Oil & Gas Bulletin

► *09.05.2014*

Yildiz: Northern Iraqi oil not yet sold

Hurriyet Daily News, *07.05.2014*

Northern Iraqi oil that is being stored at the Mediterranean port of Ceyhan has not yet been exported to international markets but could soon be sold off, Turkish Energy Minister Taner Yildiz has said.

“Oil in the region belongs to Iraq, and our Iraqi brothers will present the oil to the international market,” Yildiz said yesterday in Tbilisi, adding that Turkey’s role would merely be to transfer the oil when the Iraqis decide to sell. “Some 2.2 million barrels of oil are currently stored [in Turkey’s Ceyhan Port] and 100,000 barrels of crude oil is flowing every day now,” he said.

“I think the storage will be [full] within three to four days. If Iraq [permits], we will transfer and sell their oil on international markets.” He continued. The tanks at the Ceyhan port, located in the southern province of Adana, have a storage capacity of 2.5 million barrels of crude oil, which flows via the Kirkuk-Ceyhan Oil Pipeline. Yildiz said Turkey’s oil-refining company, TPAO, could buy crude oil from Iraq if necessary but that there was no need to do so currently. Questioned about the privatization of Iraq’s oil pipelines, Yildiz said Turkey was concerned about the issue.

Turkey, China in talks over Afsin-Elbistan

Hurriyet Daily News, *05.05.2014*

Turkey and China are in talks over a $10 billion-12 billion investment deal for the Turkish Afsin-Elbistan coalfield and power plant project, according to Energy Minister Taner Yildiz.

Turkey’s state-owned power generator and the Abu Dhabi National Energy Company (TAQA) signed a deal over the project in southern Turkey in January 2013. However, Turkey began talks with other companies after TAQA said in August 2013 that it was delaying the investment. China and South Korea are among the countries mentioned for the project after TAQA’s exit.

“This is a huge project. We should design the project right at Afsin-Elbistan field, we have vast knowledge. We are working with China in this respect,” Yildiz said. According to the Turkish Energy Ministry, the Afsin-Elbistan region holds around 40 percent of Turkey’s lignite and could provide up to 8,000 megawatts of power in south Turkey, if the coal potential is fully exploited.

Six companies to race for Aegean power plant

Hurriyet Daily News, *06.05.2014*

Six Turkish companies have placed offers for the Aegean thermal power plant Yatagan, the Privatization Administration announced on May 6. The privatization of the 630-megawatt plant, the offer presentation deadline for which ended on April 30, was eyed by a number of Turkey's top energy players.

Energy and construction giant Limak, Cecen-owned Construction mogul IC İctas, Konya Seker, a local sugar producer but also active in the food, agriculture-breeding and energy sectors, and energy contracting/generating firm Elsan were all announced as bidders for the plant in Mugla.

IC İctas recently won the rights to operate the Yenikoy and Kemerkoy thermal power plants in the same province for $2.671 billion. Most of the Yatagan bidders also recently competed to win rights to operate Catalagzı coal-fires power plant in Black Sea province of Zonguldak. However, a local mining firm, Demir Madencilik emerged victorious by offering $351 million for the facility.

Shah Deniz sale wrap for Statoil

Upstream Online, *06.05.2014*

Statoil has wrapped up the $1.45 billion farm-down of part of its interest in the BP-operated Shah Deniz project off Azerbaijan. The sale of a 10 percent stake in the Shah Deniz production sharing contract and South Caucasus Pipeline Company to BP and Socar, which will acquire 3.33 percent and 6.67 percent respectively, leaves Statoil with a 15.5 percent interest in the Caspian Sea project.

The Norwegian state-owned company's other interests in Azerbaijan comprise stakes in the Azeri-Chirag-Guneshli project (8.56 percent) and Baku-Tbilisi-Ceyhan pipeline (8.71 percent).

It also holds a 20% interest in the Trans Adriatic Pipeline that will transport gas from the second phase of Shah Deniz, which is currently under development, to European markets. The disposal by Statoil is part of a strategy to streamline its asset portfolio in line with stricter project prioritization to focus on value creation over production volume as higher costs have eroded its profit margins.

Southern corridor woes

Natural Gas Europe, *05.05.2014*

The next months The Southern Corridor project, a multibillion energy infrastructure endeavor that includes the TANAP-TAP system of pipelines, appears to be facing certain issues that could potentially derail the timeline of is construction and certainly cause anxiety amongst stakeholders.

More specifically, French supermajor Total SA is looking for an exit amidst contradicting reports with regards to the cause of the decision. Latest information streamed by SOCAR VP Suleyman Gasimov confirmed the corporation is looking to buy Total's 10% share in the Shah Deniz consortium, which is the basic source of natural gas for the Southern Corridor.

Meanwhile interest has also been expressed by the Turkish Botas, who along with SOCAR is developing TANAP. Total has yet to make known the reasons for its premature departure, however interesting points can be made by assessing the situation so far. With regards to financing - is Total expecting serious delays in a future returns on investment capital? It should be noted that Total is currently engaged in multiple long-term, high-cost projects worldwide. While it owns a 40% stake in the Absheron gas reserve in Azerbaijan that it wants to develop, raising funds by selling its shares in Shah Deniz may be a forced move in that sense. A recent Financial Times piece mentioned that "Total's decision was driven by the economics of the project...as a broader asset sale program.

Including the cost of building the pipelines, the total price tag for the project is likely to exceed $40bn." Shah Deniz development was estimated three times less, thus the price tag has exceeded original business plans for all players involved. Meanwhile, Total is in the process of selling assets worldwide worth more than $10 billion. Norwegian Statoil has also disinvested in the Shah Deniz consortium by reducing its stake from 25.5% to 15.5% selling the rest to BP and SOCAR. Statoil is also engaged in various expensive projects in the North Sea and its indigenous resources, therefore it cuts down its investment burden by decreasing its involvement in the Azeri market. It is of interest to note that even Azeri officials such as Energy Minister Natig Aliyev, recently addressed the issue of overpricing of the project by admitting during the proceedings of the Caspian Oil and Gas international conference that the investment volume may exceed $50 billion.

