Oil & Gas Bulletin

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Yildiz: Gas sold to Turkish consumers below import cost

Trend.az, *03.10.2013*

Gas sold to the customers in Turkey is below the import cost, Minister of Energy and Natural Resources Taner Yildiz said, Anadolu agency reported on Thursday. According to the minister, Turkey doesn't purchase gas at a low price, but the opportunities for customers are taken into account during the sale.

He also stressed that some 45.5 billion cubic meters of gas was consumed in Turkey in 2012. Some 13.95 billion cubic meters of gas was sold in Turkey's domestic market in January-April 2013, compared to nearly 16.02 billion cubic meters of gas in the same period of last year.

Turkish firm drilling wells on Syria border

Hürriyet Daily News, *01.10.2013*

While oil exploration activities gain speed in the southeast of Turkey following the peace process, local firm Arp Petrol has started to conduct exploration operations in the southeastern provinces bordering on Syria. Arp Petrol has obtained a four-year exploration license from the Energy Ministry.

The company will drill a 400-square-meter area in Sirnak and Mardin in order to find oil extension of Syria. "We are examining the wells, which have been closed for 30 years, with the new technologies. We aim to make a revolution in the region. We will break the routine that says 'there isn't oil here'," Sehmus Arslan, the Chairman of AR Tarım, has said.

Arp Petrol has begun seismic research and feasibility works in the area that showed that there were rich oil fields. The company is expected to start drilling in the region where it plans to make 15 million Turkish Liras of investment. The company's license includes Sirnak, and Mardin's Nusaybin and Midyat districts. "There are many active wells across the [Syrian] border. Why shouldn't we be here? We think that the oil was originated in Syria and immigrated to Turkey. We are working on the oil producer zone's extension in Turkey. We are chasing the oil and natural gas extension of Syria," he said. Arslan said many wells had been closed with the excuse of "no oil found" for 30 years ago, but the main reason was the old technologies and security problem in the region that prevented activities. But the peace process allowed them to work in the region, he added.

Energy import falls, trade gap rises below forecasts

Hürriyet Daily News, *01.10.2013*

Turkey's foreign trade deficit was announced at $7.02 billion for August, with a 17 percent increase from the same month a year earlier, an amount that is below expectations due to the decrease in energy imports. The Economy Ministry Zafer Caglayan pointed out that Turkey's foreign trade data was parallel with the general stagnancy in foreign trade internationally.

The foreign trade deficit totaled $67.57 billion for the first eight months of the year, with an 18.3 percent increase from the same period last year, according to figures revealed by the state-run statistic body Turk Stats yesterday.

Exports fell to $11.2 million in August with a 12.9 percent decrease from the same period of the previous year while imports fell to $18.2 million with only a 3.4 percent decrease. The exports coverage by imports fell from 68.1 percent to 61.4 percent. "The main factor in August's foreign trade figures, which exceeded expectations, is a decrease in oil imports," HSBC Portfolio Strategist Ali Cakıroglu told Reuters. But he added that this trend might reverse in September. Turkey's energy imports fell to $4.6 billion with a 14.4 percent decrease in the same period; it fell to $36.5 billion in the first eight months with a 7.5 percent decrease from the same period a year earlier.

Despite recent hikes, the progress of oil prices played a repressive role on the current account deficit, Odeabank Economic Researches Manager Inanc Sozer told Anadolu Agency. "After today's figures, we foresee that the current account deficit will be around $2 billion in August, totaling to $56.7 billion for the last 12 months. We also expect the current account deficit for 2013 to be $59.7 billion," he said. The Economy Minister Zafer Caglayan said international trade was very stagnant and they shouldn't expect lively exports as foreign demand remained weak. "Turkey is following a parallel course with the stagnancy [that we are currently seeing] in global trade," he said.

Caglayan stressed that gold and precious stone exports decreased to $433 million in August from $2.4 billion from last August while imports rose to $732 billion. "Gold exports were $5.2 billion and imports were $12.4 billion in the first eight months, totaling a $7.2 billion gap while we had a gold trade surplus last year," he said. This rise in gold imports is widening the current account deficit, he said. Caglayan also stated that they had been focused on increasing market diversity, adding that Turkey made an additional $43.6 billion in exports between 2009 and 2012.

The exports to the European Union reached $4.6 billion with a 6.8 percent increase. The share of the EU countries was 41.4 percent in August while it was 33.7 percent in August 2012. Turkey's largest export partner was Germany with $1 billion at 4.1 percent, followed by Iraq with $874 million and the United Kingdom with $647 million. Turkey's largest import partner was Russia with $2 billion, followed by China at $1.8 billion and Germany with $1.673 billion.

Bryza: Israeli – Turkish gas pipeline project may revive Nabucco West

Natural Gas Europe, *28.09.2013*

According to US ex-Ambassador to Azerbaijan Matthew Bryza's statement last week, Turcas Holding, a subsidiary of the SOCAR, offered to build a gas pipeline along the Mediterranean Sea to link the Israeli gas fields and the Turkish port. Both Israel and Turkey received the offer.

The project includes construction of a 470-km pipeline from the Leviathan and Tamar Fields to the Mersin Port of Turkey for $2.5 billion. It will have a capacity of 16 billion cubic meters of gas annually. Ilham Shaban, head of the Baku Center for Oil Studies, said that transportation of the gas volumes from Turkey to Europe was still a problem.

The 15-16 billion cubic meters could not be pumped into the TAP. Should the new pipeline be built, with account of development of Israeli fields, it will remain a dragged issue until 2020. The TAP with its capacity of 10 billion cubic meters will not be able to pump such volumes. The expert noted that the TAP could be expanded to 20 billion cubic meters, but it would only happen when Apsheron gas will be merged with the Shah Deniz gas. Shaban noted that the project of the Turcas Holding was a chance for realization of the Nabucco West project.

He emphasized that Israeli gas volumes pumped from the southern to the wester part of Turkey through Botas infrastructure without any problems. Construction of the pipeline along the Mediterranean Sea was not impossible, Shaban explained. When Eni was building the Blue Stream, the pipeline was constructed 2 km deep and there were no problems. The Mediterranean Sea only differs by the higher density of salt, but that would not be a problem for a well-isolated pipeline.

EU preparing to charge Gazprom in antitrust case

EurActiv, *03.10.2013*

EU regulators are preparing to charge Russian gas export monopoly Gazprom with abusing its dominant position in central and Eastern Europe, the EU's antitrust chief said on Thursday, in a move that could lead to a fine of up to €11 billion. The European Commission's action against Gazprom is likely to ratchet up the tension between Europe and Russia, which has criticized EU attempts to boost energy market competition and end its over-reliance on Russian supplies.

The comments by EU Commissioner Joaquin Almunia come after a year-long investigation and raids of several Gazprom units and its clients in central and eastern Europe.

Gazprom supplies a quarter of Europe's gas consumption needs. The EU antitrust regulator said at the time that Gazprom may have hindered the free flow of gas across the EU and imposed unfair prices on its customers by linking the price of its gas to oil prices. Speaking at a conference in the Lithuanian capital Vilnius, Almunia said the EU's executive was preparing a charge sheet against Gazprom, known as a statement of objections. "It would be premature to anticipate when the next steps would be taken in this investigation, but we have now moved to the phase of preparing a statement of objections," he told an event organized by the Lithuanian Competition Authority.

He said the investigation covered Estonia, Latvia, Lithuania, Poland, the Czech Republic, Slovakia, Hungary and Bulgaria. Asked when he would charge Gazprom, Almunia told reporters: "We never pre-commit to deadlines." A source familiar with the matter told Reuters the Commission planned to take action by the end of the year. Gazprom said it would not comment on the antitrust case. The company, which generated 4.76 trillion roubles ($148 billion or €109 billion) in revenues last year, could stave off a potential fine by offering concessions to settle the case.

