Difficult days awaiting Turkey on energy

Hurriyet Daily News, *08.07.2014*

The Islamic State of Iraq and the Levant (ISIL), or Islamic State (IS) with its new name, has taken 17 percent of entire Iraq's oil reserves under its control according to the latest estimates.

After capturing Mosul and seizing Iraq's biggest oil refinery Beiji with a capacity of the daily production of 70,000 barrels of oil, the IS is continuing its moves regarding energy resources in Syria, too. The IS had recently declared its control over the al-Omar field with a daily 75,000 barrel oil capacity. Oil fields of Rakka and Deir ez-Zor have already been in the hands of IS for months.

It is important to recall that it has also seized Mansuriyat al-Jabal, which has gas reserves and is an hour's drive from Baghdad. In short, the IS seems to have assumed a place on the Middle Eastern scene as a player that knows how to play the energy card well. Mehmet Ogutcu, the CEO of London-based Global Resources and nonexecutive director of Genel Energy which is active in northern Iraq said that "The IS' energy moves are well calculated, target-oriented steps. The first move was to seize the oil and gas reserves in Syria's east. And then it captured Mosul's oil, the oil pipeline infrastructure and finally the biggest refinery in the north." He added the IS has been also taking all of the villages on the shores of Euphrates river under control in a way to prove that it is aware of the strategic importance of water.

Energy, water and finances have been the IS' priorities so far. Following the capture of $429 million from the Mosul Central Bank, the IS is estimated to be running $2 billion worth of assets. Ogutcu is guessing that after consolidating the borders, the IS might transfer governance to "acceptable" Sunni politicians. As to the future of energy, this is what he said: "I do not think Iraq's present production and export numbers will be affected very negatively in the short term due to the current IS crisis. The real problem will arise on reaching the target of 10 million barrels by 2020, because it will become harder to attract $450 billion-investment required for such a production explosion." Turkey, the U.S., Iran and Saudi Arabia's presence in Iraq's energy equation will continue for a long time, according to Ogutcu's estimates.

The energy issue is an intriguing one. While Iran and Iraq are at odds due to Sunni-Shiite contention, their decision to act against Saudi Arabia within OPEC is still on the table. "In the recent past, we had never seen a period with such interaction between energy and geopolitics. Tense days are waiting for us in this area; days where conflicts, rather than cooperation, will prevail," said Ogutcu. This is his advice on how Turkey, which is highly dependent on the outside world, should face the challenges in such an unstable environment: "As an active player, Turkey needs to read the international energy market on which it has an excessive dependence well. And while also setting the rules of the game, it should make the necessary decisions without delay. First and foremost, it has to develop an integrated energy administration system."

Turkey’s TPAO and ExxonMobil in talks on shale gas

Platts, *09.07.2014*

TPAO, Turkey’s state-owned upstream operator, is in talks with ExxonMobil over a possible joint venture to investigate the potential of the country’s shale gas reserves, an energy ministry official told Platts Wednesday.

The talks cover possible reserves in Turkey’s European province of Thrace and in the country’s southeast, said the official who was unable to confirm what stage the discussions had reached. In 2011, TPAO signed a joint venture with Shell to prospect the huge Dadas shale formation in the Diyarbakir region of southeast Republic of Turkey.

Shell Turkey CEO Joris Grimbergen said earlier this year the company had completed drilling the Saribugday well in the Dadas shale at Konacik near Diyarbakir, southeast Turkey, and planned to drill more wells in 2014-15. Grimbergen said that after drilling more wells Shell would have to conduct production tests and it could be 7-10 years before commercial production was realized from the prospect. Turkish officials say the Dadas shale holds the potential for 1.3 trillion cubic meters of gas, while Shell’s website says the formation is “liquids rich”. TPAO has reported that it drilled a well into the Dadas shale independently, prior to signing the joint venture with Shell.

World Bank approves $350m for Turkey's renewable energy

Anadolu Agency, *10.07.2014*

The World Bank has agreed to lend $350 million to Turkey for its Renewable Energy Integration Project. The funding aims to help Turkey meet its increasing power demand by facilitating large-scale renewable energy generation and the project will be implemented by TEIAS, the Turkish electricity transmission company and guaranteed by the Turkish Treasury, officials said in a statement on Thursday.

"The Project aims to strengthen the electricity transmission network, integrate the wind power investments to the transmission network and support the European Network of Transmission System Operators for Electricity".

The World Bank said in a separate statement: "From the global environmental point of view, the project aims to avoid greenhouse gas (GHG) emissions from fossil fuel-based power through the greater integration of renewable energy source-based generation in Turkey." Martin Raiser, World Bank Country Director for Turkey, said: "Turkey has considerable renewable energy potential, however, substantial public and private investment is needed to fully exploit this resource."As the World Bank, we have supported Turkey's energy sector reforms for over a decade, with the objective of making Turkey's energy sector cleaner, more secure and less dependent on imports. This project is another important step in this direction."

Turkey generates 43 percent of its energy needs from natural gas, a quarter from both coal and hydro-electricity and 7 percent from renewables. Domestic reserves of oil and gas can only meet 10 percent of Turkey's current annual consumption, and the country relies on costly energy imports to fuel its growing economy. The imports are one of the main causes of the country's $60 billion trade deficit and, consequently, Turkey is constantly striving to find new energy sources.

Last Wednesday, the World Bank announced $400 million of additional financing for the first gas storage facility in Turkey's underground salt formation at Tuz Golu (Salt Lake) -- one of the largest hyper-saline lakes in the world. Turkey is second in the world after China in terms of its rising energy demand, and consequently the country aims to increase renewable energy by 30 percent by 2023. The World Bank also provided financing for the Baku-Tbilisi-Ceyhan pipeline, which carries Azerbaijani oil to Turkey, and has helped with other energy projects related to the South Caucasus and energy storage in central Turkey.

Disavowing Kurdish independence, Turkey prepares for Kurdish energy future

Hurriyet Daily News, *07.07.2014*

Turkey seems to have officially disavowed any support for the Kurdish Regional Government (KRG) in Iraq to become independent, despite ruling Justice and Development Party (AKP) Deputy Head Huseyin Celik's comments on June 28 to the Financial Times to the contrary.

However, the KRG's recent export of oil to Turkey's Mediterranean oil port of Ceyhan, which after transshipment arrived in Israel's Ashkelon port, highlighted the economic benefit to Turkey of a Kurdish political entity in Iraq with sufficient autonomy to market its energy independent from the constraints of the Iraqi central government in Baghdad.

Indeed, Ankara's far-sighted effort to become a leading energy transportation hub includes a new oil refinery on Turkey's Aegean coast and the Trans-Anatolian Natural Gas Pipeline that can accommodate oil and natural gas from the autonomous Kurdish region of Iraq. The new $5.6 billion STAR oil refinery is being built at the Petkim Petrochemical Complex about 50 km north of İzmir. Petkim Petrokimya Holding A.Ş. is the largest petrochemicals manufacturer in Turkey. A subsidiary of the State Oil Company of the Azerbaijan Republic (SOCAR), Petkim currently accounts for approximately 30 percent of Turkey's market share of refined petroleum products and is aggressively seeking to increase its market share by replacing imported products with its own products produced in Turkey.

