Oil & Gas Bulletin
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Turkey, Russia's Gazprom survey new pipeline route

World Bulletin, *08.02.2015*

Turkey's Energy Minister and Russia's Gazprom chief took a helicopter ride over the Black Sea to survey a possible route of the "Turkish Stream" pipeline.

Taner Yildiz and Alexey Miller took off from Istanbul and flew along the Black Sea coast till Ipsala, the Turkish-Greek border to evaluate the possible entry points of the proposed pipeline. The flight lasted four hours. The two officials made it back to Istanbul by using a route over the Marmara Sea coastline. Yıldız said that a research committee would file a report about the first assessments of the pipeline soon, possibly.

"With the four hour aerial tour, we had an opportunity to see how we can start such a project in Thrace and explore the pipeline route," he said. "We passed over some places two to three times as we tried to assess how we can work with environmental concerns on some agricultural areas, forests and wet lands," he added. Also, Yıldız said that the negotiation process for the pipeline involved discussions over natural gas price from Russia for Turkey. "Turkey is sensitive about natural gas price negotiations as much as it is about the realization of the Turkish Stream pipeline," he said.

In December, Russia scrapped the South Stream project that planned to carry gas under the western Black Sea to Bulgaria and further into European markets. Russian President Vladimir Putin offered a new gas pipeline route via the Black Sea to reach Turkey's northwestern Thrace region, dubbed the Turkish Stream, which would also involve a gas hub at the Turkish-Greek border to transfer gas further into Europe.

Yıldız added that they also held a third meeting with the Gazprom committee over the gas price. "We are expecting to reach an agreement by next week," he revealed. About remarks of Maros Sefkovic, vice president of European Commission's Energy Union, that the Turkish Stream may create legal and economic problems, Yildiz said that there were always threats and opportunities when big projects were involved. "We have those experiences from the Trans Anatolian Pipeline, Baku-Tbilisi-Ceyhan Pipeline and Kirkuk-Yumurtalik Pipeline. These issues are multilateral so it is normal to face some problems," he said. "The important thing is if you have the will to overcome those problems. Turkey's political will and stability is strong enough to solve those problems," he added. Miller told in an exclusive interview that the possible entry point of the pipeline on Turkish land could be Kiyikoy, a small village in northwestern Turkey on the Black Sea coast. He said that the pipeline would go through Luleburgaz and end up at Ipsala, a town at the Turkish-Greek border.
Miller said that the first phase of the project would provide around 16 billion cubic meters of natural gas for Turkey's own consumption. In the next step, the pipeline would bring 47 billion cubic meters

of gas to Turkish-Greek border, he said. He also said that the first flow of gas would start in December 2016, but did not give an exact date for the official agreement of the Turkish Stream. He also said that they don't expect to face any problems in terms of EU regulations. "We took important steps over the price discussion on natural gas that Gazprom wants to sell to Turkey and we hope that we will come up with a solution in the near future," he added.

Turkish Petroleum to invest in new gas storage facility

Anadolu Agency, *06.02.2015*

Turkish Petroleum, Turkey's national oil company, will invest $1.2 billion for a new natural gas storage facility with domestic and foreign funding, says head of the company.

"Total capacity of natural gas storage will reach 4.3 bcm from its current level of 2.66," says Besim Sisman, CEO of Turkish Petroleum, TP, during a meeting with Anadolu Agency. Turkey relies on natural gas exports from Russia and Iran, and has a limited storage capacity, which may be used in an emergency when gas flow is disrupted. Ankara strives to diversify its energy supply sources and is investing in gas storage capacity across the board.

A group of domestic and foreign creditors will supply the $1.2 billion in a long-term loan for the facility, which is projected to be built by 2020. TP plans to build the facility in the Thrace region in northwestern Turkey but is also assessing the possibility of using some of its depleted oil reservoirs.

The facility, when completed, will enable TP to reproduce 75 million cubic meters a day from the storage facilities, whereas the company has the reproduction capacity of 20 million cubic meters a day. The added reproduction capacity will help the country meet its daily consumption, which soars to 200 million cubic meters during cold winter days.

Turkey consumes around 51 billion cubic meters of natural gas a year and the country aims at holding 10 percent of its total consumption in storage facilities. However the capacity currently stands at around 3 billion cubic meters. TP's new facility will add approx. 1.6 billion cubic meters to the country's total storage capacity; however this is still short of the official target of 10 percent. Sisman says that TP wants to increase the country's gas storage capacity further to 15 percent, above the official target, by investing in new facilities.

Turkey determined to proceed with Southern Gas Corridor

Anadolu Agency, *12.02.2015*

Turkey fully intends to proceed with the Trans Anatolian Natural Gas Pipeline and the Southern Gas Corridor projects, Energy Minister Taner Yildiz said.

"These projects take advantage of Turkey's geographic position, and Turkey will use that advantage in favor of its neighbors and EU," Taner Yildiz said. Speaking at the Consultative Council on the Southern Gas Corridor project in Baku, he said that his country is determined both politically and economically about the project. "The $45 billion Southern Gas Corridor is one of the most significant projects for the supply of natural gas to EU countries," he said.

The 3,500 kilometer-long Southern Gas Corridor is planned to carry natural gas beginning at Azerbaijan on the east near the Caspian Sea, then passing through Turkish territory to reach Greece in the west, and then further on to Albania and Italy. The 2,000 kilometer-long $11 billion TANAP project will be a critical part of the corridor, as it will transport natural gas from Azerbaijan's Shah Deniz 2 field on the Caspian Sea. "TANAP is moving ahead of schedule," Yildiz said, adding that Turkey has increased its share of the Shah Deniz 2 natural gas field.

The pipeline will originate at the Georgia-Turkey border, then pass through Anatolia to reach Greece to carry 16 billion cubic meters of gas annually when it is completed in 2018. Six billion cubic meters of gas will be for Turkey's domestic consumption. TANAP has a potential capacity for upgrade, which is planned to reach 31 billion cubic meters by 2026. "All rings of the chain must be linked together," explained Yildiz, stressing that each country of the Southern Gas Corridor has to contribute to the project.

Yildiz said that the Turkish President will attend the groundbreaking ceremony of TANAP in March. The Energy Minister has also met in Baku with the current Vice President of the European Commission in charge of Energy Union Maros Sefcovic, and Minister of Industry and Energy of Azerbaijan Natiq Aliyev. Yildiz also met with Amos Hochstein, the special envoy and coordinator for International Energy Affairs leading the Bureau of Energy Resources at the U.S. Department of State, and the Minister of Productive Reconstruction, Environment and Energy of Greece Panagiotis Lafazanis.

Russian gas price seen falling by up to 35% in Europe including Turkey

Euractiv, *13.02.2015*

The price of Russian gas for most of the European Union and Turkey could fall by up to 35% this year, plunging oil prices, Russia's Vedomosti newspaper reported citing forecasts by the country's Economy Ministry.

The newspaper said the average price of gas supplied by Russian state-owned company Gazprom could be around $222 per bcm for countries the company labels part of its "far abroad". Gazprom defines "far abroad" countries as the European Union, minus former Soviet republics Lithuania, Latvia and Estonia, but including Turkey. Sales to Europe account for more than half of the revenues of Gazprom.

Gas prices in Gazprom's long-term contracts are pegged to those of oil with a six- to nine-month lag. Global oil prices fell almost 60% between June and January, mainly on a supply glut. The price of Brent crude oil rose above $60 per barrel for the first time this year. Last June, oil was trading at a peak of more than $115 per barrel. Sergey Kupriyanov, a spokesman for Gazprom, said it was too early to predict the final Russian gas price for Europe, which covers a quarter of its gas needs with supplies from Gazprom. "One could tell that with certainty at the end of the year," he said. A spokeswoman for the Economy Ministry declined immediate comment.