Following previous EU investigations, the company agreed to scrap a clause preventing Austrian energy group OMV and Italy's ENI from re-selling gas bought from Gazprom in other markets. Companies can be penalized up to 10% of their annual revenues for breaching EU antitrust rules. Lithuania, which has complained to the Commission about Gazprom, is claiming almost $2 billion (€1.4 billion) compensation from the company at an international arbitration in Stockholm for allegedly "unfair" gas prices. It pays more for gas than any other EU state, according to the Commission.

Noble's Cyprus gas drill at lower end of estimates

Reuters, *03.10.2013*

A landmark natural gas well off Greek Cyprus has produced less than anticipated, potentially delaying investment in a liquefied natural gas plant and plans for export by 2020. Greek Cyprus and its exploration partners, Texas-based Noble Energy, on Thursday announced an around 5 trillion cubic feet (tcf) natural gas find, lowering the initial estimate of 7 tcf made in late 2011.

One gas official said lower estimates could briefly delay plans to start work on a $6.0 billion liquefied natural gas terminal in 2016 until more wells off Greek Cyprus are discovered, but that could be avoided with further appraisals of the prospect.

Energy Minister Yiorgos Lakkotrypis said the island was committed to seeing the LNG project through. Even though lower than expected, the discovery was a rare glimmer of good news for Greek Cyprus. It teetered on the brink of financial collapse in March with its one million inhabitants bracing themselves for at least two years of deep recession from an EU/IMF imposed austerity programme. “Despite the lower quantities we announce today compared to those of 2011, the confirmed reserves affirm a particularly important reserve of natural gas,” Lakkotrypis told reporters.

He said a “very preliminary” estimate, based on reserves of 4.5 tcf in Noble's prospect, placed its gross value at $50 billion. Greek Cyprus's own GDP is about a third of that, and the find is just one among 13 offshore blocks. Six of them are under concession. “We would be looking at a net profit for the Republic of between $12 and $18 billion over a 14 year period,” Lakkotrypis said. Greek Cyprus says there is much more gas waiting to be discovered. France's Total, Italy's ENI, and South Korea's KoGas planning exploratory drillings in other offshore areas starting next year.

Noble is a leading partner in wells off neighboring Israel, where there have been massive discoveries in recent years, attracting the attention of the European Union, which wants to wean itself off over-reliance on Russian gas. Greek Cyprus is also in talks with Israel on its neighbor using the Greek Cypriot LNG terminal to export Israeli gas. “The LNG project we are working on with the government remains our strategic priority in terms of commercializing the gas,” Noble country manager John Tomich told reporters. However on its own, 5 tcf may be on the low side to get the ball rolling imminently on the terminal, Charles Ellinas, executive president of Greek Cyprus's natural gas company Kretyk told Reuters.

“It may be a bit too low to enable us to proceed with plans for the LNG plant as formulated so far,” he said. If Israel decided to use Greek Cyprus's terminal to export its own gas, the project would remain on schedule. If not, there could be a delay of between one and two years until further Greek Cypriot discoveries come online, Ellinas said. “The LNG plant idea doesn't go away, because it was made on the basis of all six blocks (under concession),” Ellinas said.

East Mediterranean is the possible downside of an energy boom

Natural Gas Europe, *30.09.2013*

An energy boom is not always synonymous to economic growth. In fact, the opposite is often true. New riches carry dangerous promises, a phenomenon often referred to as the 'resource curse'. It is wrongly believed that monetizing natural resources automatically boosts an economy and solves all its problems.

It is true that given the extensive human capital that an oil and gas industry requires, directly (through oil and gas jobs) or indirectly (through the supply of goods and services to the industry), the unemployment rate will decrease which is crucially important for Greek Cyprus.

Moreover, national projects of great importance such as infrastructure, education and health can be financed as a result of exports revenues and the reduction of the energy bill. The inflow of foreign exchange from the sales of hydrocarbon to export markets also creates an efficient hedging against an eventual fluctuation in the balance of payments. But to assume the great health of an economy just because a country has been blessed with hydrocarbons is too simplistic. Many countries offer a great example of why caution is necessary.

For a country's energy industry to benefit the economy as a whole, adequate policies, procedures and institutions need to be in place. Transparency, accountability and a strong corporate governance invite investors to participate in the development of a country's energy resources. Strong regulatory and judicial systems are necessary tools to fight corruption, prevent political parties from achieving monopolistic ambitions and foster political stability creating an adequate atmosphere for energy prosperity. While Israel and Greek Cyprus have strong judicial and regulatory systems and mechanisms, an effective application of the laws in place is paramount.

An awareness of the Dutch Disease syndrome is also essential for countries developing their energy sector. The term was coined by the Economist in 1977 after the Netherlands discovered large natural gas deposits in the North Sea. The sudden increase of wealth had negative repercussions on important sectors of the economy. The strengthening of the Dutch guilder tremendously affected the country's exports when non-oil exports, suddenly too expensive, lost in competitiveness.

The risk of a country catching the Dutch Disease after it discovers large amounts of hydrocarbon wealth is proportionally related to the size of the energy sector in the economy as a whole. Despite the substantial amounts of natural gas in Israeli waters, particularly after the discovery of the Leviathan field estimated at 19 tcf, the energy sector in Israel remains comparable in size to other sectors (representing around 2.5% of the country's GDP), a fact that significantly buffers the danger of the disease.

Greek Cyprus however, with a smaller economy still recovering from a severe financial crisis, is likely to be more vulnerable. An energy boom is often followed by a capital and labor shift towards the energy sector negatively impacting other industries sometimes forced to close their doors. Greek Cyprus' membership in the EU will however ensure the island receives policy guidance both from the EU alongside the IMF that will prove very useful. An effective fund management is an efficient tool to counteract this risk, prevent inflation and release the pressure on the domestic economy.

Investing the new funds abroad and creating a sovereign wealth fund are techniques that have been adopted in the past and achieved great results. Significant efforts must also be invested in the lagging sectors in an effort to ensure their continuity and keep the export portfolio of the country diversified and less vulnerable to sudden changes in the energy markets that could affect commodity prices. Because volatility in commodity prices is inevitable, policy makers must adopt a holistic approach to resource management within their policy capability. A liquidity buffer through savings will prevent negative repercussions on a country's economy when prices suffer commodity volatility.

Neighboring Lebanon too might be blessed with hydrocarbons. The country has not yet launched its exploration phase but it is believe that substantial oil and gas deposits are likely to be found under its seabed. Substantial interest in Lebanon's hydrocarbon potential was expressed earlier this year when 52 companies from 25 different countries participated in its pre-qualification round. Such an enthusiasm came as a sign of confidence in Lebanon's resources and in the capability of the country to pursue the project all the way to fruition. Progress has stalled since, imposed by the calamity next-door in Syria.

It is believed that efforts will be resumed as soon as political stability is restored. Lebanon could use the rewards of an energy boom to reduce its burdening $57 billion public debt. The country hopes that the development of hydrocarbon resources will reduce poverty and improve the standards of living. Appropriate planning and precise, detailed and transparent policies and procedures will ensure a fair distribution of revenues and the prevention of corruption.

The Eastern Mediterranean countries, on their way to develop and monetize their riches, have the geology that could enable them to transform their economies. They are not the first ones on this path towards energy security and economic prosperity. In fact, they can use examples and lessons from other commodity producers in the world to avoid certain mistakes and adopt efficient policies and mechanisms that will ensure long term progress and maximize the benefits of hydrocarbon wealth. Geopolitical obstacles are yet to be overcome, and swiftly, in constantly changing energy markets. Fast and precise action is definitely recommended.