The STAR refinery will provide Petkim's plants with feedstock fuel that will enable Petkim to manufacture high value petroleum products at a considerable cost reduction, with the effect of cutting down Turkey's dependence on imported refined petroleum products, particularly in critical sectors such as diesel and jet fuel. In addition to Azeri Light grade and Russian Urals grade oil, the STAR refinery is being constructed with the capability of refining Kirkuk grade crude oil, allowing Petkim to manufacture high value petroleum products from crude oil imported from the KRG. Test production of the refinery will start in early 2017 and it is expected to become operational by 2018.

The Trans-Anatolian Natural Gas Pipeline (TANAP) also carries the potential for an independent Kurdish political entity to market its natural gas resources to Turkey and the European Union. For $10.5 billion, TANAP is being constructed by SOCAR and its junior partner the Turkish state-owned, oil and natural gas pipeline company BOTAŞ Petroleum Pipeline Corporation, which owns a 30 percent stake in the project. With an initial capacity of 16 billion cubic meters (bcm), TANAP will initially receive gas from Azerbaijan's Caspian Sea Shah Deniz field and then transport the gas across Turkey to the Turkish-Greek border where it will link with the Trans-Adriatic pipeline (TAP) for delivery to the EU.

Expected to be fully operational by 2018, Turkey will receive approximately 6 bcm with the remaining 10 bcm intended for the EU. Once operational, the volume of natural gas transported via TANAP is expected to increase by one billion cubic meters per year. Since Turkey's domestic natural gas consumption has more than tripled, jumping from 15 bcm in 2000 to 46 bcm in 2010, the gas delivered via TANAP is of considerable importance to the continued functioning of the Turkish economy. Aside from natural gas from Azerbaijan, TANAP will also be able to transport natural gas from the KRG, if the latter is sufficiently independent to sell its gas. Experts estimate that the KRG could export 10 bcm of natural gas to Turkey as early as 2020.

With Arab countries in the Middle East embroiled in unprecedented political turmoil, which has started to strain their relations with Turkey, the AKP government's deepening relationship with the KRG constitutes a foreign policy achievement with significance for Turkey's long term geo-strategic position. Turkey's ambition to become a global energy hub would benefit from a Kurdish political entity sufficiently independent to market its hydrocarbon energy resources via Turkey. While the exact political relationship between Turkey and an independent Kurdish government is yet to be determined, the infrastructure of the economic relationship is being established.

Iran to Construct Eight NGL Storage Facilities

Natural Gas Asia, ***08.07.2014***

Iranian Pars Oil and Gas Company plans to construct natural gas liquid (NGL) storage facilities with the capacity of total 640,000 cubic meters in the Southern parts of the country on the rims of the Persian Gulf, Iranian Fars News Agency has reported.

The storage facilities are expected to be built in Assalouyeh in the Southern part of Iran in order to stock gas condensate produced by some refineries in the South Pars gas field, the news agency quoted from a statement on oil ministry's website. Eight facilities, each with the capacity of 80,000 cubic meters, are planned to be constructed.

With development of new phases of South Pars gas field Iran's gas condensate production is expected to surpass one million barrels per day, Shana News reported last week.

CNOOC in Aphrodite: Boosting Cypriot Hopes

Natural Gas Europe, *01.07.2014*

There are recent news that China National Offshore Oil Corp. (CNOOC) is negotiating to buy a 30-40% interest in Block 12 of Cyprus' Aphrodite gas field may be a real shot in the arm for the natural gas industry in Cyprus, according to Charles Ellinas, CEO at ECP Cyprus National Hydrocarbons Company Ltd.

"It's interesting," Charles Ellinas says. "It's a positive development because it means, more or less, that if successful there's a guarantee the gas from Block 12 will go to China. CNOOC is in a position to invest and they will also be buyers of the gas."

"Mr. Ellinas calls this an optimal situation, recalling that Noble Energy had started the process of looking for suitors like CNOOC last year and by mid 2013 had a shortlist of potential participants. He says that a deal with CNOOC has a reasonable likelihood of happening as the company is well-set financially and interested in LNG, as evidenced by a recently inked 20-year, 1.5 million ton LNG deal with BP. However, Europe shouldn't worry that all of Cyprus' gas will go to the Far East, according to him, as Block 12 only contains about 5 TCF of gas. Next year, exploratory drilling will show how much gas the other five Aphrodite blocks contain, and indications are good, a substantial portion of which is likely to go to Europe. "Europe is definitely going to be on the horizon for these guys because by 2024-25 the Far East will become largely saturated"

Another recent bright spot in Cyprus was the announcement last month by oilfield services giants Halliburton and Schlumberger that they would use the country as a base for operations in the Eastern Mediterranean. Mr. Ellinas says it's a sign of things to come. "The other exciting development is that the East Med is going to carry on and increase in size, a lot of installations will end up being in East Med in the next 10-20 years. They will need a service industry to support them all the way from exploration to construction and operations." With the chaos in Syria casting a shadow upon Lebanon, and the latter not having a good relationship with Israel, Mr. Ellinas asks: "Where are these companies are going to base themselves other than Cyprus?" "The fact that Schlumberger and Halliburton are coming there – and Weatherford is already there – these three will pave the way.

Cyprus is the logical place and could end up being a regional service center for the region." Meanwhile, the fate of the Vasiliko LNG plant upon which Cypriot hopes have rested recently, still do not look so good. He explained, "Cyprus does not yet have enough gas to build an LNG plant. The decision on Leviathan which will be announced later in the year, and could bring the Vasiliko plans back on line, probably does not include Cyprus". However, there are positive movements in Cyprus' EEZ, says Mr. Ellinas, who reports that ENI will begin exploration later this year, while Total is scheduled to start it next year.

He explains, “They will probably complete their exploration rounds by 2016 and then spend time analysing results and making decisions on development plans. The problem is that by the time they go and finalise their development plans the ground shifts even more: There are too many changing parameters in the region and in the world gas markets. One is that by then you may not catch the Far East markets, and then Europe is going to be the main market. This is not a bad thing and may be a strong political card for Cyprus within the EU, but gas prices are low and will dictate development choices.” He notes that, following the Ukraine crisis, Europe has been searching for potential new sources of secure gas. Cyprus offers such an opportunity. But European prices, he says, at $9-10/MmBTU may be too low to be able to support a land-based LNG terminal. Floating LNG may be a solution, according to Mr. Ellinas.

“And certainly Noble and Delek Drilling, as far as Leviathan is concerned, in one of the phases they are definitely going for is FLNG. Should they build an FLNG for Leviathan, the FLNG for Cyprus for Block 12 will be about the same size and will probably come about the same time, so there is every reason why, if it is not land-based LNG Noble will go for FLNG.” According to him, indications are that by that time unit costs could be 30-40% cheaper by utilizing FLNG. He explains, “The reason is that you only need one vessel. Right now with a land-based liquefaction facility you need an FPSO (floating, production, storage, offloading), you need a pipeline, and you need a land based facility before you export it. With FLNG you stick one vessel on top of the gas field then off you go - you export.” He says this makes a tremendous difference.

However, for the East Med gas scene, Mr. Ellinas says the big change was the announcement by Delek that they had signed a memorandum of understanding with Union Fenosa to supply 2.5 TCF of gas for liquefaction at an existing LNG plant in Egypt. He comments, “Following the election of Al-Issi in Egypt, if security improves for example by the army taking firm control, and the project becomes reality, it opens a completely different avenue for liquefaction because we have two terminals in Egypt not being used. And you know Egypt is now about to sign an FSRU agreement to import LNG because they don’t have enough gas. Egypt does not have enough gas to export as LNG.”