Turkey is Hungary's natural partner in energy

Anadolu Agency, *12.02.2015*

Turkey is Hungary's natural partner concerning Central European energy dynamics, a Hungarian official said. Levente Magyar, state secretary of the Hungarian Foreign Ministry, told that Hungary is in a strategic position for the 'Turkish Stream' pipeline project.

The Turkish Stream is intended to replace the previously planned South Stream pipeline project which was due to carry natural gas to Europe. The South Stream was cancelled due to objections from the EU over its construction, according to Vladimir Putin. The EU declared that the project was against anti-trust rules of the Union.

"Cancellation of the South Stream has created new opportunities to bolster ties between Turkey and Hungary," Magyar said. Magyar stressed that Hungary has an important geographical position and has a high capacity to transport and store natural gas. He also said these features make Hungary a natural partner for Turkey in Central European energy dynamics. Magyar pointed out that Turkey's role in regional energy developments has greatly increased and the planned natural gas hub to transfer gas further into Europe - as part of the Turkish Stream project - on the Turkish-Greek border will carry great importance for Europe's energy security.

Yildiz: Russian-Turkish pipeline not finalized

Anadolu Agency, *09.02.2015*

Turkish Stream, the Russian Turkish natural gas pipeline project has not been finalized yet, said Turkish Energy Minister Taner Yildiz. "It is early to say that Turkish Stream is a finalized project," Yildiz said on Monday, following his meeting with Gazprom Chairman Aleksey Miller.

Turkey is also negotiating with Russia for a reduction on imported natural gas prices. Yildiz said they have not yet come to an agreement as both sides are strong negotiators. "We want our sale price to exceed our costs from now on. Currently we are buying for 10 dollars and selling for nine," Yildiz said.

He also stated that the discount, the Turkish Stream project, its possible route and the renewal of the western line -- the gas pipeline coming to Turkey via Ukraine -- are a single package in the talks between Russia and Turkey. Yildiz and Miller took a helicopter ride over the Black Sea to survey a possible route for the Turkish Stream pipeline.

“We talked about where we cannot build the pipeline,” Yildiz said. Yildiz and Miller took off from Istanbul and flew along the Black Sea coast to Ipsala, on the Turkish-Greek border to evaluate possible entry points for the proposed pipeline. Yildiz said wetlands, green spaces, and forests intersect with the route and they examined whether the pipeline would contaminate the environment. Russian President Vladimir Putin has proposed a new gas pipeline project which would run via the Black Sea to reach Turkey’s northwestern Thrace region, dubbed Turkish Stream. The project would also involve a gas hub at the Turkish-Greek border to transfer gas further into Europe.

Noble insists on keeping Tamar, Leviathan rights

Globes, *10.02.2015*

Israeli government officials met through the night with representatives of Leviathan partners Delek Group Ltd. and Noble Energy Inc. in an attempt to reach an agreed compromise with the State as quickly as possible.

At the end of last month, “Globes” reported that Noble Energy was refusing to agree to the separate marketing model being proposed by the government, and now it appears it is also refusing the individual marketing model, senior sources in Israel’s natural gas market say. Instead, Noble Energy is considering passive involvement in domestic natural gas marketing in Israel.

The hoped-for compromise is looking as far away as ever. Last month the Israel Antitrust Authority head Prof. David Gilo held a hearing for each of the Leviathan partners - Delek, Noble Energy and Ratio Oil Exploration (1992) LP (TASE:RATI.L). The hearings were designed to discover whether Delek and Noble Energy had illegally bought 85% of Ratio’s rights in Leviathan and thus created a cartel.

In parallel with these legal proceedings, Ministry of Finance, Ministry of National Infrastructures, Energy and Water Resources, and Antitrust Authority officials have been meeting to try and hammer out an agreed compromise between them. The last such meeting was last night.

In the compromise being formulated, first reported by “Globes,” Delek will sell its stake in Tamar to a third party, while Noble will keep its rights in both Tamar and Leviathan. The government is hoping that the wished for competition between the gas fields will be allowed through domestic marketing.

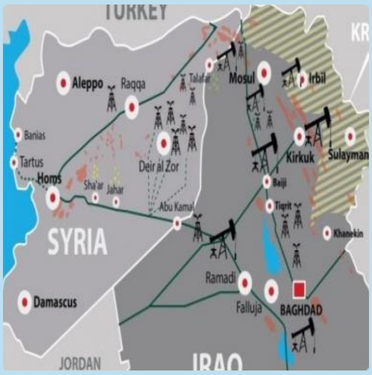
Two main options have been put on the table: The first is that each gas field will have an individual marketer - Tamar gas will be marketed by Isramco Ltd. (Nasdaq: ISRL; TASE: ISRA.L) and Leviathan gas will be marketed by Ratio. The second option is separate marketing by all the partners in each gas field except Noble Energy. In this proposal Isramco will market Tamar gas together with whoever buys Delek's stake, and Ratio and Delek will market Leviathan gas.

However, as reported by "Globes" last month, Noble Energy has not agreed to the separate marketing model because it is complex and not suitable for a small market like Israel. The government had been hoping that the second model of separate marketing would satisfy Noble Energy, but it is now becoming clear that the US company will not agree to it.

A senior gas market source said, "Just as Noble Energy would not agree to separate marketing, it won't agree that another company will handle all its contracts in the domestic market. Noble invested huge amounts in developing Tamar. Would you be prepared to sit idly by and let another company manage contacts without any control over it. Gas contracts cover over 100 pages containing hundreds of different clauses. The price is often the last thing agreed. Everybody has heard of take and pay (the commitment by a gas consumer to pay the minimum for the amount of gas purchased even if they don't use the full amount) but apart from that there are many clauses. Clauses related to fines for the seller if he doesn't supply the full amount for any technical or other reason. Another clause relates to the delivery point for the gas. In the gas contract with Jordan, it was decided that the gas would be delivered to the Israel-Jordan border, while in the contract with Egypt it will be from the well. Each such clause influences the risk and ultimately the price." Despite Noble's opposition to the Israeli government's compromise, it would be prepared to consider some passive involvement in the domestic market. For example, Noble might be ready to take a step back and not intervene over the price of gas, its linkage or the period of the contract. But in all the other clauses, it will not agree to take no part. Whatever the case, senior sources in the gas sector do not sense that a compromise is close to hand.

Oil row in Iraq continues despite ISIL threat

Anadolu Agency, *12.02.2015*



Erbil and Baghdad oil payment dispute continues, despite the continued threat from the Islamic State, to the detriment of both parties' oil revenues, while leading to the downsizing of international oil companies activities.

Dr. Bilal Wahab told that international oil companies, IOCs, operating in the Kurdish region of northern Iraq, are downsizing, some even halting their activities. "The first group to do so were those still in the exploration phases like Afren," said Wahab, and added, "but recently, it seems that some producing companies, such as Gulf Keystone, have also shut down their operations due to lack of payments."

Gulf Keystone Petroleum, one of the major operating oil companies, has suspended oil exports to Turkey, as it is owed payments from the Kurdish Regional Government, KRG. In November, Gulf Keystone said it was owed about $100 million. In response to a question on the reason behind the payment problems, Wahab explained that the KRG is under tremendous pressure due to the war efforts and in pacifying the streets because of delays in paying public salaries.

“So whatever cash that flows into KRG is prioritized toward public employee salaries and the war effort,” Wahab said, adding that this puts the IOCs in a difficult situation. “Delayed or lack of payment is not new, but the effects are more pronounced now with low oil prices and with the Islamic State nearby.”

A Kurdish politics expert, Political Scientist David Romano of Missouri State University, said companies that are well capitalized like Genel Energy will weather the storm, but others which have more debt such as the Gulf Keystone Company face short-term difficulties. Romano stressed that when the oil agreement between the KRG and Baghdad was announced in December, it wasn’t clear how the KRG-based companies would be paid.