Turkey and Iraq look to repair ties

Hürriyet Daily News, *03.10.2013*

Ankara and Baghdad are looking to bury their hatchet, with the latter's foreign minister expected to pay a visit to Turkey later this month to help smooth over the neighbors' heretofore strained relations. Hoshyar Zebari's visit, scheduled for late October, has come in the wake of a message from Iraqi Parliamentary Speaker Osama al-Nujayfi noting Baghdad's wish to normalize ties with Ankara.

Foreign Minister Ahmet Davutoglu and his Iraqi counterpart had a meeting in Geneva on Sept. 25 during which both ministers expressed "eagerness and determination" to mend relations, spokesperson Levent Gümrükcü said yesterday.

Undersecretary of Turkish Foreign Ministry Feridun Sinirlioglu met his counterpart twice, in April and July, to search for ground for rapprochement between Baghdad and Ankara after ties became strained following Iraqi Prime Minister Nouri al-Maliki's accusation that Turkey was interfering in Iraq's internal affairs. Tensions between the two countries soured significantly in the recent past due to oil agreements Turkey signed with the Kurdish administration without the consent of the Iraqi government. President Abdullah Gül also recently met with Iraqi Vice President Hudayr al-Huzai in New York on the sidelines of U.N. General Assembly meetings. Iran's new foreign minister, Mohammad Javad Zarif, is also expected to visit Turkey in October.

Gümrükcü also sought to dismiss widespread allegations that Turkey was supporting radical groups in Syria, adding that Ankara also did not permit anyone to give support to such groups through Turkey. His remark came in reply to claims that Turkish youngsters have joined al-Qaida-linked extremists in Syria and have been trained by militants in the fight against Damascus. Kurdish groups have also claimed that Turkey has aided and abetted the activities of the al-Qaeda-linked group al-Nusra in Syria. Davutoglu will also pay an official visit to Greece in the near future for preparation talks ahead of a high-level cooperation summit between the two countries, Gümrükcü added.

EWE eyes opportunities in Turkish retail market

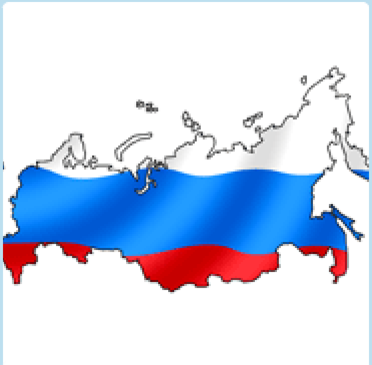
Natural Gas Europe, *02.10.2013*

EWE eyes opportunities to increase its clout in the Turkish market, aiming to double the number of its natural gas customers in the wake of expanding retail sectors. Bekir Sami Acar, managing director of EWE Turkey, can compete with domestic companies for significant acquisitions made possible by the government's privatization program.

"Turkey's retail gas usage penetration should increase to 70% or 80% of the total consumers," Acar said to the news agency, referring to consolidation opportunities in the next five to 10 years. Acar explained also that the Turkish government's policies could push some companies out of the market, as the country is keeping tariffs artificially low.

Fitch: Russian natural gas export opens Eastern horizons

Today's Zaman, *30.09.2013*



Real alternative to EU exports is born during recent the talks in Moscow. The Representatives of CNPC and Russia's oil & gas giants Gazprom and Novatek have inked the agreement to sell the abundant Siberian resources to the fast-growing Eastern market. The Chinese are investing billions to Russia's fuel energy complex diversification program.

Positive Fitch report on the historic deal indicates that both parties are plan to reach synergies and profit from cooperation. Since the adoption of "third energy package" in 2009, Moscow has been deeply disappointed by the European red tape in the sphere of energy policy.

Step by step Brussels introduced bureaucratic hurdles for Russian energy companies on the EU market in order to revise downwards existing contracts on natural gas supply with fixed delivery volume. These purely political measures have nothing in common with market economy and resembled something from Russia's recent past, namely the heavy-handed style of government regulation during the Soviet era. At the same time the leaders of some EU member states are daydreaming of mythic "shale opportunities" on the densely populated continent with limited drinking water resources.

Nearly dead projects like “Southern Gas Corridor” lacking both resource base and political will are advertised as something economically feasible, despite the fact that its participants, for example, Romania are calling for return of investments. Money back demands from smaller investors have always been a correct sign of a dead project. European authorities used all available “soft power” mechanisms but couldn’t convince sovereign states to wait about a decade for first return on investment. Russia remains the only stable energy source. “Nord Stream” and “South Stream” projects are making impressive progress in Serbia and Bulgaria. EU and Russia have agreed a deal on the use of Germany’s OPAL link to Gazprom’s Nord Stream gas pipeline, a Russian energy ministry spokeswoman confirmed on September 16.

However, attempts of EU Directorate-General for Energy to create non-competitive advantage haven’t gone unnoticed in Moscow. Russia’s fuel energy complex diversification program has begun to take shape in Siberia strengthening credit profiles of Gazprom and Novatek. Last Thursday, September 5, Russia’s top producer Gazprom and Chinese National Petroleum Company came closer to a deal to ship natural gas to China. Corporations agreed on basic terms but not on price that has been a cornerstone issue for years. Much debated price problem is going to be solved soon given the unprecedented level of intergovernmental cooperation on the highest level. Final agreement is expected by the end of 2013, Gazprom Chief Executive Alexey Miller said last week in St Petersburg.

An oil-linked benchmark, the Japanese Crude Cocktail, for Chinese or other Asian gas deliveries could be used as the point of reference for future price talks. The basic agreement signed by heads of Gazprom and CNPC in the presence of presidents Vladimir Putin and Xi Jinping “defines the volumes, start of deliveries, payments, “take-or-pay” amendment” and other issues, Gazprom announced in a statement. High degree of readiness attracted Chinese investors to another Russia’s LNG endeavor aimed at the Eastern market. China National Petroleum Corporation and a consortium of Chinese financial institutions also concluded a memorandum on project financing for Novatek’s $20 billion Yamal LNG project in Russia’s Arctic buying 20% stake in it.

Novatek envisages the construction of an LNG plant with annual capacity of 16.5 million tons per annum based on the feedstock resources of the South-Tambeyskoye field (Yamalo-Nenets Autonomous Okrug). “CNPC’s entrance in Yamal LNG is an important milestone for the project,” Chief Executive Officer Leonid Mikhelson said in an e-mailed statement. “We are pleased to welcome a new, strong partner who will contribute its capabilities and resources to the successful implementation.” China, on its part, seriously considers increasing LNG imports to balance the use of coal in its fuel mix. Fitch rating agency experts believe these deals indicate China’s growing willingness of to invest directly in Russian natural gas industry. Gazprom (BBB, outlook Stable) will enter a fast-growing market and mitigate non-transparent regulatory risks in Europe. After closing the deal Novatek may improve its “BBB-” credit rating and raise funds for the challenging project in the High North.

Gazprom signed South Stream gas transmission agreement

Hürriyet Daily News, *04.10.2013*

Gazprom Export and South Stream Transport B.V. signed a gas transmission agreement yesterday at a meeting of the South Stream Transport B.V. Board of Directors in Paris attended by the Gazprom Management Committee Chairman Alexey Miller, the company announced in a written statement.

During the meeting the board of directors also approved a detailed construction schedule, endorsed the company's long-term budget and confirmed the commissioning of South Stream's first offshore line before the end of 2015. For the purpose of diversifying natural gas export routes, Gazprom is constructing South Stream project.

The offshore section of the South Stream gas pipeline will run under the Black Sea from the Russkaya compressor station on the Russian coast to the Bulgarian coast. The total length of the Black Sea section will exceed 900 kilometers; its maximum depth will be more than two kilometers, and its annual design capacity 63 billion cubic meters. On Sept. 16, 2011, the Shareholders Agreement of South Stream Transport was signed for the construction of the 16-billion-euro offshore gas pipeline section. According to the document, Gazprom holds a 50 percent stake in the project; Italian Eni holds a 20 percent stake, while German Wintershall Holding and French EDF hold 15 percent stakes each.