The serious upgrading of the transmission links between Azerbaijan and Turkey, plus the construction of TANAP in often rugged geographical terrain and the establishment of TAP who is also going to have a sub water route and will also traverse the mountainous Southern Albania are serious factors to be assessed for. If we take into account that for the development of Shah Deniz II alone, more than $28 billion is needed, then the estimations for an excessive budgeting for the whole of the Southern Corridor are not off the mark. Furthermore, the scheduled gas volumes to be transferred through the route, are for 16 bcm, out of which 6bcm are for the domestic Turkish market and the rest through TAP to the Greek, Albanian and Italian markets and quite possibly to Bulgaria.

By taking into account the Ionian-Adriatic Pipeline route, an actual spur of TAP and of Southern Corridor system, then these amounts will also have to meet the demand in Montenegro, Bosnia and Croatia with the first two countries barely gasified, thus the overall costs will simply be much higher than expected. On the other hand officials from the consortium’s participating companies from time to time stretch out for the future prospects of “opening up” the Turkmenistan’s and Uzbekistan’s great gas potentials, thus being able to accommodate a serious upgrade of the TANAP-TAP-IAP system of pipelines for multiple times its original capacity design. Nevertheless, the ambiguous and undecided legal status of the Caspian Sea prohibits so far the viable construction of the only path to connect Central Asia with Shah Deniz en route to Turkey and the EU.

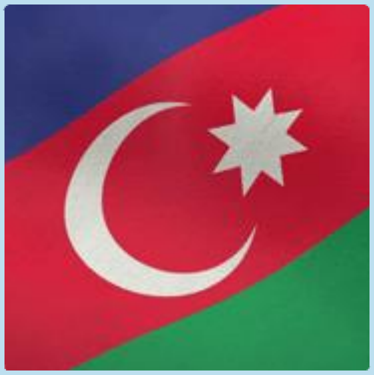
Moreover Central Asian states are steadily increasing their export volumes to the gigantic Chinese market, whilst Russian companies have gained a foothold, thus ending on an extent the diversification efforts of that route. For the time being the only viable producer of gas in order to upgrade Southern Corridor, is Iran which controls the second largest gas reserves in the world. The embargo against Iran and most importantly its vicious antagonism both with Saudi Arabia and Israel, along with American hesitation to promote Iran’s role further, prohibits any realistic promotion of that option. Iran itself has been drafting plans for years to proceed into exporting considerable amounts of gas both to Pakistan-India emerging natural gas consuming markets and to China via Central Asia, whilst in 2011 it signed a deal with Iraq-Syria to construct a pipeline stretching all the way to East Mediterranean, therefore Tehran assumes it has other options apart from the EU market and itself would be a hard bargainer requesting a lift in its international exclusion in case Brussels would like to boost Southern Corridor’s capacity base.

Lastly Iran is indirectly linked with the Russian transmission system through the buyout of the Armenian natural gas company from Gazprom. Armenia has a gas link with Iran that if it is upgraded it could accommodate Iranian exports to Europe via Russia. Overall, there are project issues that need to be dealt with and the most important and pressing one is its financial viability judging on the actual designated gas volumes and the total cost of its construction. Otherwise, more corporate exits from the consortium will derail the timetable for its enactment of operations.

Presently the Shah Deniz consortium, which is the cornerstone of the Southern Corridor project, is composed in shares by: SOCAR (16.7%), BP (28.8%), Statoil (15.5%), NICO (10%), Lukoil (10%), TPAO (9%) and Total (10%). The latter seems to be testing waters after all in order to weight if its investment in Shah Deniz would be worthwhile and all indications point out that the coming months will be crucial for the involvement of the French in the consortium should seriously tackle the issue of natural gas storage to handle increasing price and volume risks. Second, it should work hard to remain a reliable partner for Europe. Only then are Turkish ambitions to become an energy leader in the region realistic.

Azerbaijan looks beyond energy successes for economic growth

EIN, *07.05.2014*



Azerbaijan's growing economy undoubtedly benefits from its oil and gas developments, but the country also has laid a strong foundation to move into other sectors that deserves closer attention, participants at a two-day conference agreed.

"The energy sector is not an end in itself, but a means to an end," observed Mr. Elkind, acting assistant secretary for international affairs at the US Department of Energy. "Energy serves as the backbone for our economies. It underpins many other activities." The US has a long relationship with Azerbaijan which it intends to maintain because it wants a diversified global hydrocarbon economy, Elkind said.

"Azerbaijan clearly has benefited from a huge body of work over 20 years, yet some of its most significant decisions still lie ahead," Elkind said. "It has succeeded in attracting leading energy companies, but is ready to offer new opportunities for other businesses and industries. Completion of the 2,500th tanker loading at the Ceyhan terminal in Turkey a week earlier underscored what Azerbaijan has achieved in opening a route for Caspian Basin crude oil to reach European customers, he indicated. "The coercive use of energy we've seen elsewhere in recent weeks has emphasized the importance of this," Elkind said. "It underscores what Azerbaijan has achieved." Another panelist, Brian M. Lopp, who directs international operations and policy in Boeing Co.'s government operations division and is a member of the Azerbaijan-US Chamber of Commerce, noted, "There's no mistaking that we have a very committed energy partner in Azerbaijan." He said, "But a lot is happening beyond energy.

I think it would be in the best interests of the US to put more emphasis on trade and investment opportunities in Azerbaijan." Lopp said he hoped the US Department of Commerce would do more to promote economic opportunities in Azerbaijan to more US companies. Nasullayev-Muduroglu, executive director of the Azerbaijan-US Chamber of Commerce, said, "There aren't enough US companies in Azerbaijan, even in the oil and gas sector." Forty such companies are there already, and there are others working in communications and transportation, she added.

