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Erdogan: Turkey hopes for Iranian gas discount

Trend, *07.04.2015*

Ankara hopes that Iran will provide Turkey with a discount on the gas supplied to the country, said Turkey's President Recep Tayyip Erdogan. He made the remarks in Tehran.

Erdogan said Turkey buys the most expensive gas from Iran. He went on to add that in case if Iran provides a discount for Turkey on the supplied gas, Ankara can increase the volume of purchases. Erdogan visited Tehran for a short visit. Turkey's delegation also includes Foreign Minister Mevlut Cavusoglu, Economy Minister Nihat Zeybekci, Customs and Trade Minister Nurettin Canikli, Energy and Natural Resources Minister Taner Yildiz.

As the Turkish media said, Turkey buys Iran's gas at $490 per 1,000 cubic meters. For Azerbaijan's gas, which is supplied via the South Caucasus Ppeline (Baku-Tbilisi-Erzurum), Turkey pays $335 per 1,000 cubic meters. Meanwhile, Russia's gas costs Turkey $425 per 1,000 cubic meters. Turkey has a contract with Iran for the supply of 10 billion cubic meters of gas per year, a contract with Russia – for supply of 20 billion cubic meters of gas, and a contract with Azerbaijan – for supply of 6.6 billion cubic meters of gas per year. Turkey also signed agreements with Algeria and Nigeria for the supply of 4.4 billion and 1.2 billion cubic meters of liquefied natural gas per year, respectively.

In March 2012, Ankara asked the International Court of Arbitration on the prices of the Iranian gas supplied to Turkey. As stated previously by the minister of energy and natural resources, Taner Yildiz, Ankara and Tehran will again discuss the prices of the Iranian gas supplied to Turkey. He also said Iran demanded that Turkey withdraw the appeal from the International Court of Arbitration, which is unacceptable for Ankara. The minister said that during a visit of Iran's President Hassan Rouhani to Turkey, the Iranian delegation proposed Ankara new conditions under which the gas prices can be reduced, but the said terms are unfavorable for Ankara.

Turkish minister: Future of 'Turkish Stream' depends on EU

Hurriyet Daily News, *08.04.2015*

The future of the Turkish Stream depends on interest shown by the EU, according to EU Minister Volkan Bozkır.

"Turkish Stream will be composed of three pipelines. One will only be used for Turkey's internal needs, but the fate of the other two will depend on the interest of the EU," he said about the project, which will transport the gas through Thrace. Speaking to Anadolu Agency at the Energy Security Summit in Budapest, Bozkır said natural gas would be the top energy issue of the future. By creating its own energy supply security, Turkey aims to contribute to the energy security of Europe, Bozkır said.

He noted that the Trans Anatolian Pipeline (TANAP) was a strategically important project to such an end, ensuring energy supply security for both Turkey and Europe. "It is the central link in the Southern Gas Corridor. Turkey values its extensive energy cooperation with Russia. We understand that Russia's new pipeline proposal has raised interest in the region," he said. "We will be in a better position to make an assessment on this proposal upon the completion of the feasibility study," he said. He said he had evaluated regional energy security and the enrichment of supply routes and sources with Macedonian, Serbian and Greek ministers.

Turkey attaches great importance to the diversification of energy routes and source countries both for Turkey and for Europe, he said at a press conference of Europe's foreign ministers meeting in the city. "Standing at a crossroads between major energy producers and consumer markets, Turkey is not only an end market, but has also established itself as a reliable transit country, offering a short, secure and sustainable route for the energy resources of its energy-rich neighborhood," he said.

Turkey to raise Iranian gas imports if Iran sets price

Anadolu Agency, *10.04.2015*

Turkey will increase the volume of Iranian natural gas imports if only Iran provides a favorable price, said Turkish energy official. "We should evaluate the price of natural gas that we import from Iran to see if it is feasible for our energy sector," said Taner Yildiz.

Yildiz said that a possible volume increase will be transported via BOTAS's existing pipeline. Yildiz and his counterpart from Georgia, Kakhaber Kaladzei, held a press meeting in Istanbul. Yildiz stated that Turkey buys the most expensive natural gas from Iran although it is the second country that Turkey imports the most natural gas from after Russia.

