Oil & Gas Bulletin

▸ *07.11.2014*

‘Gazprom, Marubeni, Turkish firms eye Istanbul gas grid sale’

Reuters, *04.11.2014*

Turkey will start the sale of Istanbul’s IGDAS gas grid this month, with Russia’s Gazprom, Japan’s Marubeni Corp and Turkey’s Enerya and Aygaz among the interested bidders.The IGDAS network serves more than 5 million customers in Turkey’s largest city and sold 5 billion cubic meters of gas last year, generating 4.6 billion Turkish Liras ($2 billion) of revenue and a 279 million lira net profit.

“Appetite is huge for the distribution network of a city with the most consumption in the country. A lot of companies are waiting for the tender advertisement,” one of the sources familiar with the privatization plans said.

Natural gas distributor Enerya confirmed it was interested in the IGDAS sale. Gazprom did not respond to calls seeking comment, while officials at trading house Marubeni were not immediately available to comment. Liquefied propane gas company Aygaz said it would make a decision after seeing the tender documents. “The Turkish government is putting two very valuable assets up for sale in the market IGDAS and the highways and bridges to test investors’ appetite,” a second source close to the privatization process told. “Gazprom, Enerya, Marubeni and Aygaz are among the interested bidders for IGDAS,” the source said.

Banking and government sources told that Turkey was also reviving plans to privatize two bridges across the Bosphorus Strait in Istanbul and some motorways and aims to start the process by the first quarter of 2015. A draft law regulating Turkey’s natural gas market, which includes clauses regarding the privatization of IGDAS, is still before parliament, a second source said, but is expected to pass to enable the sale process to go ahead. IGDAS belongs to the Metropolitan Municipality of Istanbul, which will hold the sale, rather than the privatization administration, the sources said. Turkey’s total gas consumption this year is expected to be around 48-49 billion cubic meters. Turkey sold the natural gas distribution network Başkent Gaz in the capital Ankara, the second-largest gas grid company after IGDAS, in January 2013. Torunlar Gıda, which has interests in construction, real estate and agriculture, placed the highest bid of $1.16 billion.

Inflation high in Turkey despite the fall in oil prices

Hurriyet Daily News, *05.11.2014*

Despite the fall in world commodity prices, primarily oil, in Turkey inflation rates cannot be pulled down to the desired level. Central Bank Governor Erdem Başçı announced the Inflation Report, saying that they had expected a fall in inflation in October, but the opposite happened.

In October, despite the market expectation of 1.78 percent, the consumer price index (CPI) went up to 1.90 percent. With this figure, last year's inflation rate also went up from 8.86 percent to 8.96 percent compared to the previous month. The annual increase in producer prices has reached double digits with 10.10 percent.

Başçı said inflation had now entered a downward trend, but a steeper fall looks difficult until the end of the year. The reason is that CPI increases were very low in November and December last year, so markets do not expect a decrease in annual inflation until the end of this year. The Central Bank, with the latest revision it made last week, changed the dot target in the inflation band to 8.9 percent and the top limit of the corridor to 9.4 percent. Thus, even though one week has passed since this revision, we can say there is no possibility left for the dot target to be reached. The increase in food prices that plays a significant role in the rise of inflation went down in October below the average of past periods, but again it has a high course.

On the other hand, the fall in world oil prices has started to make positive contributions to energy prices and inflation. While fuel oil prices are expected to fall, this situation will also positively affect inflation next month. Despite the restriction of domestic demand, the fall in world oil prices and the halt of the excessive increases in foreign exchange rates, the fact that inflation is still at the threshold of 9 percent makes it quite hard to make predictions for the future. Even though Başçı said these factors would decrease inflation next year, this is definitely an optimistic opinion, because the markets do not quite expect this low course in world oil prices to continue for a long period.

Even though it has a low course, in parallel with the setting of the FED's interest rate increase, possible increases in foreign exchange rates may curb this fall. Expectations that the dollar exchange rate will rise to 2.5 Turkish Liras can be considered bad news for inflation. I think an important factor that the Central Bank does not take into consideration is political developments. While it is still not clear whether or not Turkey will join the Western coalition formed against the Islamic State of Iraq and the Levant (ISIL), Prime Minister Ahmet Davutoğlu has said "We will neither enter the war nor stay out of everything." Turkey, through Western pressure, may be made to join this coalition and may have to go to war against ISIL. Actually, regardless of Turkey entering or the war or not, it is possible that the atmosphere of clashes will infiltrate into Turkey. This possibility could disrupt the foreign exchange rate and inflation calculations. These threats could totally disrupt the economic balances in the country.

EU leaders condemn Turkey's escalation of Cyprus conflict

Natural Gas Europe, *03.11.2014*

EU leaders showed support for Greek Cyprus during the EU summit in Brussels. They condemned Turkey's intervention in Greek Cyprus' Exclusive Economic Zone (EEZ) and called on Turkey to respect Greek Cyprus' sovereign rights to explore and exploit its EEZ. EU leaders also referred to a declaration signed by the European Community and its Member States on 29 July 2005.

The fifth article of the declaration states that "Recognition of all Member States is a necessary component of the accession process. Accordingly, the EU underlines the importance it attaches to the normalization of relations between Turkey and all EU Member States, as soon as possible."

On October third of this year, the Turkish Government issued a NAVTEX note announcing its plans to carry out between October 20th and December 20th seismic surveys within offshore blocks of the Greek Cyprus' EEZ already licensed through international bidding. These surveys include a block where the Italian ENI – Korean KOGAS consortium is currently carrying out exploratory drilling. The escalation by Turkey led to President Anastasiades' disruption of the peace talks aimed at achieving a settlement.

The EU leaders' firm support to Greek Cyprus came as a reassurance for the island. France's TOTAL and Noble Energy are also planning to explore Greek Cyprus' waters in 2015. Foreign ministers of Egypt, Greece and Greek Cyprus also condemned Turkey's actions in a meeting on Wednesday 29 October in Nicosia. The Eastern Mediterranean region is undergoing major changes since the discovery of hydrocarbon in the Levant basin. Israel and Greek Cyprus are currently studying various export scenarios to sell their natural gas in global markets. Israel is exploring an export route via Egypt and Greek Cyprus is counting on further discoveries to build an onshore LNG terminal that would allow the flexibility to reach international markets.

Regional deals to sell natural gas to Egypt and Jordan are also being envisaged by both Israel and Greek Cyprus. The region remains however daunted by geopolitical hurdles. A maritime border dispute between Lebanon and Israel is yet to be resolved. The division of Greek Cyprus will not only constitute an obstacle for Turkey's EU accession but will also threaten future escalations that may impede Greek Cyprus' offshore activities. And the historic tensions between Israel and its Arab neighbors pose the important question around the fate of the regional deals amid regional sensitivities.

First November Snohvit LNG cargo heads to Turkey

Argus, *03.11.2014*

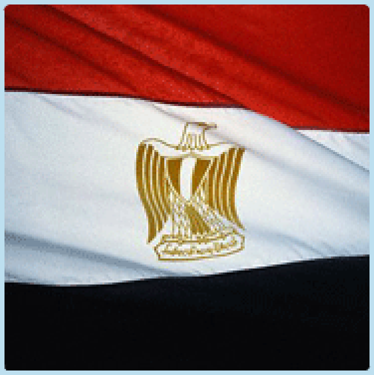
The first November LNG cargo to be despatched from Norway's 4.2mn t/yr Snohvit liquefaction plant departed for Aliaga in Turkey yesterday aboard the 155,000m³ Arctic Aurora.

The vessel is scheduled to arrive at the 4.4mn t/yr Aliaga terminal on Turkey's Aegean coast on 27 November. The terminal is operated by Turkish private-sector firm EgeGaz, but is also used by state-owned gas company BOTAS. This is the second Norwegian cargo to be sent to Turkey this winter. The 155,000m³ Arctic Voyager left Snohvit on 27 October and is scheduled to arrive at Aliaga on 9 November.

Turkey has secured LNG equivalent to 2bn m³ pipeline of gas equivalent in short-term deals for delivery this winter, in addition to term cargoes from Algeria and Nigeria, BOTAS' general manager, Mehmet Konuk, said last week. BOTAS has concluded a strip deal to buy LNG equivalent to 1.2bn m³ of pipeline gas from Qatar this winter in nine shipments, and Konuk said the remaining supply was purchased from international suppliers including BP, Shell and Norwegian state-controlled energy firm Statoil. Russian gas deliveries to Turkey through the Western Line, which passes through Ukraine, Romania and Bulgaria, have been weaker since the end of September, and have failed to step higher in line with nominations since 14 October, leaving receipts 30pc below importers' requests.

