

Turkey sees largest gas consumption in a single day

Anadolu Agency, 08.01.2015



Turkey has consumed the highest volume of natural gas in a single day Tuesday in the country's history, with 213 million cubic meters used, Turkey's energy minister said. "Consuming the highest volume of natural gas in a single day with 213 million cubic meters is a risk and we are responsible for eliminating this risk," Taner Yildiz said at a conference in Ankara.

The average daily use of natural gas in Turkey is 193 million cubic meters. Yildiz stated that Turkey had used one billion cubic meters of natural gas in five days, while some countries use only 3 to 4 billion cubic meters of gas in a whole year.

In addition, he said that the fluctuating oil prices were not due to technical reasons but political ones. "Some are losing and some are winning; oil producing countries have lost \$975 billion within six months and consumer ones have won the same amount of money," Yildiz stated. electricity and natural gas among the 28 EU countries. The global benchmark Brent crude oil price has continued to fall since June, from \$116 to \$51.20 per barrel mark Thursday the lowest since April 2009. He said that dropping oil prices had affected positively gasoline and fuel oil prices.

Turkey's power by gas twice more than world average

Anadolu Agency, 08.01.2015



Turkey Electricity produced from natural gas in Turkey is twice as much of world average, according to data from International Energy Agency.

Nearly half of Turkey's electricity is generated through natural gas power plants according to Turkey's energy ministry. Turkey produced 47 percent of its electricity from natural gas power plants in 2013. Turkey uses most of its natural gas for its electric power sector which accounts for nearly half of the country's consumption. The industrial and residential sectors each account for approximately 20 percent. Turkey imported around 50 bcm of gas in 2014.

The power generation relies around 45 percent on natural gas, 25 percent on hydro plants and 12 percent each on domestic coal, lignite and on coal exports and the rest on other resources. The country's consumption is rising each year and is second in the world after China in terms of growing energy demand. Turkey's total electricity consumption for 2014 is estimated to be 256 billion kilowatts per hour.

The country heavily relies on foreign energy resources, such as natural gas and oil, which drive almost half of all electricity production in Turkey and costs up to \$60 billion a year. Turkey currently consumes around 45 billion cubic meters of natural gas annually and almost all of it is exported from Russia, Iran and Azerbaijan via pipelines. In order to match the rate of increase, Turkey aims to invest more than \$120 billion in the energy sector alone in the next 10 years.

No additional measures for gas supplies

Anadolu Agency, 08.01.2015



Turkey is not planning to take additional measures after switching gas powered stations to other fuels, officials said. "BOTAS, will wait until next week and see whether the weather conditions improve before taking any additional measures," an energy official who did not want to be identified, told.

Turkey's compatible power stations switched from natural gas to other fuel sources for electricity production night, as a measure against possible gas supply shortages. The country's natural gas average natural gas consumption is around 185 million cubic meters per day.

Turkey's Minister of Energy and Natural Resources Taner Yildiz announced on Thursday that Turkey consumed highest volume of natural gas in a single day with 213 million cubic meters. Using secondary sources in power stations has higher production costs and this difference is being compensated by the state. Turkey imported around 50 billion cubic meters of natural gas in 2014. Turkey uses most of its natural gas for its electric power sector which accounts for nearly half of the country's natural gas consumption. The industrial and residential sectors each account for approximately 20 percent. According to energy ministry, Turkey's electricity generation relies around 45 percent on natural gas, 25 percent on hydro plants and 12 percent each on domestic coal, lignite and on coal exports and the rest on other resources.

TPAO, Shell to explore for oil and gas in the Black Sea

Natural Gas Europe, 07.01.2015



TPAO along with Anglo-Dutch Shell, will begin explorational drilling in the Western Black Sea. At a press briefing where executives of both companies were in attendance, Turkish Energy Minister Taner Yildiz said that he is hopeful the venture will result in the discovery of oil and gas.

“Our first priority is to improve and use national energy resources as much as possible. Our neighbouring countries such as Bulgaria and Romania have found natural gas and oil resources in this region. So, that’s why we’re hopeful for this exploration venture of TPAO and Shell,” Energy Minister Taner Yildiz said at the press conference.

According to remarks by Mr. Yildiz, TPAO and Shell Turkey will spend around \$300 million in the exploration process, which will take place 100km offshore Istanbul with a 2,000m exploration drill. The drilling ship crossed the Bosphorus and set sail towards the exploration area.

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Canada's Valeura announces new gas production in Turkey

Anadolu Agency, 07.01.2015



Canadian based Valeura Energy announced the successful drilling results of the Gurgun-2 appraisal well in the Thrace Basin in the northeast of Turkey. The successful Gurgun-2 appraisal well is on-stream and producing an average restricted daily rate of nearly 85,000 cubic meters.

Valeura proclaimed that the company made three conventional natural gas discoveries in the Osmanli area in the Thrace Basin in the third quarter of 2014. The company operates in joint venture lands with Thrace Basin Natural Gas (Turkey) Corporation and its sister company Pinnacle Turkey Inc.

Thrace Basin Natural Gas Turkiye Corporation works in the natural gas exploration and production operations. The company has natural gas reserves in Turkey and runs as a subsidiary of TransAtlantic Worldwide Ltd. Valeura energy also asserted as a target to grow production volumes by 10 to 15 percent compared to 2014 is expected to include the acquisition of approximately 140 square kilometers of 3D seismic and drilling of up to three exploration wells on its 100 percent Banarli license in the Thrace Basin.

Net petroleum and natural gas sales of Valeura energy was up 23 percent from 2013 in Turkey, and for 2014 averaged 1,143 billion oil equivalent per day (boe/d), according to the press release. Valeura Energy is a Canada-based public company engaged in the exploration, development and production of petroleum and natural gas in Turkey. The company's shares are traded on the Toronto Stock Exchange in Canada under the trading symbol VLE.

Israel's policy confusion on natural gas

Natural Gas Asia, 03.01.2015



The Israeli regulator's decision to reopen a natural gas agreement because of a monopoly issue jeopardizes the country's gas export potential.

Israel's Antitrust Authority announced it was considering whether to cancel an agreement that allows Houston-based Noble Energy and Israel's Delek Group to develop the country's two biggest offshore gas discoveries, the Leviathan and Tamar fields. The move would void an earlier compromise whereby the two companies could evade being labeled a cartel and retain ownership in return for selling two smaller fields, Karish and Tanin.

All the fields lie offshore northern Israel, with Leviathan -- at eighty miles the farthest out -- in waters several thousand feet deep. Tamar, containing 10 trillion cubic feet (tcf) of gas, was discovered in 2009 and brought onstream last year. Its gas now generates about half of Israel's electricity. The appropriately named Leviathan (22 tcf) was discovered in 2010, but production won't begin until at least late 2017. Together, the two fields contain enough gas to satisfy Israel's domestic needs for many decades as well as providing a surplus for export. Israel's geographic position has occasionally prompted questions regarding whether exporting some of its gas would ever be commercially viable, although Noble and Delek have never accepted this view.

A final decision by the antitrust commissioner, David Gilo, will only be made after he holds a hearing, likely next week. But the immediate impact has been to cast doubt on when Leviathan will be developed, if at all. The first phase of the project, establishing seabed production systems and a pipeline ashore, is estimated to cost \$6.5 billion. Both Noble and Delek have been working to raise the funds. Likely customers for the gas include a new power station at Jenin in the West Bank, the Jordanian state electricity company, and a Spanish-owned, underutilized liquefied natural gas facility on Egypt's Nile Delta coast. The U.S. government has been a firm supporter of these prospective deals, seeing them as commercially logical as well as helping secure regional peace. If they were to be canceled, the impact on at least the Jordanian economy could be substantial.

If Noble and Delek are judged to be operating as a cartel, the Leviathan field will apparently have to be sold, and the new owner would be responsible for financing its development and securing new agreements with potential customers.