"A key to success is a climate which allows businesses to survive," said Nasullayev-Muduroglu, noting that a public-private sector dialogue has grown the last 25 years which encourages businesses to develop recommendations to the government, with more than half that were submitted in 2011 already adopted. "We're in a dialogue, it's not easy, but constructive." Julia Nesheiwat, deputy assistant US secretary of state for implementation in the Bureau of Energy Resources, said, "We need to recognize we're energy interdependent and quit talking about energy independence. We should be ready to engage more to make sure overseas markets are connected." Azerbaijan and its government need to attract more private sector companies with the necessary resources and expertise, she added.

Saipem wins Shah Deniz contract

E & P Magazine, *01.05.2014*

Saipem has been awarded a new offshore engineering and construction contract in Azerbaijan worth about $1.8 billion, the company said in a press release. BP awarded a transportation and installation contract on behalf of the Shah Deniz consortium to the Saipem, Bos Shelf and Star Gulf consortium for the Stage 2 development of the Shah Deniz Field. The field is located 90 km offshore Azerbaijan in water depths of 75 m to 550 m

The scope of work of the contract includes the transportation and installation of jackets, topsides, subsea production systems and subsea structures.

It also includes the laying of more than 360 km (224 miles) of pipeline; diving support services; and the upgrade of the pipelay barge Israfil Huseinov, dive support vessel Tofiq Ismailov and derrick barge Azerbaijan installation vessels. The project is scheduled to be completed by year-end 2017.

SOCAR, RWE Dea sign Caspian Sea deal

Natural Gas Europe, *07.05.2014*

RWE Dea and the State Oil Company of the Azerbaijan Republic (SOCAR) signed a Joint Study Agreement for a joint evaluation of the hydrocarbon prospectivity in shallow waters in an area south of Baku in the Caspian Sea.

"The agreement gives us the opportunity to deepen our knowledge about the subsurface in an highly prolific area of the Caspian Sea," Hans-Hermann Ecke, Senior Vice President New Ventures RWE Dea, said in a note released on Tuesday (May 6th). According to RWE, the region around the Caspian Sea will play a pivotal role in granting European energy supply.

The companies said that the study area is located between Karadag and Hamamdag, covering approximately 850 square kilometres. Socar recently invested in the Shah Deniz Production Sharing Agreement and the South Caucasus Company, buying 6.67% of the shares from Norway's Statoil.

Iran ready to supply gas to Kuwait through Pipeline

Natural Gas Asia, *04.05.2014*

Iran is ready to supply natural gas to Kuwait through pipeline, according to a senior trade official. "We are ready to export gas to Kuwait through pipeline and at a price palatable to both sides," head of Iran's Trade Promotion Organization (TPO) Valiollah Afkhamirad said, addressing the 12th Iran-Kuwait Joint Trade Committee in Tehran on Sunday, reports Fars News Agency.

The official said that the two countries have sought to expand bilateral ties. Kuwait has been looking to source gas to meet local demand. Last month, the Gulf nation inked LNG deals with Qatargas.

As per the deal, Kuwait Petroleum Corporation (KPC) will import LNG till the end of 2014. Kuwait also agreed to buy LNG from BP and Shell.

British minister says EU shale gas would curb reliance on Russia

Reuters, *06.05.2014*

European countries should make a push to start producing shale gas if they hope to reduce reliance on Russian natural gas, Britain's energy minister said on Monday.

Many European Union countries have yet to allow or encourage the extraction technique known as hydraulic fracturing, or fracking, which uses a mix of pressurized water, sand an chemicals to unlock hydrocarbons from rocky deposits. "There are a number of European countries that are extremely dependent on Russian gas exports," Britain's Minister of State for Business and Energy Michael Fallon told Reuters.

"Europe has to reduce that dependence, to improve its connectivity, to look at encouraging more diverse sources of supply of gas ... and more generally to encourage indigenous sources of production of at least shale gas." Russia's annexation of Ukraine's Crimea four weeks ago has frustrated the West, which has imposed limited sanctions against some Russian individuals.

Tougher sanctions may not be an option for Europe because of its heavy use of Russian gas, analysts say. Though less than 1 percent of its gas supplies come from Russia, the United Kingdom imports a considerable amount of gas and started moving to tap shale resources two years ago. Fracking, though opposed by many environmental groups concerned about water supplies, has transformed the energy outlook of the United States and trimmed its reliance on foreign oil. “In five years’ time I certainly hope we will be in the production phase,” Fallon said. He said major companies including Total, Centrica and GDF Suez have expressed interest in British shale gas. Fallon added that the country is working to encourage crude oil output from the final third of the continental shelf of the North Sea. “We are putting in place a new regulatory regime, we are reviewing the fiscal regime,” he said. “We’ve only got two-thirds of the barrels out and we’ve got one third to go,” he said.

Revealing Greece’s natural gas strategy

Natural Gas Europe, *08.05.2014*

The international conference “The future of Greek Gas and Power Markets: Looking ahead with optimism and realism“ took place on 29 April, 2014 in Athens, where important aspects ofGreece‘s natural gas strategy were made available.

To begin, Greek Energy Minister Ioannis Maniatis laid out the main pillars regarding his portfolio. The chief task to be completed is the TAP, which is a vital element of the wider Southern Corridor, a complex system of pipelines, which apart from TAP is comprised of the TANAP and the Ionian-Adriatic Pipeline (IAP), aiming to open up Azeri gas to the wider EU markets and in significant outflows.

Greek energy strategists further develop this new route by adding in the energy mix their ideas including the Aegean-Baltic Corridor (ABC), a new concept, which is basically a trial by seven countries ranging from Greece to Poland to interconnect their natural gas transmission networks so as to be able to ship gas all the way and in reverse flows. In 2016 the Interconnector Greece-Bulgaria(IGB) should be ready, thus signalling the first crucial step towards that aim. Moreover, Athens is pushing forward along with the rest of the EU the so-called Projects of Common Interest (PCI) that will be heavily funded by Brussels.