Egypt signs $350m in oil, power financing deals with Saudi Arabia

Arab News, *02.11.2014*



Egypt signed $350 million worth of financing agreements with Saudi Arabia aimed at upgrading its power grid and securing imports of petroleum products as it seeks to end its worst energy crisis in decades. Power cuts have become common in Egypt as the cash-strapped government struggles to supply enough gas to its power stations let alone upgrade a grid suffering from decades of neglect.

The energy crunch has become a political hot potato in the Arab world's most populous country, which has turned from a gas exporter into a net importer in recent years as it diverts gas once destined for export to meet domestic demand.

Lines at petrol stations and a shortage of gas were among the main public grievances against former President Mohamed Mursi. But oil-producing Gulf allies have come to Egypt's aid since the army, prompted by mass protests, ousted Mursi last year. Two loan agreements signed on Saturday worth a total of about $100 million will be invested in two electricity stations that are expected to boost the capacity of the national grid. A further $250 million in assistance will come in the form of petroleum products. Saudi Arabia sent Egypt $3 billion worth of refined oil products between April and September of this year, according to an Egyptian oil official, while the total value of Saudi oil aid since July 2013 amounted to about $5 billion. Egypt has also turned to the United Arab Emirates for oil products, signing deal in September that commits it to purchasing about 65 percent of its needs from its Gulf ally in the next year. Egypt introduced deep cuts to energy subsidies in July, which have resulted in price rises of more than 70 percent, as it seeks to curb public spending and fuel waste.

Saudis go back to the future to take on U.S. shale rivals

Bloomberg, *05.11.2014*

The Saudi oil minister's visit to Venezuela this week is also a trip through time. Flash back to December 1998 when Saudi Arabia looked to its fellow OPEC member for help lifting oil prices from about $10 a barrel.

The Saudis were defending their dominance in the global oil market from new suppliers in Latin America. Now the desert kingdom is cutting prices to the U.S. to contend with upstart shale producers. To win the showdown, the Saudis are trying to bring OPEC's weaker members in line before the Nov. 27 meeting of the organization, said Seth Kleinman, head of European energy research at Citigroup Inc. in London.

"Shale is in the Saudis' sights," Kleinman said by e-mail. "It's going to be shale or it's going to be OPEC." Ali Al-Naimi, Saudi Arabia's oil minister, flew to Venezuela for a conference that starts this week, according to two people with direct knowledge of his plans who asked not to be identified because they're not authorized to speak to the media. He's due to attend a gas forum in Acapulco, Mexico, on Nov. 11 and 12. The trip is reminiscent of the 1990s, when Saudi Arabia's competition with Venezuela and Mexico for shipments to the U.S. Gulf Coast drove down prices, according to Mike Wittner, head of oil market research at Societe Generale SA in New York.

The Organization of Petroleum Exporting Countries is under pressure because of the historic expansion of U.S. production from hydraulic fracturing and horizontal drilling. U.S. fields are pumping 8.97 million barrels a day, the most since the 1980s, according to the U.S. Energy Information Administration. Meanwhile, global consumption will increase the least since 2009 as economic growth slows in Europe and Asia, the Paris-based International Energy Agency said. West Texas Intermediate crude, the U.S. benchmark, was near a three-year low at $77.23 a barrel in electronic trading on the New York Mercantile Exchange at 11:40 a.m. Singapore time, down from $107.73 on June 20. Citigroup changed its forecast for WTI on Oct. 20 to $84 a barrel next quarter, from a previous estimate of $89.50.

The shale boom sets up a direct challenge as the U.S. is poised to leapfrog Saudi Arabia and Russia as the world's largest oil producer. The IEA initially said that would happen by 2020, then last November moved up its prediction to 2015. Saudi Arabia's output rose 1 percent to 9.75 million barrels a day in October, according to data compiled by Bloomberg. The kingdom remains the world's biggest oil exporter. The Saudis can stem the growth of shale oil as even temporarily lower prices dim investors' enthusiasm to fund drilling, according to Kleinman, the Citigroup analyst. About one-third of U.S. shale production loses money at $80 a barrel, according to Sanford C. Bernstein & Co. A Bloomberg Intelligence stock index of North American exploration-and-production companies dropped 20 percent since Oct. 1.

Saudi Arabian Oil Co., the state-owned producer, lowered the premium for sales to the U.S. Gulf Coast by 45 cents a barrel on Nov. 3 to the smallest since December. At the same time, Aramco increased prices for exports to Asia and Europe. “The fact that they’re cutting prices in the U.S. and not in other areas does seem to lend credence to the theory that they are going after U.S. shale production, which has been the biggest threat to their market share,” said Chad Mabry, an analyst at MLV & Co., an investment bank in Houston. “It’s a reminder that even with the balance of power in the oil market seemingly shifting to the U.S., it’s the Saudis that really can dictate big swings in the market if they decide to.” Alternatively, Al-Naimi may be trying to collect pledges to cut production, according to Wittner at Societe Generale.

“Saudi Arabia wants to see a cut shared out between all the members of OPEC,” Wittner said by phone. “You’d expect Venezuela to say, ‘We’ll consider it if everyone else does it as well.’ It’s all about shared pain.” Trying to defend prices by acting alone backfired for the Saudis in the past. In the 1980s, the kingdom cut output by almost two-thirds as new supply from areas such as the North Sea created a glut, leading to years of budget deficits. Today, supplies are surging within OPEC, too. Libyan output almost tripled since June to 850,000 barrels a day, data compiled by Bloomberg show. Iraq pumped 3.3 million barrels a day in October, within 3 percent of February’s 13-year high. The bloc’s total production rose to a 14-month high of almost 31 million barrels a day.

“Saudi Arabia is not going to give up market share to Iraq, to Iran, to other countries who are cheating” by pumping more, Daniel Yergin, the Pulitzer Prize-winning oil historian and vice chairman of Englewood, Colorado-based consultancy IHS Inc., said in an Oct. 31 interview on Bloomberg Television. “It’s hard to see an OPEC deal at the end of November.” Saudi Arabia can withstand lower prices because it has enough currency reserves, Yergin said $738.6 billion, according to the International Monetary Fund.

The bear market is a bigger strain for weaker economies such as Venezuela, which is suffering after years of currency controls, supply shortages and the world’s highest rate of inflation, which deterred foreign investment. Venezuela’s call last month for an emergency OPEC meeting went nowhere. Now the country is preparing a proposal to halt the price declines, President Nicolas Maduro said Oct. 31 on state television. Ecuador is collaborating on a strategy to increase prices at the November meeting, Finance Minister Fausto Herrera said yesterday in Quito. “The Venezuelans are the most worried because they are in the worst fiscal situation,” Sarah Emerson, managing principal of ESAI Energy Inc. in Wakefield, Massachusetts, said by phone. “It makes perfect sense for Naimi to visit Venezuela, the most fragile country in OPEC.”

Yemen's oil exports fall 33 percent

Anadolu Agency, *04.11.2014*

Yemen's oil exports dropped by about 33 percent in the first eight months of 2014 compared to the same period last year, underscoring the continued decline of the country's oil sector amid wide political unrest.

Yemen exported 11.15 million barrels of crude oil in January to August, down from 16.61 million barrels in the same period last year, the central bank said. Yemen has been dogged by turmoil since pro-democracy protests forced autocratic president Ali Abdullah Saleh to step down in 2012 after 33 years in power. Since then, the country has seen an uptick in attacks on oil export facilities.

The country usually had to pressure the government to release prisoners or to improve public services in the area. The central bank report said oil revenues dropped to $1.21 billion in the first eight months of 2014 from $1.81 billion in the same period last year. International Monetary Fund figures show that 63 percent of the government's revenues came from the hydrocarbons sector between 2010 and 2012, and that hydrocarbons accounted for 89 percent of the overall export revenues. Yemen, as a member of the Extractive Industries Transparency Initiative, EITI, reported in July 2013 that government revenues from the oil and natural gas sector in 2011 were more than $5 billion. Crude output dedicated to domestic consumption also declined to 13.59 million barrels in the first eight months of this year from 15.90 million barrels in the same period of 2013.

"The decline is due to sabotage attacks on the crude pipeline, which affect the supplies dedicated to domestic consumption and force the government to import large amounts of oil products to meet the rising demand," the central bank said. Yemen's oil production has been declining in the last few years and the energy infrastructure continues to suffer frequent attacks. The country's crude production was about 100,000 barrels per day in March 2014, according to the estimates of the U.S. Energy Information Administration. According to the Oil & Gas Journal, Yemen had proved reserves of oil totaling three billion barrels as of January 2014. Most of the country's production is from the Marib-Jawf area in central Yemen and near the Masila area in the southeast.

Bulgaria’s gas sector gridlocked

Natural Gas Europe, *03.11.2014*

Bulgaria is experiencing the aftermath of yet another general election with no clear majority. Moreover, looming energy security issues in terms of natural gas supply affected by the Ukraine crisis and the ongoing South Stream project are putting further strains on Bulgarian policy makers.