Yildiz added they expect the international arbitration process between Iran and Turkey over the price of natural gas to be finalized soon. The long-standing dispute over the price of natural gas which Turkey purchases from Iran was on the agenda in Turkish President Recep Tayyip Erdogan's visit to Tehran. During his visit, Erdogan also signaled increasing the volume of gas if Iran considers a discount.

A variety of countries are interested in taking part in the Trans Anatolia Natural Gas Pipeline project, TANAP, said Yildiz. With regard to the state oil company of Azerbaijan, SOCAR's President Rovnag Abdullayev's statement which states Iran wants to be a partner in TANAP, Yildiz said that such an agreement is possible if the appropriate commercial terms are maintained both for SOCAR's and Turkey's share in the project. "We will make the best decision after evaluating every option strategically and commercially," he said.

Turkey can increase its shale reserves 10 times

Anadolu Agency, *10.04.2015*

Turkey can increase its shale oil reserves by 10 times with further discoveries, the Turkish coal directorate said.

According to current research results based on the the amount of Turkey's lignite coal reserves, Turkey has discovered more than 1.6 billion tons of oil shale reserves in the Bolu region of Turkey as well as in Central Anatolia. If recovered, this number could reach over 15 billion tons. State-run General Directorate of Turkish Coal Enterprises, or TKI, and Turkish Petroleum launched a joint venture in Feb. 2014 to discover the untapped shale reserves in energy-dependent Turkey.

The initial test results following the drills in the western province of Bolu, which hosts 300 million tons of reserves, has shown the shale potential could be used both to produce oil and to be used in thermal plants for electricity generation. According to TKI officials, the shale oil potential can increase the country's oil production by 15 percent. Currently Turkey produces only 35,000 barrels of oil per day, which only meets up 5 percent of its demand. In addition, in central Anatolian provinces including Ankara, Konya and Nigde, rich oil shale resources have been found.

Turkmenistan, Turkey and Azerbaijan: potential for trilateral energy strategy?

Natural Gas Europe, *08.04.2015*

Following the recent visit to Ankara by his counterpart from Turkmenistan, Gurbanguly Berdimuhamedov, Turkish President Recep Tayyip Erdogan announced a trilateral mechanism on energy issues between Turkey, Turkmenistan and Azerbaijan.

He specifically noted that the three countries share a vision of transferring Turkmenistani natural gas to Europe via Turkey. This announcement reopened discussions on the practical possibilities for the realization of the Trans-Caspian Pipeline (TCP). In January 2015, the Azerbaijani and Turkish sides reportedly invited Turkmenistan to join the TANAP.

The European Union has voiced support for the Trans- Caspian Pipeline since 2011 in particular, hoping that its realization will reduce Europe's dependency on Russian gas. Russian and Iranian opposition to the Trans- Caspian Pipeline remains strong, and Turkmenistan has not yet declared whether it believes trilateral energy cooperation offers the way forward for realizing the TCP. However, recent regional and international developments have influenced Ashgabat's calculations, and emphasized the need for close cooperation with Turkey and Azerbaijan. Within the trilateral format, both Azerbaijan and Turkey see broader opportunities for cooperation with Turkmenistan, and this format has worked effectively over the course of the last year.

From Turkmenistan's point of view, Gazprom's declaration that it would cut its imports by nearly two-thirds—to 4 billion cubic meters (bcm)—has serious implications. The Russian financial crisis and decline in oil prices has had a direct impact on Turkmenistan's internal market; notably, it has devalued its currency by 19 percent versus the dollar. These various factors have strengthened Ashgabat's motivations for seeking alternative markets for its gas. But Turkmenistan's traditional approach to pipeline politics—that of "zero financial burden, hun- dred percent effectiveness"—remains unchanged, and so Ashgabat is interested in exporting to markets through existing pipelines or where there are opportunities for expansion, like with the China route. Despite Ashgabat's dissatisfaction with Gazprom's decision to cut gas imports, after twenty years of neutrality, Turkmenistan's approach is unlikely to change; it will almost certainly maintain political sensitivity in its approach toward Moscow. This is particularly important given the broader atmosphere of confrontation between Russia and the West. Ashgabat is highly unlikely to actively support the European Union's energy diversification strategy, as this would contradict the strongly business-based approach of the Turkmenistani leadership toward gas politics.