In December, the Kurdish and Iraqi central governments brokered a deal ending a long period of dispute over how oil revenues should be shared between the central government and the Kurdish region. This agreement envisaged the sale of 250,000 barrels of Kurdish oil per day via the national oil company SOMO, and for Baghdad to send 17 percent of the budget to Erbil. “Even under Prime Minister Abadi, Baghdad still does not appear willing to pay,” claimed Romano and referred to speculation that the KRG would sell extra oil beyond what it promised to deliver to Baghdad in return for its share of the budget, and use the proceeds to pay the companies. “But this did not happen. So payments for the companies are indeed in arrears, and the low price of oil compounds the distress,” he added. The Iraqi budget is showing a fiscal deficit of $21.4 billion largely due to low oil prices, and thus Baghdad has not yet sent any payments to the Kurdish Regional Government.

Iran’s NIGC confirms it will export 4 mcm per day to Iraq

Natural Gas Europe, *09.02.2015*

While announcing the completion of the first leg of its gas pipeline from South Pars gas field to Dehgolan, Iran’s NIGC said it wants to speed up the second part of the project and increase the volume of gas exports to Iraq.

‘Construction of the second part of IGAT_6 will speed up with the aim of facilitating gas transfer to Iraq,’ managing director of NIGC, Hamidreza Araqi said in a note. Araqi visited the site of the operations, announcing that Assaluyeh and Ahvza are now connected by the first part of the pipeline. ‘Araqi noted that NIGC has decided to step up construction of the second part of the pipeline, with 600 km length.’

The company also said it will start gas exports to Iraq with 4 million cubic meters per day (MMcm/d) in the first phase. It plans to raise the volume gradually. Earlier this year, Teheran committed to increase its clout on international gas markets, expecting exports to Iraq by April 2015 and imminent investments to strengthen ties with Europe. Iran said it could export up to 30 bcm of gas per year to the Old Continent.

Interconnector Greece-Bulgaria in the spotlight

Natural Gas Europe, *10.02.2015*

The post-election political landscape in Greece saw the Syriza party assume office and put into motion plans to move forward with a main natural gas project between Greece and Bulgaria. This project has been in limbo due to continuous political instability and successive general elections in both countries since 2012.

The Interconnector constitutes a cornerstone in gas cooperation between Athens and Sofia in relation to the Southern Gas Corridor project and TAP. Moreover, the recent initiative by DEPA regarding a proposed energy gas axis streaming from the Aegean Sea towards Central Europe.

The reason for this is for there to be a set of interconnectors reaching Hungary that would in turn be able to accommodate an even grander plan - the Aegean-Baltic Corridor - which would reach Poland. Bulgaria is in the midst of disappointing energy security developments and its envisaged role as a preferred route for the transport of substantial amounts of gas into the EU. The cancellation of both Nabucco and South Stream along with non-discoveries of significant amounts of domestic gas, continues to place the country in a challenging position with respect to energy security and has increased the desire to play a role in the shaping of things regarding the axis between Eurasian producers and Western consumers. For the moment, Sofia has received news from the EU Commission that it is eligible to receive €250 million in funding in order to proceed with connecting Greece, Turkey and Romania via interconnectors and developing its underground storage facilities.

IGB is crucial if Bulgaria is to meet its aim of 1 bcm of gas deliveries per annum from Azeri SOCAR post 2019 and decrease its almost 100% dependency on Gazprom. Further, Greek plans of creating an LNG installation in Northern Greece to supply the Balkans would also need IGB as the main transfer conduit.

The development of IGB process has been slow process due to the lack of interest by potential traders in using the potential gas transportation capacity. This is primarily the result of the aforementioned plans still being a theoretical level, whilst the likely introduction of the Turk Stream changes the discourse once more, regarding Southeastern European gas supplies.

The victory of the Syriza party in Greece also puts forward the option of a Turk Stream spur into Greece and then Italy via the Interconnector Greece-Italy (ITGI), in which the IGI Poseidon consortium has a 50% stake. Thus, matters are still in flux, while there is increasing probability of early general elections in Bulgaria.

The new Greek government will need several months before it is able to look into the energy affairs of the country. It is pressed into proceeding with a new round of negotiations with the Troika of lenders by ECB-EU-IMF, while the Syriza party assumes governmental status for the first time historically and it will definitely need a grace period to caliber its capacities and test its tactics on a wide range of sensitive domestic agenda issues.

Therefore the probability that the IGB route will be delayed once more is increasing, without taking into account that other variables, such as Gazprom's tactics, Turkey's ambitions and potential developments from SOCAR, may further complicate the situation.

BTC pipeline shipped 2.5 mil. tons of oil in Jan: SOCAR

Anadolu Agency, *09.02.2015*

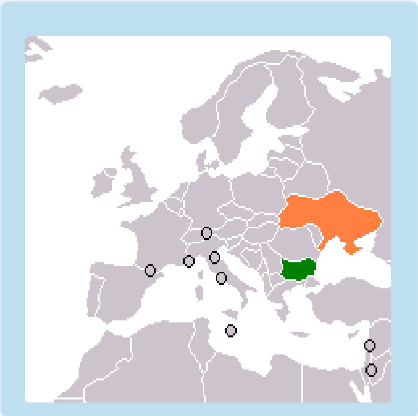
Baku-Tbilisi-Ceyhan pipeline delivered 2.5 million tons of oil in January, according to data released by Azeri state oil company SOCAR.

While 2.48 million tons of Azerbaijani oil has been released on international markets, 1.69 million tons of this amount belonged to the Azerbaijani State Oil Fund. The BTC pipeline became operational in June 2006 was built by the Baku-Tbilisi-Ceyhan pipeline company, BTC Company. Currently, the company's main shareholders are BP at 30.1 percent, SOCAR with 25 percent, Chevron with 8.9 percent, Statoil at 8.71 percent and TP with 6.53 percent.

The pipeline has a capacity of 1.2 million barrels per day and delivers Azeri light crude - mainly from the Azeri-Chirag-Guneshli field - through Georgia to Turkey's Mediterranean port of Ceyhan for further export via tankers. Since June 2006, BTC has loaded more than 2,700 tankers for the global markets, according to the company.

European energy integration comes at a price: Bulgaria, Ukraine ask for support

Natural Gas Europe, *09.02.2015*



The indented stretch of coast from Greece to Ukraine is increasingly drawing attention both on a geopolitical and financial level. The last weeks turned the spotlight on these five countries with good reason. The region is indeed a strategic battleground that could turn the tide of Europe.

European Union foreign ministers delayed for a week the implementation of sanctions against a new group of individuals in Russia and Eastern Ukraine. While Russia is playing a key moment of its 'battle', Ukraine and Bulgaria are raising their voice, putting their own requests on the European tables.

Over the last hours, Ukraine asked for a direct interconnection agreement with Slovak TSOs for all pipelines, while Bulgaria for a central role in the gas industry, as a compensation for the failed South Stream project.

As stated by European Council President Donald Tusk on Friday, "the situation in Ukraine is getting worse every day." And he is right. NATO continues to ramp up its military presence in Eastern Ukraine, and Moscow reportedly tested its new anti-submarine system during military exercises in the Baltic Sea. The odds of a large-scale military confrontation are on the up, and Kiev wants to be sure of Europe's resolve. On a gas level, the military escalation would indeed translate into further uncertainty.

Naftogaz, the national oil and gas company, stressed the importance of reverse flows from Slovakia, which would give Ukraine a higher bargaining power vis-à-vis Russia. Quoting Slovakia's President Andrej Kiskaf, the company sent a sounding message: the authorities now ruling the country ask for an integration in the European energy markets, and the reverse flow is part of it.

'One obstacle in particular still needs to be tackled: the obstruction by Gazprom of the virtual and physical reverse flow between Slovakia and Ukraine. Removing this bottleneck would ensure that Ukraine can import all the gas it needs from Europe, at a more competitive price than currently being offered by Russia' the company wrote in a press release.