The 925-kilometer undersea pipeline crosses Turkish territorial waters before reaching Bulgaria and continuing onshore to Italy across Serbia, Hungary and Slovenia. The project gives a boost to alternative pipeline projects to carry gas to Southern Europe from Central Asia, such as the Trans-Anatolia Pipeline (TANAP) project that will be realized jointly by Turkey and Azerbaijan.

Caspian oil producers eye entering markets

Today's Zaman, *30.09.2013*

Caspian oil and natural gas producers have struggled to move their products to world markets, the United States Energy Information Administration (EIA) has said in a recent study about Caspian Sea Region. "Some countries cooperate and jointly develop export capacity, while others focus on attracting enough investment to create their own routes," it said.

The Caspian's coastal countries, along with Uzbekistan, together have an operating crude oil refining capacity of just over 8 million barrels per day, according to Oil and Gas Journal.

Russia and Iran together make up about 85 percent of this capacity. As of January 2013, the total crude oil refining capacity of the coastal countries was about 9 percent of the world's total crude refining. The report said Russian refineries are scattered throughout the country, whereas much of Iran's refining capacity is located near its main producing fields and major demand centers. Refineries in the Caspian basins tend to service major fields, usually to produce refined products for domestic consumption or small amounts of exports. "Crude oil not refined in the region is usually pumped to wider pipeline networks, where it can go to refining centers in Western Europe and China," it said.

There are currently seven operational crude oil refineries within 100 miles of the Caspian Sea with a total crude capacity of 964,000 bbl/d. This is approximately 12 percent of the total refining capacity of the countries, although all of Azerbaijan's and Turkmenistan's refinery capacity is in this area. Azerbaijan and Turkmenistan both have two operational refineries near the sea, while Russia, Iran, and Kazakhstan each have one. Uzbekistan's three refineries are located in the southeast of the country, far away from the Caspian basin.

Rosneft offers lowball $1.5 billion for TNK-BP minorities

Trend.az, *03.10.2013*

Russian Rosneft has announced to buy the remaining shares in TNK-BP Holding for a fraction of the price it paid BP and a group of oligarchs for their stakes, after several months of tough talk. Oil group Rosneft is to buy the remaining shares in TNK-BP Holding for a fraction of the price it paid BP and a group of oligarchs for their stakes, in a worrying development for minority shareholders in Russian companies.

Rosneft bought the holding company and its parent TNK-BP in a $55 billion takeover that created the world's largest publicly traded oil company by output. Minority shareholders own about 5 percent of the unit, now renamed RN Holding.

The deal to buy them out for about $1.5 billion was announced by Rosneft yesterday, after months of tough talk and refusal to acquire the shares had sent jitters through the investor community and raised questions over corporate governance in Russia. "It will leave a bad impression and raises concerns," said Chris Weafer, senior partner with consultancy Macro-Advisory. "The next time a big state company is looking at an acquisition of a company, the investors will be immediately very wary of that situation. Minority investors will run ... rather than wait and see what will happen."

Rosneft said it planned to buy out holders of ordinary shares at 67 roubles ($2.07) per share and preferred shares at 55 roubles, the company said. In response, TNK-BP ordinary shares rose by almost 5 percent on Monday to 63.3 roubles, while Rosneft was down 1.27 percent. But the offer disappointed some investors hoping to get closer to the $3.70 a share analysts calculated that oligarchs including Mikhail Fridman received at the time of the TNK-BP buyout. The other tycoons were German Khan, Viktor Vekselberg and Len Blavatnik.

"The offer is not that generous compared to the $3.70," said one shareholder who spoke on condition of anonymity, but did not comment on whether further steps would be taken. "This is a bad offer," said Weafer. "The price they are offering to the minorities is almost half what Rosneft paid toBP and the oligarchs... and it sends a negative message." Rosneft and its powerful president, Igor Sechin, had repeatedly said that the company had no obligation to buy the remaining shares. Sechin has said that Rosneft is not a "charity fund".

He changed his tone on Friday, however, saying that the company would consider buying the shares with a 20 to 30 percent premium to the market price. Sources close to the minority shareholders have told Reuters that they think Rosneft should buy them out for $2.8 billion, based on what it paid for its majority stake in TNK-BP. Sberbank CIB analysts said in a note: "The only shareholders who will benefit from this are speculators who bought the shares on the cheap during the long period of uncertainty - precisely the people whom Sechin said he wanted to punish."

Concerns about the treatment of minority shareholders have added to that sentiment. Veteran investor Mark Mobius, executive chairman of Franklin Templeton's emerging markets group, said earlier that the TNK-BP buyout "is the kind of issue that gives pause for thought on the behalf of investors coming to Russia". Mobius, whose emerging markets fund has invested in TNK-BP, has around $1.2 billion invested in Russia.

OPEC oil output hits near lowest of 2 years

Hürriyet Daily News, *01.10.2013*

OPEC oil output has fallen in September to the lowest in almost two years because of work at Iraq's main export outlet, according to a Reuters survey, although record Saudi Arabian output prevented a larger decline.

Supply from the Organization of the Petroleum Exporting Countries has averaged 30.07 million barrels per day (bpd), down from 30.32 million bpd in August, the survey of shipping data and sources at oil companies, OPEC and consultants found. Despite signs of recovery, Libyan output is less than half what it was in early 2013 and Nigerian production is far below its potential.

"This is a significant reduction and at the same time the Saudis are producing at extremely high levels," said a participant in the survey. "If it was not for U.S. shale oil, prices would be much higher." Brent crude has fallen to $108 a barrel from a six-month high above $117 in August on signs of recovering supply and as the prospect of a military strike on Syria receded. In September, work at Iraq's Basra Oil Terminal outweighed small increases in supply from Nigeria and Libya, and a second month of Saudi output at around 10 million bpd.

OPEC's September output is the lowest since October 2011, when the group pumped 29.81 million bpd, according to Reuters surveys, and leaves supply a mere 70,000 bpd above its output target of 30 million bpd. The biggest fall in supply was in Iraq. Supply declined to 2.7 million bpd from 3.1 million bpd in August because of reduced export capacity due to construction work, as well as a pipeline leak that prompted a cut in output. Two berths at the Basra Oil Terminal have been closed for part of September, reducing export capacity, Iraqi and industry sources say. Exports remain far below capacity in the north, where Sunni insurgents are targeting Iraq's pipeline to Turkey.

Tapping Iran's oil and gas vital for world demand, say Shell and Total

The Telegraph, *01.10.2013*

Lifting sanctions and opening up Iran's vast oil and gas resources to global companies will be vital to meeting the world's future energy needs, according to the chief executives of two of Europe's top oil companies.

Peter Voser, chief executive of Royal Dutch Shell, and Christophe de Margerie, his counterpart at France's Total, used the Oil & Money conference in London on Tuesday to highlight the potential energy windfall if sanctions preventing international oil companies from dealing with Tehran were lifted. "Longer term, Iran's oil and gas resources will have to be developed to meet demand," Mr Voser said.

He was echoed by Mr de Margerie, who said that he hoped doing business with Iran would again be permitted "as soon as possible, not just for Total but for the world and for Iran. Any country cannot stay out of the system." Before the tightening of sanctions against Iran a few years ago, Shell and Total were two of the most active companies doing business with the Islamic republic. In 1999, Shell defied a US sanctions threat to sign an estimated $800m (£492m) deal with Iran to develop two offshore oil fields in the Persian Gulf known as Soroosh and Nowrooz.