On the other hand, in the last year, Turkmenistan has become much more aware of the opportunities on the Turkish market, both in and of itself, and as a conduit to the European market, in terms of diversifying gas exports. Erdogan's visit to Ashgabat last November saw the signing of a framework agreement for bilateral energy cooperation, details of which have not been made public, and since then, the prospects of exporting Turkmen gas to European market have increased. Notably, by joining TANAP, Turkmenistan does not necessarily commit to exporting its gas via Iranian or Azerbaijani territory. In both directions there are problems both in terms of infrastructure and market. The Azerbaijani route requires the construction of the TCP, and there is no existing infrastructure inside Iran that would allow the transfer of Turkmenistani gas to Turkey's borders. Moreover, Azerbaijan is primarily interested in selling its gas to European markets. Prior to the decision between the Trans-Adriatic Pipeline (TAP) and Nabucco-West for the transfer of Azerbaijan's Shah Deniz Phase 2 gas to Europe, gas from Turkmenistan was intended to increase the scope of the project and attract investment from European energy firms. Today, however—without underestimating its value— Turkmenistani gas no longer plays a significant functional role in relation to TANAP and TAP. And in the Iranian direction, there is no existing pipeline to export huge volumes of Turkmenistan's gas to Turkey. With the partial normalization of relations with EU countries, Tehran is looking to export its gas to the European market, and in that respect, Turkmenistan could be a competitor. Thus, while Turkey's aim is to become an energy hub, politically speaking Ankara is not declaring any preference for or putting political support behind exports of Turkmenistani gas through Turkish territory.

Nonetheless, the trilateral consultation among Azerbaijan's, Turkmenistan's and Turkey's foreign ministers—which in the next stage will involve the presidents—is a major diplomatic achievement by Ankara. Turkey first began political consultations to bring all sides closer together less than a year ago. The EU has been trying to forge energy cooperation for the TCP between Azerbaijan and Turkmenistan since 2011, without result. In fact, Turkey's idea for trilateral energy consultations dates back to 2008, when Turkey invited both Azerbaijan and Turkmenistan to cooperate on a drilling project in the Black Sea. Today, there are greater opportunities for cooperation between the three sides' energy firms than in 2008. Nevertheless, two major barriers remain to translating the idea of energy consultation into practical action on the Trans-Caspian Pipeline.

First, both Azerbaijan and Turkmenistan are anticipating the results of the next summit between the Caspian heads of state in Astana in 2016, when the legal status of the Caspian Sea will be on the agenda. The fate of the TCP has long been closely linked to this issue. At the 39th meeting of the Working Group on the determination of the legal status of the Caspian Sea, issues related to environmental problems and use of water were agreed between Caspian littoral states, according to the Azerbaijani side. Consensus on environmental issues—raised by Russia and Iran—is key, but in the absence of a signed agreement on the status of the Caspian, the issue remains unresolved. Therefore, neither Azerbaijan nor Turkmenistan is ready for intensive discussions on the TCP in advance of the 2016 Astana summit.

Second, the crucial question of who will undertake the financial burden of the TCP remains unclear to observers. Essentially, Turkmenistan is not interested in shouldering this burden, and since Azerbaijan has already funded major parts of the TANAP and TAP projects, Baku is not especially keen to either. Baku and Ashgabat, though they have never said this officially, are probably expecting the EU to cover the construction cost, given that the construction will serve the EU's interests. Aspects of the feasibility study for the TCP pipeline were presented at the Turkmen Gas Summit in 2014 (Trans Caspian Pipeline Environmental Overview, accessed March 11), but the precise details of the budget have not been published—though it is likely to be in excess of $3 billion. More importantly, the EU has not made any commitment, without which it will be hard to convince either Baku or Ashgabat.

At first glance, this trilateral energy cooperation does not seem to be directly linked to the TCP, and progress remains suspended until the Astana Summit. However, in the long term, this new format could facilitate an energy dialogue between Baku and Ashgabat. Involvement in joint projects, no matter how small, could be a positive step during this initial stage. The main challenges in regard to the TCP will be the ongoing Azerbaijani-Turkmen disputes over Caspian oil fields, where there is a long history of conflict. Notably, Turkmenistan lays claim to the Kapyaz oil field, which appears to straddle the median line between Turkmenistan and Azerbaijan. The key question here is whether the construction of a pipeline westward from Turkmenistan across the Caspian to Baku will be sufficient reason for these two parties to reach agreement on ownership of the fields in question.