According to the company, the project would also have positive implications for countries in Southeast Europe currently exposed to potential supply shocks. "A direct and unobstructed relationship between the neighboring TSOs would immediately provide Bulgaria, Romania, Hungary, Serbia and other SEE countries with the ability to source as much gas on the Western European market as they need via Ukraine's gas transmission system", Andriy Kobolyev, CEO of Naftogaz, said. Logically, Kobolyev played his card to get the support of Southeastern countries and restate Ukraine's centrality in the European energy markets.

European authorities and representatives of nine countries held the first meeting of the Central East South Europe Gas Connectivity (CESEC) High Level Group in Sofia. ‘The discussions covered both external and internal aspects of the supply situation in the region, with a specific focus on interconnections and on the optimal use of existing infrastructure’ reads the note released by the European Commission.

Austria, Bulgaria, Croatia, Greece, Hungary, Italy, Romania, Slovenia and Slovakia will work to find alternatives to the failed South Stream project. The High Level Group will meet again by early summer to adopt the Action Plan. The representatives of the nine European countries will then discuss the expert level analysis, which will be carried out in subgroups over the coming months. Doing so, representatives of national governments will come up with the list of the new projects.

In the summer meeting, many national governments will try to bring back home some form of political trophy, some proofs of the fact that they can make the interest of their citizens, not only bowing to Mittel-European intentions. The Bulgarian government, which already voiced discontent over the last months, has been taking the lead - the event is indeed held in Sofia at the initiative of Bulgaria.

“Our government is actively working for the realization of key projects, which will allow the country to have access to secure gas supplies at competitive prices,” Prime Minister Boyko Borissov said at the opening of the meeting, reminding how it had been the most impacted country in the winter of 2008, when Russia halted gas supplies to Europe.

As said, the High-Level Group agreed that an Action Plan - with concrete deliverables - will be adopted by early summer. This is good news for security of supply in Southeast Europe, as countries have to accelerate the construction of interconnectors to avoid possible blackouts over the next winter.

“A priority of the Bulgarian government is the construction of interconnectors with neighboring Greece, Romania, Turkey and Serbia, as well the development of its own gas deposits in the Black Sea shelf,” Borissov argued, well aware that his own political career will pretty much depend on his ability to avoid further energy crisis in his country.

In this context, Borissov confirmed the interest of Sofia to increase its regional clout in the energy markets, also elaborating on the concept of “gas hub. “We have a well-developed national gas distribution network, gas storage facility, oil and gas deposits, which are currently being developed. These are just some of the advantages and opportunities that the country has to offer,” he stated, basically saying that the country wants to become a gas distribution centre for the region. In this sense, Ukraine and Bulgaria are a clear sign of the fact that integration can happen, but it never comes for free. Kiev and Sofia would have a hard time in case of serious energy crisis. This is the right moment for them to get sure they could be supported by Brussels also in case of a bloody Grexit, and also in case of a even more violent standoff between Russia and the West.

US companies lobby for gas supply in Balkans

Natural Gas Europe, *12.02.2015*

American businessmen are interested in investing in the natural gas business in Balkans in part due to progress of the project to build an LNG terminal in Croatia and, at the same time, a delay of the Russian South Stream project.

That is what told US Senator Christopher Murphy said at a recent 'Transatlantic Talk' organized by the German Marshall Fund. As reported by the Serbian news agency, Murphy, in answering participant questions, said that for this kind of work there is an interest of US companies, but that this requires the implementation of fundamental market and judicial reforms in each of the countries of Balkans.

"US investors are willing to invest in various industrial sectors, but under the umbrella of an effective rule of law and visible commitment to the fight against corruption and the last trace in these countries. Where governments are successfully providing legal security to foreign investors, American businessmen will be happy to come," said Murphy.

Democratic Senator is committed to energy independence from Russia, Western Balkans, and the opportunity for the US market gas seen after the cancellation of the South Stream project. "America is increasingly exporting liquefied natural gas and oil and could become an alternative supplier in the Balkans. It is true that it is necessary to solve transportation of American energents to the Balkans, but already there are negotiations about building a new LNG terminal in Croatia", said Murphy, reports Tanjug.

As the GMF details on its website, Senator Murphy recalled being in Bulgaria with Senator John McCain during the announcement of the abandonment of South Stream, the proposed natural gas pipeline from Russia through the Black Sea to Eastern Europe. He asserted that "the alternatives ... has to be liquefied natural gas," though also indicated that there is "clearly a future for nuclear power in the region and in Europe," as reported by the GMF.

Miljenko Sunic, president of the Croatian Gas Association, considers Murphy's proposal very interesting. 'This topic is particularly important as the European Union approved a EUR 4.8 million for the preparation of documentation and tender for construction of an LNG terminal. Still to be seen whether that is significant, but for now it is obvious that the EU is interested in the development of this project. Given the size of it would be of interest to countries in the region, especially Slovenia, Bosnia and Herzegovina, Hungary, but also such as Czech Republic. If this terminal is connected with the Baltic Sea that would have made even more sense. Croatia will benefit in trading and transportation of gas, and neighboring countries through the expansion of supply of gas. The market will take gas of the best bidder', 'Natural Gas Europe' told Šunić, who estimates that the construction of an LNG terminal in Croatia could take three or four years begining from the announcement of an international tender.

American interest in the gas situation in the Balkans grew after news of Hungarian energy firm MOL potentially selling 49 percent of its shares in the largest Croatian oil company to Gazprom. Then, Russian oil and gas company would largely entered the wholesale market of the European Union.

Chris Murphy lobbied with the Croatian government against such a development, which admitted in a statement to Reuters in November 2014: “We thought it would be a good idea for me to stop by and see the prime minister and president to reiterate the importance of this issue.”

The Russian Foreign Ministry criticized the Murphy’s action as pressure on Zagreb: “In the circumstances of Western sanctions on Russia Washington exerts increasing pressure on the countries of South Eastern Europe, including Croatia, to maximize limitation of our energy and defence cooperation with countries in the region,”, said Russian Foreign Ministry, which considered Murphy’s visit as “unacceptable and contrary to general norms of international cooperation.”

“In addition to the obvious political motives behind these actions there is a clear element of unfair competition and attempt to use the crisis in relations with Russia in order to strengthen the position of US companies and at all costs spread their influence in southeastern Europe,” the Russian ministry said in a statement for the public.

Gazprom’s dwindling clout

The New York Times, *11.02.2015*

At a meeting in Moscow, the European Commission’s vice president for energy union, Maros Sefcovic, was surprised to hear the head of Gazprom, Aleksei Miller, declare that if the Europeans want continued access to the Russian natural gas that is currently piped through Ukraine, Europe would have to build its own pipelines to the Turkish border.

Citing “transit risks” presented by transporting gas through “unreliable countries,” the Russians plan to bypass Ukraine and build a system known as Turk Stream. Western Europe, which gets roughly 30 percent of its natural gas from Russia, will just have to live with the decision, Mr. Sefcovic was told.

“Turk Stream is now the only pipeline,” Mr. Miller told reporters. “Our European partners have been notified of this, and their task now is to establish the necessary gas-transporting infrastructure from the borders ofTurkey and Greece.” Nevertheless, Mr. Sefcovic and other experts know that European consumers have no real cause for worry. Mr. Miller’s blustering tone reflects little more than the twilight of Gazprom’s heavy-handed pipeline politics; the fact is that the Russian energy giant’s grip on prices and distribution is weakening as gas and oil prices fall and competition rises.

Russia works at full steam on western, eastern routes to China

Natural Gas Europe, *13.02.2015*

While Naftogaz is saying that it is ready to start negotiations for the "summer package", Russian authorities continue to work at full steam on their cooperation opportunities with China.

Gazprom' Alexey Miller said that the company is discussing a contract and a technical agreement on Russian gas supply to China via the western route. Moscow and Beijing are discussing the so-called Altai gas pipeline to export natural gas from Western Siberia to North-Western China. "A new contract for the supply of 30 bcm of gas annually is under development.