“The LNG terminals are sitting there largely idle,” he continues. “There is a lot of gas in the region. Why build new terminals or new FLNGs when you have cheap LNG terminals available? It’s possible that for Leviathan that could be one of the export options.” For Leviathan gas, he says, it is also a choice of whether to go to Turkey or Egypt. “Turkey is looking for its own gas; it’s not looking to get gas from the region to Europe. And Leviathan has been in advanced discussions with Turkish companies who are prepared to put the investment and build the pipeline. For small companies like Delek and Noble if the Turks are going to put in the investment and build the pipeline that is a huge benefit, a temptation, because to develop Leviathan the investment is massive and if this part of the investment goes their way they don’t have to worry about it and then it helps the project finances and the profits could be quite high.”

Given the recent visit to Cyprus by US Vice President Joe Biden, possibly to be followed by Secretary of State John Kerry, Mr. Ellinas opines that the US likely wants to find a solution with such a pipeline, with the main aim of getting Turkey back on board to be able to contain Syria. “So a pipeline like this, of this size is quite significant, it could carry anywhere between 7 to 10 BCM of gas - it’s as big as TANAP and is equally important,” he remarks. “In a solution like this neither Erdogan nor Netanyahu have to condescend to each other, because it would be a commercial deal and yet, once you have the pipeline it ties the two together.

But it requires the consent of Cyprus as such a pipeline will pass through its EEZ. Hence the urgency for a satisfactory and lasting solution of the Cyprus problem." Iranian gas, he says, will eventually make its way to Europe, but only via Turkey. Hence Turkey has a very important gas transit role as far as the EU is concerned. Mr. Ellinas explains, "Europe wants Turkey to be close to it and not to become another third party, another Ukraine in the future, so all of these reasons I think are driving towards sorting the Cyprus problem out of the way, which is good for everybody, including Cyprus. As far as the gas developments in the region these are being driven by what happens in Leviathan. What they do there will have far reaching consequences for the region." With all of these developments, Cyprus' hopes for the Aphrodite field recently looked like they had been left behind, until the recent announcement of interest by CNOOC which opens up new possibilities.

Azerbaijan one of main partners of UK and EU in region, British minister says

APA, *10.07.2014*

"Azerbaijan can act as a leader in the energy security of the region and Europe", UK Minister of State for Energy Michael Fallon told journalists in Baku, according to APA. Fallon said the Ukrainian and Iraqi events make the EU think about new sources and reliable partners, adding Azerbaijan is the one of the main partners of the UK and EU in the region.

He noted that a number of British companies have invested in Azerbaijan."The visit aims to expand the cooperation in this area and within the existing projects. Meetings to be held as part of the visit are of importance to the energy security of the UK and EU.

Azerbaijan may become a politically and economically leader in the region. The UK is ready to support Azerbaijan in this sphere", the minister said.

Gazprom subsidiary to construct of Serbia's South Stream section

Natural Gas Europe, *08.07.2014*

Gazprom subsidiary, Tsentrgaz, had won a tender to build the Serbian land based section of the South Stream gas pipeline. In the statement which was made on Tuesday, the Russian energy giant said Tsentrgaz had beaten four other companies from Russia and Serbia to win the tender launched this March.

Tsentrgaz is a multifaceted construction holding that includes construction and assembly organizations, modern production facilities to manufacture construction materials, structures and items, procurement and marketing entities and social infrastructure facilities.

Under the contract, the company will be tasked with all aspects of the project development, including procurement of materials and equipment, construction and installation works, personnel training and start up. Serbian based companies will actively participate and benefit through subcontracting.

Russia's micex gains as Gazprom to Surgut rise on dividend dates

Bloomberg, *10.07.2014*

The Micex Index (INDEXCF) gained for the third time in four days as OAO Gazprom to OAO Surgutneftegas climbed before their dividend cut-off dates next week. Gazprom, Russia's biggest natural-gas company, rose 0.3 percent and oil producer Surgutneftegas increased 0.8 percent.

They account for about 17 percent of the Micex's weighting and have ex-dividend dates on July 16 and July 15, respectively. The Micex has rallied 23 percent from this year's trough on March 14, the last trading day before Crimea's referendum on joining Russia. OAO Magnit rose to a record after yesterday posting a 33 percent jump in June revenue.

"The market is feeling good before the dividend cut-off dates for key stocks," Evgeny Loktyukhov, an analyst at OAO Promsvyazbank in Moscow, said by phone today. "There's demand for dividend shares. Magnit has posted strong results and the stock could rise further." Magnit's revenue soared last month as the company opened 101 outlets. Same-store revenue rose 13.4 percent in the second quarter, the company said in a statement on its website yesterday.

The stock rose for a fourth day, adding 0.8 percent. OAO Novatek advanced 0.2 percent, the first gain in three days, after it reported second-quarter liquids production jumped 13 percent from a year earlier. The Micex trades at 5.5 times estimated earnings, making it the cheapest measure among 21 emerging markets tracked by Bloomberg. That compares with a multiple of 5.3 at the end of February, before Russia's incursion in Crimea. The dollar-denominated RTS Index (RTSI$) advanced 0.3 percent to 1,408.62 today.

Ukraine risk premium fades for EU gas on high inventories

Bloomberg, *09.07.2014*

The biggest natural gas inventories in Europe since at least 2010 are deflating the risk premium stemming from the crisis between Russia and Ukraine, sending prices for supplies during the winter to a four-year low.

The winter contract in the U.K., Europe's largest market, would drop 6.9 percent if the Ukraine crisis ended, according to the median estimate of seven traders, brokers and analysts surveyed by Bloomberg from July 3-7. Gas for the six months from October rose 6.5 percent on March 3, the first trading day after Russian President Vladimir Putin got approval to send troops into Ukraine.

Russia cut gas supplies to Ukraine on June 16 after OAO Gazprom and NAK Naftogaz Ukrainy failed to agree on a price for future deliveries and on debt payments, echoing similar disputes that saw flows to Europe reduced amid freezing weather in 2006 and 2009. High European inventory levels mean capacity is limited this year and demand upside is "minimal," Citigroup Inc. analysts including Seth Kleinman said in a July 7 report. "The risk premium related to Ukraine has been partially absorbed so the reaction of winter gas prices on the face of an end to the crisis would be limited," Lysu Paez-Cortez, a natural gas analyst at Natixis SA in Paris, said yesterday by e-mail. "High stocks across major European hubs and seasonal lower demand also dented the geopolitical related risks." Winter gas on the U.K.'s National Balancing Point hub would fall to 52 pence a therm ($8.90 a million British thermal units) if the crisis ended, from an average of 55.86 pence on July 3-7, according to the median of the survey. Responses ranged from 45 pence to 53 pence.

Prices for the fuel used for heating and power generation slid 1.1 percent to 55.21 pence a therm 3:37 p.m. in London after rising 0.9 percent yesterday, broker data showed. They are down 22 percent this year and reached 54.95 pence on July 7, the lowest for a next-winter contract since November 2010. Nations in the European Union had 58 billion cubic meters (2 trillion cubic feet) of gas in storage yesterday, the highest for the time of year since at least 2010 and more than 72 percent of the capacity, according to Brussels-based lobby group Gas Infrastructure Europe. While gas demand for stockpiling is usually at its highest in the third quarter, Europe's mildest winter in seven years left storages full.