At a recent energy forum in Sofia, the 5th Regional Energy Conference, which was attended by 120 international energy experts from 11 countries, Bulgaria’s caretaker Deputy Prime Minister in charge of Economic Policy and Minister of Regional Development and Minister of Investment Planning, Ekaterina Zaharieva.

Zaharieva pointed out that all EU countries should stand united to establish an EU energy union otherwise they would not be able to overcome the serious issues involved. Further to this she added that that the foremost priorities for energy security should be proper management of the state corporations and the liberalization of markets and energy efficiency models. Regarding the bilateral relations between Sofia and Moscow vis-a-vis natural gas supplies, Zacharieva noted that “The situation is monitored on a daily basis in order to avoid a new major gas crisis. Already an emergency staff has been put in place by the Bulgarian government for that reason.... The European Commission has enacted stress tests for all countries and regarding Bulgaria one of the actions involved is to continue operations in the thermo-electric plant of Varna, as well as, to gather in pace for the establishment of gas interconnections with neighboring countries.”

For the moment the only interconnector pipeline that is almost completed is the one with Romania, whilst Interconnector Greece-Bulgaria (IGB) is due by mid-2016. The British Ambassador to Sofia, Jonathan Allen, stated that the South Stream project is not of any economic value for the energy security of the EU and is merely a political design that strives to circumvent Ukraine for the benefit of Russian foreign policy. According to his point of view, emphasis should be placed on energy interconnections in terms of gas supplies. In particular, for Bulgaria, Allen pointed out that “For the moment Bulgaria is not able to be supplied from neighboring countries, but IGB will be built soon. Also the other plans with Romania and Serbia are going forward and pan-European support is needed in that aspect.”

In the meantime, South Stream construction is a priority for Bulgaria and Austria, as noted by the Bulgarian President Rosen Plevneliev and his Austrian counterpart Heinz Fischer stated after recent talks. “We actively support the South Stream project as an opportunity to diversify gas supply routes to Southeast and Central Europe,” Plevneliev said, adding a correct dialogue with the newly-appointed European Commission could persuade it to give a green light to resuming its construction. A high-level diplomat from an EU country, serving in Sofia, relayed to Natural Gas Europe that “Presently there is intense antagonism between three major power structures, USA-Germany and Russia for the fate of the South Stream.

That causes great strains in diplomatic level for Sofia which is also struggling with myriads domestic problems in its economy and social life. A compromise should be sought and Bulgaria should also lay down its own plan, otherwise the whole affair will deteriorate further its economic prospects and may well lead into new premature general elections.” For the moment from all countries formally participating in the South Stream project, the only one that has been in an ambiguity mode with conflicting governmental initiatives on that matter is Bulgaria, which quite interestingly is the starting point of this pipeline. The only viable alternative for this project to move on in case Bulgaria remains indifferent or negative is Turkey as a landing point for the Black Sea offshore pipeline section, or Romania, although the latter is on rather bad terms with Moscow as of late and should be considered as the least popular entry point in all accounts.

The Role of Greece in the Geostrategic Chessboard of Natural Gas

Natural Gas Europe, *07.11.2014*

Amid the hard times Greece is going through, the assertion that it is turning into an important regional player in the natural gas scene is not an exaggeration. Its geostrategic location on the map offers a number of advantages, as well as to an upgrade of its geopolitical role in South-East Europe.

Trans-Adriatic Pipeline as the avenue for EU’s Southern Energy Corridor, the pending project for the Greece-Italy Poseidon pipeline with the participation of DEPA not only will it support local economies during the construction phase, but also ‘locks’ this particular route through Greece as the main entrance hub of Azeri gas to Europe.

Analysts have pointed out often that the initial capacity of 10 bcm is scant compared to EU’s gas imports of ca. 280 bcma (out of 460 bcm of total consumption). However, a quantity of 10 bcm covers to a large extent the import needs of the transit countries and their neighbours, taken into account that Greece, Bulgaria, Croatia, Romania and Albania import ca. 12 bcm cumulatively - with the numbers for Turkey and Italy being 45 bcm and 66 bcm respectively.

This capacity can therefore have a substantial impact on the diversification of supply sources for the aforementioned states, especially if the potential plan for doubling the pipeline’s capacity in the future is considered. Moreover, the construction of the interconnecting pipeline Greece-Bulgaria (IGB) as developed by DEPA and its associates, will offer another potential source for diversification, as it will connect Bulgaria with TAP. The pipeline’s capability of reverse flow will allow Greece to use current or future regasification infrastructure to supply Bulgaria and the whole region with liquefied natural gas. The further development of an interconnecting pipeline network, such as the proposed Bulgaria-Romania (IBR) and Bulgaria-Serbia (IBS) could help in this direction. The development of this pipeline network will undoubtedly enhance the energy security for the whole region of South-East Europe, rendering Greece as an integral link of this process.

The plan by the Greek natural gas system operator DESFA to construct a third gas storage facility in Revythousa could add an extra 95.000 cm, raising the system's overall storage capacity by 73%. The storage capacity could be further boosted with the proposed project by the Greek oil company Energean SA to turn a depleted oil field in the area of Kavala in Northern Greece into an underground storage facility with an estimated capacity of 1 bcm. Furthermore, the import of gas from alternative supply sources could be increased substantially from the DEPA-planned Floating Storage Regasification Unit in the area of Kavala, which can bring in the equation another 150.000 cm of storage capacity, as well as the potential of pumping up to 5 bcma into the system. This project, in a potential synergy with a similar project proposed by the Greek company Gastrade in the region of Alexandroupolis, is critical in turning Greece in an emergent gas trade hub in the region.

Another factor to be considered is the important synergies with the maritime industry for the import and export of liquefied natural gas (LNG). Interestingly, natural gas could be also used as fuel for the ships, especially in the light of the recent EU proposals on fighting pollution caused by ships, including the Mediterranean Sea. A special mention is in order with regards to the prospect of the transportation of Cypriot natural gas through the Eastern Mediterranean Pipeline proposed by DEPA. This pipeline, which is put forward in cooperation with the Ministry of Energy, Commerce Industry and Tourism of the Republic of Greek Cyprus, could transfer initially 8 bcma of Cypriot and potentially Israeli gas. Furthermore, the existence of a pipeline network in the area could facilitate the Greek government's planning for the exploitation of its domestic hydrocarbon resources, as these could find more easily their way to the regional markets.

Also noteworthy is the fact that all of the aforementioned projects have been included as Projects of Common Interest (PCI) by the European Commission, which raises their significance but most importantly enhances their prospects of realization. The completion of all these investments would find Greece with an overcapacity of natural gas exceeding by far its annual consumption of ca. 4bcma, which apart from contributing to the energy security of the region, could also open the way for a further commercial use of the exceeding quantities. These developments would also support the aspiration of the Greek government to establish a virtual trading hub for natural gas based (possibly) in Thessaloniki. The orientation of the Greek government to implement structural reforms and open up the energy market and thus enhance competition across the value chain, from energy generation to supply, as well as the attraction of foreign investments directed to energy infrastructure, could lay the foundation for the emergence of Greece as a strategic entrance and trade hub of natural gas in South-East Europe.

EU probes Azeri purchase of Greek gas firm

Deutsche Welle, *05.11.2014*

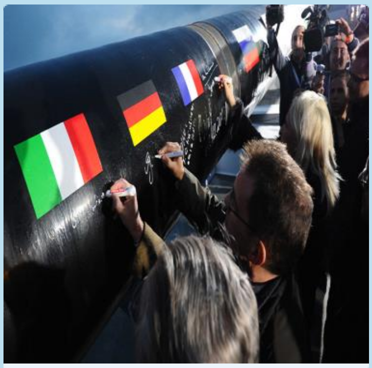
The European Commission said it had started an in-depth investigation to assess whether the proposed acquisition of the Greek gas transmission system operator DESFA by the State Oil Company of Azerbaijan Republic (SOCAR) would be in line with the bloc's merger regulations. It said SOCAR had offered 400 million euros ($500 million) to secure a majority stake of up to two-thirds in DESFA.

SOCAR's activities include the production of natural gas and the upstream sale of gas in Greece. DESFA owns and operates Greece's sole high-pressure gas pipeline and its only LNG terminal.

The EU executive noted it had concerns that the planned deal might reduce competition on the upstream wholesale supply market for natural gas in Greece as it could allow the merged entity to hinder SOCAR's competitors in accessing the Greek gas transmission network. The Commission said it aimed to ensure that the sale of DESFA as part of the Greek government privatization program did not result in reduced competition and ultimately higher gas prices for consumers in Greece. Brussels now has until March 23, 2015, to take a decision. When talks about a merger first appeared in July of this year during a meeting between the Greek and Azeri presidents in Athens, EU officials were glad to hear the news, arguing it was linked to the planned Trans-Adriatic Pipeline (TAP) project as a key instrument for diversifying energy supplies to the European Union and decreasing the bloc's dependency on Russian gas. The idea is to transport Azeri gas by pipelines via Turkey and Greece to Albania, Italy and other European markets.