With elections in Israel scheduled for March, the surging public debate on natural gas will be further invigorated. Considerable resentment has already been aired over the profits that could eventually accrue to Delek, whose owner, Yitzhak Tshuva, is a self-made billionaire personifying for some the inequalities in Israeli society. But the central issue is the price being paid by the Israel Electric Corporation to the Noble/Delek consortium for the Tamar gas. No world market price exists for gas; Israel Electric is paying \$5.5 per million British thermal units, which is less than 70 percent of what the European Union paid and less than half what Japan paid for gas in November, but 25 percent

higher than the U.S. “Henry Hub” price for the month. Nevertheless, it is hard to see how notionally forcing the sale of Leviathan would drive down the price: the greater risk premium that a new investor would require would likely drive up costs, swamping any modest benefit from having two producers rather than one.

A key question is whether Noble Energy will lessen its commitment to developing Israel’s gas in these circumstances. Its outgoing CEO, Charles Davidson, expressed frustration with Israel’s regulatory system in a September interview: “I can’t help being taken aback by the inability to decide on the part of the government and most senior regulatory echelons in Israel. It is unreasonable and creates a constant atmosphere of uncertainty.” Today, a Noble spokesman said the decision “will impact Noble Energy’s continued investment.” Noble is the only major foreign oil and gas company operating in Israel, staying on even after the government changed the terms of taxation for energy companies. In these circumstances, it is possible the Leviathan field could never find a buyer. Finding a buyer would also be challenging if, alternatively, the Tamar field were put up for sale.

Whichever way it goes, the decision of the antitrust commissioner could still be challenged in the courts. Also, the government’s deputy legal advisor has just proposed a new approach to regulating the natural gas sector, although the immediate result will likely be the creation of a committee to discuss the matter -- unless Prime Minister Binyamin Netanyahu, judged to see Israel’s gas as an important geopolitical card, intervenes. Today, he ordered Professor Eugene Kandel, the head of his National Economic Council, to check the implications of the antitrust commissioner’s actions. To avert a decision that could handicap future U.S. policy, holiday plans or not, American officials should urgently point out to their Israeli counterparts the probable negative consequences of jeopardizing the deal.

Jordan halts talks on \$15 billion deal for Israeli Gas

Bloomberg, 05.01.2015



Jordan suspended talks to import natural gas from Israel from Noble Energy Inc. and will sign an agreement with BG Group Plc to buy Gaza Strip gas.

The kingdom halted negotiations “recently” after Israeli authorities said they may move to prevent a regional “monopoly” for Noble, according to Jamal Qammouh, head of Jordan’s Lower House energy committee. Israel’s antitrust regulator is reconsidering a decision to let a group led by Noble develop the country’s two biggest natural gas fields. Inbar Dovev, a spokeswoman for the company, declined to comment by phone.

“We were informed that there are differences between Israel and Noble Energy and we cannot proceed with talks until we know which side will develop the gas field in Israel,” Qammouh said in a phone interview from Amman.

Partners in Israel’s Leviathan field, including Houston-based Noble, and units of Delek Group Ltd. (DLEKG) and Ratio Oil Exploration 1992 LP (RATIL) signed a preliminary deal Sept. 3 to sell gas to Jordan’s National Electric Power Co. over 15 years. Noble had signed a \$771 million agreement in February to supply gas to Jordan-based Arab Potash Co. starting 2016. Leviathan and neighboring Tamar in the Mediterranean Sea are among the biggest natural gas finds in recent years and have provided Israel with enough fuel for decades of energy self-sufficiency and export. Together, they hold an estimated 29 trillion cubic feet.

Jordan, which imports almost all its energy needs, wants to secure supply after repeated disruptions to gas imports from Egypt as a result of pipeline bombings in Sinai. Jordan, the Middle East’s smallest economy after Bahrain, is one of two Arab countries that have signed a peace agreement with Israel.

Jordan will sign an agreement with BG Group Plc (BG/) in the first quarter to buy gas from fields offshore the Gaza Strip, Mohammad Hamed, Jordan’s Minister of Energy and Mineral Resources, said in an interview in Amman. According to the agreement, National Electric Power will import 150 million to 180 million cubic feet a day starting the end of 2017, he said.

Pakistan in dire need of Iranian Gas

Natural Gas Asia, 04.01.2015



Pakistan is in dire need of natural gas from Iran, country’s Minister for Petroleum and Natural Resources Shahid Khaqan Abbasi told. Shahid Khaqan Abbasi said that so far, Pakistan has spent tens of millions of dollars for importing gas from Iran.

“There is no doubt in Pakistan’s serious intention for implementing the gas pipeline project with Iran,” he told. “Having a neighbor with abundant gas reserves is invaluable opportunity for Pakistan.” Iran has already built its 900-kilometer share of the pipeline on its own soil and is waiting for the 700-kilometer Pakistani side of the pipeline to be built.

On June 5, 2009 Inter State Gas System of Pakistan and National Iranian Oil Company signed an agreement, which envisaged the first flow of gas to Pakistan to commence by December 31, 2014. Pakistan has been facing severe gas shortage due to increasing demand for electricity from households as well as industrial consumers. To fill the gap, the South Asian nation is trying to source gas from various sources. It is negotiating with Qatar for supply of LNG however final price for the fuel is still an issue.

Iranian economy's reliance on oil income to reduce

Anadolu Agency, 05.01.2015



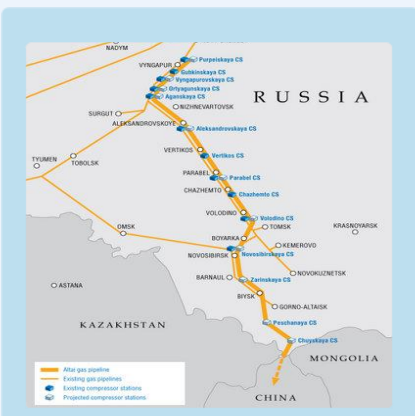
Reliance on oil revenue will be cut by one-third in Iran's 2015 budget due to the fall in oil prices. Falling oil prices have helped the government reduce reliance on oil revenues to the lowest level on the budget, Shana quoted from the government's spokesman, Mohammad Bagher Noubakht.

The share of oil revenue in Iran's budget will reduce due to the fall in global oil prices and the increase in income items such as non-oil exports, privatization and financial transactions. The country's next fiscal budget begins in March 2015, in accordance with Iran's official calendar which starts on March 21.

Iran aims to reduce its reliance on oil income to combat the country's economy against the effects of unstable oil prices. The government has planned the next fiscal year's budget based on an average oil price of \$72 per barrel, while it was \$100 per barrel for the current budget year up to March 2015. Iran will have more than an eight percent decline in oil and gas income, according to projections for the next budget year beginning in March 2015. The decline of oil income is lower than the 28 percent decrease in barrel price predictions, based upon current low oil income and the change in exchange rates between the Iranian rial and the U.S. dollar.

The commercial and political logic for the Altai Pipeline

Natural Gas Europe, 05.01.2015



In November 2014 Gazprom and CNPC signed a memorandum of understanding concerning the export of gas to China via the so-called "western route".

This has important implications not only for Russia and China, but also for all the other potential suppliers of gas, and especially LNG, into North-East Asia. Confirmation that China could import up to 68bcm/a of Russian gas starting from 2019 would create a significant dent in the country's potential LNG import requirement from 2020, increasing the competition between the planned sources of supply that are being constructed and planned over the next 5-10 years.

Despite remaining doubts as to whether both Russia – China pipeline deals proceed to completion, it would appear that LNG suppliers are right to be concerned, as there is real commercial as well as political logic for significant Russian gas to flow south into the world's fastest growing gas market.

From a Chinese perspective, growing gas demand, uncertainty over some of its existing sources of supply, a desire to create more competition with Central Asian gas and the one-off nature of the opportunity to negotiate with Russia from a position of exceptional bargaining strength mean that an Altai deal is also likely to make sense. There may be some concern over the need for more Russian gas, with the possibility that total supply of 68bcm/a (the combined capacity of the Power of Siberia and Altai pipelines) could account for as much as one third of total Chinese imports by 2030. However, any potential security of supply threat is offset by the fact that the Russian contribution to overall Chinese gas consumption would be much lower, at around 13%, while the share of gas in the China's total energy balance is estimated to remain below 10% at that date.