"Any impact from the end of the crisis in Ukraine will be very limited and temporary," Moses Rahnama, an analyst at consultants Energy Aspects Ltd., said yesterday by e-mail. "We don't think the risk has been priced in that much and the market will be much more sensitive to weather." U.K. winter gas was 19.9 pence a therm higher than fuel for day-ahead delivery, compared with a peak of 22.2 pence on June 9. The next-day, or prompt, contract fell 3 percent today to 35.2 pence a therm, and is down 47 percent this year as warmer-than-usual weather cut demand, broker data showed.

“Prompt is down mostly on lower consumption and demand for injection, which is relatively low, but winter is highly linked to weather,” London-based Rahnama said. “The chances of it being colder this year than last winter are higher.” The warmer-than-normal weather seen this past winter is no guarantee that a cold season is on the way, according to Mike Thomas, a meteorologist at Commodity Weather Group in Bethesda, Maryland. The mild winters of the past 14 years have come in groups, with 2000, 2001, and 2002 ranked as warmer-than-normal, as were 2007 and 2008, he said yesterday.

Ukraine won’t take Russian gas destined for Europe and will fulfill all transit obligations, Energy Minister Yuri Prodan told reporters in Kiev today. Sergei Ivanov, the Kremlin’s head of administration, said earlier that Ukraine may start “stealing” fuel from transit pipelines in the heating season, according to Interfax. Gazprom accused Ukraine of siphoning gas in the 2006 and 2009 disputes, a charge the country denies. “Comments on upholding gas transit through the country put further pressure on the NBP, taking some risk premium out of winter delivery contracts,” Wingas U.K. Ltd., a supplier of gas to the wholesale market, said in a report e-mailed today.

Storage facilities in Europe were filling up quicker than usual and were “two weeks ahead of schedule,” said Carsten Fritsch, an analyst at Commerzbank AG in Frankfurt. Capacity is limited across Europe except for France, Citigroup said. French units were 58 percent full compared with 79 percent in Germany, 98 percent in the Netherlands and 81 percent in the U.K., GIE data show. France is one of the few countries with “large” summer demand for gas, Energy Aspects said in a report e-mailed today.

Front-month U.K. gas prices have fallen 16 percent since Russia cut supplies to Ukraine as fuel destined for European consumption continues to flow normally, according to Gazprom and Eustream, the Slovakian grid operator that’s monitoring pressure at the compressor station on the Ukrainian border. “The decline in the NBP gas price also suggests that the Ukraine fear has disappeared,” Commerzbank’s Fritsch said by e-mail yesterday. “If the crisis ended, there could be a marginal blip in prices, but nothing spectacular.”

Naftogaz will not lease Ukrainian pipeline system to Russian companies

Oil & Gas Eurasia, *08.07.2014*

The Ukrainian authorities are ready to lease the country's gas transportation network to all foreign companies, except Russian entities, Naftogaz head Andrei Kobolev said in an interview on Ukrainian television. He stressed that Kiev would take into consideration the European experience in leasing concession.

The top manager pointed out that Gazprom, the Russian power giant, tried to obtain control over large EU pipelines, but those attempts proved unsuccessful. Kobolev said that a set of effective measures would help Ukraine to exclude Russian companies from the potential operators.

According to Kobolev, Kiev plans to thoroughly study its partners' activity, to discover Russian companies among pipeline shareholders. Furthermore, the Ukrainian government intends to restrict the right to transfer any gas pipeline ownership to Russian business entities.

Polish PGNIG to spin off retail natural gas business

ICIS, *10.07.2014*

The Polish president signed a new law last Wednesday approving the creation of a natural gas retail company, PGNIG Obrot Detaliczny, separate from the country's incumbent PGNIG, the presidential office announced last Wednesday.

According to market sources, PGNIG will keep its portfolio 32 industrial buyers with a contracted volume of more than 25 million cubic metres (mcm)/year each. The remaining 6.5m retail clients would be transferred to the new entity, according to the information given to ICIS by the market source.

PGNIG is obliged to inform its clients about the separation of its retail business and small-to-medium businesses with contracted volume of 25mcm/year or less could terminate their contracts without incurring any costs within 30 days of notification. Although retail customers could terminate their contracts with supplier prior to this law, the process was time-consuming and could incur a penalty. The new law could encourage more buyers to change their supplier and generate more opportunities for new suppliers to enter the Polish market.

Other suppliers Statoil, Vattenfall and RWE already supply natural gas to Poland with the delivery ending at the Polish-German border, and buyers then need to arrange for domestic transportation to end-destinations. Despite the presence of other suppliers in Poland, many still find it hard to break the monopoly of PGNIG as big industrial buyers are bound to the gas incumbent by long-term contract - a main obstacle in liberalising the Polish gas market. Although PGNIG has been ordered by regulator UOKiK to abandon the contractual terms that limit the gas resale in the Polish market, the proposed contractual change is still under review at the moment with no deadline set for the implementation.

Therefore, some have question the impact of the new arrangement on the wholesale market as long as PGNIG's long-term contractual terms with industrial buyers remained unchanged. Under existing law set in 2013, PGNIG is obliged to off-load at least 55% of gas supply through the exchange. (see ESGM 19 August 2013). But as the incumbent struggled to meet the target, it created the new retail trader PGNIG Obrot Detaliczny at the start of 2014. The new company's sole purpose is to buy gas from the parent company and re-sell it onwards to retail customers. However, it has been inactive to date, pending the presidential approval.

No U.K. shale gas would lead to 91% import reliance

Bloomberg, *10.07.2014*

The U.K. may need to boost natural gas imports to 91 percent from 56 percent without production from shale rock, exposing the nation to global prices for the fuel, according to National Grid Plc.

Imports may reach 71 billion cubic meters (2.5 trillion cubic feet) a year by 2035 without shale gas output and with limited development of offshore fields, National Grid said in its Future Energy Scenarios report. Gas remains a preferred choice for power generation over renewables. "The 90 percent dependency is very, very high," said Richard Smith, head of energy strategy and policy at National Grid.

"The ultimate implication is that it exposes us more to the global market for gas, which is a price exposure." David Cameron's government wants the development of shale reserves to replace aging North Sea fields and cut energy costs. The British Geological Survey estimates areas in northern England may hold 1,300 trillion cubic feet of natural gas, enough to meet demand for almost 50 years at an extraction rate similar to U.S. fields. Opponents of shale exploration say it's wrong to allow the use of hydraulic fracturing, or fracking, under people's property without permission and have pointed to tremors in regions where test drilling was carried out.

U.K. front-month gas, a regional benchmark, averaged 52.15 pence a therm ($8.92 per million British thermal units) this year. To attract liquefied natural gas, Europe needs to compete with buyers in northeast Asia, who paid an average of $15.64 over the period, according to assessments of cargoes for delivery in four to eight weeks by World Energy Intelligence. U.K. shale gas production could be as high as 32 billion cubic meters a year by 2030, according to National Grid's Low Carbon Life scenario, which assumes a growing economy, innovation in energy and the meeting of carbon targets. "The reason the range is just so wide is simply because in the U.K. we still don't have that massive amount of data from test wells to say what we are really going to be able to recover," Smith said.

"We don't know about recoverability and economics of recoverability." While the U.K. has the capacity to import gas with its network of terminals, "the U.K. exposure is price exposure," Smith said. The country, the European Union's second-biggest gas user after Germany, would need to import as little as 40 percent of its usage under the Low Carbon Life scenario. Gas from the U.K. continental shelf will peak in 2017 at 38 percent to 46 percent of total supply in all four of National Grid's scenarios. That share will drop to 8 percent to 16 percent by 2035. Demand will drop in all scenarios by 2020 from 2013 levels even if the use of the fuel in power generation, which accounts for nearly a quarter of total consumption, increases, according to National Grid.