At that point Greece has included its 80% capacity increase of the Revythousa LNG terminal which will aim to boost Greece’s ability to supply and further diversify southeast Europe’s gas systems. Further, two more projects - floating LNG stations - were included as PCI’s, with at least one to get an eventual go ahead in the coming years. The goal is to upgrade incoming transit gas inflows within the country by at least 5bcm per annum. It is important to note that in order for these projects to be able to deliver the excess gas amounts, the Greek energy ministry is formulating plans to install more gas compressors and include reverse flow capacity in all pipeline plans, as well as, adequate storage facilities. Another Greek goal is the establishment of a natural gas pricing hub in the country that will include the rest of the southeast European states.

Another important aspect is the finalization of the East Med pipeline, a proposed plan to bring gas from the Israeli and Cypriot offshore reserves into mainland Greece and add it to the future gas mix as described previously. Nevertheless, the complicated state of affairs in the region has dampened Greek aspirations, with Athens carefully assessing if the route could be of significance for the mid-term or that would need longer-term planning. The overall strategy is also filled with ongoing processes to enact research and exploration for oil and gas in western and southern Greece, with first results to be made available within the coming couple of years.

Previous research and scientific assessments have showed off reliable indications for hydrocarbons, in certain parts of the country, such as the Ioannina region, West Peloponnese and offshore Thessaloniki area. Concurrently the local research and academic sector is increasing its efforts to educate a younger generation of energy professionals and further it can be said that the Greek state place increased attention into putting energy and especially gas issues into the spotlight of national agenda. Last but not least, the Greek merchant marine industry is boosting its efforts to become one of the largest global transporters of LNG, whilst lobbying heavily for the introduction of LNG as a preferred fuel for commercial and ferry vessels. That alone provides yet another opportunity for the country to establish regional refueling LNG bunkers.

Europe asks Gazprom for uniform gas price

Reuters, *02.05.2014*

European authorities are stepping up efforts to promote energy integration despite the imminent shakeup due to the European elections. “We want a uniform gas price in the European common market,” EU Energy Commissioner Guenther Oettinger said at a news conference in Warsaw.

Oettinger was in Poland to meet the Prime Minister Tusk, who many believe to be a central player in European energy policies. “The game of ‘divide et impera’ proposed by Moscow, will not be accepted by EU member states,” Oettinger explained. Poland heavily relies on Russia for its gas, with 79.8% of the total imports coming from it.

“We have very big differences in terms of gas prices. The higher the share of Russian gas in purchases and the bigger the monopoly Russia has in supplies, the higher the prices are,” Oettinger was quoted as saying. Probably nobody knows what would be the consequence of these declarations, especially in the delicate moment. The coming elections will indeed bring new European authorities. In the while, Germany-based BASF decided to invest in the United States to benefit the low gas prices.

Side deals with Moscow thwart drive to wean Europe off Russian gas

Kyiv Post, *04.05.2014*

While officials in Brussels were calling for Europe to reduce its dependency on Russian natural gas and negotiate with Moscow as a bloc, Austria was quietly bypassing the EC to cut its own bilateral deal on building a pipeline.

The deal on the South Stream pipeline, which will be built under the Black Sea to Bulgaria and on to central Europe, shows the European Union's difficulty in creating a unified energy policy on Moscow during the Ukraine crisis. While EU officials are calling for Europe to wean itself off Russian gas, private and state-owned firms, with the support of politicians, are pushing ahead with projects to buy ever more.

Austrian energy firm OMV agreed last week with Russia's state-controlled Gazprom to bring the South Stream pipeline to Austria's Baumgarten gas hub, outmaneuvering Italywhich had wanted it to end there. The deal is also likely to please some in neighboring Germany, as the gas will now be delivered closer to customers. It shows that when it comes to natural gas diplomacy, European countries still have their own competing interests which are difficult to unite under an EU flag. The timing of the deal, which coincided with Europe announcing new sanctions on a list of Russians designed to push the Kremlin to reduce its support for separatists in Ukraine, could hardly have been more at odds with official EU policy. The Commission had put the approval process for South Stream on hold after Russiaannexed Ukraine's Crimea region in March, hoping the delay would push Moscow to stop what the West says is its intervention in Ukraine. Brussels says South Stream does not comply with its regulations on ownership and pipeline access.

But Austria and Russia have circumvented this by announcing that their deal is based on a bilateral agreement between the countries rather than an EU accord. South Stream's main purpose, like the German-Russian Nord Stream pipeline under the Baltic Sea, is to circumvent Ukraine. This would ensure that disputes between Moscow and Kiev do not interfere with the flow of Russian gas to Europe, much of which crosses Ukraine in existing pipelines. "If we agree to South Stream, Europe will sell the rope with which Russia will hang Ukraine, and it will also agree to increase its energy dependency on Russia," said Frank Umbach, at the European Centre for Energy and Resource Security (EUCERS), a research team at King's College London. Austria was motivated to push for the South Stream deal after it lost out to Italy in a competition last year over a separate pipeline bringing gas to Europe from Azerbaijan. OMV's Nabucco pipeline project was dropped in favor of the rival Trans-Adriatic Pipeline (TAP) to Italy. That derailed years of Austrian lobbying, which the EU had initially backed, for Nabucco to bring the Azeri gas to central Europe. "Current international developments show once again that in the long-term we don't only have to diversify our energy sources, but also our routes," said Austrian economy and energy minister Reinhold Mitterlehner. "Should the South Stream pipeline end in Baumgarten, we will get closer to this target."

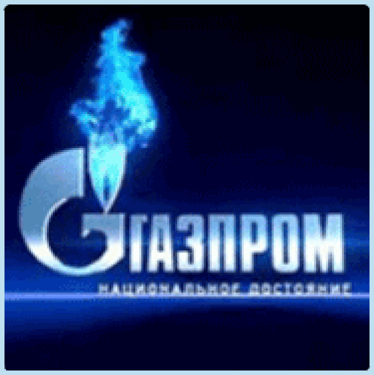
Gazprom sources said they had been approached during the last four weeks by Austria, and a deal was put together as fast as possible. Gazprom and OMV aim to get the remaining permits by the end of next year and start delivering gas by 2017. “For Russia, this project is a clear signal to Ukraine that it intends to avoid any future disputes or supply disruptions,” said Friedbert Pfluger, director of EUCERS. “The reference to a 2010 bilateral agreement for regulatory approval demonstrates Moscow’s intention to circumvent the EU’s regulations that would make the realization of the project more difficult.”