The gas pipeline project for the western route is all set for transiting to the construction phase. We are moving ahead in a good pace in the commercial talks," Miller commented in a note released. Miller discussed the project with Zhang Gaoli, First Vice Premier of the State Council of the People's Republic of China. In Beijing, Miller also met Wang Dongjin, Vice President of CNPC.

The Chairman of the Gazprom Management Committee held a meeting in Tomsk today to consider the progress with the Company's investment projects related to gas supply to China via the eastern route. 'It was pointed out that the creation of the Yakutia gas production center as well as the construction of gas transmission and processing capacities went on in compliance with the schedule' the company wrote in a separate press release.

According to Gazprom, Power of Siberia gas trunkline construction is underway. The Power of Siberia pipeline - also known as Yakutia–Khabarovsk–Vladivostok pipeline - is under construction in Eastern Siberia to transport Yakutia's gas. 'Among other things, the gas pipeline route is being cleared, site filling is being done for the line pipe operation center base and a rotational camp in Lensk. Joint activities are being carried out at the Power of Siberia trans-border section in cooperation with China National Petroleum Corporation.'

Meanwhile, Ukraine's Naftogaz welcomed the proposal of EC President Jean-Claude Juncker to start trilateral discussions between Ukraine, the European Commission and Russia for the "summer package". The so-called "winter package" expires in the end of March 2015. "This initiative will surely contribute to strengthening energy security and gas supply predictability in Europe, and Naftogaz is ready to participate in a trilateral at any time suitable to all parties", Naftogaz CEO Andriy Kobolyev said.

Russia's Yamal LNG sees global liquefied gas deficit by 2018

Reuters, *10.02.2015*

The Russia's Yamal LNG project expects the global liquefied natural gas market to move into a deficit by 2018, which will help the country boost its share of the sector.

Yamal LNG, which also has France's Total and China's CNPC as shareholders, said in a prospectus for forthcoming bond issue it was banking on growing demand for LNG, natural gas that has been converted to liquid form for easier storage and transport, in Europe. "It is expected that European LNG imports will increase to 107 million tonnes in 2025 from 38 million tonnes in 2013," it said, adding that by 2020 the global LNG shortage would reach 50 million tonnes.

President Vladimir Putin has urged Russian companies to increase their output of LNG in an effort to double their global market share by 2020 from around 4.5 percent currently. Analysts at asset manager Alliance Bernstein have said global LNG demand will increase, driving up prices LNG-AS as LNG projects that have yet to take final investment decisions (FID) are cancelled or delayed for different reasons, such as financial constraints.

This could push the market from its current surplus into a deficit early next decade, unless 90 million tonnes a year of new LNG export capacity is built by 2020, they said. The $27 billion Yamal LNG will start output in 2017 with the aim of producing 16.5 million tonnes a year by 2021.

Yamal LNG has secured state funds worth 150 billion roubles ($2.3 billion) from a rainy day fund after it struggled to raise foreign financing due to Western sanctions over Russia's role in the crisis in Ukraine. In the regulatory filing, Yamal LNG said it would place two bond issues totalling $4.6 billion in closed subscriptions.

A spokesman for Novatek, Russian No.2 gas producer which controls Yamal LNG, said the project was unlikely to use all the money from the bond issues. Russia wants to double its share in the global LNG market by 2020 from 4.5 percent currently. Gazprom and Royal Dutch Shell are key shareholders in Russia's only LNG plant, located on the Pacific island of Sakhalin.

Russia-EU-Ukraine gas talks to resume

Anadolu Agency, *13.02.2015*

Negotiations between Russia, Ukraine and The European Union on Russian natural gas supplies will continue, President of the European Commission Jean-Claude Juncker has said.

"The talks will resume in order to avoid any gas shortages this winter," Juncker said speaking after European Union summit at the EU Headquarters in Brussels. On Oct. 30, Ukraine and Russia agreed on a "winter package." Under the package, Ukraine agreed to pay Gazprom $378 per 1,000 cubic meters until the end of 2014 and from the first quarter of 2015, it was due to pay $365 per 1,000 cubic meters.

Russia had previously halted natural gas supplies on June 16 due to Ukraine's unpaid bills. After Ukraine's Naftogaz paid its Russian counterpart $378 million in advance for one billion cubic meters of gas, supplies were restored on Dec. 9. "The winter package" will expire on March 31, 2015.

EU to help Southeast Europe lessen reliance on Russian gas

New Europe**,** *11.02.2015*

Maros Sefcovic said that Central and Southeast European countries, largely dependent on Russian gas supplies, are starting work on a plan to build gas infrastructure and should count on having at least three different sources of gas.

Sefcovic told a high-level working group, which had its first meeting in Sofia, to come up with an action plan on priority gas projects. "We have decided that our goal should be that each country in this region would have a secure supply of gas of at least three sources," Sefcovic told. "We will make a quick inventory of all infrastructure projects, which should also be co-financed by European funds," he said.

Consultant Peter Poptchev, a long-time Bulgarian ambassador-at-large for energy security and South Stream negotiator, told New Europe on February 11 that "the only encouraging concrete 'decision' was the shared intention of participating countries to develop their gas markets on 'a minimum of three different supply options'". Naturally this highlights, yet again, the role of Greece for gas diversification, the ambassador said.

Representatives of Austria, Bulgaria, Croatia, Greece, Italy, Romania and Slovenia as well as Sefcovic and Commissioner for Climate and Energy Miguel Arias Canete met in Sofia for a conference to discuss gas infrastructure priorities for Central and Southeast Europe.

Sefcovic noted that the meeting was held in Sofia in a show of support for Bulgaria and make clear the EU was ready to help after Russia cancelled its South Stream gas pipeline. Bulgarian President Rosen Plevneliev called for combining EU efforts to create a regional gas market. “Achieving better energy connectivity should be the key priority in EU energy policy. Energy resources should not be used as weapons but as a commodity that is traded freely in the common European market. Integration is our weapon in the area of energy,” he said. “We should combine our efforts to create a regional gas market.”

Poptchev said it seems that both Sofia and Brussels are ready to make the best use of the unique technological and market features of the Bulgarian circular gas transmission system, extended by four gas interconnections to Greece, Turkey, Romania and Serbia, and to turn this infrastructure development into a distribution gas hub for Southeast Europe, following the scrapping of Russia’s South Stream gas pipeline. South Stream was envisioned as a European network before the Russian government pulled it off the table in late 2014. Russia has instead opted for a planned natural gas pipeline from the Black Sea to Turkey.

Ambassador Poptchev said has strived to become a regional and EU gas distribution hub. “Bulgaria could hope to play this gas hub role only in cooperation with Turkey, Greece, Romania and Serbia, and through developing company integration ventures between EU member States, both regional and from Western Europe,” he said. Meanwhile, Russian gas monopoly Gazprom said it surveyed the Turkish land route for a section of Turkish Stream. Gazprom Chairman Alexei Miller and Turkish Energy Minister Taner Yildiz flew over the planned onshore route for the Turkish Stream pipeline.

Hungary, Serbia call on EU to ensure energy security

AFP, *11.02.2015*

The foreign ministers of Hungary and Serbia say it is the responsibility of the European Union to ensure energy security for their region after a Russian pipeline project was canceled.

Peter Szijjarto said that since the EU did not support the South Stream pipeline which would have brought natural gas from Russia to Bulgaria, Serbia, Hungary and other countries, it should back “other projects capable of increasing energy security” in central and eastern Europe. Ivica Dacic said “the citizens of Hungary and Serbia have the same rights to obtain gas as the citizens of Germany.”

Oil's fall rocks already reeling Polish shale gas hopes

Reuters, *12.02.2015*

Poland, once Europe's greatest hope for shale energy, is reeling from a rapid change in fortunes as U.S. companies walk away and low oil prices postpone any realistic start to commercial drilling.