Fiscal, regulatory change an 'absolute necessity' on UKCS

Rigzone, *07.07.2014*

Radical fiscal and regulatory change is an "absolute necessity" to ensure that up to 24 billion barrels of remaining hydrocarbons on the UK Continental Shelf are fully exploited. The Independent Expert Commission on Oil & Gas was tasked with exploring how the total value of the whole industry can be maximized with an emphasis on ensuring a sustainable future for the UKCS.

The Commission has come up with a set of recommendations which are intended to provide direction to the government in shaping future policy irrespective of the outcome of mid-September's Scottish independence referendum.

Commission Chairman Melfort Campbell commented in a statement: "The over-riding message is that we must no longer assess the value of the UKCS on tax take from production profits but on the total value generated in the economy. The result of doing this should lead to the recovery of the highest reserve estimates – around 24 billion barrels of oil equivalent – and maximum value generation for the economy. This does however require us to fully understand and accurately quantify the total value added, where and how it arises and how it is impacted by tax and licensing conditions.

The Commission's report warns that the industry has reached a critical crossroads with the current record levels of investment masking the significant decline in investment in both exploration and development activity which will inevitably result in markedly-reduced activity harming both future production levels and total recovery. It concludes that a step-change in stewardship philosophy, largely through an overhaul of the fiscal and regulatory regimes, is urgently needed to achieve maximum value, recovery and longevity from the remaining life of the UKCS.The immediate challenge for government, the report stated, is to steer a clear path towards a targeted fiscal policy framework which is stable, predictable and internationally competitive. The Commission said that this needs to be aimed less at taxes on production but more at achieving a balanced tax take across the entire industry and maximising the total value generated in to the wider economy by produced hydrocarbons.

Collision halts Statoil Oseberg east platform, restart seen Thursday

Rigzone, *10.07.2014*

Statoil shut its oil platform at the Oseberg East field offshore Norway after a collision with a supply vessel but production was expected to restart later the same day. Collision forced a shutdown and preparations to evacuate workers. The situation was normalised and the inspection showed small damage on the platform.

"The production was stopped, but we are preparing to restart it later today," said Lars Kindingstad, a spokesman for Statoil. During the first four months of the year, Oseberg East produced 961,189 barrels of oil or about 8,000 barrels of oil per day.

Statoil, the operator of the field, has a 49.3 percent stake in the production licence. The other partners are Norway's state-owned Petoro with 33.6 percent, France's Total with 14.7 and U.S. major ConocoPhillips with 2.4 percent.

Grid says UK shale gas could meet a third of demand by 2030s

Rigzone, *10.07.2014*

A third of Britain's gas needs could come from its own shale gas by the early 2030s if government policies and economic growth allow firms to invest in gas exploration, according to National Grid. The potential production figure is a part of the British grid operator's 'Low Carbon Life' scenario.

Britain is betting on the development of shale gas to help curb its growing dependence on imports and to stem a decline in oil and gas tax receipts as output from the mature North Sea basin dwindles. Some of the companies active in Britain's shale market are IGas, Egdon Resources and Cuadrilla.

Under a 'Gone Green' scenario, with a strong economy and tougher environmental regulations British shale production could be 14.2 billion cubic metres (bcm) by 2030 and under a 'Slow Progression' Scenario, with a weak economy, shale gas production could be just under 5.7 bcm National Grid said. National Grid does not give a probability for which scenarios is most likely to come to fruition but said "there has been investment from a number of large gas industry companies (in shale) and many expressions of government support." Under the forth 'No progression scenario' with a weak economy, low investment and a government focused on short term policies shale gas production would be zero it said.

Under each of National Grid's scenarios UK Continental Shelf (UKCS) production, which currently supplies around half of the country's gas demand, peaks in 2017, at under 40 bcm. A complete failure to invest in new UK gas production, under the 'No progression' scenario could see import dependency rise to 90 percent by 2035, National Grid said, which would leave the country vulnerable to price shocks. British wholesale gas prices jumped 5 percent overnight in early June after Russia cut supplies to Ukraine and the market feared supplies to Europe would also be hit. Russia provides a third of Europe's gas needs, and a third of its gas exports to the European Union pass through Ukraine. National Grid compiles its 'Future Energy Scenarios' every year to help it reach investment decisions on new infrastructure projects and to inform the government.

Global oil exploration nears $1 trillion - Where are the finds?

Rigzone, *10.07.2014*

Two years ago Total's chief Christophe de Margerie launched a "high risk, high reward" oil exploration strategy, betting he could hit a bonanza, even though his rivals had failed to make big discoveries. But Total risks joining the industry trend of making only smaller and fewer finds, despite global investments in oil exploration heading to a record $1 trillion by 2017.

This week, Margerie told Reuters he gives himself until the year-end to find a major deposit or cut the exploration budget next year following several disappointing drilling campaigns. Top players are struggling to find enough conventional oil.

Majors are caught between growing pressure from investors to cut spending and boost profits and the increasingly costly need to replace declining onshore and offshore reserves. "Over the last 10 years the rate of return from exploration has diminished with time," said Andrew Lodge, exploration director at London-listed explorer Premier Oil. "In the heyday of 2001-2002 the average rate of return for the industry was 20 percent ... that dropped last year to around 10 percent," he said. Disappointing exploration campaigns no longer make such big headlines as they were 10 years ago amid the "peak oil" debate.

Total’s CEO sees no need for dollars in oil purchases

World Oil News Center, *06.07.2014*

Total SA CEO Christophe de Margerie said he sees that there are no reason for oil purchases to be made in dollars, and he added that it actually makes sense to expand the use of other currencies in transactions outside the U.S, especially like the euro.

“Nothing prevents anyone from paying for oil in euros,” Christophe de Margerie told journalists at the Cercle des Economistes conference in Aix-en-Provence, France. “The price of a barrel of oil is quoted in dollars. A refinery can take that price and using the euro-dollar exchange rate on any given day, agree to make the payment in euros.”

The remarks from the head of France’s largest oil company are the latest in a debate sparked by an $8.97 billion fine slapped by the U.S. on French bank BNP Paribas SA for transactions carried out in dollars in countries facing American sanctions. French Finance Minister Michel Sapin said this week that the BNP fine raises questions about the reach of U.S. laws because the bank’s transactions were not illegal in Europe. Sapin said European countries should look for ways to use the euro more frequently and that he will raise the matter with fellow euro-area finance ministers when they meet in Brussels on July 7.

Total to do test drilling for shale gas in Denmark

Oil & Gas Eurasia, *07.07.2014*

Total plans to drill Denmark's first test wells for shale gas in December or January, the French energy firm said on Friday, following its deals to explore for unconventional hydrocarbons in Britain and Russia.

Faced with France's ban on exploring for shale gas at home, Total is emerging as one of the most active oil and gas majors betting on a US-style shale boom in Europe. Total said it planned to conduct test drilling in Denmark for three months. "If the results are positive, a test using hydraulic fracturing will be carried out in 2015," a spokeswoman for the firm said.