Last but not least, Iran's international standing is set to change following the preliminary nuclear agreement with Western countries. In the long term, Tehran can plan for the development of national energy infrastructure and gas exports to Western markets, but this will take at minimum 4-5 years, given that Iran still lacks both technological capacity and the relevant energy infrastructure. Prior to that, the Astana meeting between the heads of the Caspian littoral states in 2016 will mark a crucial moment in terms of revealing whether Iran has changed its position towards the West. Previously, Tehran's chief argument against the TCP has been the alleged environmental cost. Therefore, it might be useful to include Iran in trilateral energy meetings; this would be diplomatically effective as well as a good opportunity for the regional countries involved in the talks.

TRNC Minister: Cyprus negotiations should resume soon

Anadolu Agency, *06.04.2015*

Talks between the Turkish Republic of Northern Cyprus and the Greek Cypriot administration should resume soon, TRNC Minister Hakan Dincyurek told.

Until now, the Greek Cypriot administration has imposed various condtitions to restarting talks with the TRNC. "The Greek Cypriot administration has seen the international community's reaction to their leaving the negotiation table while it was win-win situation for some, and while it was a give-and-take situation for others. They left the table when both sides were about to make some decisions. This kind of politics is not acceptable," he said.

Dincyurek said that the Greek Cypriot exploration for natural gas and hydrocarbon resources is making things difficult to find solutions in the island, and that is unacceptable. If the Greek Cypriots continue to explore for hydrocarbons around the island, someone has to remind them that Turkish Cypriots also have rights to these natural resources, he said. "If the Greek Cypriots engage in drilling activities without the accord of Northern Cyprus, the other side also will have the right to do so," he said.

Turkey has removed its exploration vessel Barbaros Hayrettin Pasa from the seas around the island, while the Saipem 10000 drillship, which was exploring on behalf of Eni and Kogas, has stopped operations and left the area, But Dincyurek said that the actions of the exploration vessel were not the main reason for the Greek Cypriots' leaving the negotiations, There is no relation between the Greek Cypriots leaving the negotiations and the actions of the Barbaros ship, and there cannot be any such relation, Dincyurek said. There is, however, now no reason to hold up negotiations, Dincyurek said.

In the meantime, Espen Barth Eide, United Nations Special Adviser on Cyprus, is visiting Cyprus from April 6 to 8. The UN announced that Special Adviser Eide would follow up on the encouraging indications received during his last trip to the island regarding a possible resumption of the negotiations. Negotiations between the Turkish Republic of Northern Cyprus and the Greek Cypriot administration had resumed after a two-year pause in February 2013. Previously, Italian Energy Company ENI and Korea Gas Corp, or KORGAS , which searched for natural gas off Cyprus, announced on March 26 that they were unsuccessful during the drilling exploration in the region. However, the Greek Cypriot administration suspended the talks over the divided island on Oct. 7 after Turkey sent the the exploration mission to the waters around Cyprus.

Israel to sell gas from the Tamar field to Jordan

Natural Gas Europe, *08.04.2015*

Israel's Prime Minister and Minister of Energy approved gas exports from the Tamar field to Israel's immediate neighbour.

Since its discovery of substantial amounts of natural gas in the Tamar and Leviathan fields holding respectively 10 and 22 trillion cubic feet of gas, Israel has been studying various export options to monetise its offshore resources. Talks to ship a total gross quantity of 66 billion cubic feet from Israel's offshore field to Jordanian companies Arab Potash and Jordan Bromine led to an agreement signed in 2014. A final deal was pending relevant regulatory approvals from both countries.

Like Israel, Jordan suffered heavily from the disruption in the flow of Egyptian gas. Egypt was historically the main natural gas supplier to both Israel and Jordan before severe attacks to the Arab Gas Pipeline in 2011 stopped the gas from being delivered. Jordan has been undergoing a severe energy crisis as the Kingdom was forced to import expensive fuels to make up for the shortfall. Importing gas from Israel would bring significant relief to Jordan's spiking energy bill. The deal has however received the opposition of the Jordanian public sensitive to any dealing with the Israeli neighbour. Egypt is also a potential customer for Israeli gas. A flat natural gas production, a growing consumption and ongoing export obligations have turned the once net natural gas exporter into an importer of the hydrocarbon. Egypt is currently in talks with Israel and Cyprus to import natural gas via pipeline. Egypt's underused export terminals could also allow Israel and Cyprus to reach far-reaching customers. Israel has been facing internal challenges at home. A dispute between the Antitrust Authority and the partners to the Tamar field Noble and Delek is still pending and threatening regional deals. Israel's competition regulator accused Delek and Noble of constituting a cartel and distorting the market. The outcome of the dispute will be key in deciding Israel's successful entry into the export market and its standing as an Eastern Mediterranean energy hub.