Hungarian law gives green light to South Stream in defiance of EU

Reuters, *04.11.2014*



The Hungarian parliament has approved a law on Monday which allows building the South Stream gas pipeline without approval of the European Union. The European Commission has already demanded an explanation from Hungarian authorities.

The European Commission's spokesperson said at a press briefing in Brussels on Tuesday that the EC was in contact with Hungarian authorities to get an explanation for their decision. The law was passed with 132 votes in favor and 35 votes against, allowing a company to construct a gas pipeline even if it doesn't have the licenses needed to operate it.

According to the new law the only requirement for a company which wants to take part in construction is approval from the Hungarian Energy Office. "This is meant to give a boost to South Stream and is to show Russia that Hungary is taking the project seriously," Attila Holoda, an expert on energy regulation, said as cited by Bloomberg. South Stream is "extraordinarily important" for Hungary because it enhances the security of gas supplies to the country, Janos Lazar, the Minister in Charge of the Prime Minister's Office, told reporters on October, 22. The South Stream gas pipeline was projected to deliver gas to south and central Europe via the Black Sea and the Balkans, bypassing Ukraine.

The project, with a capacity of 63 billion cubic meters of gas a year, is seen as critical for European energy security. Ukraine has been an unreliable transit country, and building a new pipeline is could result in avoiding numerous risks. The South Stream would run across Bulgaria, Serbia, Hungary, Austria, and Slovenia before entering Italy and Greece. The crisis in Ukraine has made the South Stream project a political issue rather than a legal debate. The EU Commission has been pressuring member states to stop the building of the pipeline. Last year it started an investigation claiming the project contradicted the European Union's Third Energy Package regulations. Bulgaria and Austria have temporarily suspended the project but are leaving it on the table.

Serbian PM discusses models of gas debt repayment with Putin

Reuters, *05.11.2014*

Serbian Prime Minister Aleksandar Vucic said on Tuesday he had discussed models of debt repayment to Russian state gas giant Gazprom with Russian President Vladimir Putin by telephone. Vucic's government said last week that the country's gas debt of $224 million was the reason for a 28-percent reduction in gas supplies from Russia. Supplies first fell in late September.

But Vucic had said he would ask Putin for debt rescheduling as his government needs to rein in spending in its 2015 budget to get a new three-year loan deal with the International Monetary Fund.

"The two interlocutors agreed ways of cooperation regarding all issues linked to Russian gas deliveries to Serbia and models of debt repayment," Vucic's office said in a statement, without giving any details. Putin has accepted Vucic's request "to secure more favorable gas supplies to Serbia's petrochemical complex." Serbia is heavily dependent on Russian gas, importing more than 80 percent of its annual consumption of 2.5 billion cubic meters via Hungary and Ukraine. The EU candidate country put its oil and gas sector largely in the hands of Gazprom in 2008, in a deal that allowed Gazprom's oil arm Gazprom Neft to acquire a majority stake in oil firm NIS. Gazprom is majority shareholder in Serbia sole gas storage facility with the capacity of 450 million cubic meters.

Extra capacity announced for Slovak-Ukraine natural gas pipeline

ICIS, *04.11.2014*

Slovak transmission system operator Eustream has announced an open season for an additional 4.5 million cubic metres (mcm)/day of interruptible capacity on the Vojany pipeline taking gas from Slovakia into Ukraine. The extra capacity will be made available to successful bidders from January 2015.

It was able to offer the capacity in response to technical measures taken to increase capacity at the Ukrainian side of the pipeline. Interested parties can register with Eustream from Tuesday until 17 November 2014.

Binding requests for transmission capacity may be submitted until 19 November 2014. In the meantime, Eustream has made the additional capacity available to any interested parties from Wednesday until 1 January 2015. The capacity will be posted on the Eustream website on Wednesday at 12:00, when it will be available for booking in line with standard Eustream conditions. Currently the Vojany pipeline has a daily interruptible capacity of 280.8GWh/day – equal to just over 26mcm/day. The amount of capacity available on a firm basis will increase to 26mcm/day by March next year. This equates to roughly 10 billion cubic metres (bcm)/year. Eustream is currently analysing the feasibility of increasing this capacity to 14.5bcm/year.

Eustream's considerations come after recent requests from Ukrainian oil and gas incumbent Naftogaz for the Slovak company to increase the amount of gas that can be sent into Ukraine from Slovakia. Following the halt in Russian gas supplies to Ukraine on 16 June this year, Ukraine has been sharply increasing its gas imports from the west. At the end of October an agreement was reached in Brussels between Russia, Ukraine and the European Commission on gas debt repayment and the resumption of Russian gas supply to Ukraine this winter. This could reduce the incentive for Ukraine to take increased gas volumes from the west over the next few months, but that will depend on the price of Russian gas relative to European hubs. When Russia introduced a significant gas price reduction to Ukraine in the first quarter of 2014, Ukraine immediately stopped taking European gas in reverse flow over its western border because it was no longer competitive with Russian gas.

Russia-Ukraine crisis shields EU gas from oil price rout

Bloomberg, *05.11.2014*

The risk of disruptions to Russian natural gas flows through Ukraine this winter is protecting European prices from the rout that sent oil to a four-year low. U.K. gas for next quarter fell 13 percent since mid-June, less than half the 28 percent plunge in Brent crude over that time.

While Brent is typically the benchmark used to set the price on almost half the gas supply in Europe, the Russia-Ukraine conflict is having a bigger impact on gas prices than the decline in oil. First-quarter supply interruptions are still possible as Ukraine may struggle to pay Russia $3.1 billion by year-end under an agreement brokered by the EU.

The 28-nation EU, which gets 15 percent of its fuel from Russia through Ukraine, sought to avoid repeats of 2006 and 2009, when disputes between the former Soviet republics over gas debts and prices led to shortages across the region amid freezing weather. "Right now, gas prices in Europe are really linked to the Russian-Ukrainian crisis, so I don't think the impact from oil is as big as it could be," Edouard Neviaski, chief executive officer of GDF Suez Trading, a unit of France's biggest utility, said in an interview in London.

Russia halted gas supplies to Ukraine on June 16, with OAO Gazprom saying Ukraine’s debt stands at $5.3 billion. The cut came after Russia annexed Ukraine’s Crimea peninsula in March and as a conflict between Kiev and pro-Russian rebels in the eastern part of the country killed more than 4,000 people. Brent crude started to slump in June as growth in U.S. production added to slowing demand in Europe and China. The oil slump, caused by a global oversupply as the U.S. produces the most crude since at least 1983, has the most “downside potential” on summer gas, Neviaski said. The contract for the six months from April has lost 7.4 percent since June 19, when Brent reached its highest this year. Russia will resume gas flows to Ukraine after it receives $1.45 billion, the first tranche of debt repayment, and cash for November supplies under the accord signed Oct. 30 in Brussels. Supplies would halt if state gas company NAK Naftogaz Ukrainy doesn’t pay by Jan. 1, Russian Energy Minister Alexander Novak said Oct. 31.

Ukraine has funds to pay for 4 billion cubic meters of gas in November and December, said Energy Minister Yuri Prodan. The price will be about $378 a thousand cubic meters, according to the accord. While the additional volume would help Ukraine, the nation would still face shortages in the event of a cold winter, according to Chris Main, a London-based analyst at Citigroup Inc. Ukraine average demand in the winter of 2012-13 was about 6 billion cubic meters a month, he said. The EU didn’t give any guarantees to Russia on Ukrainian payments, Marlene Holzner, an energy spokeswoman for the European Commission, told. The eastern European nation can use funds under an existing EU and International Monetary Fund assistance package, possibly drawing 760 million euros from it ahead of schedule, she said.

The security of gas transit to Europe in 2015 is “still open to question,” Thierry Bros, a Paris-based analyst at Societe Generale, said in an Oct. 31 report. The bank cut its first-quarter U.K. gas price forecast 12 percent to 61 pence a therm after the deal. The price fell 6.8 percent last month. European gas demand is set to fall 9 percent this year, its fourth annual drop, according to Brussels-based lobby group Eurogas. Temperatures will be warmer than average this month in the mildest year since 1964 before plunging below normal this winter, according to forecaster MDA Weather Services. “In Europe, it is much more about incremental demand, which has been incredibly mild to date, and what happens with Russia,” Christopher Bake, head of origination at Vitol Group, said in an interview Oct. 29.