Total holds 80 percent of the licence and Denmark's state-owned North Sea Fund the other 20 percent. The French firm struck a deal this year to explore for shale gas in Britain, buying two licences in northern England. It also struck a deal with Russia's No 2 oil producer Lukoil last May to tap "tight" oil reserves in the Bazhenov play in Siberia, one of the world's largest shale oil formations. Total is also investing in research and development in the search for alternatives to fracking, such as exploration using pyrolysis. The Frederikshavn municipality in northern Denmark gave Total approval last week to drill conventional wells in shale formations about 4,000 metres (13,120 feet) below the surface. A separate environmental impact assessment (EIA) study and permits will be needed to use hydraulic fracking, Total said. Europe remains split on shale gas exploration using hydraulic fracking, which blasts chemicals, sand and water deep into the earth to break up shale formations and allow gas to escape.

North Sea oil and gas 'could be worth £20bn less than thought'

Reuters, *10.07.2014*

North Sea oil and gas could produce £20bn less in revenue than originally forecast over the next three decades, according to the Office for Budget Responsibility (OBR).Chairman Robert Chote revealed the independent scrutiny body is now forecasting revenues of £61.6bn would be raised between 2013/14 and 2040/41 - down from £82.2bn.

If production levels are low, oil and gas receipts could be only £40bn for the period 2018/19 to 2040/41, the latest Fiscal Sustainability Report (FSR) said. But with higher production levels and oil prices, these could be as high as £81.5bn, according to the report.

The OBR's latest central projection for oil revenues over this period is now £55.6bn. Scottish First Minister Alex Salmond dismissed the figures as "stuff and nonsense". But Mr Chote told SNP MSP Kenneth Gibson, the convener of Holyrood's Finance Committee: "Taking the March medium-term forecast and today's long-term projections together, we have reduced our central projection for total oil and gas receipts between 2013/14 and 2040/41 by £20.6bn since last year's FSR, from £82.2bn to £61.6bn." Better Together, the campaign for Scotland to remain in the United Kingdom, claimed the figures mean an independent Scotland would have a £12bn financial "black hole" in its first three years.

Campaign leader and former chancellor Alistair Darling said: "Today's figures confirm what we already know - the oil is running out and the tax we will get from it is falling. Being part of the UK means we can make the most of what is left in the North Sea without putting the funding for our schools and hospitals at risk. It's the best of both worlds for Scotland." But the Scottish Government said the OBR forecasts are based on a "very low estimate of future total production". It has already published higher forecasts for oil and gas income, saying this could be between £2.9bn and £7.8bn in 2016/17 - the first year of an independent Scotland if there is a Yes vote in September. Scottish Finance Secretary John Swinney said then that the central prediction showed the country can benefit from £34.3bn over the next five years - equal to almost £7bn a year.

In his letter to Mr Gibson, the OBR chairman said that "North Sea production has now been falling consistently since 1999, by an average of 7.8% a year". Mr Chote added: "Our projections suggest that North Sea oil and gas receipts will remain a valuable fiscal resource for many years to come. But they are highly volatile from year to year, which makes near-term forecasting very difficult. "And while it is clear that the long-term trend in receipts is downward, the pace of that decline - and the amount that can be collected as it happens - is highly uncertain and very sensitive to the path of production and prices. Whichever government receives these receipts needs to plan on that basis." The OBR report said "total UK oil and gas production has fallen every year since 1999, with particularly steep falls of 19% and 14% in 2011 and 2012 respectively".

It added: “Oil and gas receipts are the most volatile revenue stream in the UK public finances and forecasting them over even very short horizons is fraught with difficulty. Our short-term forecasts over the last three years have tended to be too high, mostly as production has fallen short of expectations. “Over the longer term, we can be more confident that oil and gas receipts are on a declining trend as total production from the UK continental shelf moves towards its ultimately recoverable capacity.” Mr Darling said: “Oil and gas has been great for Scotland. The industry employs around 200,000 people here and generates billions in tax to pay for our public services. That’s a good thing, but the tax we get is volatile and declining.

“Alex Salmond has consistently over-estimated how much tax we would get from the North Sea, and today’s figures confirm that his future guesses are as unreliable and optimistic as ever.” Mr Salmond told the BBC: “The OBR are suggesting ten billion barrels of oil and gas remaining. Oil and Gas UK say up to 24 billion barrels. The professor of geology at Aberdeen University says it’s more like over 30 billion barrels. “Now, all of these people know infinitely more about the extent of the reserves remaining in the North Sea than the Office of Budget Responsibility in London does. I think they should start talking to the experts.”

A spokesman for Scottish energy minister Fergus Ewing said: “North Sea oil is a bonus, not the basis of an independent Scotland’s economy, and is a fantastic asset which will be around for many decades to come. But in an independent Scotland that oil wealth will be properly invested, not squandered as it has been by successive Westminster governments. “The OBR’s forecasts rest on estimates of future production which are well below that used by the industry, by leading experts and by the UK Government themselves. “By the Treasury’s bizarre logic, Norway wouldn’t be able to sustain its own oil industry - the reality is that Norway has the biggest oil savings fund in the world, now worth more than £500bn.”

A UK Treasury spokesman said the North Sea is “one of the UK’s great national assets”, but added: “It is becoming harder and more expensive to extract North Sea oil and gas, which is reflected in the OBR’s decision to revise down expected tax receipts from oil and gas by 25%, or almost £21bn, compared to last year. “The broad and diverse UK tax base means we are able to support the oil and gas industry, for example through targeted tax reliefs for oil and gas fields that are technically or commercially challenging. “A separate Scotland would be more reliant on income from the North Sea so is unlikely to be able to provide the same level of support, which comes at a cost in the short term, and would therefore miss out on the long-term economic potential it has to offer.”

Natural gas contract renegotiation trend boosts spot market volumes

ICIS, *07.07.2014*

A greater degree of spot indexation in renegotiated, previously oil-linked natural gas contracts is boosting traded prompt volumes on some of Europe's most liquid over-the-counter (OTC) hubs, according to the information given by sources to ICIS.

NBP, TTF and NCG Day-ahead volumes have ticked higher over the past six months compared to the same period last year, fuelled by a spate of contract renegotiations which started around the fourth quarter of last year, market participants said. Only a very small proportion of trade on these contracts is carried out through exchanges.

According to the Energy Contract Company (ECC) which recently published its annual European gas market review, intense price review throughout Europe has led to increasing use of spot markets and also to the increasing use of spot prices in the price escalation provisions of existing long-term contracts. Sources confirmed companies are taking advantage of relatively cheap spot prices, and increased volatility on hubs since Ukraine tensions started which together are and boosting traded volumes.

Day-ahead volumes at the Dutch TTF hub have seen the most growth, increasing by 13% to 151TWh in the six months to June, while Germany's NCG achieved a 11% gain to 92TWh. Britain's NBP Day-ahead volume growth, however, trailed at just 1% to 161TWh, ICIS data showed. Although the mass-departure of banks from energy commodities affected all hubs, the TTF and NCG were able to offset losses in liquidity through an increase in spot indexation in supply contract renegotiations, sources said. The NBP has benefited less clearly from the trend in renegotiation from oil price indexation to a spot gas index because most British contracts have been primarily spot-price linked for over a decade already.

Libya to resume eastern port exports

Upstream Online, *07.07.2014*

Libya plans to resume exports from the major eastern Ras Lanuf and Es Sider oil ports after government forces took over the terminals following the end of an almost year-long blockage by a rebel group, according to reports published in international media.

State-run National Oil Corporation (NOC) lifted force majeure from the two ports after the rebels agreed last week to end a blockade to press financial and political demands, Reuters reported. The waiver of contractual obligations had been imposed last summer when a wave of protests at oil facilities broke out.