Facing EU environmental targets in 2020 and beyond, Poland needs to find alternatives to burning coal. It also wants to reduce imports of Russian energy by producing more of its own. Yet hopes that drilling for shale gas can replace these have dimmed, with Chevron the latest major energy company to quit Poland. ExxonMobil, Marathon and France's Total have all been and gone.

A drastic cut in Poland's estimated shale gas reserves marked a first blow in 2012. A 50 percent drop in oil prices since last June has proved a second. "For us the situation is dramatic. All projects have to be put on hold," said one manager at a small energy company in Poland, pointing to hundreds of layoffs as investors withdraw and servicing firms remain idle.

While exploratory drilling has been done, Poland has not delivered a single commercial well and the only global major company left is ConocoPhillips. "We continue to evaluate results of our recent testing in Poland," said a spokesman when asked about Conoco's outlook. Market sources said Conoco was looking for a local partner but the spokesman declined to comment on the matter. That leaves the rest of the field to Polish state firms and small independents with a handful of wells.

And industry insiders say it will be at least 12 months before exploratory drilling gathers pace again even at state-run firms such as PGNiG and PKN Orlen as they, like their foreign peers, slash spending to ride out the low oil prices. When drilling does pick up, the pace of activity could hinge on whether the government offers subsidies, the industry sources said.

At the start of Poland's hoped-for shale boom, Jakub Kostecki, a 38-year-old entrepreneur, set up his firm, New Gas Contracting, to provide support services to foreign majors clamouring to get in. Now, he has folded his company and relocated to Denver, Colorado. "Most of our customers left," said Kostecki of his business in Poland. In a sign of the decline, he said he is now placing Polish specialists with U.S. firms because there is no work for them at home.

The numbers illustrate the decline: shale gas licences in Poland have fallen by half in the last two years to 53. Just 10 investors remain in the Polish Exploration and Production Industry Organization, a lobby group that had 23 members in 2013. PKN Orlen, which holds nine shale gas permits, said that all operators had to be cautious in allocating money to shale gas because of trends in energy prices.

Baltic States, Finland hold first regional group meeting

Natural Gas Europe, *12.02.2015*

While Albania, Azerbaijan, Bulgaria, Georgia, Greece, Italy, and Turkey were taking part to the the first meeting of the Southern Gas Corridor Advisory Council in Baku, Lithuania hosted a meeting to create a fully functional common market for gas in the Baltic States and Finland.

"It is very important that we are united by the mutual interest to create flexible conditions for the Baltic market players to use the existing infrastructure for the benefit of both participants and customers. Harmonization of the regulatory environment is one of the main challenges that we intend to resolve as soon as possible," Aleksandras Spruogis said.

The group is expected to come up with an action plan on the development of a regional market by the end of the year, sketching out measures of harmonization of the legal and regulatory environment. 'The participants in the meeting exchanged information on current situation and future steps in the implementation of the provisions of the Third EU Energy Package, discussed the main obstacles that prevent a brisker trade between the countries, and considered measures that could be taken in 2015-2016 to remove such obstacles.' Estonia, Finland, Latvia, and Lithuania will hold the second meeting of the Regional Group in April. Earlier this year, the three Baltic countries signed the Declaration on Energy Security of Supply.

The role of the new European Energy Union

Forbes, *09.02.2015*

The European Commission has launched an initiative to create a European Energy Union to "reform how Europe produces, transports and consumes energy."

The European Commission began debate on the aims of this Energy Union which are: diversifying of energy sources currently available to the Member States, helping EU countries become less dependent on energy imports, and making the EU the world number one in renewable energy and leading the fight against global warming. EU energy ministers met in Riga, Latvia, to discuss the creation of their Energy Union.

And its five goals: ensuring security of supply, building a single internal energy market, raising energy efficiency, decarbonizing national economies, and promoting research and innovation.

But you better watch out for the second and fourth goals on this list! Building a single internal energy market sounds like it will include enforcement, and decarbonizing everyone's economies might not sit well if you have a definition of decarbonizing that differs from Germany's (EU report).The selected contractor, during the 560 days, have to develop a business and legal model for construction of the terminal, tender documents and selection of strategic and financial investors, obtain approvals, to advise in the selection of service providers using the terminal and make a contract for the services of using the terminal.

Will England insist on more wind in Ireland, against their will? Will Germany push for greater dependence on Russian natural gas? Will Germany try to shut down France's nukes, even though they produce more carbon-free electricity than all other low-carbon sources in Europe combined? Some EU countries want to exploit domestic fossil fuels. Besides Germany's expansion of dirty coal, the UK stresses the need to use "all lower carbon sources at our disposal", which is another way of saying "natural gas." The UK has a fair amount of shale gas.

An EEU might be great if they stick to the odd numbers on this list – making an EU-wide smart grid, building more efficient distribution and pipeline delivery, encouraging new technologies, efficiency and conservation, and providing cheap energy to those who are too poor to buy it on the retail market.

But that is unlikely given the large role in this effort of the EU's Commission for Climate Action and Energy. It's Commissioner, Miguel Arias Cañete said on Friday in Riga that, "The Energy Union will be an ambitious project that will set a new direction and clear a long vision for European energy and climate policy. It will not simply be a repackaging of old ideas, and will contain concrete measures to make sure the vision becomes a reality."

“Energy security is high on the political agenda, and a door for an ambitious climate agreement in Paris at the end of 2015 was opened in the European Council last October,” the Commission said. “The recently adopted Investment Plan for Europe is designed to unlock the financial means the energy sector really needs. The currently low oil prices are also giving an extra incentive and give more political and financial room to do what is necessary to achieve a more competitive, secure and sustainable European energy policy.”

Although low oil prices have actually helped Europe against the energy tentacle of Putin, these low oil prices are only the fallout of a battle between Saudi Arabia and the United States to bankrupt the American oil shale industry. And that can’t last too long before one side breaks.

Vice president of the Energy Union Maroš Šefčovič said, “We will work to ensure a coherent approach to energy across different policy areas, to create more predictability.”

But there is the problem of integrating the diverse regulatory and market trading systems that would have to become congruent across all borders of Europe. Also at the Riga conference was International Energy Agency Executive Director Maria van der Hoeven, who noted, “In the coming decades the EU is expected to retire half of its electricity capacity. Nuclear plants are ageing, with half of the EU’s existing nuclear capacity to be retired by 2040. Environmental rules also require the phase-out of old coal-fired power plants.”

Recently they weren’t thrilled with the decarbonization plan. The CEOs of Germany’s E.ON AG, France’s GDF Suez SA and Italy’s Eni SpA have flatly stated that the stability of Europe’s electricity generation is at risk from the warped market structure caused by skyrocketing renewable energy subsidies that have swarmed across the continent over the last decade (Géraldine Amiel WSJ).

Since renewables and their subsidies are a major component of the new European Energy Union’s strategy, there will probably be some push-back from Europe’s industry who already think that many European governments’ made a poorly thought-out decision at the turn of the millennium to promote renewable energy by any means possible (Capgemini).

And there does need to be some overhaul of the EU energy pricing system. In France, nuclear power wholesales for about €40/MWhr ($54/MWhr), but electricity generated from renewables in the most of the EU is guaranteed at about €80/MWhr ($108/MWhr), regardless of demand. Retail prices, however, are generally higher than either (EU report on Energy), ranging from €100/MWhr ($135/MWhr) to over €200/MWhr ($270/MWhr). This would all have to be aligned in a workable manner for an Energy Union to succeed. But they better move fast. The Energy Union framework strategy is scheduled for release later this month, on February 25th.

Total lowers investments 10 percent for 2015

Anadolu Agency, *12.02.2015*

Total S.A. joins the long list of oil companies to report reduced investments, cost cuts, lower budget, income losses, and possible layoffs amid falling oil prices.