Iran announces domestic gas consumption

Anadolu Agency, *06.04.2015*

Iran consumed 173 bcm of natural gas during the March 2014 to March 2015 period.

Household, commercial and small industry had more than a 50 percent share in the total gas consumption of the country with 90 bcm during this period, according to the agency. These sectors experienced a 2.1 bcm increase in natural gas consumption, compared to around 88 bcm in the previous year of the Iranian calendar. Iran consumed more than 50 bcm of gas for power plants in the country, the agency quoted from Naser Ebrahimi, an official from the National Iranian Gas Company.

The agency also reported from Ebrahimi that gas consumption in the industrial sector reached 32.6 bcm during the same period. According to the U.S. Energy Information Administration, Iran is the world's second-largest proved natural gas reserves holder, following Russia. The country holds 17 percent of the world's proved natural gas reserves and more than one-third of OPEC's reserves.

Official: KRG raises daily oil output to 500,000 barrels

Anadolu Agency, *07.04.2015*

KRG announced that it is currently producing 550,000 barrels of oil per day. "The KRG is currently producing 550,000 barrels of oil a day," the Kurdish parliament's Natural Resources Commission deputy president Dilshad Saban told.

He said that 250,000 barrels of this amount is delivered to SOMO, the State Organization for Marketing of Oil, which is the national Iraqi company that is responsible for marketing the country's oil. "150,000 barrels of the remaining amount is used for domestic consumption, and the other 150,000 barrels are given to private oil firms in return to the KRG's debts," Saban added.

There are 62 private oil companies working in the Kurdish region, of which the KRG owes a total of $3 billion debt, Saban informed. The deputy emphasized that the Kurdish government aims to reach 1 million barrels of oil production by the end of the year, however said that this will not be realized due to attacks by Daesh in the country. “Since some oil wells are controlled by Daesh militants and due to damages on oil pipelines, Kirkuk province produces 150 to 200 thousand barrels of oil per day,” said Saban, adding that the 300,000 output target could not be reached on the region. “The production in Kirkuk will increase if technical difficulties are overcome,” he explained.

Saban highlighted that the revised projection for the KRG is increasing its total oil output to 700,000 barrels a day by 2016. Cevdet Circo, the head of the Parliamentary Committee for Industry and Energy of the KRG, told on March 24 that this export level will rise to 600,000 barrels a day in April. The KRG and the federal government in Baghdad had recently resolved their differences in oil and revenue sharing disputes. According to the agreement reached by both parties on Dec. 2, 2014 the KRG was to export 250,000 barrels of oil per day and the Kirkuk province was to provide 300,000 barrels per day under the federal government’s supervision. In return, the federal government in Baghdad was to provide 17 percent of its national budget to Erbil, which equals some $1 billion every month. However, the sides could not find a common ground until recently as Baghdad claimed that the KRG did not deliver the promised oil and revenue, Erbil stated that the federal government failed to send the 17 percent share from the national budget. “Baghdad has sent $400 million to Erbil as part of the bilateral deal on Dec. 2, 2014,” spokesman of the KRG’s Ministry of Finance Ahmed Abdulrahman announced on March 24, adding that the federal government in Baghdad had sent $500 million to Erbil previously.

Azerbaijan eyes Iranian gas for TANAP

Natural Gas Europe, *06.04.2015*

Azerbaijan’s energy sector is considering the removal of sanctions against Iran to possibly increase th commercial viability and attractiveness of the TANAP.

In the near future natural gas from these energy rich nations, holding the second-largest proven reserves in the world, could be sources for TANAP, head of SOCAR said. “TANAP is already a commercially very attractive project. After lifting sanctions against Iran, the relevance of TANAP will grow even more. For future gas export from Iran Trans Anatolian line would be the only option to deliver it into the world markets,” Rovnag Abdullayev told.