Overall, then, the potential for a deal on exports via the Altai pipeline appears to have significant commercial and political logic. If a deal is signed, substantial problems will still remain, not the least of which will be Gazprom's ability to raise the money needed to build the pipeline given its current inability to access western capital markets. Nevertheless, the impact of the signing of an Altai deal alone could have a significant impact on the ambitions of companies planning LNG projects that are also targeting the Chinese market, and as such the continuing discussions will require attentive observation over the next 12 months.

Iran expects to produce 100 mcm of gas per day from South Pars by March

Natural Gas Asia, 03.01.2015



Iran plans to pump 100 mcm of natural gas per day at South Pars gas field by end of Iranian calendar year. "The promise to increase gas production from South Pars to 100 mcm will be fulfilled by the end of the current [Iranian] year," Bijan Namdar Zanganeh, Iran's oil minister said.

Zanganeh said that phases 12, 15, 16, 17 and 18 were among top priorities in the giant gas field, adding that phase 12 will be fully operational in the near future. In early December, phase 16 of South Pars come on line. Officials expect output of phases 15 and 16 to hit 23 mcm per day once three gas desalting installations become operational.

Iran joins European gas race

Trend, 05.01.2014



Thaw in relations between the West and Iran gradually begins to bear fruit, and Azerbaijan can also obtain considerable dividends from it.

The negotiations led by several European countries with the National Iranian Gas Company on the issue of cooperation in the construction of gas processing plants and gas pipelines both in the country and from Iran to Iraq, Turkey, Pakistan and other countries, are the striking example of that. Considering the issue of cooperation in the construction of gas pipelines, the issue of supplies of Iranian gas to Europe also becomes relevant.

The issue of gas supplies, which became a matter of urgency in the relations between Europe and Russia, is still open and needs to be addressed. Rapprochement between Europe and Iran in the gas sector can become a reality in terms of implementation of the Southern Gas Corridor project, which will deliver Azerbaijani gas. All gas transportation infrastructure, which is the part of the Southern Gas Corridor, was calculated with the possibility of adoption of additional gas volumes from other sources. In these circumstances, it is namely Azerbaijan that may become a reliable and important link, through which the Iranian gas can enter the European market.

As is known, Azerbaijan and Iran are connected by the Gazi-Muhammad-Astara-Bind-Biand gas pipeline, which delivers Azerbaijani gas to Iran via the swap operations in order to meet the needs of the Nakhchivan Autonomous Republic (NAR), which is in blockade due to the occupation of 20 percent of Azerbaijani territories by Armenia. The idea of construction of a gas pipeline from Turkey for strengthening NAR's energy security has already been considered. With the construction of 180-kilometer-long Igdir (Turkey)-Sederek (NAR) gas pipeline, the operation of Azerbaijani-Iranian gas pipeline in the opposite direction can become quite real.

With that, various scenarios can be considered on condition of full warming of relations between the West and Iran. Aside from that, Iran is linked with Turkmenistan via a gas pipeline and Europe also shows interest in obtaining Turkmen gas. This opens great opportunities for ensuring the supply of Turkmen gas to the Southern Gas Corridor. Under the current conditions, there is a need to construct a gas pipeline running under the Caspian Sea to Azerbaijan in order to deliver Turkmen gas to Europe.

The triumph of peace in the relations of the West and Iran will be beneficial to all, and in all respects, particularly in gas supply issue. Europe will get additional gas sources, while Iran and Turkmenistan will ensure the delivery of gas to the European market. Azerbaijan, for its part, will play a role of a 'crystal bridge' in gas relations between EU and Iran and get considerable dividends from the transit and transport of Iranian and Turkmen gas.

Azerbaijani oil exports reduce in 2014

Anadolu Agency, 05.01.2015



SOCAR, exported 932,160 tons of oil via Novorossiysk pipeline in 2014, which is reduced from 1.75 million tons in 2013, the company announced.

The company exported 20 million 483 thousand 248 tons of oil from Baku-Tbilisi-Ceyhan pipeline and 2 million 857 thousand 390 tons from Supsa Port. The Ceyhan terminal port, on Turkey's Mediterranean coast, serves as an outlet for oil exports from northern Iraq and for both oil and natural gas exports from Azerbaijan. SOCAR is involved in exploring oil and gas fields, producing, processing, and transporting oil, gas in domestic and international markets.

Serbia's gas supply dilemma in its relations with Russia

Natural Gas Europe, 08.01.2015



Russian President Vladimir Putin cancelled the plans to build the South Stream gas pipeline, controversial among most of the EU countries. For Serbia, it means both the necessity to look for new ways to change the gas supply routes and a chance to consider the diversification of sources.

For the EU, it opens the prospect of closer cooperation with Belgrade as Serbia, a country that will probably become a member of the Union within a decade, develops its new energy strategy. In recent years, the focal point of relations between Belgrade and Moscow has been the planning of the South Stream pipeline.

With the exception of Russia, Serbia was to be the only non-EU country on its route. Moscow's decision to abandon this investment is in reality a confirmation of the facts resulting from the suspension of work on the pipeline in June by Bulgaria, after the European Commission found the project was not compliant with the European Community law. However, the way the decision was announced by the Russian side to its Serbian partners challenges the value of the relationship between the two countries. The decision to abandon this energy project, which was called a priority by Serbia, was taken in Moscow not only without consultation with Belgrade, but the media announcement was also made without prior notification of partners.

The government in Belgrade placed its highest hopes in the diversification of a gas transmission route from Russia, which is the only supplier of this raw material to Serbia. Currently, the gas is transported through Ukraine, among other countries. In view of its modest own resources, covering at best a little over a dozen per cent of the annual demand of approx. 2.83 billion m³, Serbia is looking for an alternative transport route for Russian gas. The country signed an agreement with Moscow in 2008 (on the same day that Hungary joined the project) to participate in the South Stream pipeline, which was launched in 2007 by Gazprom and the Italian company Eni. The government in Belgrade confirmed the validity of this decision after having observed the effects of the gas conflict between Russia and Ukraine in early 2009, when Serbia (like Bulgaria and other countries in the region) was deprived of supplies and had to rely on the provision of reserves from Hungary. The remedy for this situation was to be a pipeline that would ensure not only the security of gas supply, but also jobs for qualified engineers. That is why, despite the negative reviews of the EC, the Serbian authorities reaffirmed their commitment to the construction of South Stream in June (Austria and Hungary presented a similar position). However, the decision of the government in Belgrade was more important for its relations with Moscow than for the project itself, which in practice had already been halted.

Russia in Serbian Politics. The agreement between Belgrade and Moscow to build a pipeline was in line with the strategic relationship between the two countries. Russia is one of the four pillars (along with the EU, the U.S. and China), on which Serbia has based its international relations. In addition to energy issues, recent relations between the two countries have been developing largely as a result of Russia's non-recognition of Kosovo's independence. The veto from the permanent member of the UN Security Council prevented this disputed territory from becoming a member of international organisations. The government in Belgrade perceives such an attitude in Moscow as a guarantee of Serbia's participation in negotiations with the government in Pristina. Nonetheless, Russia was able to exploit this support in the Kosovo issue to buy a majority stake in Naftna Industrija Srbije, the company responsible for the import, processing and distribution of petroleum products.

The perception of Russia in Serbian society plays an important role in the relations between the two states. It is seen as a fraternal country mainly due to the close cultural and religious ties, and Moscow's activities, such as, for instance, continued support for Belgrade in responses to natural disasters (such as the forest fires, floods of 2014, among others), including in the framework of the Serbian–Russian humanitarian centre. The perception of Russia in the context of financial support also says something about the sympathies of Serbia's inhabitants, of whom 47% are convinced that Moscow is the largest foreign donor, with only 28% attributing this role to the EU. In fact, approximately 74% of foreign aid comes from the EU and its Member States, while Russia is not among the major donors.

Good relations and the perception of Russia in Serbian society meant that Serbia was not interested in joining in with EU sanctions against the Kremlin as a reaction to developments in Ukraine. An important factor in this decision was the fact that the Russian Federation is the fourth most important recipient of Serbian imports, and the third largest exporter to Serbia.