“The geopolitical impact on European gas could be more sustainable short term.” Naftogaz says the price it pays Gazprom under its long-term oil-indexed contract is higher than on spot markets in Europe. With crude falling, long-term supplies may become cheaper than on spot hubs, Bros said in an Oct. 16 report. Ukraine’s gas price from April onward as well as the size of its outstanding debt to Gazprom will be settled in a Stockholm arbitration court. Gas buyers from EON AG to GDF Suez SA have won price revisions from sellers including Gazprom through talks or arbitration after they posted losses selling gas into domestic markets. Oil’s drop probably won’t change the trend toward more spot indexation in contracts, Neviaski said. “People want competitive long-term gas supplies and to be competitive in the long run, it means you need to be indexed on markets, so I don’t think the lower oil prices will change the trend we have been seeing for the past three to four years,” he said. “It can even help to accelerate the convergence.”

Gazprom to resume gas supply after Ukraine pays $2.2 billion

Reuters, *01.11.2014*

Russia may restart gas supply to Ukraine as soon as next week if Kiev pays $2.2 billion worth of debt and pre-payments, gas export monopoly Gazprom said on Friday, under a deal that is also vital to ensure deliveries to Europe.

Moscow, Kiev and the European Union clinched an agreement to resume supplies of Russian gas to Ukraine over the winter and secure transit of gas via Ukraine to Europe, despite tensions over a pro-Russian separatist rebellion in east Ukraine. Gazprom halted supplies to Ukraine in June amid a bitter dispute over debts and pricing between Moscow and the former Soviet republic.

Ukraine is now seeking to foster closer ties with the West rather than Russia. Miller said Gazprom would restart the flow of gas within two days after Kiev covers part of its debt for past gas deliveries and provides a pre-payment for gas deliveries in November. “Everything depends on when Ukraine makes this payment. We understand this can happen by the end of next week,” Miller told state TV broadcaster Rossiya 24, when asked about possible timing for resuming supplies. The Kremlin on Friday welcomed the deal as “an important step in the context of ensuring further uninterrupted gas transit to Europe”.

Russia provides about a third of the European Union’s gas supplies, pumping half of that amount through pipelines that traverse Ukraine. Speaking in Kiev, Prime Minister Arseny Yatseniuk said he was determined to ensure safe transit to the EU, a crucial partner for Kiev in dealing with Russia over the rebellion in the east and a creditor of Ukraine’s bankrupt economy. “Ukraine will safeguard the transit and ... won’t give Russia a chance to blackmail Ukraine and Europe,” Yatseniuk said, adding that supplies should start within 36 hours from payments. Under the gas agreement, which covers November to end-March 2015, Ukraine must pay $1.45 billion toward its gas debt and pay up front for November supplies. Miller put the pre-payment at $760 million.

Kiev must also pay a total of $3.1 billion in debts for past deliveries by the end of the year, or supplies will cease from 2015, according to the protocol from Thursday’s talks in Brussels published by the Ukrainian government on Friday. Gazprom, in turn, will refrain from using a contractual “take-or-pay” clause until end-March. The clause requires Ukraine to pay fines if it takes less gas than specified in the long-term contract. The deal allows Ukraine to use resources from existing financial aid schemes provided by the European Union and the International Monetary Fund to cover the pre-payment. Kiev says it has resources put aside to cover the past debts to Gazprom. Miller said Kiev would need to make another advance payment of $760 million to receive gas in December and that maximum daily supplies amounted to 114 million cubic meters under the deal to supply 2 billion cubic meters a month in both November and December.

Ukraine will buy gas for the rest of 2014 at $378 per 1,000 cubic metres and at $365 in the first quarter of next year, which is lower because of a drop in oil prices. Russia says both levels are discounted by $100 from prices under previous agreements with Ukraine. Miller added he expected the Russian government to approve it formally on Saturday. Kiev said documents signed in Brussels included the guarantees by the EU executive arm of financial support to Ukraine should Russia renege on the agreed price as well as a promise of support from Brussels for increasing reverse gas flows to Ukraine from EU member states. Ties between Kiev and Moscow are now also badly strained over Russia's annexation of Crimea in March and the pro-Russian separatist rebellion in Ukraine's eastern regions. The agreement also leaves up to an arbitration court in Stockholm to rule on whether Ukraine's total gas debt should be $3.1 billion, an amount Kiev has already put in escrow, or $5.3 billion sought by Gazprom.

Despite skepticism, market integration is on the rise, say experts

Natural Gas Europe, *04.11.2014*

Signs of market integration are often underestimated, as price convergence across Europe clearly indicates a tendency towards a single market. Nonetheless, some more efforts are needed, with opposite interests and positions hindering the efforts of ENTSO-G to come up with a Network Code on Harmonised Transmission Tariff Structures for Gas (TAR NC), a cornerstone of the integration process.

This was a view emerging from EUROFORUM. "There are several remaining issues, we have more issues than in any other code before," Stephan Kamphues, President of ENTSO-G, commented, referring to the TAR NC.

The "remaining issues" stem from the difficulties to garner support and find a solution that is in line with market participants' needs and requests. "We are working to find a solution supported by the market." Specifically, Kamphues mentioned nine points to address: price certainty, tariff setting year, cost allocation methodologies, tariff calculation model, fixed versus floating price, timing for discount for interruptible capacity, definition of transmission services, one-off capacity reset option, application of the NC to existing contracts and multipliers. "The tariff issue and the capacity issue are really really difficult nuts to crack," the President of ENTSO-G concluded. The Association of Europe's TSOs should formally submit the final draft Network Code to ACER by 31 December 2014. On the other hand, panellists at the conference suggest a strong tendency toward market mechanism over the last years.

Kamphues said the European Commission is now focusing on the consolidation of hubs, which is a difficult but necessary step toward a more market-oriented gas environment. Other officials confirmed Kamphues' statement. “We are getting there, we have to address the countries that are not particularly advanced,” Beate Raabe, Eurogas' Secretary General, said. Wolfgang Peters, Chairman of the Board of Directors at RWE Supply & Trading, added that North-West Europe is in advance phase, with gas hubs playing a central role. According to Peters, the rest of Europe has to catch up, with a divide between South Eastern Europe and Central Europe. South Eastern Europe is the area lagging behind, while some other member states are rapidly moving forward with their plans.

“Some Central European and Mediterranean countries are in a transition phase,” the Chairman of the Board of Directors at RWE Supply & Trading explained, referring also to Spain, Portugal and Poland. Despite the delays, panellists said that Western Europe is setting the pace of the transition toward more functional markets. Several signs suggest that market integration is on the rise, Peters commented. “If you see at location-based differentials, they are extremely narrow,” Wolfgang Peters, Chairman of the Board of Directors at RWE Supply & Trading CZ, said during the conference. The main challenge for Europe is to come up with a coordinated energy strategy, overcoming national interests.

“It is not a matter of financing for connectors to be complicated, the issue is politics. The actual problem is the cooperation between Member States,” said Eurogas' Raabe, referring to the ongoing tensions to find a rational allocation of LNG terminals in the Baltic Sea. Against this backdrop, coordination of both countries and market participants will be pivotal for the future of gas in the energy mix. In this sense, the message is quite glaring and clear: market participants can cooperate, capitalising on the tendency towards a well functioning market, or tail off under the weight of competitive pressures from other industries, mounting rivalries between companies and national industries too.

The UK is losing one of its seven oil refineries

The Telegraph, *04.11.2014*

The owner of Milford Haven, one of Britain's seven remaining oil refineries, is to axe a "significant number" of jobs and partially close the site after sales talks collapsed. Murco, which runs the refinery in Pembrokeshire, revealed on Tuesday night that discussions with Klesch Refining Limited had failed, despite US entrepreneur Gary Klesch gaining clearance from EU regulators last month for a deal that was still subject to conditions.

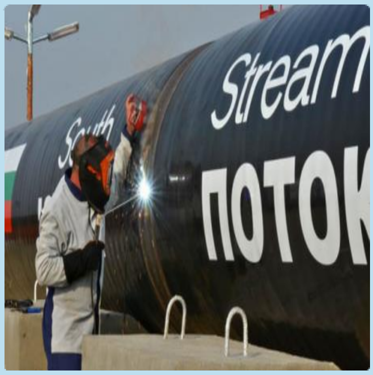
The Telegraph understands that around 350 jobs are expected to be lost, out of a total of 370 full-time staff and up to 150 contractors.

"Despite every effort to complete this sale process, conditions necessary for the sale were not able to be met," Murco said, adding that "the parties are not engaged in further discussions". The collapse of the deal means Murco will shut down and decommission the refinery part of Milford Haven, which processes 135,000 barrels of crude oil each day, contributing about a tenth of the UK's refined products output. UK-based Murco will continue to operate the site solely as a petroleum storage and distribution terminal. The company is believed to have spoken with dozens of buyers since July 2010 but without success. Tom McKinlay, Murco's managing director, told The Telegraph in April that Milford Haven made a "significant" loss last year.