Shahristani updates on oil targets

iraqenergy.com, *28.09.2013*

Iraq's Deputy Prime Minister for Energy, Hussain al-Shahristani, has said the company is on track to pump 3.7 million barrels a day of crude by the end of the year.

"Iraq will easily pass 3.5 million barrels a day before the end of the year and should hit 3.6 million-3.7 million by year end … The Majnoon field will produce almost 200,000 barrels a day by the end of the year." International oil companies will also be invited to bid for a contract tendered under a "new model" to develop the giant Nassiriyah oil field, and build a new refinery at the site.

Finding a solution: South Stream and the Third Energy Package

Natural Gas Europe, *29.09.2013*

Russia's Deputy Energy Minister has stated that his nation and the European Union will find a solution to the present impasse over the Third Energy Package.

Speaking in Milan on Friday at a conference hosted by Natural Gas Europe Gas Dialogues, Anatoly Yanovsky said that negotiations will ensure a solution to the problems raised by the EU's legislative package of gas market reforms, which seeks to "unbundle" ownership of natural gas production and transmission lines such as those operated by Gazprom, and is seen as a roadblock to the development of South Stream Pipeline project.

"The South Stream pipeline represents a long term solution to ensuring a secure energy supply to all European citizens, thanks to the direct connection between customers and the most important gas reserves in the world, in Russia", said the Deputy Minister. Yanovsky's comments are significant, and may indicate positive momentum, particularly following recent downcast statements by the EU Energy Commissioner. In remarks at the conclsuion of recent meetings of EU energy ministers, Günther Oettinger said, "South Stream is an addition, but it does not give us access to any new sources of energy and it doesn't increase the competitiveness of the energy market in EU."

Libyan protesters shut down Eni Gas Pipeline to Italy

Natural Gas Europe, *01.10.2013*

Gas flow from Libya to Italy was halved on Monday from normal values, as local protesters have shut down a gas pumping station supplying Eni. The affected field feeds the Greenstream pipeline to Sicily. According to Reuters, import flows were around 8.5 million cubic metres compared with shipper requests for 18 mcm, which would make up around 10% of Italy's daily demand.

Hydrocarbon production dropped last month. Libya's oil production dropped to lowest level since the 2011 civil war that toppled Muammar Qaddafi. Protesters try to voice their concerns about the future constitution.

Members of Libya’s Berber minority cut off the gas pipeline in the western Jebel Nafussa area. The closure of the pipeline is a protest “against the non-inclusion in the constitution of the Amazigh (Berber) language,” said Abdullah Sleiman, vice-president of the Nalout town council. Italy relies mainly on imports from Russia and Algeria, with Libya representing 10% of the daily demand.

UN welcomes Turkmenistan’s initiative to ensure Central Asian energy security

Trend.az, *30.09.2013*

At a meeting with the Deputy Prime Minister and Minister of Foreign Affairs of Turkmenistan Rashid Meredov in New York Ban Ki-moon welcomed Turkmenistan’s initiative to ensure energy security, the UN News Centre reported on Monday.

According to the report, during the meeting the sides discussed the situation in the country and issues of regional cooperation in Central Asia, including the management of water resources and cooperation in the fight against terrorism. Moon expressed his gratitude to Turkmenistan for its contribution to the stability and development in Afghanistan’, the report said.

Delegates of the previous 67th session of the UN General Assembly adopted a resolution on the transit of energy resources on Turkmenistan's initiative. Over 70 countries were the co-authors of this document. It is scheduled to hold a meeting of international experts on the subject in Ashgabat in early 2014.Turkmenistan is one of the key players in the gas market in the Caspian region and Central Asia.

At this stage, users of Turkmen natural fuel are China, Iran and Russia. For its natural gas reserves, Turkmenistan ranks fourth in the world and the country is searching for new markets in Europe and South Asia. Ashgabat believes that under current conditions, coordinated measures should be taken by producing, transit and consumer countries capable of optimizing economic development, as well as create the needed infrastructure for energy transport.

New finds to double Algeria's gas output

Upstream Online (Reuters), *02.10.2013*

Several significant oil and gas discoveries made in Algeria's maturing and new fields are expected to double the country's gas production in the next seven to 10 years, Energy & Mines Minister Youcef Yusfi said on Tuesday.

Algeria is a major supplier of gas to nearby Europe, although strict licensing terms have seen major investments freeze up in recent years and oil and gas output has started to decline. Yet, new discoveries have resulted in Algeria pumping crude at a rate of 1.2 million barrels per day and Yusfi said the country's gas production was expected to increase despite falling demand from its European customers.

"For the medium term, I think, our production will more than double from the existing one," Reuters quoted Yusfi as saying on the sidelines of the Oil & Money conference in London. Algeria found about 1 billion barrels of oil at the major Hassi R'mel field and made oil and gas finds in the maturing Berkine and Illiza basins in the southeast, he said. The North African country also made headway in evaluating the potential for unconventional technologies that have prompted a shale boom in the US, with studies finding 300 trillion to 500 trillion cubic feet of tight oil and more than 700 tcf of shale gas in Algeria.

"Concerning the new regions in the south west, for the first time - this is a region that is not explored at all - two weeks ago we made a discovery of gas and oil and we are in the process of evaluation," Yusfi said. With maturing fields and less investment, Algeria's gas for export has dropped to around 50 billion cubic meters from around 70 bcm in less than a decade, US Energy Information Administration data showed. Its output of crude oil has fallen from a peak of 1.4 million bpd in 2008 to its current rate of 1.2 million bpd.

Yusfi said it hoped to continue producing at that level by optimising existing production, although the Hassi Mesaoud field had peaked. The government passed an amended hydrocarbon law in January following sparse interest in the last upstream licensing round, but the changes may not be sufficient to counter the prospect of greater security costs after the attack on the In Amenas gas plant in the deep south killed 40 oil workers early this year. According to Reuters, analysts said the law does not go far enough to encourage new investment or open up opportunities for shale gas production.

Yusfi said Algeria was working on the next round of exploration licences but did not give details about the blocks or the terms that would be on offer. However, he did say that largely unexplored offshore areas could be included. "We are concentrating on onshore... Also we are thinking of offshore. We're going to have our first drilling offshore during next year, maybe," he said. Yet that investment comes amid falling demand from Italy and tough competition for Asian markets from other gas producers. "The economic crisis in Europe means some of our partners have had some difficulties," Yusfi said.

Zanganeh: Iran facing gas shortage

Upstream Online, *01.10.2013*

Iran faces gas supply shortages in the next two years as its giant South Pars field has not developed quickly enough, according to the country's oil minister. "Even though we import 40 million cubic metres a day of gas from Turkmenistan we still face (a) shortage and we have to consume oil products in power plants," Oil Ministry website Shana quoted Bijan Zanganeh as saying.

"This figure is catastrophic due to their impacts on the environment by polluting the air." Shana quoted Zanganeh as saying that operators at South Pars were not facing financial constraints but were struggling with management challenges.

"They used to claim that the projects will become operational if they receive $200 million to $300 million, but they were paid this sum and nothing happened in practice," he said. Zanganeh said seven conventional phases at South Pars will become operational in two years, with development feeding domestic gas demand, exports and local petrochemicals plants. "Plans have been made for exporting gas from South Pars phases and contracts have been signed to that effect. We hope that these contracts will be enforced correctly and the country's gas exports capacity will increase."

Sudan fuel price hikes aim to avert 'collapse'

AFP, *02.10.2013*

Fuel price hikes that sparked deadly protests in Sudan were designed to prevent economic meltdown, President Omar al-Bashir said Oct. 1 in his first comments on the unrest. "The latest economic measures aim at preventing the collapse of the economy following the increase in inflation and instability in the exchange rate," the official SUNA news agency quoted him as saying.