The port reopening would restore part of oil output fallen to a trickle of the 1.4 million barrels a day the OPEC member used to pump last summer when a wave of protests started. Libya’s current output is running at 325,000 bpd, Reuters quoted a spokesman as saying. Experts say it will be easy to sell oil from port storages but take some time to restart production as the connecting fields and pipelines are likely to require maintenance work after standing idle for eleven months. Both ports used to export around 500,000 bpd before the closure.

“Force majeure has been lifted at 1500,” Reuters quoted NOC spokesman Mohamed El Hararias saying. The state oil company had declared force majeure, a waiver of contractual obligations, when the rebels seized the ports last year. “The marketing department has been instructed to start exporting oil from all Libyan oil ports,” he said. Ali Al-Ahrash, commander of the state Petroleum Facilities Guards (PFG) in charge of protecting oil facilities, said the ports were now fully under government control. “The situation at the two ports is safe and the National Oil Corp can resume work at Rasp Lanuf and Es Sider,” he told Reuters.

Disputes over Libya’s vast oil resources have been among the many triggers for conflict between rival brigades of former rebels and allied political factions since civil war ended four decades of Muammar Gaddafi one-man rule in 2011. Port rebel leader Ibrahim Jathran had agreed in April to reopen two smaller eastern ports, Zueitina and Hariga, and then gradually free up Es Sider and Ras Lanuf. After that deal, shipments from Zueitina were delayed because of damage from the blockade, while Hariga has seen only a few tanker loadings, hampered by a separate protest temporarily closing the port again. The problems at Hariga show the vulnerability of oil facilities as militias, tribesmen and state security forces seize facilities at will to press Tripoli into financial or political demands.

Roxi Petroleum makes discovery at BNG contract area in Kazakhstan

Rigzone, *10.07.2014*

Roxi Petroleum plc, the Central Asian oil and gas company with a main focus on Kazakhstan, announced Wednesday news of a discovery at its flagship BNG asset in the pre-Caspian basin in Western Kazakhstan.

Background The BNG Contract Area is located in the west of Kazakhstan 24.8 miles (40 kilometers) southeast of Tengiz on the edge of the Mangistau Oblast, covering an area of 1,561 square kilometres of which 602.7 square miles (1,376 square kilometers) has 3D seismic coverage acquired in 2009 and 2010. Roxi has a 58.41 percent interest in the BNG Contract Area.

Well A5, the first deep well on the BNG Contract Area, with a planned Total Depth of 15,420 feet (4,700 meters) is targeting principally the middle Carboniferous formation at 14,402 feet (4,390 meters) of the South Emba sub-basin. Roxi is delighted to announce that oil and gas shows have been detected at a depth of 14,212 feet (4,332 meters). After the completion of clean-up work to deal with the oil and gas shows encountered, core samples will be taken to determine the oil bearing horizon. Further announcements will be made in due course. Comment Clive Carver, chairman commented: “We are naturally delighted with these early indications and look forward to quantifying what has been discovered in the coming days and weeks.”

Asia brightstock edges higher on healthy demand

ICIS, *07.07.2014*

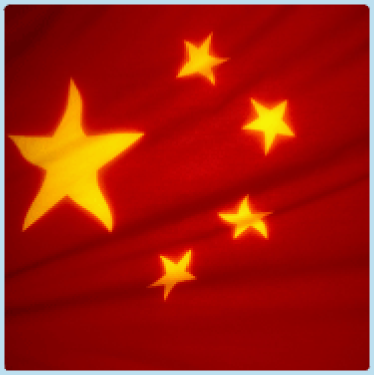
Asia's brightstock spot prices continued to climb on the back of healthy demand amid snug availability of spot cargoes. On 4 July, brightstock prices were assessed at $1,160-1,170/tonne FOB (free on board) Asia, according to ICIS data.

During the week, a deal for 1,000 tonnes of southeast Asia-origin brightstock was concluded at $1,170/tonne FOB Asia – reflecting an increase of around $5-10/tonne from discussions and deals heard throughout May and June. In June, brightstock prices were at $1,165/tonne FOB Asia, as producers held on to firmer selling ideas, limiting trades, according to ICIS.

Supply of brightstock in Asia is expected to tighten, with the expected shutdown of CPC-Shell Lubricants' (CSLC) 250,000 tonne/year base oils plant in Taiwan in November this year, while other regional producers have reduced output because of squeezed margins from other Group I grades, such as SN150 and SN500, according to market players. Meanwhile, healthy demand from the key Chinese market continued to lend support to brightstock spot prices, market sources said. Some market players, however, expect brightstock prices to peak in the near term at the onset of colder weather in northeast Asia from September. Demand for brightstock cargoes typically weakens towards the end of the year as this type of base oils solidifies in colder temperature, posing logistics difficulties. In certain markets like Thailand, domestic demand slows down in August, market players said.

China signs $1.6 billion engineering deal for Siberian LNG project

Rigzone, *10.07.2014*



A subsidiary of Chinese state oil giant China National Offshore Oil Corporation (CNOOC) has signed an around $1.6 billion deal to build equipment for a liquefied natural gas project in Siberia. Under the agreement, CNOOC's Offshore Oil Engineering Co will build "core modules" for the liquefication process on the project in Yamal in the Russian Arctic.

Novatek, Russia's second-largest gas producer, is developing the $27 billion Yamal LNG project with France's Total and China's top energy group, state-owned China National Petroleum Corporation (CNPC).

The first production unit, with annual capacity of 5.5 million tonnes, is due to be launched in 2017. In May, CNPC signed a deal to buy 3 million tonnes of LNG per year from the Yamal project, as did Russia's Gazprom. CNPC also agreed in May to buy 38 billion cubic meters of gas per year from Russia's Gazprom, in a deal unofficially valued at $400 billion.

New Canadian export entrant steelhead LNG aligns with first nations group

ICIS, *09.07.2014*

A western Canadian LNG development company has announced a partnership with the Huu-ay-aht First Nations for a scheme to export from Vancouver Island. Calgary-based Steelhead LNG entered into a development agreement with the First Nations which potentially could secure a land option to develop on tribal-owned lands on the south of the island.

Steelhead LNG submitted a series of applications to Canada's National Energy Board (NEB) to export as much as 30mtpa for a 25-year period. A proposal from one site is to develop four 6mtpa trains near Port Alberni at Sarita Bay, on Vancouver Island.

A second option would also include a 6mtpa facility along a proposed pipeline route. The project, estimated to cost $30bn for exports of 24mtpa and closer to $15bn for a first phase, will be structured similar to a tolling arrangement, said Steelhead CEO Nigel Kuzemko. Depending on the time of construction and financing, the project could be started within eight years. "It's a natural place ... we don't have an upstream or a downstream position and a tolling type model would be a suitable one for us," he said. Although British Columbia lacks the mature and integrated pipeline gas market that has aided the development of US liquefaction tolling agreements, Kuzemko said the capacity agreements could be based on the Canadian AECO gas hub so long as it suits the future customers and suppliers. Kuzemko said the project could be structured with each buyer taking on the full control of a train, or with a number of participants with offtake capacity. He said the project would be marketed to Asian buyers or LNG trading companies interested in reducing their risk.