Bryan Kelly, of Murco subsidiary Murphy Oil Corporation, said: "It is with great frustration and regret that we make this announcement. For the past four years we have worked tirelessly to secure a positive outcome for the future of the refinery and our workforce. "Unfortunately, and despite every effort on the part of Murphy and our employees, we have been denied the desired outcome." Mr Klesch had wanted to change the type of oil Milford Haven made from gasoline to diesel and sell more of it in the UK, rather than shipping it to the US. After announcing the agreement in July for an undisclosed amount, Mr Klesch said he was "confident of making a success" of the site. Mr Klesch was unable to be reached for comment.

Austria hopes EU objections to South Stream resolved in next month

Reuters, *01.11.2014*



Austria is hoping differences with the European Commission over the South Stream pipeline project can be resolved in the next month or so, allowing the plan to move ahead, Austrian Foreign Minister Sebastian Kurz said on Friday.

Plans to build the $40 billion pipeline carrying enough Russian gas to meet almost 15 pecent of European demand while bypassing Ukraine have divided European Union member states and run into opposition from the Commission. The European Union had effectively put the pipeline project on ice after Moscow's annexation of Ukraine's Crimean peninsular.

The European Union was already in dispute with Gazprom over its refusal to allow other producers to use the pipeline, which would breach the EU's energy market competition laws. Asked about the EU's concerns Kurz said: "There are some open questions with the Commission... We are hoping we will have the opportunity to clarify them over the next month and then no obstacles will stand in the way. I think this is possible." Kurz was speaking after a meeting of central European and west Balkans foreign ministers in Bratislava. Gazprom and Austria's OMV sealed a deal in June to build a branch of the South Stream pipeline to Austria, and Austrian speciality steel group Voestalpine said last month it would deliver 120,000 of plates for the project. The Commission has said South Stream, as it stands, does not comply with EU competition law because it offers no access to third parties. South Stream also counters the EU's policy of diversifying supply sources to reduce dependence on Russia.

Hungarian Foreign Minister Peter Szijjarto said Hungary backed the project because it would diversify gas routes, although it did not diversify sources. He said the option was on the table after the failure of the Nabucco pipeline project that was due to bring gas from Azerbaijan and potentially other countries outside Russia. The chief executive of MVM, the main Hungarian participant in the project, was quoted as saying this week that Hungary could start construction on its stretch of the pipeline within six months and complete it by 2017. Russia has markedly reduced the amounts of gas shipped via Ukraine in the past months, according to data available from the Ukraine/Slovakia border pumping station, but without South Stream it lacks pipeline capacity to circumvent Ukraine altogether. Ukrainian Prime Minister Arseny Yatseniuk, speaking on Friday after a new gas agreement with Russia was nailed down, said Ukraine would guarantee deliveries of gas through its territory to Europe to make sure Moscow had no room for "blackmailing" and criticised the South Stream project.

Germany to limit coal and rely more on natural gas

Bloomberg, *04.11.2014*

Germany is turning against coal as a fuel for generating electricity, a move that will boost its reliance on natural gas from Russia. Alarmed that curtailing nuclear power has prompted utilities to burn the most coal in six years, Angela Merkel's government is working to reinforce Germany's commitment to reduce fossil fuel emissions. The Economy Ministry published a paper laying the groundwork for the strictest steps yet to limit coal in Europe.

The shift, if implemented, would force Germany to tap Russia for additional supplies, to import power from neighbors and to further subsidies renewables such as solar and wind.

That would swell the country's €100bn annual fuel import bill and may boost the cost of electricity paid by consumers, already the second-highest in the European Union (EU). It would also run counter to efforts by the US and EU to isolate Russia economically. "The importance of gas, and with that the dependence on Russia, will increase," said an analyst at B Metzler Seel Sohn & Co, Guido Hoymann. Cross-border exchanges of electricity would rise, too, helping the nuclear plants just outside Germany's border, he said. Scaling back coal would help Gazprom, the state-controlled Russian producer that accounts for about a third of Germany's gas imports. It would hurt utilities such as RWE and Vattenfall that operate coal-fired plants. Germany currently gets about 45% of its electricity from coal and 11% from natural gas. Another 15% comes from nuclear reactors that Ms Merkel has pledged to close by 2022. About 24% comes from renewables such as solar and wind, a portion the government intends to increase to as much as 45% by 2025 under a programme known as the Energiewende.

Signs of the change in policy started emerging on October 9, when Environment Minister Barbara Hendricks told Berlin's parliament that the government would stop financing new coal plants and "critically review" utility plans to build them. While an immediate exit would be "irresponsible", she said, coal should be restrained "step by step." The Economy Ministry's recent paper also presented the shortcomings of Germany's current power market, saying policies needed to be updated to reflect a growing share of renewables and ensure supply was secure and cost-efficient. The ministry said it was talking to utilities about the changes. "The German energy market in its current form is not providing enough incentives to reduce carbon emissions so that we can reach our climate targets," said Nina Scheer, a legislator for the Social Democrats, Ms Merkel's junior partner in government. "We need a new energy mix with less lignite and hard coal." Exactly what the government would do to limit coal was not yet being discussed in public. "No big European nation has mandatory coal exit laws," UBS analyst Patrick Hummel said. "There are only guidelines regarding the emissions."

Norwegian oil field offers $200bn in revenue

Anadolu Agency, *04.11.2014*

Norwegian oil producer Statoil has announced its Johan Sverdrup field will be one of Norway's most profitable industrial projects over the next half-a-century, generating up to $200 billion.

Presenting the project at a press conference in Stavanger, Statoil Executive Vice President for Development and Production Arne Sigve Nylund said the Johan Sverdrup oil deposit will generate 35 trillion Norwegian kroner ($200 billion) in revenue over 50 years after it starts pumping oil in 2019. Nylund said: "The Johan Sverdrup oil field represents all we stand for as an industry and our faith in the future."

"This will be a gigantic project that will secure energy supply and jobs, and will result in substantial spin-offs and value for Norwegian society, the industry, and the partnership behind the development," Nylund added. The Johan Sverdrup field is one of the biggest discoveries on the Norwegian continental shelf since the mid-1980s and ranks among the biggest developments for Norway for the foreseeable future. It is estimated that the first-phase development of the field will create about 51,000 man-years of work nationally, of which as many as 22,000 are expected to be performed by suppliers in Norway and approximately 12,000 by their subcontractors. The field, discovered in two sections by Lundin Petroleum AB and Statoil in 2010 and 2011, is located in a geographically mature area that has been thoroughly studied, Statoil said.

Environmental impact assessment forms part of the plan for the development and operation of the field and is expected to be handled by the Norwegian Parliament (Storting) next year and prepared and agreed by the firms' partners in the beginning of February 2015, the company added. Statoil is a Norwegian multinational oil and gas company headquartered in Stavanger, Norway. The state of Norway is the largest shareholder with 67 percent of shares managed by the Ministry of Petroleum and Energy, while the rest is publicly held.

China fines Sinopec for under-spending on shale gas block

Reuters, *05.11.2014*

China's Ministry of Land Resources (MLR) fined Sinopec Corp for failing to fulfil spending pledges on a shale gas block, in what a government source said is a move to toughen supervision of oil and gas exploration concessions.

China, believed to hold the world's largest technically recoverable shale gas resources, aims to replicate the boom that swung the United States from building liquefied natural gas (LNG) import terminals to building LNG export facilities. A lack of rapid development frustrated Beijing. Four years of work have so far yielded only one large find - Fuling field - in the most prospective gas province of southwest Sichuan.

Experts say the Fuling success is hard to repeat due to complex geology and high costs. MLR, in charge of mining rights and also the main agency behind the shale gas push, fined Sinopec about 8 million yuan ($1.3 million) for missing the spending pledge for a block awarded in 2011 in China's first shale gas tender, the ministry said in a statement on Monday. "It's an early example that MLR wants to toughen the supervision of oil and gas blocks, to convey the message that if a company does not spend enough on prospecting resources it had better return them so others can work on them," the government source involved in shale gas planning said on Wednesday. The official, who declined to be named as he's not authorized to speak to the press, said MLR will apply similar scrutiny to conventional oil and gas acreages.

Sinopec, the discoverer of Fuling, won the Nanchuan block in July 2011. On its twitter-like micro blog, Sinopec said late on Tuesday that it accepted the penalty for fulfilling only 73 percent of the investment committed there, as the Nanchuan block contained a world heritage site and exploration work in the mountainous area proved tougher than expected. Henan Coalbed Methane Development and Utilization Co, a provincial-level coal-seam gas developer also received a fine of 6 million yuan for falling short of spending pledges on the nearby Xiushan shale gas block. The two blocs are about 2,000 square kilometres each and both are located near the southwestern city of Chongqing. Sinopec and Henan also handed parts of the two blocks back to the government. China's top energy giants, PetroChina and Sinopec, hold the majority and best onshore shale acreages, a factor that industry sources have said has delayed the progress in unlocking the country's unconventional gas resources.