Al-Bashir also spoke of "conspiracies being planted by the saboteurs against our country." On Sept.23 the government cut petrol subsidies, driving up pump prices by more than 60 percent.

The move was part of measures designed to stabilize an economy plagued by inflation and a weakening currency since South Sudan separated in 2011, taking with it most of Sudan's oil production. The lost oil accounted for the majority of Khartoum's export earnings, costing the country billions of dollars. Reducing subsidies on petroleum will save billions, the government says. Al-Bashir said the economy has suffered "negative impact" from the separation of the South and the disappearance of oil revenue. Authorities say 34 people have died since petrol and diesel prices jumped, sending thousands into the streets in the worst urban unrest during al-Bashir's 24-year rule.

Southern Corridor will end dependence from Russia

Apa.az, *30.09.2013*

"The project of the Southern Corridor is of special importance for Europe's energy security. In view of dependence of Central and Eastern Europe on Russia's gas, the diversification of energy supply is necessary. Azerbaijan is the best option to deliver gas to the European markets," Alexandros Petersen, advisor to the European Energy Security Initiative (EESI) at the Woodrow Wilson International Center for Scholars told APA.

He said that the Southern Corridor project is important not only for the European countries, but also for the Transatlantic community.

"Implementation of the project will be the beginning of the policy to end dependence from Russia and obtaining of new partners like Azerbaijan. Azerbaijan is not a direct rival of Russia in the European market, but it is turning into a positive alternative for the European consumers." Touching upon the risk of regional conflicts in the further implementation of the project, Petersen noted that in view of the unsolved Nagorno Karabakh conflict, there is such a threat: "It shows that the U.S. and Europe should pay more attention to the solution of the Nagorno-Karabakh conflict.

Armenia could have played a positive role in the implementation of the project, but as long as the conflict remains unresolved, Russia will have a major impact on Armenia and the country will always be isolated from such projects." Founder of Global Change Associates Peter C. Fusaro said that natural gas has been an urgent problem for Europe and Ukraine for many years: "Southern Corridor project is extremely interesting for the European consumers. Azerbaijan and Russia won't become rivals with this project. European gas demand is very high and the market is enough for everybody."

A member of the Grand National Assembly of Turkey Faik Tunay said that there are serious risks in the region and the energy issue is the main way to solve these problems: "If we begin to work for common purposes, political problems will be reduced. In fact, there is a political risk in any project, but it is important how the parties solve it. Politicians should struggle for the success of this project."

U.S. gears up to be a prime gas exporter

New York Times, *30.09.2013*

Deep in a narrow underwater tunnel, workers wearing hard hats pedal bicycles towards a terminal, an island of gray pipes and pilings a mile off the Western Shore of Maryland on the Chesapeake Bay. When it originally opened in 1978, the chilly passageway was intended to bring liquefied natural gas from large tankers onshore to the Dominion Cove Point facility, where it was warmed, turned back into gas and sent on to customers.

But Cove Point has had a sporadic history and has not been visited by a tanker for delivery since 2011 thanks to reduced U.S. demand for natural gas.

Now, Dominion Transmission wants to reverse the flow. It is seeking regulatory approval for a plan to invest $3.8 billion so that Cove Point could cool U.S. gas to –265 degrees Fahrenheit (–165 Celsius) and export the resulting L.N.G. The company has already signed 20-year contracts with utilities in Japan and India. Thomas F. Farrell, chief executive of Dominion Resources, which owns the facility, said Cove Point, which has easy access to the Marcellus shale fields in Pennsylvania, was “cost-effective and environmentally compatible.”

Dominion is just one of many companies now seeking approval to export L.N.G. from about 20 upgraded or new facilities in the United States. The companies want to take advantage of the recent flood of cheap shale gas brought on by advanced drilling techniques and helped by the extensive American domestic pipeline network. “You have an abundance of reserves and a tremendous infrastructure to move molecules around the lower 48 states and Canada,” said Jamie Welch, chief financial officer of Energy Transfer Equity, based in Dallas.

Mr. Welch’s company — along with its partners, BG Group of Britain and Lake Charles Exports — have recently won federal regulatory permission to build an $11 billion L.N.G. export station in Lake Charles, Louisiana. American L.N.G is clearly going to be exported, but how much of an impact those exports will have on global markets is a matter of intense interest and debate. Global annual consumption today is about 240 million tons, but some analysts forecast that demand will more than double to 550 million tons annually by 2030. If all of the proposed plants are built, the U.S. could supply 200 million tons, or almost half of world demand, in one highly optimistic estimate.

If that happens, “of course it will have an impact,” says Philippe Sauquet, head of the gas and power division of Total, the French oil and gas giant. L.N.G. prices around the world might be affected, putting pressure on projects worth tens of billions of dollars already under way in places like Australia. But many analysts say exports will wind up being more modest. Jean-Marie Dauger, executive vice president of GDF-Suez, the French utility, said that perhaps 10 or 12 of the U.S. plants would be built, with an output of about 60,000 tons annually. “This volume will not be sufficient to impact prices in Asia,” he said.

Still, Mr. Dauger describes the overall L.N.G. market as “booming.” Natural gas emits half as much carbon dioxide as coal, the dominant fuel in Asian markets like China, and the world nuclear power industry has not yet recovered from the Fukushima nuclear disaster of 2011. Meanwhile, new uses for L.N.G. are emerging, including for powering ships and heavy trucks. Even before the American shale gas revolution, global energy firms had been scrambling to come up with new L.N.G. facilities to tap remote fields from Australia to Angola to the Russian Arctic.

Companies including Chevron, Exxon Mobil, Royal Dutch Shell and Total are planning up to $400 billion in L.N.G. investments around the world. In the dry outback of Australia and in the jungles of New Guinea, the price of building L.N.G. facilities can be as high as $2,500 per ton of an L.N.G. plant’s annual capacity, Mr. Welch said. Those cost levels make America look very attractive. L.N.G. plants on the drawing board in the United States are likely to cost about $700 per ton.

Besides construction costs, domestic natural gas prices in the United States of about $4 per million British thermal units are low enough that L.N.G. from America would cost a small fraction of the $15 to $20 per million B.T.U.’s that Asian buyers now pay. These advantages are creating interest among Asian buyers including Mitsui, Sumitomo, Korea Gas, India’s GAIL Global and Osaka Gas. With Europe’s economy stagnant and the United States in oversupply, more gas is heading to Asia.

The U.S. push is changing the business model for L.N.G. For years, shipping the fuel was a simple point-to-point operation with tankers carrying liquefied gas to a specific terminal. Contracts are becoming complex and flexible. “We’re finally seeing the L.N.G. market break out of that linear trading pattern,” said Bill Cooper, president of the Washington-based Center for Liquefied Natural Gas. Instead of being tied to specific gas fields, terminals in America are just facilities to which gas can be sent through the extensive U.S. pipeline system. The facility owner takes a toll for liquefaction and shipping.

Customers line up the gas and take it to where it is needed, Mr. Cooper said. This way of doing business helps free the terminal operator from the vagaries of volatile natural gas prices and allows for easier project financing. By using this concept at Cove Point, Dominion, the terminal operator, has had an easier time finding financing and already has contracts with Japan’s Pacific Summit Energy and India’s GAIL-Global. Despite the favorable economics, U.S. export facilities still face domestic opposition. Environmental groups like the Sierra Club argue that exporting U.S. gas will only increase the practice of hydraulic fracturing, which they say is ecologically dangerous and will raise domestic prices to the detriment of customers.

“L.N.G. export is nothing but a giveaway to the dirty fossil-fuel industry at the expense of everyday Americans,” said Deb Nardone, director of a Sierra Club effort to halt the exports. In the Pacific Northwest, resistance to L.N.G. exports is so strong that “there will be nothing built there,” said Mr. Welch of Energy Transfer. Most of the export facilities will be in Gulf states and at Cove Point, where final approval for its project is expected by early next year.