The Gazprom-OMV agreement continues Russia’s strategy of making bilateral deals that undermine the Commission, the EU’s executive arm, which wants to build up a European front on energy supplies. Bulgaria, which imports almost all its gas from Russia, also backed South Stream last month in defiance of Commission calls that member states should not enter bilateral deals with Gazprom without its approval. “South Stream is a project of strategic importance. Now they (the European Parliament) want to stop South Stream. How are we to develop? This crisis at the moment shows that we do not have security of natural gas supplies for Bulgaria,” energy minister Dragomir Stoynev said.

Quietly supporting smaller EU member states such as Austria and Bulgaria is Germany, where the government has said it sees Moscow as a reliable gas supplier and industry has made big investments in securing Russian gas Germany is by far Gazprom’s biggest customer in the EU, paying around $15 billion a year for Russian gas. After years of lobbying by former German chancellor Gerhard Schroeder, the Nord Stream pipeline began operations in 2011. Schroeder chairs Nord Stream’s board and has been an outspoken critic of moves to isolate Russia diplomatically. He drew strong criticism in the German press last week for bear-hugging President Vladimir Putin during a visit to Russia.

Gazprom says gas flows to Europe via Ukraine remain stable

Reuters, *05.05.2014*



Gas exports from the Russian Federation to European countries through Ukraine remained stable on Monday (May 4th, 2014) a spokesman for state-controlled gas producer Gazprom said.

The Russian Government threatened on Friday (May 2nd, 2014) to cut natural gas supplies to Ukraine in June if it receives no prepayment in an escalating row between Moscow, Ukraine and the European Union over energy supplies. Gazprom supplies approximately 30 percent of the gas consumed in Europe, shipping about half of that via Ukraine.

European cooperation necessary to overcome disruption to Ukrainian transit gas flows

Natural Gas Europe, *09.05.2014*

Cooperation between European countries has never been more important. In this sense, the tranquillity of the spring and the warm weather have to witness stable progress; they have to cement mutual support to minimize the effects on European energy security of the standoff over Ukraine.

These are the messages of a report published by Poyry, which also warns of the pivotal role played by storage stocks. 'If storage stocks are reasonably high, there is cooperation between European states and Russian supply routes are unaffected then Europe should be able to cope with a 90 day disruption to Ukrainian transit gas flows,' reads the report.

The consulting and engineering company argued that governments have to carefully follow the situation, acting now to avoid early consumption of stored gas before the beginning of the winter. 'If storage were to be withheld from the market in order to protect national security of supply interests then it may not be possible to meet demand in all countries during the supply curtailment,' wrote the consulting company with offices in Finland and the United Kingdom. Reminding that Russia supplies around 25% of annual European gas demand and that around 40% of this is supplied through Ukraine, the report argues that Ukrainian transit gas can be replaced under three conditions. Firstly, tensions between Europe and Russia should not escalate resulting in significant retaliations from Russia. Secondly, storage facilities should be 80% full by the start of the winter.

Thirdly, Russia should curtail supplies for not more than 3 months. In other words, Europe can handle Moscow's decision to curtail supplies to Ukraine from mid-December to mid-March, resulting in a loss of supply in excess of 12.5bcm. 'From this we can see that there is sufficient storage capacity and deliverability throughout the period of the supply curtailment. Stocks of strategic storage, although low at an overall EU level, should not be needed during the supply curtailment. However, it should be noted that an earlier supply curtailment that resulted in lower storage stocks at the start of the winter or a longer duration may result in storage being exhausted,' Poyry explains in the analysis released in the first days of May.

According to the consulting firm, this reduction in supplies could be the logical consequence of Russian intention to insist that Ukraine 'pre-pays' for its gas. On the other hand, Ukraine's position remains quite alarming. Kiev's reliance on Russian gas could indeed lead to interruptions despite European intervention. 'In order to provide some support for Ukrainian gas demand, we have assumed some reverse flow through interconnections with Slovakia, Poland and Hungary. However this would not be nearly sufficient to meet Ukrainian gas demand and some interruption should be expected.'

Despite the optimism, Europe could end up in a similar situation in case of adverse events, with the main threat being a deterioration of ties between Russia and Europe. ‘If relations between Europe and Russia were to deteriorate further resulting in the curtailment of other gas supplies then the ability of storage to ensure security of supply may be uncertain,’ reads the press release. In other words, Russian gas would remain central for European energy security. And it is clear that, in case of Ukrainian supply disruptions, other Russian supply routes would turn out to be even more important. ‘Other potential risks include disruptions due to unexpected supply outages or infrastructure failure at interconnection points, storage or LNG terminals. Combinations of additional supply shocks, depending on severity and duration, could inhibit that ability of supplies to meet demand for short periods.’

Ukraine’s April imports increase by 77% year-on-year

Natural Gas Europe, *07.05.2014*

Ukraine increased by 77% its April imports with respect to the same period of 2013. The country imported 2.6 billion cubic meters.

The data released by Ukrtransgaz are consistent with an article recently published by Bloomberg. Last month, the news agency reported that Ukraine has been boosting natural gas imports from Russia to the highest levels in 10 weeks after Russia‘s President Putin gave the country one month to resume payments or to start prepaying for the fuel. According to a study, European intervention could help the country, but not solve all its problems.

In this context, gas storage could play an important role before an eventual cut-off. ‘In order to provide some support for Ukrainian gas demand, we have assumed some reverse flow through interconnections with Slovakia, Poland and Hungary. However this would not be nearly sufficient to meet Ukrainian gas demand and some interruption should be expected,’ reads the report “The Ukraine Crisis - could gas supply disruptions affect Europe?“

Chevron commences shale gas drilling in Romania

Natural Gas Europe, *06.05.2014*

Chevron Corp. has commenced drilling its first shale gas exploration well in South-Eastern Romania. Earlier plans to proceed with exploration for the unconventional gas saw protests and the occupation and blockage of a drilling site that saw Chevron twice suspends its plans in Eastern Romania.