US LNG exports to rise gas prices, but aid economy

Anadolu Agency, *01.11.2014*

Increased liquefied natural gas exports would raise natural gas prices in the U.S., but would lead to higher levels of economic output, says the U.S. Energy Information Administration's report on Wednesday. "Rise in the U.S. LNG exports would create higher consumption expenditures for domestic goods and services," said the report.

"Consumer expenditures for natural gas and electricity increase modestly with added LNG exports," the U.S. agency said. An increase in LNG exports would be a result of the rise in natural gas production in the U.S., of which 75 percent will be provided by shale resources, according to the report.

Since the 2008 shale boom, the U.S. enjoys increasing gas production each year, and less dependency on imported energy, thus a fall in the total expenditure of imported energy. While the U.S. annual shale gas production was 2 trillion cubic feet (56 billion cubic meters) in 2008, it increased to over 10 trillion cubic feet (282 billion cubic meters) in 2012, according to data compiled on the agency website. Moreover, if U.S. LNG exports rise, this would decrease the global price of natural gas, which would increase the overall demand of foreign countries importing more U.S.-based goods, services, and exports, according to the report.

"Any reduction in global natural gas prices that might occur as a result of U.S. LNG exports would tend to stimulate the economies of countries that import gas, increasing their demand for both domestic goods and services and imports sourced from the United States and elsewhere," said the administration. The report, named "Effect of Increased Levels of Liquefied Natural Gas Exports on U.S. Energy Markets", was prepared upon the request of the U.S. Energy Department to project the economic consequences of LNG exports. U.S. companies are not allowed to export LNG to countries that the U.S. does not have a free trade agreement with, unless they are first authorized by the U.S. Department of Energy.

Look out below! Oil is not done falling

CNBC, *04.11.2014*

Oil prices could have a hard time finding a floor after Saudi Arabia trimmed prices.The market took the price cut this week as another sign the kingdom is willing to use pricing as a lever to preserve its market share, rather than cut production in what is now an oversupplied market.

Even if it was not the intention, some traders took the Saudi move as a sign the kingdom would like falling prices to slow U.S. shale production. U.S. West Texas Intermediate fell sharply on Tuesday, dipping close to the psychologically key $75-a-barrel level, before closing at a three-year low of $77.19, off $1.59 per barrel.

Brent fell along with it to $82.82 a barrel, the lowest settle since October 2010, after Saudi Arabia set a new price in the U.S. 45 cents lower than November's level. Tradition Energy analyst Gene McGillian said the next technical level he's watching for WTI is $74 a barrel, and it's not clear how much further it will fall. "The managed money longs still outnumber shorts 3½-to-1. If this isn't a heavy exodus of the money manager longs, we could still have a significant drop, especially if all these factors that are driving us lower continue to weigh on the markets," he said. "The dollar strength and also fears of slowing economic conditions in Europe and China are still continuing to play a role."

There was initially a muted reaction to the Saudi announcement Tuesday as the market focused on dollar strength and other factors. "I don't think the probability is we're looking at a meltdown or collapse. If there was a global price war, it could go between $30 and $50 a barrel but more realistically, we're within 10 percent of the bottom," said Tom Kloza, senior oil analyst. "What the Saudis are doing is business as usual. They change the price formula each month. The problem is there's an implication that it's business as usual in terms of production. The problem is if they continue to produce what they've been producing in the last two months, the market is headed for trouble, and downward pressure will be more significant than upward pressure," said Kloza.

Some analysts said the Saudis were motivated by market fundamentals. "In our view, it's not a direct attempt by Saudi Arabia to grab market share," said Dominic Haywood, crude and products analyst at Energy Aspects. "We think it's more a move by them to stimulate some demand from Gulf Coast refineries that are coming back from maintenance in November and December. By cutting to the U.S., you allow more exports to the U.S." Haywood also did not think the Saudis were attempting to curb shale production. "In any case, you need crude below $70 a barrel for much longer than a month to limit U.S. production," he said.

Saudi Arabia's price setting was a market mover for a second month. For November, Saudi cut prices to Asian customers, and for December, it raised them for Asian and European customers while cutting U.S. prices. What the market sees as bearish is the lack of discussion of production cuts, analysts said. "It's really the first time we are in this kind of era," said Max Denery.

Denery; “I think the OPEC meeting will be very interesting Nov. 27, and there is no real consensus about if they’re going to cut or how much they’re going to cut. They have a total ceiling of 30 million barrels. My thinking is if they cut between 300,000 and 500,000 barrels a day, it would not have an impact and might be bearish for the market because it’s not enough to reduce the oversupply. If they cut 700,000 to 1 million, that would make a difference.” Denery said he sees the West Texas price stabilizing around $75 per barrel though it’s possible the price could fall through that level first. He said prolonged prices of $70 would ultimately trigger a slowdown of production by some U.S. producers, and there could be less investment in new wells. But he expects $75 to ultimately be the floor. “As soon as you see headlines about producers saying we need to cut some production or even close some wells, I think the market would react,” he said.

The nature of the U.S. shale industry makes it flexible, serving as an economically driven swing producer that can brake or speed up production based on prices. Wells are most productive when they are first drilled, and production can be cut in half after the first year, so Denery said it is easier to slow production but not drilling new wells. “We think that we need to have even lower prices to get some reaction from the shale industry. It’s true that the supply response is much higher in shale than in other areas. In order to have significant reduction in growth, we would need to have WTI in the $70 area,” Denery said. Because U.S. breakeven costs for drilling vary dramatically by region and within regions, Denery said it would be the smaller producers with the highest costs that will be the first to slow down. “Those will be the first companies that will be hurt. Those companies do not hedge, and they try to produce as much as they can because they are on the edge,” he said. In the Permian Basin, in Texas and Oklahoma, companies’ breakeven averages $55 to $60, while at Eagle Ford, they average $45 to $50, he said. In the Bakken in North Dakota, there is an area with $40 breakevens, but another area averages about $55 per barrel.

The levels can fluctuate within each area, and some of the higher-cost production could be as much as $70 or $75 a barrel. Oppenheimer energy analyst Fadel Gheit said the type of oil companies most vulnerable to lower prices are those with the highest debt loads. “Not one company so far admitted or denied that they are canceling projects, but the question is not how many producers will say they are canceling projects but the question is how many projects and which are the companies. Every company will slow down. The question is, is it 5 percent or 50 percent. It will depend on the financial flexibility and the nature of the investment,” he said. Denery has already projected growth in shale drilling will slow next year. “For this year, shale growth was about 1 million barrels. Next year, we believe a little less. From the combination of an efficiency gain and slightly lower prices, we think growth in shale will be about 700,000. If prices drop to $70 a barrel, then you might see a growth in shale of just 300,000 to 400,000 barrels a day,” Denery said. “We’re still going to get growth but there’s going to be a reduction in growth.”

Weekly U.S. government data should show that the world is well supplied with crude and U.S. production continues to approach 9 million barrels a day, a million barrel a day more than last year. “We’re looking for another big build in inventories, another 2 million plus barrels,” said John Kilduff of Again Capital. “It’s been massive in the last couple of weeks. It’s really what flipped the term structure into contango.” Contango is when futures for coming months show higher prices than the nearby prices, a bearish sign. “I think these prices are going to remain under significant pressure into the OPEC meeting, and I think it’s going to go very badly. It’s going to set us up for another leg lower, possibly into the 50s in the first quarter,” Kilduff said.