More Synergy with the EU in Further Actions. Russia's final withdrawal from the implementation of South Stream means that Serbia needs to develop a new strategy that will ensure its energy security. It is essential that the EU works closely with countries such as Serbia in the development

of their new energy concepts, and indicates the benefits that can derive from observing the principles that assure the sustainability and efficiency of planned investments at the stage of supporting these countries on their road to joining the EU.

Serbia, as a prospective member of the EU, should already be ensuring that its planned investments comply with EU legislation, regardless of the fact that some Member States (such as Austria, Bulgaria and Hungary) do not always follow this rule. Experience shows that attempts to omit the law results in an ineffective investment. In the context of energy projects, third party access to transmission infrastructure must be guaranteed, with respect for the principle of full ownership unbundling, that is, the separation of operations on the pipeline (transmission activities) from gas production and marketing. Also, the companies involved in the development of gas infrastructure in the EU should be aware of the possibility of asking the European Commission for an exemption from the EU regulations for an agreed period of time. New projects can be granted such status, in particular, when market interest does not guarantee benefits from investment, which can be determined by so-called open season procedure—a study of the potential interest of third parties of using the infrastructure. This solution was used when the Nord Stream gas pipeline was constructed.

The changes on the European energy market are significant for planning the diversification of both gas transmission sources and routes. National markets, including those in Central Europe, are becoming more integrated, and the European market is becoming further liberalised. This means not only an increase in supply capacity on domestic markets, but often also affects the price of the raw material, provided that a country such as Serbia, which can play an important role as a transmission country because of its location in the centre of the Balkans, takes care of investments related to the construction of interconnectors with neighbouring countries. In this context, a key switch may be not only the one with Bulgaria (on 17 December, both sides declared that they would accelerate work on such an investment as a result of the cancelled plans to build South Stream), but also, for example, with Croatia, which has access to sources of gas other than from Russia. Such solutions should also be reflected in the activities of the EU, as this would increase the energy security not only of a given country, but of the region as a whole.

Serbia's relations with Russia cannot be analysed in isolation from the changes that have occurred in recent years in the international environment of the EU. Relations between Moscow and the majority of EU capitals have deteriorated, mainly due to Russia's military activities in Georgia in 2008, the annexation of Crimea, and involvement in destructive activities in eastern Ukraine in 2014. This means that Russia has become a less predictable partner for European countries, and Moscow's long-term determination to build an alternative pipeline (that would bypass Ukraine) for sending the gas to southern Europe gives grounds for concern in some EU countries as to the sincerity of Moscow's intentions. Such developments in the EU's neighbourhood have, among other things, caused Poland (a country in close proximity to Russia) to launch an energy union initiative, aimed at increasing the energy security of countries dependent on Russian gas. When designing new energy investments, this initiative should also be taken into account, as in the coming years it will be developing in the context of deepening European integration.

The changes in the foreign policy of Serbia itself are also important for defining its relations with Moscow. For a year now this country has been negotiating EU membership, and fulfilment of the accession conditions will include Serbia's adjustment of its external actions to bring them into line

with common foreign and security policy while negotiating Chapter 31. So far, this part of the accession talks has been of a technical nature. However, given the dynamic development of events in the EU surroundings, and the new challenges related to this, the EU itself is looking for new tools in its external policy, and could also perhaps expect a constructive contribution to such solutions from the countries aspiring to membership.

Ukraine's gas imports from Europe grow 143 pct

Anadolu Agency, 06.01.2015



Ukraine saw a 143 percent annual increase in 2014 in natural gas imports from European countries with 5.1 bcm, according to Ukraine's state-owned gas transmission company. Ukraine's natural gas imports increased by three bcm more in 2014 to reach 5.1 bcm in total, UkrTransGaz, the country's state-owned gas transmission company announced.

The country had imported 2.1 bcm natural gas in 2013. As Russia halted its gas flow to Ukraine on June 16 due to disputes over gas price and debt, Ukraine received its gas demand from Slovakia, Hungary and Poland mostly through reverse flows.

The amount of imported natural gas from Slovakia was 3.6 bcm, 900 mcm was imported from Poland and 600 million cubic meters from Hungary. Hungary also had stopped its gas flow to Ukraine in late September as Hungary's state-owned gas company agreed on the construction of the South Stream with Russia.

However, when the South Stream was cancelled by Russian company Gazprom, Hungary began resuming gas transmission on Jan. 1. Russia also resumed gas supplies on Dec. 9, after Ukraine wired an advanced payment of \$378 million to Russian gas giant Gazprom on Dec. 5 to secure the imports of 1 bcm of gas. Ukraine's total debt to Russia for natural gas was \$3.1 billion.

Gazprom concerned over Ukraine's possible siphoning off of Russian gas

TASS, 05.01.2015



The possibility of siphoning off of Russian natural gas by Ukraine has increased with the onset of cold weather, CEO of Gazprom Aleksei Miller was quoted.

The Russian premier said that Moscow wants to deal with Ukraine as a reliable partner. "But what you say makes one think of the developments and the way gas consumption takes place in Ukraine," Medvedev said. According to him, prompt decisions must be made depending on the situation with gas consumption volume, if necessary, and in accordance with the made decision on the price discount Russia offered to Ukraine for the coming period.

Russia hits record oil output in 2014

Anadolu Agency, 05.01.2015



Russian oil production reached a post-Soviet era record average output at 10.6 million bpd in 2014, according to data from the country's energy ministry. Russia's crude oil output rose by 0.6 percent to 527 million tons. Small producers, mostly private oil company's production rose by 11 percent and increased to one million bpd.

Meanwhile, Russian crude oil exports dropped by 5.7 percent to 222 million tons in 2014. However, falling oil and gas prices disrupt the Russian economy which relies heavily on energy income and the country's oil and natural gas revenues finance around half of the country's budget.

Losing over 50 percent of its value in 2014, the ruble saw its value drop by more than 20 percent in a single day on Dec.16, reaching unprecedented lows since the government's default of 1998. Oil prices have been in a steep decline since June because of excess oil supply and low demand for oil in the world's markets.

Gas infrastructure interconnection is more important than dependence

Natural Gas Europe, 05.01.2015



Obsession with one source of gas in Europe is a misconception that István Zsoldos, Chief Economist, MOL Group, has run into often, as he told delegates at Romania Oil & Gas in Bucharest. “Most governments are obsessed with specific natural gas sources,” he explained. “I’m talking about importing from this country or that country.”

In reality, he said, it is more important having access to a liquid market than having access to individual gas sources. “So that requires interconnector infrastructure and that’s often not emphasized enough as opposed to individual sources,” he explained.

Of all the talk about LNG imports to Europe, from the US and other locations, Mr. Zsoldos said it is a useful development as LNG does not create dependencies, but also does not lead to significantly lower prices for European gas. “Globally, there is plenty of gas,” he remarked, “and gas is very cheap at the source in many cases. So the value of the gas is in the transportation, which adds the value. There is no global gas market - we have enough gas for probably 200 years. It’s a lot more abundant than oil.”

According to prices, he noted that there is no such thing as a global gas price: Henry Hub in the US is quite low; Europe has hub-based pricing while oil-based pricing is being phased out. Because of the recent oil price drop, he said the fuel oil price is not that far from the hub-based price. He commented, “It’s an interesting new development.”

Of the two pricing models for gas in Europe, Mr. Zsoldos said there is the old “pipeline model” based on oil and mutual dependency and whose market structure is long-term contracts and lacks transparency, about which he said: “Sellers like it that way.” He continued, “The new model is more market-based and is more real-time contracts, not long-term but spot-based pricing.” In terms of infrastructure, he said redundancy is needed for the new model. “It’s not enough to have just enough capacity – you need a lot more capacity and especially interconnector capacity.”

The new model, he explained, is spreading. “Now, more gas is priced based on gas-on-gas competition in Europe than based on oil-price indexation of some way or another, and this is going to continue, in our view.” Mr. Zsoldos showed what he termed a very rough map to show that such pricing is spreading to the east and southeast.

He reported, “Hungary’s building an interconnector with Slovakia which probably will lead to Hungary joining this kind of hub-based pricing – it’s already at the edge.” Moving further south east, Mr. Zsoldos noted the mixture of the old and new pricing models.