Exploratory drilling at the well site near the village of Silistea, Pungesti commune in Vaslui County, is targeting a depth of approximately 4,000 metres. Chevron also holds three shale-gas exploration blocks in the south-eastern region of Dobrogea, near the Black Sea.

Ukraine's Naftogaz moves closer to Europe

Natural Gas Europe, *07.05.2014*

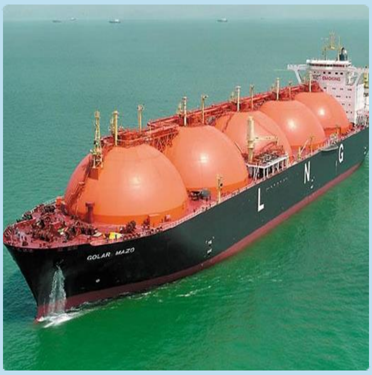
Ukraine's Naftogaz joined GSE AGSI+ platform, hinting at a progressive integration of Ukraine into Europe. 'Gas Storage Europe (GSE) is proud to inform that the GSE Transparency Platform (AGSI+) has been extended to include storage data for Naftogaz of Ukraine. With the data from Naftogaz AGSI+ for the first time expands its coverage beyond EU 28'.

Ukraine's 13 storage facilities will be reported disaggregated on a weekly basis. The platform helps keeping track on storage use across Europe. "Transparency on storage levels is a key indicator to measure security of gas supply in Europe.

GSE is proud to expand the level of transparency by winning Naftogaz of Ukraine as a new contributor to AGSI+," Nicole Otterberg, GSE president, stated in the press release.

Algeria to supply six LNG shipments to Egypt

Natural Gas Asia, *02.05.2014*



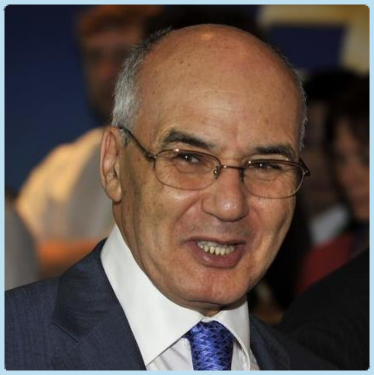
Algeria's state owned Sonatrach will sell six LNG shipments to Egypt at market rates, reports Anadolu Agency. A source in Egyptian Petroleum Ministry told that Egypt's state-owned Natural Gas Holding Company is expected to sign a deal with the Algerian firm for the six LNG shipments within days.

Egypt is looking to import 18 shipments of LNG (with one shipment equivalent to 250 million cubic feet) to meet growing domestic demand, says the news agency. Another Petroleum Ministry official told Anadolu Agency earlier that the Egyptian government had agreed with Gazprom to import seven LNG shipments.

The Shipments are expected to start this August (2014). The official added that the government had also agreed with a French company to import the remaining five shipments.

President names new Algerian government with Yousfi as oil minister

Gulf Oil & Gas, *05.05.2014*



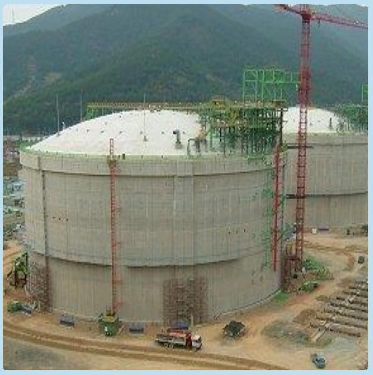
Algerian President Abdelaziz Bouteflika has named a new cabinet after his election to a fourth term, reappointing Youcef Yousfi as energy minister in the North African OPEC oil producer, state news agency APS reported on Monday.

Bouteflika, re-elected in April for five more years, did not campaign himself and has spoken only briefly in public since suffering a stroke last year that put the 77-year-old in a Paris hospital for three months. With the backing of the ruling FLN party, which has mostly dominated Algerian politics since 1962 independence, Bouteflika had been widely expected to win the vote after 15 years in power.

But his health has left questions about who might replace him if he cannot continue, and about potential instability in Algeria - a major gas supplier to Europe and an important ally in a Western campaign against Islamist militants in the Maghreb.

Pakistan to spend $2.25 billion on LNG imports

Natural Gas Asia, *02.05.2014*



Pakistan will have to shell out $2.25 billion per year on Liquified Natural Gas imports translating into $16 per mmbtu, Federal Minister for Petroleum and Natural Resources Shahid Khaqan Abbasi said earlier this week, reports The News International.

He also informed that Pakistan State Oil (PSO) would import the LNG and the rates for the consumers would be determined according to the weighted average pricing method. The country would import 400mmcfd gas while the Engro's terminal would be paid $100 million annually as tolling charges, The News International adds.

According to the newspaper, a board of SSGC on January 28, 2014 had achieved a major milestone towards bringing imported LNG to the country by approving a plan for construction of new terminal at Port Qasim to a subsidiary of Engro Corporation with certain conditions.

Pakistan, India unlikely to sign LNG deal

Natural Gas Asia, *03.05.2014*

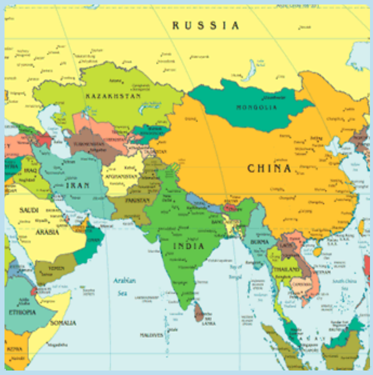
Pakistan's attempt to enter a deal to buy LNG from India is not likely to come through as Delhi has refused to reduce the price of the fuel, reports The Express Tribune newspaper. "India was not willing to show flexibility during talks held with Pakistan in the last week of March. It quoted $21 per million British thermal units (mmbtu), higher than the price of around $16 being offered in the region," an official told The Express Tribune.