The company announced that it lowers investments by 10 percent for 2015, reducing it to $23-24 billion, from $26.4 billion in 2014. In this respect, operating costs is trimmed to $1.2 billion in 2015, from the initial target of $800 million, and exploration budget is cut by 30 percent, falling to $1.9 billion for 2015. The company had an adjusted net income of $12.8 billion in 2014, which is 10 percent less compared to the previous year, while it announced to sell $5 billion of assets.

In addition, Total had $6.5 billion impairments -- a reduction in the company's stated capital -- due to Canadian oil sands, unconventional gas in the U.S., and refining in Europe. According to energy experts, unconventional oil and gas exploration and production activities are known for their high costs, adding financial burden to companies' capabilities to find investment and generate cash flows.

Total said it will laucnh a capacity reduction program for its Lindsey refinery in the UK. The company is also reported to layoff 2,000 jobs around the world during 2015 out of its 100,000 employees. Total's Chief Executive Officer and Chairman Christophe de Margerie died in a plane crash on Oct. 20, 2014 in the Russian capital, Moscow. Major oil companies, like ExxonMobil, Chevron, BP, Shell have cut their capital expenditures and spendings for 2015 in the past few weeks due to falling oil prices which declined around 60 percent since June.

Statoil ready to explore Johan Sverdrup's

Natural Gas Europe, *13.01.2015*

Statoil submits the development plan for Johan Sverdrup, the largest oil discovery field on the Norwegian continental shelf, to the Minister for Petroleum and Energy of Norway.

The capital expenditures for the fields phase one is estimated at approx. $15 billion and for the full field development they are estimated at $30 billion. The expected recoverable resources of between 1.4 and 2.4 billion barrels of oil equivalent. "Johan Sverdrup will generate value of great importance to Norway through several decades. The field's economy is robust also at current oil prices," said Statoil's chief executive officer Eldar Saetre.

Statoil expects first oil production to start from the field in late 2019. Statoil has 40 percent shares of Johan Sverdrup while Lundin Norway, a private oil company, holds 22, Petoro holds 18, Det Norske 11 and Maerks Oil hold 8 percent.

Libya reopens Hariga oil export terminal

Anadolu Agency, *11.02.2015*

Libya reopened the Hariga port near the Egyptian border the last functioning land oil export terminal which closed on Saturday, ending a strike by the terminal's security guards, according to a facility spokesperson.

"The port security officers have ended their sit-in morning," Spokesman Amrane al-Zawi of the Libyan oil company - Arabian Gulf Oil Company, AGOCO - told The Anadolu Agency in a telephone statement. This statement comes at the end of a strike by security guards at the oil port of Hariga, who were protesting against the payment of delayed salaries.

The guards stopped the loading of a tanker with a capacity of 700,000 barrels blocking the activity of the port which exports about 120,000 barrels per day. "The company is committed to paying their salaries as soon as possible," added al-Zawi. The AGOCO is one of the largest oil companies in Libya, running eight oil fields and the Hariga crude export port as well as two refineries.

In the civil war-torn country, two competing governments and their armed allies are caught in a battle to share territory and oil wealth. Since December two of the largest oil ports, Es Sider and

Ras Lanuf, with a combined capacity of around 600,000 barrels per day, have been closed. The Hariga port reopened shortly before the United Nations was expected to hold talks in Geneva to prevent a wider conflict that might turn the North African country into a failed state.

Libya is facing the worst political crisis and escalation of violence since the 2011 armed conflict, and the number of fighters belonging to different groups surpassed 200,000, a report by UN High Commissioner for Human Rights warned. According to the International Energy Agency, Libya's oil production fell by 100,000 bpd in January to 340,000 bpd. It produced around 1.6 million bpd before 2011.

Milestone year for Turkmen gas export to China?

Natural Gas Europe, *10.02.2015*

For first time, Turkmenistan announced exaction volumes of planned gas production and export, which the country is to increase in 2015.

The statement from Ashgabat came last week while Russia announced that Turkmen gas imports will decrease by 6.5 billion cubic meters per annum to 4 bcm/a in 2015. Russian giant Gazprom's Deputy Chairman Alexander Medvedev said that based on 2015 contracts, Russia's gas purchases from Uzbekistan also will decrease from 3.8 billion in 2014 to one bcm/a in current year. Russia purchased 19.6 bcm of Turkmen gas in 2012 but gradually decreased this volume.

Turkmenistan reportedly exported approximately 6 bcm of gas to Iran in 2013, which increased the volume since fall to above 35 to 38.5 mcm/d. It is expected that the country's gas export to Iran stood at around 9 to 10 bcm in 2014.

According to China's Custom report released on January 26th, China recieved 25.9 bcm of Turkmen gas in 2014, less than the 30 bcm/a agreed between state-owned companies Turkmengaz and China National Petroleum Corp. The two companies also agreed to boost China's imports of Turkmen gas to 40 Bcm/a in 2015. Turkmenistan's state information service TDH reported on January 19th that natural gas export in 2014 increased by 11.2 percent on-year, without giving a specific figure. However, according to British Petroleum's statistics, Turkmenistan exported 40.1 bcm of natural gas in 2013. Then based on TDH and BP statistics, Turkmenistan's total gas exports in 2014 is projected to be around 46.8 bcm in 2014.

For the first time, Turkmenistan unveiled the exact volume of projected gas production and export, saying that the country is to increase gas production by 9 percent to 83.8 bcm/a. It is also aimed exporting 48 bcm/a of gas in 2015. In this regard, Iran increased gas production by 100 mcm/d in

2014 and projected to increase the volume as much as this figure for 2015. It is not expected to import more Turkmen gas. Therefore, Turkmenistan has at least 34 bcm/a of gas to export to China.

Concering the figures that Turkmenistan's government announced - producing 83.8 bcm and exporting 48 bcm of gas means that Turkmenistan plans to consume 35.8 bcm of natural gas domestically however the domestic consumption level is much less than this figure. According to BP statistics, Turkmenistan's total gas consumption was around 22.3 bcm in 2013. This country reportedly increased the power export during last year, but not so significantly that change the gas consumption level considerably. Regarding the aforementioned figures, Turkmenistan can deliver even 40 bcm of gas to China during the current year to fulfill its obligation based on contracts. Beijing is planning to increase its gas imports from Turkmenistan to 65 bcm/a by 2020.

The Central Asia-China Gas Pipeline starts at Turkmen-Uzbek border city Gedaim and runs through central Uzbekistan and southern Kazakhstan before reaching Horgos in China's Xinjiang Uygur Autonomous region. Currently the Gas Pipeline has three lines in parallel, each running for 1,830 kilometers. Construction of Line A/B commenced in July 2008. With a pipe diameter of 1,067mm, Line A became operational in December 2009, and Line B became operational in October, 2010. A delivery capacity of 30 billion cubic meters per annum was reached by the end of 2011.

Construction of Line C was started in September 2012. With a designed capacity of 25 billion cubic meters per annum, Line C's pipe diameter is 1,219mm, 152mm larger than Line A/B. The overall welding work of the pipeline was completed at the end of 2013. On May 31, 2014, at the initial station of the Central Asia-China Gas Pipeline in Uzbekistan, the gas valve was turned on to boost natural gas from Turkmenistan to Line C, indicating the new transnational pipeline jointly built by CNPC and its Central Asian counterparts has become operational. Upon completion of all supporting facilities of Line C by the end of 2015, the overall delivery capacity of the Central Asia-China Gas Pipeline will hit 55 billion cubic meters per annum.

$7bn Asian pipeline project revived in Pakistan talks

Natural Gas Asia, *11.02.2015*

A deal to revive a $7 billion gas pipeline project to connect Turkmenistan to three South Asian states was agreed in Pakistan.