Some U.S. manufacturers have also joined the opposition to L.N.G. exports, saying they will eventually drive up domestic prices. The chief executive of Dow Chemical, Andrew Liveris, has argued that it is better to keep gas at home to use it as feedstock for producing chemicals and other refined products with a higher added value.

Germany overtakes Britain as Europe’s biggest gas user

Business Recorder (Reuters), *03.10.2013*

Britain has lost its long-standing position as Europe’s leading gas consumer to Germany, and the shift could threaten the UK’s ranking as the continent’s biggest gas trading hub. Britain’s natural gas demand has plunged 22% over two years due to weak economy and because cheap coal imports have made coal more profitable for generating electricity than gas.

Although German gas demand has also been affected by cheap coal, its economy has fared better than Britain’s, supporting industrial use. Most data suggests the switch happened between 2012 and 2013, and it is almost certain that Germany will have overtaken Britain as Europe’s biggest gas user by the end of this year.

German gas consumption was above 50 billion cubic metres (bcm) in the first half of this year, while Britain's demand lingered around 46 bcm, according to government data. Whether Germany will remain Europe’s biggest gas user is unclear. Germany's developing position as a gas import hub thanks to Baltic Sea pipelines and signs of economic recovery in Britain make it difficult to predict. “In the medium term, the two countries will be within 5 percent of each other. We don't consider the UK going much higher than Germany again,” said Laszlo Varro, the International Energy Agency’s head of gas, coal and power markets.

Germany’s jump in the table is partly due to a rise in Russian gas sales to Europe, where Germany is its single largest buyer, after offering lower prices more closely linked to spot prices instead of expensive oil. Russian export monopoly Gazprom shipped 14 percent more gas to Europe between January and August compared with a year earlier. Germany’s new position also benefits its traded gas markets in continental Europe.

“German markets are ... still growing; Gaspool in particular has been benefiting from being the main destination for Russian gas supplies via Nord Stream,” UK analyst Nigel Harris said. Yet German gas trading remains much lower than in Britain and the Netherlands, which have Europe’s two biggest gas trading hubs. Data from consultancy Prospex showed that the German gas churn rate of 2.8 percent - a liquidity measure that indicates the amount of gas traded over national usage - is dwarfed by those of Britain and the Netherlands, at 25 and 20 percent respectively.

The main benefactor of the switch between Britain and Germany is the Netherlands, which has a large domestic gas market, is well connected to Europe's two biggest users, and has access to the global liquefied natural gas market through a terminal at Rotterdam and one nearby in Zeebrugge, Belgium. “The (Dutch) TTF market continues to consolidate its position as the leading continental market, particularly for forward trading,” Prospex said.

Trading at Britain's National Balancing Point, by contrast, is much more focused on the short-term spot market. German traders who seek futures trading for hedging purposes, to shield themselves against future price swings, typically turn to the neighbouring Dutch market. Germany's energy exchange EEX, which started gas contracts in 2007, traded 75 terawatt-hours of spot and futures gas mainly for Germany in 2012, equivalent to just 8 percent of national consumption. By contrast, 20 out of 100 gas shippers listed as trading on the Dutch market are based in Germany.

Options dwindle for UK facing winter tied to tight Norway gas

Natural Gas Europe, *30.09.2013*

Britain faces a tight winter gas season as it relies heavily on struggling Norwegian supplies and has few alternatives to source cheap gas elsewhere. Britain already relies heavily on Norwegian imports to meet its needs and analysts say this dependency is set to rise as Russian gas will mainly go to continental Europe, while shipments of overseas liquefied natural gas (LNG) will mostly head to Asia, where customers pay more for gas.

The new gas year starts on October 1, when European gas buyers and sellers adjust supply volumes ahead of the peak demand winter heating season.

But Norway's biggest gas field Troll, which accounts for around 35 percent of its gas production, has had its capacity reduced for much of this year, and its operator says supplies will be limited until 2014. "We expect to see somewhat reduced capacity into the winter at the Troll field due to technical issues at Troll A," said Morten Eek of the field's operator Statoil, adding that its remaining capacity would still allow the company to "more or less" meet production quotas. Norway's gas system operator Gassco said production capacity would be reduced by 34 million cubic meters per day until September 2014, compared with a capacity of up to 120 mcm of gas per day before the outage.

Norway exported 103.8 billion cubic metres (bcm) of pipeline gas in the 2012/2013 gas year, which ended on September 30, including 29.8 bcm to the UK, up from 25 bcm during the previous gas year of 2011/2012. For the first eight months of 2013, Norwegian exports to Europe fell four percent to 68.6 bcm from 71.3 bcm during the same period in 2012. "Norway normally produces gas at full capacity during the coldest months, and Troll's outage leaves no flexibility to ramp-up production to meet peak demand in case both the UK and continental Europe freeze," said Anette Einarsen, an Oslo-based gas analyst at Thomson Reuters Point Carbon. News about Norway's gas outage extending throughout the winter has forced British gas traders to buy more forward contracts in order to hedge against any further supply disruptions from Britain's key gas supplier.

Should Norwegian supplies not meet demand in case of a cold British winter, UK customers could begin importing gas from continental Europe, which receives most of its gas from Russia. But analysts say such a switch would come at a high cost, forcing British customers to pay above Russian oil-indexed gas prices to attract flows from continental Europe. Point Carbon estimates Russian oil-indexed price at 74-78 pence per therm, compared with current UK spot prices of under 65 pence and average winter prices of below 70 pence per therm. Russia sells most of its gas under long-term contracts linked to the price of oil, while Norway has switched increasingly to a pricing model based on gas spot markets such as Britain's National Balancing Point (NBP).

Oil prices have been relatively high as a result of booming demand outside Europe and as a result of political unrest in North Africa and the Middle East, while European spot gas prices have been low because of Europe's sluggish economy. This means that Russian oil-linked gas prices have been more expensive than Norwegian spot supplies. To regain competitiveness, Russia's gas export monopolist Gazprom has handed out price rebates worth billions of euros over the past year, bringing its contracts closer to the spot market, and analysts say this will increase Russia's gas market share.

"We expect the continent to take more Russian gas and less Norwegian gas, if we have a normal winter, during the next gas year," said Einarsen. Russian preliminary gas exports to Europe rose by 14 percent to 105.2 bcm during January-August, and its gas monopoly Gazprom plans to restore supplies to Europe to 152 bcm this year after they fell 8 percent to 139 bcm in 2012. Alternatively Britain could get gas through shipped supplies of liquefied natural gas (LNG) from suppliers such as Qatar. But LNG prices are high as its biggest buyers, Japan and South Korea, pay far more for cargoes than European buyers. Asian spot prices for LNG cargoes are around $15.5 per million British thermal units (mmBtu), equivalent to 155 pence per therm, and analysts say British spot gas prices would have to rise closer to this level in order to convince LNG exporters to sell cargoes to Europe instead of Asia.

Gas boom has its own climate questions

Einnews.com, *28.09.2013*

Earlier this month, when business boosters, community organizers and labor advocates gathered to brainstorm about diversifying the economy in West Virginia's coalfields, one alternative was mentioned over and over: The boom in natural gas production in the Marcellus Shale region of the state. Over the past decade, West Virginia's natural gas production has more than doubled, while US considering to export gas.

Jobs in the industry have jumped by 55 percent. The natural gas boom here and across the nation has brought climate change benefits.

The continuing switch by power plant owners from coal to natural gas -- along with dramatic increases in renewable power generation -- has helped reduce carbon dioxide emissions from the U.S. electricity sector to their lowest levels since 1994. West Virginia political leaders tout natural gas as the state's energy and economic future. They say the jobs will keep coming, and that spin-off businesses from natural gas production will eventually revitalize the state's chemical-making industry.