“It’s not just because of the reliability of the flows, but the pricing as well. If you are a monopolist or oligopolist supplier then your pricing will be very different. If you take the share of Russian gas in consumption and the pricing – if you get the data, then you can see that there is a clear connection between the two. “So it’s a good idea to have multiple sources, not just because of the reliability of supply, but the actual pricing – you are in a lot better position to negotiate a better price than if you are solely reliant on Gazprom supplies.” Mr. Zsoldos noted that Europe has plenty of LNG import capacity, plenty of it unused. “That tells you that access to this capacity is a better idea than building new ones – that can depend of course on the exact place you are, but Europe has huge capacity.”

Nord Stream, he cited, is not being used at capacity. “So if there’s a Ukrainian problem and not just a problem with the totality of Russian exports, then you could use Nord Stream. “Europe as a whole is already well supplied with infrastructure,” he continued. “You have to connect yourself to this infrastructure – that’s the crucial point.” Meanwhile, he said the US and Australia will likely be supplying LNG in the next few years, practically doubling the available supply globally, “which is a good thing if you are thinking about supply to Europe.” Still, he opined, such LNG is not likely to be cheaper. Mr. Zsoldos showed numbers from an export contract between Cheniere and Centrica to supply gas from Louisiana to the UK, calculating \$3.50-4/Mmbtu, so that it will be equivalent to the price Europe pays now. “So don’t expect prices to collapse, unless you are expecting US gas prices to move significantly lower, which we don’t expect.”

In summary, Mr. Zsoldos said everyone’s focus shouldn’t be so much on sources of gas. “The key is to connect yourself to existing infrastructure. That requires being more serious about interconnectors. There’s been a lot of talk about this, but progress is too slow in my view,” he said, adding that LNG will be good for price negotiation, but is not going to lead to significantly lower prices.

Tough times ahead for offshore Norway in 2015

Rigzone, 05.01.2015



In northern Europe, offshore Norway has in recent years been regarded as one of the more profitable, and even exciting, regions for oil and gas operators to be involved in.

Norway represents a rare combination in the world’s oil and gas industry in that it offers energy companies the stability of a maturing basin with well-developed infrastructure along with frontier exploration opportunities. Not only have companies like Statoil led a technologically-driven approach to maximizing recovery of hydrocarbons from the Norwegian North Sea, squeezing ever more energy out of fields that are often decades old.

Consequently, during the past few years plenty of exploration and production companies have decided to enter the Norwegian oil and gas sector while others have expanded their presence there. As recently as September, Germany's Wintershall Holding GmbH paid \$1.25 billion to take stakes in several Norwegian North Sea fields, including the Aasta Hansteen gas field.

Austria's OMV AG expanded its presence in the Norwegian North Sea (as well as the UK sector) with a similar deal in 2013 and even embarked on a major recruitment drive to help service this expansion. Meanwhile, a range of companies both large and small have been investing in exploration in the Norwegian Barents Sea with mixed success.

However, the sudden rapid drop in the price of oil in recent months poses a question about how much new activity will be taking place on the Norwegian Continental Shelf over the next year or so. For example, Statoil suspended more than a third of its fleet of exploration rigs in 2014 and in early December the firm took the decision to extend the suspension of three drilling rigs as part of its struggle to cut costs as its profit margins shrink. It has also decided to postpone until October 2015 a decision that had been due in March about whether to go ahead with a new platform at the Snorre field in the Norwegian Sea. Statoil believes the project could be used to extract an additional 240 million barrels of oil from the Snorre field, but it would also cost the partners in the field more than \$5 billion.

In mid-November, Statoil's field development chief was reported by Reuters as saying that although the lower oil price could make it difficult to get an investment decision for several field development projects going into 2015, the firm still planned to launch more fast-track projects. Statoil's fast-track approach sees the company make use of modular equipment and existing infrastructure in order to bring smaller, simpler discoveries into production quickly.

Indeed, research firm Wood Mackenzie reported in August that such incremental projects in the Norwegian upstream sector are set to grow in importance in relation to larger, greenfield developments. Statoil has already given the green light to 11 fast-track development projects and the firm expects to see between 20 and 30 exploration wells drilled in 2015. Meanwhile, it continues to work on the Johan Sverdrup field and a field development plan for the first phase of this field is due to be submitted to the Norwegian government in mid-February ahead of a production start-up that is planned for late 2019.

Plans for how the \$20-billion Johan Sverdrup field will be powered will be spelled out in more detail this coming spring. The details of this will be closely scrutinized after a heated debate in the Norwegian parliament earlier last year when some of the country's opposition parties called for the more environmentally-friendly option of powering the project from onshore instead of generating electricity locally on platforms using natural gas and diesel. However, after Statoil said this could push up costs and delay the project, parliament agreed in June that electrification should happen as soon as possible and be in place by 2022.

In the Barents Sea, Statoil will spend 2015 focusing on analyzing the data it acquired in its 2013-2014 exploration campaign, which had rather mixed results. In a statement in early November the firm conceded that it made fewer commercial discoveries in the Barents Sea than it had hoped for but insisted that exploring in the region "is not a sprint, but a marathon" and that its work there is about "long-term thinking, stamina and systematic building of knowledge".

Statoil scored a small success with its May 2014 oil discovery at the Drivis well – which will now be developed as part of the Johan Castberg project. The firm will now look at the results of other wells it has drilled in the Barents region and interpret the 3D data from a joint seismic acquisition program in the southeastern Barents Sea ahead of its application for licenses in Norway's 23rd oil and gas licensing round, which is expected to be launched during the coming months.

It has not been all plain sailing for other operators in the Barents Sea either. While Lundin Petroleum AB and Det norske oljeselskap ASA scored a couple of drilling successes themselves in 2014, the development of the Goliat oilfield is proving somewhat of a headache for Italy's Eni S.p.A. (the operator of the field). Goliat was originally scheduled to begin production in 2013, with production expected to plateau at 100,000 barrels per day. However, production start-up was delayed until December 2014 and in May 2014 Eni declared that start-up would now take place in mid-2015. The Goliat project is expected to cost almost 50 percent more than originally planned, according to the Norwegian government.

So, a tough year lies ahead for Norway's offshore sector. Just how tough remains to be seen, but the applications made in the 23rd licensing round should provide a clue as to the continuing attractiveness of the Norwegian Continental Shelf to the oil and gas industry.

Eni awarded exploration license in Croatia

Anadolu Agency, 05.01.2015



Eni was awarded an exploration license for offshore exploration in Croatia, the company announced. The license referred to Block 9, situated in the Adriatic Offshore, a region where Eni is the exploration and production leader for several decades on both the Italian and Croatian sides, according to the press release.

Eni will have a 60 percent share interest and take the role of operator in the partnership with Rockhopper which has a 40 percent share in the project. The assignment will be formalized when the production sharing agreement is proposed to be signed in April 2015, the statement says.

Eni has been active in Croatia since the '80s. At present, through its fully-owned subsidiary Eni Croatia B.V., it operates jointly with INA's two exploration and production licenses located in the Adriatic offshore, where it holds a 50 percent participating interest. Eni is the leading international producer in the country, with daily equity production in 2014 of around 1.1 million cubic meters of gas.

Elering as takes controlling stake in Estonia's gas TSO

Natural Gas Europe, 05.01.2015



Estonian electricity transmission system operator Elering AS has concluded a deal to buy the controlling stake in Estonia's gas transmission system operator from Finnish utility Fortum.

Elering take a 51.4 percent stake in AS Vorguteenus Valdus, which owns 100 percent of the Estonian gas transmission network operator AS EG Võrguteenus for 27.5 million euros. Other shareholders in AS Vorguteenus Valdus include Gazprom and Itera Latvija. Fortum said that the sale was part of the company's efficiency programme launched in October 2012 aimed at the disposal of non-core assets.

The sale was also in line with the Directive 2009/73/EC of the European Parliament and of the Council and the Estonian Natural Gas Act that requiring ownership unbundling of natural gas transmission and gas sales.