According to Steelhead, the project would work closely with the Huu-ay-aht First Nations on regulatory, environmental and technical assessments. A vote on a possible land lease to the project is expected in November in front of the Huu-ay-aht First Nations People's Assembly. This is the second publicly known project proposed for Vancouver Island. The Discovery LNG project, developed by the Canadian junior oil and gas explorer Quicksilver, is planned at Campbell River, about 150km north of the site for Steelhead LNG, with a 2019 start date. However, the project has yet to submit an export application with the NEB.

Canadian pipeline operator and utility FortisBC is proposing a natural gas pipeline loop from its existing transmission line in order to serve another proposed small-scale facility, the planned 2.1mtpa Woodfibre LNG facility, north of Vancouver. The expansion project, known as Eagle Mountain, would run from north of the Coquitlam watershed in metropolitan Vancouver to Squamish. However, the proposed pipeline expansion for Woodfibre would be too small to feed into multiple LNG export projects. FortisBC currently has two pairs of smaller gas transmission lines that connect across the Strait of Georgia, but these would not be able to accommodate large-scale export project.

The city of Vancouver is about 1,400km south of Kitimat, where the first LNG export projects were pitched for BC. The western Canadian province lacks the feedgas pipelines that would bring the abundant unconventional gas reserves of northern BC to the proposed sites. Besides Steelhead LNG, the NEB is currently reviewing four other export applications in both eastern and western Canada. The agency has approved 11 export projects, including two projects based in the US that have applied to export Canadian gas across the board to export out of Oregon. While new proposed projects have numerous land options but are making little marketing headway, the proposed 12mtpa LNG Canada project led by Anglo-Dutch energy major Shell is understood to be advancing with its offtake efforts.

Shell’s partners, South Korea’s KOGAS, Japanese trading company Mitsubishi and China’s PetroChina, recently reshuffled partnership stakes, with Shell now holding 50% of the venture, PetroChina with 20% and KOGAS and Mitsubishi each with 15%. Unlike PetroChina and Mitsubishi, KOGAS holds less acreage independently from the consortium and was understood to be interested in shedding a further stake. A spokesperson for Shell declined to comment. A spokesperson for KOGAS did not respond to requests for comment before publication. The Canadian Shell venture was understood to be marketing long-term capacity to customers on an oil-indexed system, using an S-curve that held crude-oil-based slopes plus a constant. The Japanese trading company was understood to be looking at an oil and natural gas hub parity.

Announcements & Reports

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

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

► *Energy Supply Security: The Emergency Response of IEA Countries - 2014 Edition*

Source : International Energy Agency
Weblink : http://www.iea.org/publications/freepublications/publication/name-113501-en.html

► *Medium-Term Gas Market Report 2014 -- Market Analysis and Forecasts to 2019*

Source : International Energy Agency
Weblink : http://www.iea.org/w/bookshop/add.aspx?id=473

► *Medium-Term Oil Market Report 2014 - Market Analysis and Forecasts to 2019*

Source : International Energy Agency
Weblink : http://www.iea.org/w/bookshop/add.aspx?id=464

► *Russia 2014 - Energy Policies beyond IEA*

Source : International Energy Agency
Weblink : http://www.iea.org/w/bookshop/add.aspx?id=474

► *Energy Policies of IEA Countries - Austria - 2014 Review*

Source : International Energy Agency
Weblink : http://www.iea.org/w/bookshop/add.aspx?id=462

► *Monthly Oil Market Report*

Source : OPEC
Weblink : http://www.opec.org/opec_web/en/publications/338.htm

► *OPEC Bulletin*

Source : OPEC
Weblink : http://www.opec.org/opec_web/en/76.htm

► *The Role of the Oil and Gas Industry in Tackling Energy Poverty*

Source : Accenture
Weblink : http://www.accenture.com/us-en/Pages/insight-role-oil-gas-industry-tackling-energy-poverty.aspx

► *Oil and Gas Companies: How Digital is Transforming Work*

Source : Accenture
Weblink : http://www.accenture.com/us-en/Pages/insight-oil-gas-companies-digital-transforming-work.aspx

► *International Development of Unconventional Resources: If, Where and How Fast?*

Source : Accenture
Weblink : http://www.accenture.com/us-en/Pages/insight-international-development-unconventional-resources.aspx

► *2014 Global Oil and Gas Tax Guide*

Source : Ernst & Young
Weblink : http://www.ey.com/GL/en/Services/Tax/Global-oil-and-gas-tax-guide---Country-list

► *2014 Outlook on Oil & Gas*

Source : Deloitte
Weblink : http://www.deloitte.com/view/en_US/us/Industries/oil-gas/2a5868f26abf2410VgnVCM1000003256f70aRCRD.htm

► *Driving value in the upstream Oil & Gas sector*

Source : PwC
Weblink : http://www.pwc.com.au/industry/energy-utilities-mining/publications/upstream-oil-gas.htm

► *Short-Term Energy Outlook*

Source : U.S. Energy Information Administration
Weblink : http://www.eia.gov/coal/production/quarterly/

► *Weekly Petroleum Status Report*

Source : U.S. Energy Information Administration
Weblink : http://www.eia.gov/petroleum/supply/weekly/

► *Release of July Oil Market Report*

Source : International Energy Agency
Weblink : http://www.iea.org/publications/freepublications/publication/name-48398-en.html

Upcoming Events

►*International Conference on Energy (ICOE) 2014*

Date : 12 – 13 August 2014
Place : Colombo – Sri Lanka
Website : http://www.energyconference.com

► *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

► *Oil & Gas Producer Hedging and Marketing Forum*

Date : 11 September 2014
Place : Dallas - USA
Website : http://www.mercatusenergy.com/oil-gas-hedging-marketing-conference/

Supported by PETFORM

► *All Energy Turkey- 2014* ***(in Turkey)***

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

► 2nd European Shale Gas and Oil Summit 2014

Date : 29 – 30 September 2014
Place : London – United Kingdom
Website : http://www.esgos.eu/

► USEA 7th Annual Energy Supply Forum

Date : 02 October 2014
Place : Washington - USA
Website : http://www.usea.org/

► Energy and Economic Competitiveness, The Cost of Energy Supply, Security and Sustainability

Date : 06 - 07 October 2014
Place : London – United Kingdom
Website : http://www.chathamhouse.org/Energy2014?campaign=ngfe

► FT European Gas Summit: New Suplies for Europe: Feast or Famine

Date : 23 October 2014
Place : London – United Kingdom
Website : http://event.ft-live.com/ehome/index.php?eventid=87259&&reference=twittertweet

► European Autumn Gas Conference

Date : 28 – 30 October 2014
Place : London – United Kingdom
Website : http://www.theeagc.com/

► Turkey International Underground Gas Storage Conference

Date : 29 – 31 October 2014
Place : Ankara – Turkey
Website : http://tugs2014.org/

► Gas to Liquids

Date : 29 – 30 October 2014
Place : London – United Kingdom
Website : http://www.smi-online.co.uk/energy/uk/conference/gas-to-liquids

► Climate Change: Raising Ambition, Delivering Results

Date : 03 – 04 November 2014
Place : London – United Kingdom
Website : http://www.chathamhouse.org/ClimateChange14?campaign=ngfe

► *Turkmenistan International Oil & Gas Conference and Exhibition*

Date : 18 - 20 November 2014
Place : Ashgabat - Turkmenistan
Website : http://www.oilgasturkmenistan.com/

► *6th OPEC International Seminar*

Date : 03-04 June 2015
Place : Vienna, Austria
Website : http://www.opec.org/opec_web/en/