As per the plan, India was to lay a 60-km pipeline from Bhatinda to Wagah border whereas Pakistan was to build a 30-km pipeline to inject gas into the SNGPL system.

Pakistan desired to import 200 million cubic feet of gas per day (mmcfd) initially with the possibility of stepping up supplies in the long run, says The Express Tribune. The country is facing severe energy crisis and is looking for supplies of natural gas from various sources. Pakistan is in talks with Qatar for supply of LNG and the two parties are negotiating the final price.

Asia’s gas market set to become world’s second largest by 2015

Natural Gas Asia, *09.05.2014*



Asia’s natural gas market is projected to become the second-largest gas market by 2015 - after the United States - with an annual gas demand of 790 bcm, writes World Review author Frank Umbach from the Centre for European Security Strategies, Germany.

Its regional share of global demand for natural gas increased from 13 per cent to 19 per cent during the last decade. “Regional gas consumption may even nearly double, widening the gap between regional demand and supply, and resulting in a continued rise of Liquefied Natural Gas (LNG) and pipeline-gas imports,” he says in the report.

The US will remain the largest single gas consuming country in the world with a gas demand 50 per cent higher than China’s in 2035. China became a LNG importer in 2006 and was originally dependent on Australian LNG for more than 80 per cent of its imports. Australia remains China’s largest source for LNG. China has also expanded its pipeline gas imports from Turkmenistan and Myanmar in contrast to other major LNG importers in Asia. Russia, facing a stagnating or even decreasing gas demand in Europe, is looking to increase its gas exports to the Asia-Pacific.

Asian energy companies have recently developed a vision of an interconnected Asian gas market with new pipeline infrastructure from Russia’s Far East, a China-Taiwan pipeline and LNG hubs in Singapore, China, South Korea and Japan. “But a competitive natural gas market in Asia depends on a much more flexible LNG supply with further expansion in shipping, new pipeline networks, a granted third-party access to regasification terminals and effective independent regulatory authorities in the Asia-Pacific region,” writes Umbach.

BP charts $10bn spend for deep-water Gulf

Upstream Online, *05.05.2014*

BP plans to spend $10 billion exploring deep-water plays in the US Gulf of Mexico including the emerging Paleogene trend, where the UK supermajor has three large discoveries to appraise and develop.

The Gulf of Mexico is taking on increasing significance within BP's portfolio because of the company's new focus on "value over volume," said President of BP America, "It's been a long road," he told, but BP's Gulf of Mexico operations are "gaining momentum." The Gulf is one of four areas, along with places like Azerbaijan, the North Sea and Angola where it believes its developments can bring the highest returns.

BP's fresh Gulf focus comes in the wake of a $38 billion divestment binge following the Macondo accident in April 2010. The company still plans to be choosy about its targets with $10 billion in asset sales planned in the next year or so. The value over volume strategy will manifest both in where BP invests and how it invests, Minge said. Minge held up the delayed Mad Dog II development as one example of how BP is re-thinking and "recycling" its production concepts. Mad Dog started as a spar model but BP scrapped those plans to re-engineer the project as a smaller semi-submersible after runaway costs threatened to make the development uneconomic.

The initial design was large and was designed "to do everything," Minge said. "So we decided to say: Let's take a time out." BP has just finished drilling an appraisal well at Tiber on the Keathley Canyon Block 57 but Minge declined to address the results. That well was originally spud in early February with the Seadrill semi-submersible West Sirius and reached total depth on 11 April. The well was permitted to 32,751 feet with total depth hit at 32,350 feet, Upstream understands. "We are still studying the data and still analysing it," Minge said, adding that the company remains "very committed" to its three discoveries in the Paleogene trend – Tiber, Gila and Kaskida."

Outside of its Paleogene discoveries, BP will be concentrating on bringing forward reserves around its four main Gulf of Mexico production hubs at Mad Dog, Na Kika, Atlantis and Thunder Horse. To date, those hubs have only produced about 20% of the reserves in place, Minge said, and will require additional development and tie-backs to fully drain the reservoirs. BP is currently running 11 rigs in the Gulf of Mexico and Minge said he expects that figure to drop slightly by the end of the year. "The business is coming back and it's exciting," he said. "There was a time not that long ago when we had zero (rigs running in the Gulf).

Chevron 1Q profits plunge on lower oil production, prices

Oil & Gas Journal, *02.05.2014*

Chevron Corp. reported earnings of $4.5 billion for this year's first quarter compared with $6.2 billion for first-quarter 2013. Revenues in the first quarter were $51 billion, down from $54 billion during the same quarter a year ago. The plunge in first-quarter profits was primarily due to lower prices and volumes for crude oil, said Chairman and Chief Executive Officer John Watson.

"Crude prices were tempered by global economic factors, while our current year production volumes were affected by weather-related, unplanned downtime, particularly in Kazakhstan," he said.

The company's worldwide net oil-equivalent production was 2.59 million b/d in this year's first quarter compared with 2.65 million b/d in first-quarter 2013. In the US, net liquids component of oil-equivalent production decreased 4% to 438,000 b/d in this year's first quarter, while net natural gas production decreased 3% to 1.21 bcfd. Internationally, net liquids component of oil-equivalent production decreased 2% to 1.28 million b/d, while net natural gas production was essentially unchanged at 4.04 bcfd.

The company's average sales price of crude oil and natural gas liquids were $91/bbl in the US and $99/bbl internationally in this year's first quarter, respectively down from $94/bbl and $102/bbl in the same quarter a year ago. The US average sales price of natural gas was $4.77/Mcf, compared with $3.11/Mcf in the first quarter 2013, while the international price was $6.02/Mcf vs. $6.07/Mcf in last year's first quarter. On the downstream side, US operations earned $422 million in this year's first quarter compared with earnings of $135 million a year earlier, mainly due to higher margins on refined product sales and a gain on the sale of an interest in pipeline affiliate. International downstream operations earned $288 million in this year's first quarter compared with $566 million for the same period in 2013, mainly due to lower margins on refined product sales and exchange rate effect.