Senior officials from the four countries agreed to kick-start a project to link Turkmenistan, Afghanistan, Pakistan and India, known as the TAPI pipeline. The initial cost of the project was estimated at $3.3 billion but revised to $7.6 billion due to the delay and increasing price of construction materials. The more than 1,500 kilometer long pipeline, due to be completed by the end of 2017, is expected to transport 3.2 billion cubic feet of natural gas per day.

“This is a very important project for the region, especially for Pakistan,” Pakistan’s Prime Minister Nawaz Sharif told the meeting. “It has already been delayed. We do not want any further delay in the commencement of the project.” The Asian Development Bank, whose director general also attended the talks, will facilitate and coordinate the project.

China discovers enormous gas field in South China Sea

Anadolu Agency, *10.02.2015*

China National Offshore Oil Corporation, has announced the discovery of 100 bcm of natural gas field in the South China Sea.

China’s state news agency Xinhua reported that a deepwater drilling rig had discovered Lingshui 17-2, the country’s first self-support deepwater gas field, in September 2014 and it has since been approved as a large-scale gasfield. It was located 150km south of Hainan Island, and its operational depth is 1500m below the sea’s surface. “Discovery of the field opened the door to deepwater oil and gas resources in the South China Sea” said Wang Yilin, CNOOC chairman.

Xie Yuhong - a manager at the company - told Xinhua that connecting other gas fields to Lingshui will create the possibility of a gas corridor to meet great demand from Hong Kong and Macau, and other southern states. He added that the well could may produce 1.6 million cubic meters of gas per day, the highest daily flow of all CNOOC’s gas wells during testing. Exploration for the field started in 2012 and cost around 6 billion yuan ($975 million). China is the world’s biggest energy consumer and heavily dependent on imported oil and natural gas.

U.S dominant producer of both shale gas and tight oil

Reuters, *13.02.2015*

The United States, Canada, China, and Argentina are the only four countries producing commercial volumes of either natural gas from shale formations or crude oil from tight formations as the U.S. is the dominant producer of both.

"Canada is the only other country to produce both shale gas and tight oil while U.S. is by far the dominant producer of both," EIA stated. Shifting into an exporter status since its shale revolution in 2008, America enjoys its domestic production and decreasing independence on imports. Since so called shale revolution, the U.S. enjoys the benefits of domestic oil and gas production.

China is producing only shale gas, Argentina is producing only tight oil; however, Australia and Russia have used hydraulic fracturing techniques, the amount produced did not come from low-permeability shale formations, the administration revealed. All of the four countries increased their production volumes of shale gas and tight oil in 2014 and natural gas. Also the total crude oil production of the four countries from shale and tight formations grew at a faster rate last year than production from non-shale and non-tight formations, the data showed.

"In U.S., a large portion of shale gas production growth has occurred in the Appalachian Basin's Marcellus Shale while a large portion of tight oil production has come from Western Gulf Basin's Eagle Ford and from the Williston Basin's Bakken Shale," according to EIA.

In the Marcellus Region, dry natural gas production increased to 408 million cubic meters per day whereas it was 134 million cubic meters in 2011. In the Bakken Region, oil production in 2014 averaged 1.1 million barrels per day, which rises more than 2.5 times than the 2011 average of 0.4 million barrels per day.

Canada's tight oil production incresed from 0.2 million barrels per day to 0.4 million barrels per day from 2011 to 2014 most of which was produced from Alberta and Saskatchewan, EIA stated. Shale gas production increased from around 500,000 cubic meters per day in 2011 to 1 million cubis meters as of May 2014.

"In China, Sinopec and PetroChina have reported commercial production of shale gas from fields in the Sichuan Basin," the report said. The combined shale gas output reached around 4,000 cubic meters which corresponds to 1,5 percent of the country's natural gas production.

"In Argentina, tight oil production comes mainly from Vaca Muerta's Neuquen Basin. National oil company YPF, partnering with Chevron, is producing about 20,000 barrels of tight oil per day from the Loma Campana area," the U.S. agency said.

EIA also stated that notable exploration studies are ongoing in Algeria, Australia, Colombia, Mexico, and Russia. Commercial shale development requires the ability to rapidly drill and complete a large number of wells in a single productive geologic formation, EIA added.

OPEC members may face account deficit amid oil price slump

Anadolu Agency, *13.02.2015*

Some members of Organization of the Petroleum Exporting Countries, OPEC, which are dependent on revenues from oil sales, may face current account deficits in 2015 and 2016 amid falling oil prices. OPEC members are estimated to have earned a total of $700 billion from oil exports in 2014; however, this is projected to decline in 2015, to $446 billion, the U.S.' Energy Information Administration data show.

According IMF data, Angola's current account surplus in 2014 was equivalent to 4.11 percent of its gross domestic product, GDP. Yet, IMF estimates this ratio to fall to 2.02 percent in 2015, and turn into a deficit in 2016 with 0.11 percent.

Algeria's current account balance is expected to swing into a deficit equivalent to 2.99 percent of its GDP in 2014, 2.93 percent in 2015, and 3.63 percent in 2016.

Iran, dealing with western sanctions, had a current account surplus of 4.22 percent equivalent to its GDP in 2014, but this is projected to fall to 1.66 percent in 2015 and 0.62 percent in 2016.

Reconstructing from a decade-long war in the country, Iraq had a current account deficit equivalent to 0.76 percent of its GDP in 2013, but pulled through to have surplus equal to 3.03. However, the second-biggest oil exporter of OPEC is projected to have less surplus in 2015 and 2016 with 2.41 and 1.26 percent respectively.

Qatar, where the hydrocarbons sector account for more than 60 percent of total revenues, is estimated to have a significant decline in its current account surplus, falling from 27.05 percent equivalent to its GDP in 2014 to 23.18 percent in 2015, and to 18.12 percent in 2016.

Struggling with internal strife, Libya's current account surplus in 2013 turned to a 27.11 percent deficit equal to its GDP in 2014, and IMF expects it to be 20.86 and 7.5 for 2015 and 2016 respectively. IMF estimates Kuwait, Nigeria, the United Arab Emirates, and Venezuela to have current account surplus equivalent to their GDP until 2016, although their numbers will face decline.

The world's largest oil exporter Saudi Arabia had a current account surplus equivalent to 17.72 percent of GDP in 2013, but this amount is expected to shrink to 15.08 percent in 2014, 12.43 percent in 2015, and 10.86 percent in 2016. The Saudi Ministry of Finance announced on Dec. 25

that it expects its budget deficit to rise to $38.6 billion in 2015, from $14.4 billion in 2014, due to falling oil prices.

U.S. credit rating agency Standard & Poor’s revised its outlook on Saudi Arabia to negative on Jan. 9, stressing that the country faces a danger of seeing fiscal deficits. According to the rating agency, the kingdom’s oil sector accounted for 40 percent of the country’s gross domestic product, 85 percent of its exports, and 90 percent of its revenues in 2014. U.S.’ Energy Information Administration drew attention on Feb. 12 to the country’s sovereign wealth fund of $733 billion, which is 19 times the expected 2015 budget deficit, but warned that the funds may fall short if oil price slump persists for a long time.

Announcements & Reports

► *Short-Term Energy Outlook*

Source : EIA
Weblink : http://www.eia.gov/forecasts/steo/pdf/steo_full.pdf

► *Drilling Productivity Report*

Source : EIA
Weblink : http://www.eia.gov/petroleum/drilling/pdf/dpr-full.pdf

► *Medium-Term Oil Market Report 2015*

Source : IEA
Weblink : http://www.iea.org/bookshop/702-Medium-Term_Oil_Market_Report_2015

► *Monthly Oil Market Report*

Source : OPEC
Weblink : http://www.opec.org/opec_web/static_files_project/media/downloads/publications/MOMR_February_2015.pdf

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/

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► TUROGE 2015

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/

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► 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/

► World Gas Conference

Date : 01 – 05 June 2015
Place : Paris - France
Website : http://www.wgc2015.org/

► 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