Statoil's valemon gas field offshore Norwegian Sea goes on stream

Natural Gas Europe, 06.01.2015



Statoil and its partners have brought the Valemon gas and condensate field on-stream. Located between production license 050 and 193 in the Norwegian Sea, the Valemon high-pressure, high-temperature field, has estimated recoverable reserves of 192 million barrels of oil equivalent.

Valemon is one of several new projects on the Norwegian continental shelf that will help add value, activity and innovation, demonstrating well the long-term perspective that characterises Statoil's activity on the Norwegian continental shelf," commented Arne Sigve Nylund, executive vice president for Development and Production Norway.

Condensate from Valemon will be piped to Kvitebjørn for processing, and from there to Mongstad, whereas the gas will be sent to Heimdal for processing, and then transported to the market. Heimdal, which was scheduled to be shut down in 2014, will thus get extended life as a gas hub in

this part of the North Sea thanks to Valemon. The Valemon platform will be Statoil's first platform remotely controlled from shore, turning into a "normally unmanned platform" when the drilling on the field is completed in 2017. The Valemon field development project is expected to total NOK22.6bn (\$2.96bn). Statoil Petroleum A/S is the operator of the field with a 53.77% interest, together with Petoro AS (30%), Centrica Resources (13%), A/S Norske Shell (3.23%).

Exmar sees bright future in LNG liquefaction floating units

Natural Gas Europe, 05.01.2015



The Belgian gas tanker shipping company Exmar has ordered Wison Offshore & Marine to undertake a second floating liquified natural gas unit.

Wison will be responsible for the turnkey engineering, procurement, construction, transportation, installation and commissioning of the FLNG liquefaction unit, which will be a self-contained barge with a liquefaction capacity of 0.6 million tons per year and 20,000 m³ of LNG storage. The FLNG will be constructed at Wison's shipyard in Nantong, China, where also the construction of Exmars' first FLNG is nearing completion.

The first "Caribbean" FLNG, a mutual project from Exmar and the Colombian company Pacific Rubiales Energy will start operating near the Colombian coast in the second half of 2015. The second FLNG installation will be operating along the west bank of the Douglas Channel near Kitimat in the Canadian province British Columbia. In this project Exmar's partners are LNG Partners-LLC and LNG Bargeco. The installation will have a capacity of 0, 7 million tons per year.

According to Exmar, the second FLNG unit, which is scheduled to be completed in 2017, will enable it to offer a reliable and more cost-efficient LNG production facility to its customers compared to land-based solutions and to play a major role in the further development of LNG infrastructures.

Exmar considers its nearshore barge based FLNG concept as a strong competitive advantage, as it will allow faster monetisation of existing gas reserves. Therefore, the Antwerp based shipping company also secured additional firm options for two more FLNG's.

"Lower oil and gas prices will continue to boost demand for cost-efficient and fast-track FLNG solutions over land-based liquefaction terminals," states CEO Nicolas Saverys. "Thanks to our first mover advantage we are actively working on seven FLNG projects around the world. With this second FLNG contract we take another key step towards further strengthening our unique position in the FLNG market." However, Saverys did not provide silent any additional information or timing on the five additional projects.

Dana Gas gets \$60 mn from Egypt

Natural Gas Asia, 04.01.2015



Dana Gas said that it has received from the Egyptian Government a payment of \$60 million as part of outstanding debt. The payment represents 28% of the total overdue receivables of \$212 million and has been received in the form of \$10 million and the balance in equivalent Egyptian pound.

Earlier in 2014, Dana Gas and the Egyptian Government signed the landmark Gas Production Enhancement Agreement which allows the company to significantly enhance production and gradually recover its outstanding receivables in a phased manner over a 3-year period going forward.

Dana Gas was also recently awarded the North El Salhiya (Block 1) and El Matariya (Block 3) onshore concessions in the Nile Delta as part of the 2014 EGAS bidding round held recently in Egypt. The company will operate the Block 1 concession area on a 100 percent basis. "It is expected that exploration success and future production from conventional gas reservoirs in the Block, utilizing Dana Gas's existing infrastructure, has the potential to extend the Company's highly successful gas production business onshore the Nile Delta," the company stated. Dana Gas Egypt will participate in the Block 3 concession area on a 50 percent basis with BP as partner and operator. In addition, Dana Gas has 100% working interest in the North El Arish (Block 6) concession area, offshore the eastern Nile Delta.

Gulfsands petroleum encounters gas in Morocco

Natural Gas Asia, 07.01.2015



Gulfsands Petroleum said it has found gas at Dardara Southeast 1 well located within the Rharb Centre Permit in Northern Morocco.

The DRC-1 well was drilled to a total depth of 1,153 metres and encountered the primary reservoir target interval on prognosis at a depth of 875 metres. "Significantly elevated gas readings obtained while drilling, as well as interpretation of geological samples and wireline logs, indicate the presence of a gas bearing sandstone reservoir section of excellent quality," the company said.

Detailed petrophysical evaluation of DRC-1 wireline logs yield an initial interpretation indicating a 53 metres gross thickness of excellent quality reservoir sand between 875-928 metres, with a net gas bearing sand thickness of 16 metres, evaluated average gas saturation of 68% and average porosity of 34%. A gas-water contact has been observed in the well at approximately 895 metres as evidenced by wireline log and formation pressure data, the company stated.

“In addition to encountering a potentially highly productive net gas bearing interval of 16 metres, the DRC-1 well result indicates substantial additional gas exploration potential to exist in an adjacent and up dip fault block and this will be targeted in drilling during 2015,” the company added. The DRC-1 well is the second well to be drilled based on the interpretation of 3D seismic survey data shot by Gulfsands on the Rharb Centre Permit in 2013.

Santos-Kris Energy JV initiates seismic survey offshore Bangladesh

Natural Gas Asia, 07.01.2015



Santos and Kris Energy have initiated two-dimensional (2D) seismic survey in Block SS-11 offshore Bangladesh. The exercise will be carried out on behalf of the joint venture by French firm CGG at a cost of around \$ 9.76 million, the newspaper stated citing sources.

The shallow water Block -SS-11- is highly potential, as it is close to Myanmar’s territorial water, where the neighbouring country discovered huge natural gas reserves. The block covers an area of 4,475 sq km in the Bay of Bengal. The majority of the block lies in shallow waters up to 200 metres with the furthest southwest portion extending into water.

KrisEnergy holds a 45% non-operated working interest in the exploration block. Santos is the operator with 45% and Bangladesh Petroleum Exploration & Production Company Limited (BAPEX) holds 10%. According to Financial Express Santos-Kris JV has committed to drill an exploration well, conduct 1,876 line kilometer 2D seismic survey and 300 sq km 3D survey, and offered a bank guarantee of \$15 million, for the initial five years of exploration. The JV bidder would require investing around \$30-32 million to carry out its work plan under the production sharing contract (PSC) during the initial years. The contract period for exploration will be eight years in total. The contractor will be allowed to operate and sell oil and gas for 20 years from an oil-field and 25 years from a gas-field.

Sinopec launches shale gas environmental, social report

Natural Gas Asia, 04.01.2015



Sinopec launched the 'Sinopec Shale Gas Development Environmental, Social and Governance Report'. "The release of the first shale gas ESG special report in China by Sinopec, the leader in China's shale gas exploration and development, exemplifies Sinopec's commitment to improving industry-wide ESG standards and information disclosure," the company said in a statement last month.

The report explains Sinopec's ESG concepts and practices applied to its shale gas developments which fall under the follow four key areas: clean energy, safe operations, environmentally-friendly development.

The report details Sinopec's work and actions to conserve water, reduce carbon emissions, monitor and mitigate environmental impacts, openly communicate with local communities and ensure balanced development. In particular, the report details efforts to recycle water during the development process and the series of technologies employed to protect underground water during exploration.

"As the leader in shale gas development in China, the report also demonstrates Sinopec's leadership in responsibly implementing a green and low-carbon shale gas strategy and promoting ecological conservation," the company stated.

75 test wells at Sinopec's Fuling shale gas field have been completed which means the new production capacity target of 2 billion cubic meters has been achieved ahead of schedule. At present, the Fuling shale gas field has cumulatively produced over 1.136 billion cubic meters of shale gas and maintains an average daily output of over 3.6 million cubic meters, with Chongqing the first beneficiary of green, low-carbon shale gas in China.