Kogas sells part of its stake in LNG Canada to Shell

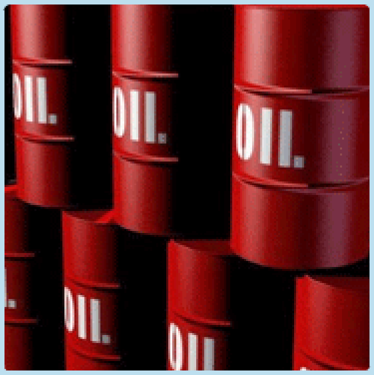
Natural Gas Asia, *02.05.2014*

KOGAS on Friday said it has sold 5 percent of its stake in a multinational joint venture LNG Canada to Shell, reports South Korea's Yonhap News Agency. The move is aimed at reducing its debt as demanded by the government. The stake sale brings down Kogas' stake in LNG Canada to 15 percent, the company said in a regulatory filing, reports Yonhap.

The company did not reveal the amount of proceeds from the sale. LNG Canada is a joint venture comprising Shell with a 50% stake, PetroChina, with 20%, and Kogas and Mitsubishi Corp., with 15% each. The intension to reduce stake in LNG Canada was made clear by Kogas in March.

Oil holds at $108

Upstream Online, *06.05.2014*



Brent crude held steady below $108 per barrel on Tuesday as clashes and unrest across Ukraine added to geopolitical risk supporting the market. This kept prices high, working against expectations of higher inventories in the US.

Data released overnight showing an observable spike in US service sector growth, could offset some of the pessimism generated by disappointing Chinese manufacturing data. Brent crude for June delivery was $0.03 lower at $107.69 per barrel by Tuesday morning, after settling $0.87 down. US oil was also$0.03 lower at $99.45, following a fall of $0.28 on Monday.

"The services data adds more evidence that the US economy is indeed recovering, helping lift the prospect for crude oil demand in the United States," Phillip Futures investment analyst Chee Tat Tan told Reuters. In one of the first signs that the conflict in the Ukraine has impacted Russian energy shipments, Russia's state pipeline operator stopped diesel shipments to Ukraine and Hungary last month due to uncertainties over the pipe's ownership. Oil prices remain subdued because of plentiful supplies, with US commercial crude oil inventories forecast to hit a new record high for the third week in a row due to higher imports. The American Petroleum Institute is due to issue its weekly inventory report on Tuesday, while the US Department of Energy's Energy Information Administration (EIA) will issue its report on Wednesday.

A preliminary Reuters poll of five analysts, taken ahead of reports, showed expectations centering around a rise of 1.5 million barrels in crude oil stocks for the week ended 2 May. EIA data wiped 2% off US oil futures last week by showing US crude stocks hit a record high on the week ending on 25 April, led by another steep increase on the Gulf Coast. “The concern is that the market cannot keep up with the pace of production,” Tan said. Higher Libyan exports have also put pressure on oil prices in recent weeks. The country’s oil production currently stands at 250,000 barrels per day, but the vital southern El Sharara oilfield remains closed. A new protest has shut down the Zultun and Raquba oilfields in central eastern Libya, halting their combined output of 39,000 bpd.

Announcements & Reports

► *Energy Storage*

Source : International Energy Agency
Weblink : http://www.iea.org/publications/freepublications/publication/name,36573,en.html

►*Energy Technology Perspectives 2014 - Harnessing Electricity's Potential*

Source : International Energy Agency
Weblink : http://www.iea.org/w/bookshop/add.aspx?id=472

► *Annual Energy Outlook*

Source : Energy Information Administration
Weblink : http://www.eia.gov/forecasts/aeo/index.cfm

► *Short-Term Energy Outlook*

Source : Energy Information Administration
Weblink : http://www.eia.gov/forecasts/aeo/index.cfm

Upcoming Events

►2014 3rd International Conference on Petroleum Industry and Energy (ICPIE 2014)

Date : 14 May 2014
Place : Gdansk, Poland
Website : http://www.icpie.org/

► 13th Uzbekistan International Oil & Gas Exhibition

Date : 13 – 15 May 2014
Place : Tashkent – Uzbekistan
Website : http://www.oguzbekistan.com/

► 5th Turkmenistan Gas Conference

Date : 21 – 22 May 2014
Place : Ashgabat – Turkmenistan
Website : http://www.turkmenistangascongress.com/

Supported by PETFORM

► Gas to Power Turkey Forum 2014 *(in Turkey)*

Date : 22 – 23 May 2014
Place : Istanbul – Turkey
Website : http://www.all-energy-turkey.com/?lang=tr

► 21st Caspian International Oil & Gas Exhibition

Date : 3 – 6 June 2014
Place : Baku – Azerbaijan
Website : http://www.caspianoil-gas.com/

► International Conference of Energy and Management 2014

Date : 5 – 7 June 2014
Place : Istanbul – Turkey
Website : http://www.bilgi.edu.tr/en/news-and-events/news/3189/call-for-international-energy-and-management-conference/

► *Iran Oil & Gas 2014 Summit*

Date : 23-25 June 2014
Place : Dubai
Website : http://www.iransummit.com/

► *2014 EIA Energy Conference*

Date : 14-15 July 2014
Place : Washington – USA
Website : http://www.fbcinc.com/e/eia/?src=home-b1

► *4th Erbil Oil & Gas International Exhibition*

Date : 1 – 4 September 2014
Place : Erbil – Iraq
Website : http://www.erbiloilgas.com/

► *South Russia Oil & Gas Exhibition*

Date : 2 – 4 September 2014
Place : Krasnodar – Russia
Website : http://oilgas-expo.su/

► *2nd East Mediterranean Oil & Gas Conference*

Date : 9 – 10 September 2014
Place : Paphos – Greek Cyprus
Website : http://www.eastmed-og.com/Home.aspx

Supported by PETFORM

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

Date : 24 – 25 September 2014
Place : Istanbul – Turkey
Website : http://www.all-energy-turkey.com/?lang=tr