Azerbaijan has decided to keep a major stake in the TANAP consortium and is interested in boosting gas volumes pumped through it to increase future outcomes. The natural gas volumes from the Eastern Caspian nations, namely Turkmenistan, has been considered as a viable source for TANAP in the future with the expansion of its capacity. According to Azeri Energy Minister Natik Aliyev, TANAP's capacity will be increased in a few years to 23-24 billion cubic meters a year (bcm/a) from an initial 16 bcm/a with plans to expand even further to 31 bcm/a. "TANAP's capacity could even be expanded to 65 bcm/a if there are gas sources to pump through it," he said.

However, it might take years before the idea to bringing Turkmen gas across Caspian to TANAP and further to Europe become real. The changing situation vis-a-vis Iran with the success of the Lausanne agreements and expectations of lifting sanctions against Iran's energy export have been reshaping the whole picture. It includes also an option to deliver Turkmen gas to Turkey for further export to EU via Iran. The idea of attracting Iranian gas to TANAP was discussed even before reaching a framework agreement for Iran's nuclear program.

Last year it was discussed with visiting high-ranked Iranian officials and at the meeting of the Azerbaijan-Iran bilateral economy commission that was held last August in Baku. SOCAR's head also did not rule out the possibility of selling some portion of the company's stake in TANAP if it gets an "attractive offer," adding that there are already such proposals. SOCAR said earlier that it would keep at least 50 percent in TANAP. That means there is an option to sell some 8 percent from SOCAR's current 58 percent interest in the pipeline project.

There are some talks for selling stakes in TANAP, an outcome that would be "surprising", said well-placed SOCAR sources. The other sources suggested that Malaysia's Petronas, which became a member of Shah Deniz consortium last year, could be a new partner for TANAP. Petronas bought 15.5% interests from Norway's Statoil however the transaction has not completed yet.

Putin: Greece may earn millions with Turkish Stream

Anadolu Agency, *08.04.2015*

Greece may earn millions of euros every year, if it would be a part of the 'Turkish Stream' project, said Russia's President Vladimir Putin.

According to Russian state news agency Itar-tass, Russian President said that nothing concrete was agreed about Greece's participation in Turkish Stream project, following talks with Greek Prime Minister Alexi Tsipras. "Greece may earn millions of euros every year from Turkish Stream," Putin said. "If Greece decides to join the Turkish Stream project, it will make Greece a large transit country, both for the entire south of Europe and for Central Europe," Putin added.

Putin stressed that, Greece's participation would bring more job opportunities in the country with the Turkish Stream project. The main topic of the meeting was Greece's financial situation and Western sanctions on Russia. The talks were also focused on financing sources for the Turkish Stream project. "However, our Greek partners and friends should team up with their Russian partners to work on all details, after which it will be possible to talk about anything specific," the Russian president said.

The new route of the natural gas project will cover Europe's requirements for fuel and allow Greece to be a major energy distribituon center in the continent, Putin noted. Putin announced on Dec. 1 that Russia was canceling the South Stream gas pipeline project. He proposed an alternative new natural gas pipeline route through Turkey's northwestern Thrace region to reach Greece, and also the construction of a natural gas hub on the Turkish-Greek border. The 'Turkish Stream' is planned to have a capacity of 63 billion cubic meters of natural gas per year. From this project. In the project, Turkey would be allocated around 14 billion cubic meters annually for its domestic use and the remaining gas would be exported to Europe. The Turkish Stream gas is expected to start operations in December 2016.

Gas interconnection with Bulgaria is Serbia's priority

Natural Gas Europe, *06.04.2015*

After Russia dropped the construction of the South Stream, Serbia is ready to look for new supply sources, and the priority according to Serbian officials, will be the interconnection with Bulgaria.

Serbian Minister of Mining and Energy Aleksandar Antic said that the Serbian government would try to be part of all projects that may provide new gas supply sources and routes. According to Minister Antic, the first priority is the connection of Serbia and Bulgaria by a two-way pipeline, with the money already earmarked in the 2015 budget for the making of a spatial plan.