CNOOC makes gas discovery in South China Sea

Natural Gas Europe, 06.01.2015



CNOOC Limited announced a new mid-to-large sized natural gas discovery Lingshui 25-1 in South China Sea. The Lingshui 25-1 structure is located in the northeast of Ledong Sag in Qiongdongnan Basin of South China Sea.

The discovery well Lingshui 25-1-1 was drilled and completed at a depth of about 4,000 meters and gas pay zone with a total thickness of about 73 meters. The well was tested to produce about 35.6 million cubic feet of natural gas and 395 barrels of oil per day. Lingshui 25-1 is another mid-to-large sized natural gas discovery following Lingshui 17-2 that the CNOOC made on independent deepwater exploration.

According to the company, the new discovery has not only opened up a new exploration chapter in deepwater area of northern South China Sea, but also further proven the good exploration prospects in deepwater area of Qiongdongnan Basin.

Otto Energy, partners complete seismic survey in Tanzania

Natural Gas Asia, 06.01.2015



Otto Energy Ltd and partner Swala Energy have successfully completed a 430 km 2D seismic programme over the Kilombero Basin in central Tanzania. Otto Energy Tanzania Pty Ltd has a 50 percent participating interest in the Kilosa Kilombero licence while Swala Energy's subsidiary Swala Oil and Gas Plc, as operator, has the remaining 50 percent stake.

The joint venture has already identified the Kito Prospect as a potential drilling target for 2015. The new seismic data are currently being processed ahead of detailed interpretation that aims to map additional potential drilling targets for the forthcoming drilling campaign.

The joint venture will carry out basin modelling and seismic amplitude studies to help rank the prospect portfolio ahead of these planned drilling activities. Matthew Allen, Otto's CEO said: "The work programme of the joint venture in the Kilosa-Kilombero licence has been executed in line with

the work programme commitments to TPDC, in an area that had not previously seen any oil or gas exploration activity. We look forward to the results of the detailed mapping, basin modelling and seismic amplitude studies to support the final drill candidate selection.”

Tlou energy flows 395,000 cubic feet of gas per day from Botswana CBM Well

Natural Gas Asia, 06.01.2015



Australia listed and Africa focused coal bed methane explorer Tlou Energy has achieved peak flow rates of 395,000 cubic feet of gas per day during production testing of its Selemo Pilot in Botswana.

“Results to date suggest that the economic threshold for a potential development has been met when all key factors are taken into consideration,” the company said. Tlou initially began to flare gas at Selemo in November 2014 with the rate building as the well bore environment was gradually brought into equilibrium with atmospheric conditions. The company claims that Selemo Pilot is the first in Botswana.

US condensate to relax its 40-year crude oil export ban

Anadolu Agency, 05.01.2015



As the U.S. begins to export condensate oil, its 40-year old ban on exporting crude oil will be relaxed, but it will not affect the world’s oil market nor Saudi Arabia’s efforts to regain its market share, say experts. The U.S. Department of Commerce’s Bureau of Industry and Security agreed last Tuesday to grant export licenses for companies who wish to export condensate light shale oil from the U.S. to overseas.

“Condensate is a byproduct of shale oil and gas wells, which is a useful feedstock for manufacturing chemicals,” said Ed Hirs, an energy economist at the University of Houston in the U.S.

“It is the latest in a gradual process of relaxing the ban,” Jeff Colgan, an assistant professor of politics and international relations at the Watson Institute of Brown University in the U.S., told The



Anadolu Agency. "The U.S. policy relaxes but does not remove the ban on crude exports," he added.

The U.S.' 40-year-old self-imposed ban against exporting crude oil came into play during the 1970s after the Arab oil embargo forced the oil-dependent U.S. economy to face soaring oil and gasoline prices, which in turn forced the country to look for ways to boost its own resources. "Eventually, the U.S. will remove the ban on oil exports," Hirs said. He stressed that allowing condensate exports would be just a fraction of the world's crude oil market, while Colgan agreed saying: "The U.S. condensate exports will be only a tiny fraction of the world market for oil."

The decision of the U.S. department comes at a time when oil prices have been falling sharply in the last six months, and while there is a glut of oil supply in the world markets. The price of global benchmark Brent crude oil has been in steep decline since June, falling from \$115 per barrel to \$55 mark on Dec. 30, the lowest point in the last five and a half years, and the fastest fall since 2008.

The Organization of the Petroleum Exporting Countries, OPEC, announced on Nov. 27 that they would maintain the production of 30 million barrels of oil per day until June, and would not cut production to stop the price fall.

The world's largest crude oil exporter, Saudi Arabia, lowered its official sale price of crude oil to the U.S. in order to preserve its market share and compete with the booming domestic oil production in the country. Experts state that allowing condensate exports would not pose a serious obstacle against Saudi Arabia's aspirations to regain its market share in the global oil market. "I don't think this will greatly influence the Saudi efforts to recapture market share because it only covers condensate, not crude oil," Colgan said. Hirs stressed that Saudi Arabia was the world's largest supplier of condensate, while the U.S. has now equaled Saudi Arabia in supplies to the world market. "The granting of condensate export licenses in this niche market is nice but not material to anyone," he added. Hirs underlined that Saudi Arabia is the low-cost producer, while the U.S. independent producers in the shale oil plays are the high-cost producers in the world market. "The U.S. will be unable to maintain current levels of shale oil production at the current low prices - less than \$60 per barrel at Brent and WTI at the year-end in 2014," he concluded. Many oil analysts believe that the break-even price for Saudi Arabia is around \$20-\$30 per barrel, although the kingdom does not officially declare an amount. The global benchmark Brent crude oil price stood at \$55.45 per barrel and the American benchmark, West Texas Intermediate, WTI was recorded at \$51.77 per barrel at 9:00 a.m. GMT.

Republicans to hold meeting to approve Keystone pipeline

Anadolu Agency, 03.01.2015



The Republicans in the U.S. are moving forward to approve the Keystone pipeline project that would carry Canadian heavy crude oil to the U.S. The U.S. Senate Energy and Natural Resources Committee announced on its website that the new head of the committee, Senator Lisa Murkowski, an Alaska Republican, has called a meeting.

The meeting is to markup an original bill to approve the Keystone XL pipeline, while the legislation to be considered by the energy committee is identical to the bill reported favorably by the committee on June 18, said the announcement.

The U.S. Senate voted against a bill on Nov. 18 to approve the Keystone XL pipeline that would carry Canadian heavy crude oil to the U.S., with 59 votes in favor to 41 against - one vote shy of approval. The Republicans, who won the congressional elections on Nov. 4, were expected to get another shot at the approval of the pipeline when they officially gain control of the Senate on Jan. 3.

"Republicans would like to see Keystone XL pipeline be approved," Ed Hirs, an energy economist at the University of Houston, told The Anadolu Agency in November. The Obama Administration has postponed the approval of the controversial pipeline, due to environmental and political concerns for six years, while U.S. President Barack Obama signaled on November that he could use his veto power against the bill, as 67 votes are needed to overcome a presidential veto.

"Now that the Republicans have moved in and taken control of both the Senate and the House, they will pass with veto-proof margins," David Merkel, a senior fellow at Dinu Patriciu Eurasia Center of the Atlantic Council, a Washington-based think tank, told AA in December. Hirs stressed that the U.S. would minimize any future interruptions of importing crude oil from the Organization of the Petroleum Exporting Countries, OPEC, and adding "This pipeline proposal is in the national interest of the U.S."

The oil cartel decided on Nov.27 that it will not make any oil production cuts to slow the steep decline in oil prices, which dipped from \$115 per barrel in June to \$57 per barrel mark on Dec. 31, a fall of 50 percent - and the fastest slump since 2008. The oil cartel's most influential member and the world's largest crude oil exporter, Saudi Arabia, has lowered the official sale price of crude oil to the U.S., in order to preserve its market share and compete with the booming domestic oil production in the U.S.