Announcements & Reports

► *Natural gas annual*

Source : EIA
Weblink : http://www.eia.gov/naturalgas/annual/pdf/nga13.pdf

► *What drives U.S. gasoline prices?*

Source : EIA
Weblink : http://www.eia.gov/analysis/studies/gasoline/pdf/gasolinepricestudy.pdf

► *Effect of increased levels of liquefied natural gas Exports on U.S. energy markets*

Source : EIA
Weblink : http://www.eia.gov/analysis/requests/fe/pdf/lng.pdf

► *Eastern Europe, Caucasus and Central Asia*

Source : IEA
Weblink : http://www.iea.org/publications/freepublications/publication/INOGATE_Summary_FINAL.pdf

► *Energy supply security: emergency response of IEA Countries 2014*

Source : IEA
Weblink : http://www.iea.org/publications/freepublications/publication/ENERGYSUPPLYSECURITY2014.pdf

► *Report on capacity booking platforms*

Source : Entso-G
Weblink : http://www.entsog.eu/public/uploads/files/publications/CAM%20Network%20Code/2014/CAP0505_141104_Booking%20platform%20report_FINAL.pdf

► *Winter supply outlook 2014/15*

Source : Entso-G
Weblink : http://www.entsog.eu/public/uploads/files/publications/Outlooks%20&%20Reviews/2014/SO0008-141103_WinterSupplyOutlook2014-15_Review2013-14.pdf

► *The prospects and challenges for Arctic oil development*

Source : Oxford Energy Institute
Weblink : http://www.oxfordenergy.org/wpcms/wp-content/uploads/2014/11/WPM-56.pdf

Upcoming Events

► *Energy Security in Southeast Europe*

Date : 06 – 08 November 2014
Place : Izmir – Turkey
Website : http://energysummit.org/

► *The 4th China International Offshore Oil & Gas Technology Conference and Exhibition*

Date : 09 – 11 November 2014
Place : Beijing – China
Website : http://www.bmc-china.cn/en/OTC/Info.aspx?m=20140623175442410336&nm=20140623140856553113

► *International Petroleum Technology Conference*

Date : 10 – 12 November 2014
Place : Kuala Lumpur – Malaysia
Website : http://www.iptcnet.org/2014/kl/?utm_source=Web+Banner&utm_medium=Web-ADBNR&utm_content=14IPTC-Web-ADBNR-WebUps-13AUG14&utm_campaign=14IPTC+-+Register+Now

► *Asset Integrity Management Summit Asia 2014*

Date : 10 – 13 November 2014
Place : Kuala Lumpur – Malaysia
Website : http://www.assetintegritysummit.com/default.aspx?utm_campaign=UpStream&utm_medium=external&utm_source=external&utm_content=home&utm_term=banner&MAC=ISG_UPS_BA

► *Upstream Forum*

Date : 11 November 2014
Place : Tokyo – Japan
Website : http://www.woodmac.com/public/events/12525209

► *9th Mangystau Regional Oil, Gas & Infrastructure Exhibition*

Date : 11 - 13 November 2014
Place : Aktau – Kazakhstan
Website : http://www.oilgas-events.com/Mangystau

► *Second Public Stakeholder Workshop: Network Code on Emergency & Restoration*

Date : 12 November 2014
Place : Brussels – Belgium

Website : https://www.entsoe.eu/news-events/events/Pages/Events/Second-Public-Stakeholder-Workshop-Network-Code-on-Emergency-Restoration.aspx?EventWorkshopId=160

► *Global Energy Forum 2014*

Date : 13 November 2014
Place : London – United Kingdom
Website : http://www.woodmac.com/public/events/content/12525033

► *Middle East Upstream Forum*

Date : 17 November 2014
Place : Abu Dhabi – United Arab Emirates
Website : http://www.woodmac.com/public/events/12524884

► *EU Energy Policy*

Date : 17 November 2014
Place : Brussels - Belgium
Website : http://ec.europa.eu/energy/events/doc/201411_energy_policy_conference.pdf

► *Remaking American Power: The Energy Market Impacts of EPA's Clean Power Plan*

Date : 18 November 2014
Place : Washington - USA
Website : http://csis.org/event/remaking-american-power-energy-market-impacts-epas-clean-power-plan

► *3rd Romania Oil & Gas Conference*

Date : 18 - 19 November 2014
Place : Bucharest - Romania
Website : http://www.romania-og.com/

► *Turkmenistan International Oil & Gas Conference and Exhibition*

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

► *Securing Europe's Competitive Energy Future*

Date : 19 November 2014
Place : Brussels - Belgium
Website : https://www.entsoe.eu/news-events/events/Pages/Events/entsoe-conference-securing-europes-competitive-energy-future.aspx?EventWorkshopId=154

► *Shell distinguished lecture series*

Date : 19 November 2014
Place : Houston - USA
Website : http://bakerinstitute.org/events/1675/

► *The future of Argentina's energy policy*

Date : 20 November 2014
Place : Houston - USA
Website : http://bakerinstitute.org/events/1683/

► *The future of Argentina's energy policy*

Date : 20 November 2014
Place : Houston - USA
Website : http://bakerinstitute.org/events/1683/

► *International Energy Congress and Fair / EIF 2014*

Date : 24 – 25 November 2014
Place : Ankara - Turkey
Website : http://energy-congress.com/2014/

► *7th International Energy Congress Expo*

Date : 24 - 25 November 2014
Place : Ankara - Turkey
Website : http://www.energy-congress.com

► *Oil & Gas Cyber Security*

Date : 24 – 25 November 2014
Place : London - United Kingdom
Website : http://www.smi-online.co.uk/energy/uk/conference

► *166th (Ordinary) OPEC Meeting*

Date : 27 November 2014
Place : Vienna - Austria
Website : http://www.opec.org/opec_web/en/311.htm

► Ashgabat Energy Charter Forum: Reliable and Stable Transit of Energy

Date : 08-09 December 2014
Place : Ashgabat - Turkmenistan
Website : http://www.encharter.org/index.php?id=676&L=0

► 8th Transparency Workshop

Date : 11 December 2014
Place : Brussels - Belgium
Website : http://www.entsog.eu/events/entsog-8th-transparency-workshop#welcome

► Kurdish – Iraq Oil & Gas

Date : 16 – 18 December 2014
Place : London – United Kingdom
Website : http://cwc-news.com/S3A-2TCLY-E1BYMVHYA9/cr.aspx?v=0

► Middle East and North Africa Energy

Date : 26 January 2015
Place : London – United Kingdom
Website : http://www.chathamhouse.org/events/Mena-Energy2015

► Middle East and North Africa Energy

Date : 18 – 21 February 2015
Place : London – United Kingdom
Website : http://www.chathamhouse.org/node/15232

► 4th Erbil Oil & Gas International Exhibition

Date : 18 – 21 February 2015
Place : Erbil – Iraq
Website : http://www.erbiloilgas.com/

► Ukrainian Energy Forum

Date : 02 – 05 March 2015
Place : Kyiv – Ukraine
Website : http://www.ukrainianenergy.com/

► 14th Turkish International Oil & Gas Conference

Date : 18 – 19 March 2015
Place : Ankara – Turkey
Website : http://www.turoge.com/Home.aspx

► 14th Georgian International Oil, Gas, Infrastructure & Energy Conference

Date : 25 – 26 March 2015
Place : Tbilisi – Georgia
Website : http://www.worldoils.com/showevents.php?id=3945&event_name=14th%20Georgian%20International%20Oil,%20Gas,%20Infrastructure%20&%20Energy%20Conference%20(GIOGIE)

► 9th Atyrau Regional Petroleum Technology Conference

Date : 14 – 15 April 2015
Place : Atyrau – Kazakhstan
Website : http://www.oiltech-atyrau.com/About.aspx

► 14th North Caspian Regional Atyrau Oil & Gas Exhibition

Date : 14 – 16 April 2015
Place : Atyrau – Kazakhstan
Website : http://oil-gas.kz/en/

Supported by PETFORM

► 6th World Forum on Energy Regulation *(in Turkey)*

Date : 25 – 28 May 2015
Place : Istanbul – Turkey
Website : http://www.wfer2015.org/

► OGA 2015

Date : 02 – 05 June 2015
Place : Kuala Lumpur - Malaysia
Website : http://www.oilandgas-asia.com/home/index.php

► 22nd International Caspian Oil & Gas Exhibition and Conference

Date : 02 – 05 June 2015
Place : Baku – Azerbaijan
Website : http://www.caspianoilgas.az/2015/

► 6th OPEC International Seminar

Date : 03 – 04 June 2015
Place : Vienna - Austria
Website : http://www.opec.org/opec_web/en/press_room/2793.htm

► 12th Russian Petroleum & Gas Congress

Date : 23 – 25 June 2015
Place : Moscow – Russia
Website : http://www.mioge.com/RPGC-Congress/About-the-Conference.aspx

► 13th Moscow Inernational Oil & Gas Exhibition

Date : 23 – 26 June 2015
Place : Moscow – Russia
Website : http://www.mioge.com/mioge-exhibition/about-the-exhibition.aspx

► 7th South Russia International Oil & Gas Exhibition

Date : 02 – 04 September 2015
Place : Krasnodar – Russia
Website : http://www.oilgas-expo.su/en-GB

► 22nd Annual India Oil & Gas Review Summit and International Exhibition

Date : 09 – 10 September 2015
Place : Mumbai – India
Website : http://www.oilgas-events.com/india-oil-gas

► The Energy Event 15

Date : 15 – 16 September 2015
Place : Birmingham – United Kingdom
Website : http://www.theenergyevent.com/Content/MAIN-SF-W2L-enquiry-form

► 3rd East Mediterranean Gas Conference

Date : 22 – 23 September 2015
Place : Paphos – Greek Cyprus
Website : http://www.oilgas-events.com/East-Med-Oil-Gas

► 23rd Kazakhstan International Oil & Gas Exhibition and Conference

Date : 06 – 09 October 2015
Place : Almaty – Kazkhstan
Website : http://www.kioge.kz/en/conference/about-conference