to operate.

# Sinopec in talks to join Yamal LNG project

Reuters, 13.06.2013



China's Sinopec is negotiating to join a \$20 billion liquefied natural gas project run by Russia's Novatek, a source close to the talks said, which would be the biggest foray yet by a Chinese firm into Russia's Arctic.

An agreement, which could be signed as early as next week, would deal a blow to Russian state-controlled gas exporter Gazprom, which has yet to reach a supply deal with China and is being challenged by Russian rivals, who want the government to end its export monopoly for LNG. Novatek currently owns 80 percent and France's Total 20 percent of the Yamal LNG project.

It aims to start production in 2015-2016 and produce 15 million tons per year by 2018. The size of the stake that Sinopec may acquire is not yet clear. Spokesmen both for Novatek and Sinopec declined to comment. A senior source in Moscow said that Novatek may sign an agreement with Sinopec next week during the St. Petersburg International Economic Forum, a major investor showcase that is Russia's answer to the World Economic Forum in Davos. "We are working on that with Sinopec," the source said. A second source said that Novatek may sign a deal with a Chinese company. He declined to disclose the name of the firm. The Russian company has long been seeking more equity partners in the project on the Arctic Yamal peninsula and has said it plans to keep at least 51 percent. Novatek's shares pared losses after the news and were down 1 percent compared with a fall of 1.5 percent by the Moscow's broader market index.

The signing of a deal in St Petersburg would confirm that a shift is under way in Russia, the world's largest gas-producing nation. Gazprom's more nimble competitors such as Novatek are challenging its business model, based on long-term contracts to pump supplies by pipeline to Europe. They are willing to adopt a looser approach to gas pricing than its longstanding contractual links to oil prices and are lobbying for its monopoly to be lifted for LNG, potentially opening up a new export route along Russia's Arctic coast to China and the Asia-Pacific region. Sinopec plans to build a 3 million tonne-per-year terminal in east China to import LNG. China, the world's top energy user and fourth-largest gas consumer, plans to triple its gas use by 2020.

"Novatek needs not just investors, but partners that could market gas," said another source, who is close to the talks. President Vladimir Putin has urged the energy industry to push forward with projects to produce LNG as Russia risks being displaced from the Asian market by rivals such as Qatar and Australia. But Gazprom's status as an export agent for Yamal LNG complicates the project and weakens Novatek's hand in securing cheaper financing. State oil major Rosneft also harbors plans to set up an LNG plant in Russia's Far East with ExxonMobil and has also been lobbying for the rights to ship LNG abroad. "If Novatek gets exporting rights, this would be a huge boost for the company. Everyone at Novatek is pinning high hopes on that," the second source said.



## Petronas sees \$20 billion investment in Canadian LNG project

Reuters, 11.06.2013



Malaysian state oil and gas firm Petronas expects investment of \$20 billion in its west Canada liquefied natural gas export project that aims to meet growing demand in Asia, a senior company official said.

The project, known as Pacific NorthWest LNG, will build two LNG trains of 6 million tons per year (tpy) each by the end of 2018 or 2019, Arif Mahmood, vice president of corporate planning at Petronas told an industry conference. The \$20 billion investment cost includes about \$5 billion for a pipeline project to be built by TransCanada Corp to supply gas to the two LNG trains, Mahmood said

“There is space to build a third train and capacity could go up to 18 million tpy,” he said, referring to potential expansion at the site. Petronas bought its joint venture partner Progress Energy Resources Corp last year in a high-profile deal that had been initially blocked by the Canadian government. The Malaysian company secured its first LNG buyer for the project after selling a 10 percent stake to Japan Petroleum Exploration Co.

Petronas is in talks with more buyers to sell stakes in the project. “What we're looking for are actually potential partners where they will also be offtakers of the gas,” Mahmood said, adding that Petronas will own at least 50 percent of the project. In Malaysia, Petronas plans to make a final investment decision on its second floating LNG project later this year, he said. The 1.5 million tpy FLNG project will be at the Rotan Field in deepwater Block H offshore Sabah and could start production in 2016, he said. The company's first 1.2 mtpy FLNG project at Kanowit field, 180km offshore Bintulu, is expected to be completed in 2015.

# Centrica to unveil shale gas drilling plans with Cuadrilla

The Telegraph, 12.06.2013



British Gas owner is preparing to buy a minority stake, thought to be close to 30pc, in the Bowland shale license area, which stretches across 450 square miles of Lancashire between Blackpool and Preston.

Cuadrilla has said the area could contain 200 trillion cubic feet (tcf) of gas. Experts say that even if only 10pc could be recovered it could provide an important new source of gas for the UK, which uses about 3 tcf a year. The deal, which could be announced as soon as Thursday, will result in Centrica buying back in to an area of Britain it drilled more than two decades ago but then abandoned.

The development of fracking – the controversial process of blasting water, sand and chemicals down wells to extract shale gas trapped within the rocks - has made prospects once written off attractive again. Cuadrilla says the result of a well drilled by British Gas in 1988 was what attracted it to the area. Centrica will now pay for a stake in the license area as well as agreeing to fund its share of the six-well drilling programme.

An appraisal well will typically cost between £3m and £5m, according to Andrew Austin, chief executive of rival shale explorer IGas, with subsequent fracking to test the flow rate of any gas costing about the same again. The total cost of a six-well fracking programme could therefore exceed £50m. Cuadrilla has so far attempted to frack one shale gas well but operations were suspended in 2011 after it caused two small earth tremors, leading to an 18-month fracking ban. The companies will need to secure a series of permits before they can embark on the planned drilling. Cuadrilla owns 75pc of the licence, with the remainder held by Australian engineering group AJ Lucas, which is also a Cuadrilla shareholder. It is thought that both Cuadrilla and AJ Lucas will sell down a part of their stakes in the licence to Centrica as part of the deal.

The deal will be a coup for Lord Browne's Riverstone, Cuadrilla's other major shareholder, and is likely to be welcomed by ministers as a vote of confidence in the nascent industry. Ministers are working on tax breaks for the shale gas explorers in the hope Britain might be able to emulate the success seen in America. However Centrica itself has sounded a note of caution, with chief executive Sam Laidlaw saying in January it would be at least a decade before the UK saw any shale gas production and that, even then, it would not be "the game changer we've seen in North America".



# Announcements & Reports

## ▶ *BP Statistical Review of World Energy (June 2013)*

**Source** : BP

**Weblink** : [http://www.bp.com/content/dam/bp/pdf/statistical-review/statistical\\_review\\_of\\_world\\_energy\\_2013.pdf](http://www.bp.com/content/dam/bp/pdf/statistical-review/statistical_review_of_world_energy_2013.pdf)

## ▶ *Redrawing the Energy-Climate Map*

**Source** : International Energy Agency

**Weblink** : <http://www.worldenergyoutlook.org/energyclimatemap/>

## ▶ *Shale Oil and Shale Gas Reserves in 41 Countries outside the US*

**Source** : Energy Information Agency

**Weblink** : <http://www.eia.gov/analysis/studies/worldshalegas/pdf/fullreport.pdf?zscb=74350837>

## ▶ *IEA Monthly Gas Survey (March 2013)*

**Source** : International Energy Agency

**Weblink** : <http://www.iea.org/stats/surveys/NATGAS.PDF>

## ▶ *IEA Monthly Oil Survey (March 2013)*

**Source** : International Energy Agency

**Weblink** : <http://www.iea.org/stats/surveys/OILSURV.PDF>



# 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>