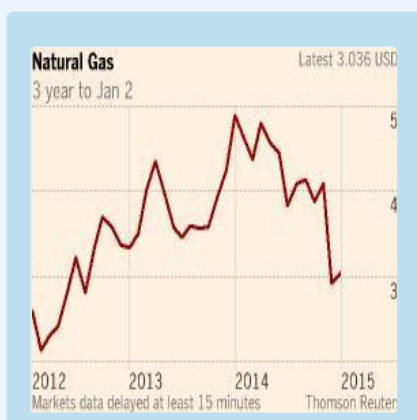
Meanwhile, the U.S. announced that it would allow the export of domestically produced condensate oil, relaxing a 40-year old ban on oil exports, adding to fears that oil prices will dive deeper amid a

supply glut. The lifting of the ban could heat up the oil price war, and pose a serious obstacle against Saudi Arabia's aspirations to gain global dominance in oil markets.

To carry heavy crude oil from Alberta's tar sands through Nebraska and Oklahoma to reach the U.S. refineries on the Gulf coast, the northern extension of the pipeline, Keystone XL, would provide an additional capacity of 500,000 barrels per day, says TransCanada. This would have brought the total capacity of the 2,150 miles (3,460 kilometers) long pipeline to more than one million barrels a day, with the total investment reaching \$12.2 billion, according to its operator, TransCanada's website. While the U.S. crude oil imports decreased over the years with higher domestic light oil production volumes every year since 2008, the country still needs heavy crude oil, say U.S. oil experts. Before the shale oil boom in 2008, most of the U.S. refineries were designed for heavy type crude oil, which is imported from Middle Eastern countries. The approval of Keystone XL would have divorced the U.S. from the uncertainties of overseas sellers who pose risks to uninterrupted oil supplies due to the political instability of their region, according to energy analysts who supported the bill.

After the oil price fall, is natural gas next?

Financial Times, 04.01.2015



The process of adjustment in the energy market is far from over. After the dramatic halving of the oil price since June there is now every chance that natural gas will follow suit. Indeed the fall has already begun.

Two further factors suggest a continued, and worldwide decline in 2015. First, in Europe in particular, gas supply contracts are tied to the oil price. The link is historic and is gradually giving way to direct gas-to-gas competition. But the older, longer term contracts remain in place for now and that means that a radical downward shift in prices will occur through the coming year.

Secondly, after years of uncertainty since the 2011 Fukushima disaster, there are signs that Japan is ready to accept the gradual reintroduction of nuclear power. The initial steps will be small — perhaps just one or two reactors at first. But even that will be sufficient to undermine gas prices in Asia which rose at times to almost \$20/mmbtu as Japan was forced to substitute imported gas for nuclear. Each nuclear station brought back online will reduce demand for gas, and just as prices surged in 2011 now they will slip back. A Reuters survey of some serious analysts, including Wood Mackenzie, forecast a fall of up to 30 per cent in Asian natural gas prices in 2015.

Unlike the oil market, none of this has anything to do with the collapse of a producers' cartel (or depending on your world view, with a dastardly plan to use falling prices to undermine one political enemy or another). Nor does it have anything to do with Ukraine or the relations between Russia and Europe. There is no gas cartel and no producer has the power to set prices. The falling price is simply a matter of supply and demand. Supply is strong — driven on by high prices in the last few

years and by the US shale revolution. Demand on the other hand is fragile and in Europe is being continuously eroded by subsidised renewables.

The trend in prices is bad for producers, of course, and particularly for Gazprom, which has seen its European sales fall by 9 per cent in the last year. In the US the shale industry appears determined to absorb the pain, for now at least, but there — and elsewhere — there must be a big question mark over new gas investments. Substantial amounts of gas in east Africa, the eastern Mediterranean, Alaska and Australia look likely to stay in the ground for the time being. In some cases costs can be reduced and margins cut, but the most vulnerable companies are those already investing in half-finished projects, which need prices to be maintained to produce the required returns.

Shale gas projects around the world are also in jeopardy. China will presumably continue with its development plans for reasons of energy security and employment, but in the UK the dearth of drilling activity in 2014 looks set to continue. The UK shale gas revolution is postponed. Lower natural gas prices clearly have a knock-on effect in the electricity market, putting further downward pressure on coal prices and making new nuclear look even more expensive. The fall will also make the notion of freezing electricity bills redundant. To freeze prices which are falling is hardly good politics.

At the basic level the answer is that the global market will have to find a new equilibrium and that will only come after a period of volatility. Supply and demand will have to be realigned and that is not a simple process in an industry where for most producers, operating costs (as opposed to the initial capital costs) are very low. Some production, including some US shale gas, can be held back temporarily, but as long as operating costs are being covered there is absolutely no incentive for producers to shut in capacity.

Eventually the cycle will turn. New investment will go down to the point where capacity is fully utilised, and then the cycle begins again. In many cases gas is a good example of economics in action and a business less shaped by politics than most parts of the energy sector. For natural gas, the duration of the present downward trend depends more than anything on the pace of demand growth in the emerging economies of China and India.

In China the issue is made more complex by the uncertain prospects for shale gas. The country has extensive shale resources but development has been slower than many hoped. However if Chinese shale becomes available soon and in substantial quantities, as suggested by some optimistic recent statements from Sinopec (who operate the important pioneer venture at Fuling), China will import less gas than most forecasters now expect, with an inevitably negative impact on world prices. In India, the future is clouded by doubts about the ability of even Narendra Modi's government, which came to power with an exceptionally strong electoral mandate, to reform the energy market and put in place the infrastructure required if gas is to displace even part of the planned increase in coal consumption. In both cases the evolution of the market will take time. For the moment, across the world there is more available gas supply than demand, and in a buyers' market, prices can only fall.

Citigroup revise down oil price forecast for 2015, 2016

Anadolu Agency, 05.01.2015



Citigroup revised down its oil price predictions for 2015 and 2016, in a report named *Oil and Trouble Ahead in 2015*. The U.S.-based multinational banking and financial services corporation revised the price of global benchmark Brent crude oil to be \$60 per barrel, from the previous \$80, for the first quarter of 2015, and \$55 per barrel for the second quarter, from the previous \$75 per barrel.

Meanwhile, the corporation forecasts the American benchmark, West Texas Intermediate, WTI, to settle at \$52 per barrel for the first quarter of 2015, and \$47 per barrel for the second quarter.

Citigroup predicts Brent price to be around \$65-\$70 per barrel and WTI to be between \$58-\$61 per barrel for the second half of 2015. Brent price projection for 2016 was also lowered to \$67-\$73 per barrel, from \$80-\$90, and WTI to \$58-\$64 per barrel, from \$69-\$79, for 2016. "Three massive factors have come to a head as 2015 opens - the US shale revolution, the Saudi refusal to cede market share to other producers and a weak world economy," the report said. While the U.S. decreased its dependency on oil imports since its shale boom in 2008, the slow growth rate of Asian and European economies are considered to be major factors behind low global oil demand. In addition, Saudi Arabia, the most influential member of OPEC and the world's largest crude oil exporter, lowered its official sale price of crude oil to Asia and the U.S., in order to preserve its market share and compete with the booming domestic oil production in the U.S.

Announcements & Reports

► *Short-Term Energy Outlook*

Source : EIA

Weblink : <http://www.eia.gov/forecasts/steo/report/natgas.cfm>

► *Natural Gas Weekly Update*

Source : EIA

Weblink : <http://www.eia.gov/naturalgas/weekly/>

► *This Week in Petroleum*

Source : EIA

Weblink : <http://www.eia.gov/petroleum/weekly/>

► *Oil Market Report*

Source : IEA

Weblink : <http://www.iea.org/newsroomandevents/news/2015/january/a-detailed-look-at-ways-to-decarbonise-the-energy-sector.html>

► *Energy Deals 2014*

Source : PWC

Weblink : <http://www.pwc.com.tr/en/publications/industrial/energy/pdf/turkiye-enerji-sektorundeki-birlesme-ve-satin-almalar-raporu-2014.jhtml>

Upcoming Events

► *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\(GIOGIE\)](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/>

► *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 International 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.ru/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 – Kazakhstan

Website : <http://www.kioge.kz/en/conference/about-conference>