President Obama is targeting greenhouse emissions from coal-fired power plants as part of his plan to combat climate change. The administration has warmly embraced the natural gas boom, citing the switch from coal to gas for electricity generation as one way to combat climate change. However, despite some recent hopeful study results, questions continue about global warming pollution from natural gas. Some recent studies emphasize that gas might not be the best long-term climate solution.

As with coal, experts say any desire to continue using natural gas long into the future needs to include plans to widely deploy carbon capture and storage, or CCS, technology on power plants. For now, West Virginia leaders may focus on natural gas as an economic savior but, before too long, they might have to face the same questions about the industry's greenhouse emissions as they are now confronting about coal. In one new report, the Union of Concerned Scientists warned that continued increases in the use of natural gas for electricity generation too far into the future carries with it the risk of the worst consequences of climate change.

"An electricity future with greater use of natural gas and increasing carbon emissions is clearly the wrong path for the United Sates," Steve Clemmer, director of energy research for UCS, wrote in explaining his group's report. On Friday, the world's scientists issued their latest report summarizing the state of knowledge about global warming. In its fifth assessment of the science, the Intergovernmental Panel on Climate Change said warming of the planet is "unequivocal." The atmosphere and oceans have warmed, the group said. Snow and ice have diminished, the sea levels have risen and the concentration of greenhouse gases continues to increase.

The IPCC said it is "extremely likely" -- scientists are 95 percent or more certain -- that "human influence has been the dominant cause of the observed warming since the mid-20th century." "Continued emissions of greenhouse gases will cause further warming and changes in all components of the climate system," the IPCC said in a 36-page summary report for policymakers. "Limiting climate change will require substantial and sustained reductions of greenhouse gas emissions."

For years, the conventional wisdom was that natural gas was a good alternative to coal, producing half the carbon dioxide emissions per unit of energy when burned in a power plant. However, natural gas itself is mostly methane, a powerful greenhouse gas, and the conventional thinking didn't take into account methane emissions during the process of drilling for, producing and transporting natural gas. Two years ago, the issue gained much more attention with the publication of a study by a team of Cornell University researchers, led by ecology professor Robert Howarth. That study reported that natural gas could be just as bad -- or worse -- than coal for global warming, especially if the issue is examined on the short time frame in which scientists believe action is needed to curb global warming.

Since then, industry officials have harshly criticized Howarth's study, and there's been a lively debate in scientific journals about his results and about the many variables used to estimate methane emissions from the shale-gas boom across the country. Two weeks ago, a University of Texas study reported actual emissions measurements that suggested methane emissions from the natural gas industry were less of a concern. Even some of the harshest natural gas critics saw the findings as potentially good news, but they noted that the study covered only a small share of potential emissions points, focused on industry-picked production sites, and had a variety of other shortcoming.

In its recent report, the Union of Concerned Scientists tried to estimate the impact of various energy mixes on atmospheric concentrations of greenhouse gases. The UCS examined four recent analyses by government and private groups that reviewed the potential effects on the nation's electricity sector of different sorts of energy pathways. Each of the studies found that, under current law and regulations, natural gas generation would continue to grow over the next few decades, as much as tripling by 2050, to keep up with increasing electricity demand.

"Moreover, these four studies show that greater use of natural gas for generating electricity could contribute to that sector's overall increase in carbon dioxide emissions," said the UCS report, called, "Gas Ceiling: Assessing the Climate Risks of an Over-reliance on Natural Gas for Electricity." "Because of the continued dominance of fossil fuels and rising demand, emissions through 2050 would be 5 [percent] to 25 percent higher than today's levels," the report said. The U.S. Energy Information Administration similarly projects that electricity-related carbon dioxide emissions would rise 12 percent above 2012 levels by 2040. At the same time, the National Research Council has said, to avoid the worst climate change impacts, power sector carbon dioxide emissions need to be cut by 90 percent from current levels by 2050. Most of the reductions are needed early on, during next 20 years, the council has said.

One scenario modeled by the UCS shows natural gas generation increasing significantly through 2025, continuing to replace coal plants, but then steadily declining through 2050. "While natural gas can play an intermediate role in temporarily replacing some of the decline in coal generation, its use must be scaled back considerably over the long term in order to meet climate goals," the UCS report said. Theh UCS said another scenario it modeled would rely more on renewable energy, such as wind and solar, and on energy efficiency improvements.

"In addition to relying less on natural gas, the renewables and efficiency pathway has the lowest cost," the report said. "Under this pathway, consumer electricity bills by 2050 are one-third lower . . . as reductions in electricity use from energy efficiency more than offset the costs of investing in renewable energy technologies." By contrast, the UCS report said, using more nuclear power and CCS technology is the most expensive route, resulting in a 20-percent increase in consumer electricity bills by 2050.

Announcements & Reports

► *Electricity Wholesale Market Data*

Source : Energy Information Administration
Weblink : http://www.eia.gov/electricity/wholesale/

► *Quarterly Coal Report*

Source : Energy Information Administration
Weblink : http://www.eia.gov/coal/production/quarterly/pdf/qcr.pdf

► *Brazil Country Analysis Brief*

Source : Energy Information Administration
Weblink : http://www.eia.gov/countries/analysisbriefs/brazil/brazil.pdf

► *Petroleum Marketing Monthly*

Source : Energy Information Administration
Weblink : http://www.eia.gov/petroleum/marketing/monthly/pdf/pmmall.pdf

► *Natural Gas Monthly*

Source : Energy Information Administration
Weblink : http://www.eia.gov/naturalgas/monthly/pdf/ngm_all.pdf

► *Monthly Natural Gas Gross Production Report*

Source : Energy Information Administration
Weblink : http://www.eia.gov/oil_gas/natural_gas/data_publications/eia914/eia914.html

► *South East Asia Energy Outlook*

Source : International Energy Agency
Weblink : http://www.iea.org/publications/freepublications/publication/SoutheastAsiaEnergyOutlook_WEO2013SpecialReport.pdf

Upcoming Events

► *22nd World Energy Congress*

Date : 13 – 17 October 2013
Place : Daegu – South Korea
Website : http://www.daegu2013.kr/eng/index.do

► *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

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► *EIF International Energy Congress and Fair* ***(in Turkey)***

Date : 24 – 25 October 2013
Place : Ankara – Turkey
Website : http://www.enerjikongresi.com/en/

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► *The Economist European Energy Summit* ***(in Turkey)***

Date : 30 – 31 October 2013
Place : Istanbul – Turkey
Website : http://cemea.economistconferences.com/event/european-energy-summit#.UfJAK40vlbF

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► *15th CIS Oil and Gas Transportation Annual Meeting* ***(in Turkey)***

Date : 30 October – 1 November 2013
Place : Istanbul – Turkey
Website : www.theenergyexchange.co.uk/cispipes

► *Gas to Power Turkey 2013* ***(in Turkey)***

Date : November 2013
Place : Istanbul – Turkey
Website : http://www.biztradeshows.com/trade-events/world-shalegas-exhibition

► *World Shale Gas Conference & Exhibition*

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

► *Iraq Energy Forum*

Date : 11 November 2013
Place : Basrah – Iraq
Website : http://www.iraqenergy.net/

► *Abu Dhabi International Petroleum Exhibition and Conference*

Date : 10 – 13 November 2013
Place : Abu Dhabi – UAE
Website : http://www.adipec.com/page.cfm/Link=1/t=m/goSection=1

► *European Unconventional Gas Summit 2014*

Date : 28 – 30 January 2014
Place : Vienna – Austria
Website : http://www.theenergyexchange.co.uk/event/european-unconventional-gas-summit-2014#tab-country1