The minister added that there had already been talks with the Bulgarian partners about the pipeline's capacity and that Serbia could quickly enter a stage when it would seek sources for funding the start of construction. The interconnection with Bulgaria could give Serbia access to gas supplies from Azerbaijan via the Trans-Anatolian Natural Gas Pipeline (TANAP), the construction of which began in March. Serbia started considering gas supply alternatives after Russia abandoned the South Stream pipeline project, which for the Serbian officials opened a number of questions about future gas supply. "We must no longer be enamored of any energy project or rely on just one supply source. That will be the Serbian government policy," said Antic, adding that the government will favor projects enabling Serbia to become a transit country for fuel supply.

However, Dusan Bajatovic, the CEO of Serbia's state-owned gas monopolist Srbijagas, said at the same meeting that the state would have serious problems in gas supply if Russian gas deliveries via Ukraine stopped. "Serbia currently has no supply alternative," said Bajatovic. In his words, none of the gas interconnections Serbia might take part in will secure stable supply of the country and the whole region by 2025, unless it is backed by Russian gas deliveries or the construction of serious facilities for liquefied natural gas. "Serbia lacks the funds to build pipelines on its own. If someone is asking us to have different ways of gas supply and I say the Serbian economy doesn't have the money to finance it, I don't understand why someone is banning our projects," said Bajatovic, who on the Serbian side was at the helm of the company that was to build South Stream with Russian partners.

Bajatovic also said that over the next two decades Europe would be highly dependent on Russian gas. Russia earlier announced that it would stop delivering gas via Ukrainian territory after 2019. At the meeting, certain participants expressed hope that Serbia would be involved in the Russian-Turkish project called Turkish Stream. Srbijagas Executive Director Jovica Budimir said a feasibility study was being done for Turkish Stream and that the final route and value of the pipeline would be unveiled in May. Budimir also said that the preliminary study envisaged the new pipeline including Turkey, Greece, Macedonia and Serbia. According to him, the length of the continental part of Turkish Stream in Turkey's territory will be 100 kilometers, 304 in Greece, 521 in Serbia and 162 in Macedonia. Budimir went on to say that South Stream's old route would, if built, in one part in Serbia match the route of Turkish Stream.

EU representatives have also expressed concern for Serbia's energy security. EU Delegation to Serbia representative Freek Janmaat announced that the EU would attempt to include Serbia as much as possible in the completion of the Energy Union and to financially support projects important for connection in the region.

Ukraine adopts law to align gas market with EU third energy package

Natural Gas Europe, *09.04.2015*

The Ukrainian parliament adopted a law meant to align its natural gas market with the EU's Third Energy Package, in an effort to move closer to the pillars of "ownership unbundling" and the establishment of National regulatory authority. The law will take effect immediately, but it will be applicable from October 2015.

'The law introduces mechanisms to prevent anti-competitive practices by gas system operators, distributors and suppliers related to gas storage, distribution systems and LNG development' reads a note released by Naftogaz, which took part to the working group that drafted the law.

According to the Ukrainian company, the wholesale and retail gas markets will be based on free price system. ‘The law creates the preconditions for a reformed natural gas market, based on the principles of free and fair competition focused on providing a high level of protection to consumers. These mechanisms should enhance competition due to entry of new market players, which in turn will be a driving force for reducing energy prices.’ Ukrainian authorities already made clear their intention to open the doors to European and American investments in its energy markets. “This law is an important step towards Ukraine’s integration with the European Union. It transparently opens our natural gas market to investors, stimulates competition and clearly outlines the functions of the State” Naftogaz CEO Andriy Kobolyev commented.

Ukraine rapidly dismantling Gazprom’s supply monopoly

The Jamestown Foundation, *08.04.2015*

Quantitative indicators show a dramatic reorientation of Ukraine’s natural gas supply strategy. Dependence on Gazprom has become a thing of the past. Kyiv demonstrates political resolve to pursue supply diversification and adapt to changing market conditions with EU Commission’s backing.

Along with supply diversification, Ukraine’s business practices in the gas trade with Russia are also changing momentously. For the first time in independent Ukraine, the current political leaders have no corporate or personal interest in the gas business, nor do they depend on interest groups linked to the energy sector.

And also for the first time, Ukraine’s state leadership is no longer involved in what used to be highly politicized negotiations with the Kremlin over gas supplies. Instead, Kyiv treats this as a business matter, to be handled by the Ministry of Energy and Naftohaz Ukrainy (itself due for restructuring), in contrast to the Kremlin leaders who continue personally to handle the gas trade with Ukraine as a matter of state for Russia.

Gazprom had traditionally supplied almost 100 percent of independent Ukraine’s annual gas imports. Gazprom accounted for 95 percent of Ukraine’s imports as late as 2013. Gazprom’s share in 2014 was still dangerously high, at almost 75 percent of Ukraine’s gas imports, but the country procured the remainder through reverse flows from Europe. Of 19.5 billion cubic meters (bcm) of gas that Ukraine imported in 2014, Russia supplied 14.5 bcm; whereas 5.1 bcm entered Ukraine through interconnections from Slovakia (3.6 bcm), Poland (0.9 bcm), and Hungary (0.6 bcm). Gazprom’s share could have been higher in 2014, but Moscow had suspended all gas deliveries to Ukraine from June through October 2014.

Meanwhile, pipeline capacity expansion in Slovakia made it possible for Ukraine to increase gas import volumes from that direction significantly; and the "reverse" gas was winning in the price competition over Gazprom's. In February 2015, the reverse flow from Europe exceeded the direct flow from Russia for the first time in terms of monthly volumes; and the trend looks set to continue on a quarterly and annual basis.

In the first quarter of 2015 (January 1–March 31), Ukraine procured 3.65 bcm from European markets (almost entirely via Slovakia), exceeding the 2.16 bcm imported from Gazprom during the quarter just past. Compared with the first quarter of 2014, when Gazprom's market share stood at 100 percent in Ukraine, the change in the first quarter of 2015 looks downright revolutionary in terms of Ukraine's supply diversification. According to the energy ministry and Naftohaz, Ukraine plans to import 26 bcm of gas during the calendar year 2015, with Gazprom to account for 40 percent and European suppliers for 60 percent of that annual volume. Construction of the Slovakian-Ukrainian pipeline interconnector, Vojany-Uzhhorod, and the expansion of its capacity is of decisive importance in sustaining Ukraine's diversification of gas supplies. The Vojany-Uzhhorod began operating at full throttle in September 2014, and underwent an expansion of its capacity, from 11.5 bcm to 14.5 bcm in annual terms, by February 2015. The increased capacity equals one third of Ukraine's annual consumption of gas at present; and its flow (if activated near full capacity) would exceed Ukraine's import volume of Russian gas planned for 2015.

As Ukrainian and Slovakian leaders have noted in this connection, both countries are determined to retain their status as transit countries for natural gas. In Ukraine's case, this is Russian gas en route to Europe through the Ukrainian transit system. Slovakia's case is different, however. For decades, the country's transit pipelines had functioned as the westward extension of Ukraine's transit system. With a comparably gigantic capacity at 120 bcm annually in four parallel lines, operated by Eustream, the Slovakian system is currently utilized far below capacity. The Kremlin's decisions to bypass Ukraine via Nord Stream and (declaratively) South Stream or its modified version, Turkish Stream, threaten ipso facto to bypass Slovakia more drastically, if not entirely. Gazprom's transit volumes via Slovakia have declined abruptly in recent years, as Europe's recession capped demand for natural gas while liquefied gas and spot-market competitors challenged Gazprom on the market.

Conversely, the gas flow in reverse from Europe to Ukraine enables Slovakia to retain its status as a transit country. That reverse flow consists mainly of Russian gas originally sold by Gazprom to European companies and re-sold by these to Ukraine via Slovakia. Of these, the Velke Kapusany-Uzhhorod connection could have provided the "big reverse" option to Ukraine, with a volume of 30 bcm annually. That option envisages a dedicated use of one of Eustream's four parallel lines in Slovakia, or at least unimpeded access to it, and connecting with Velke Kapusany-Uzhhorod for the "big reverse transit" to Ukraine. That access has not worked out as needed, however. Eustream seems to be constrained in its decisions by the terms of its transit contract with Gazprom.

Russia expects Ukraine to pay gas imports from IMF funds

Anadolu Agency, *08.04.2015*

Russia expects Ukraine to pay for its natural gas purchases from the IMF funds granted to it by the International Monetary Fund, an official said.

"We are expecting Ukraine to pay for the Russian natural gas supplies and redeem the biggest part of its debt to Gazprom from the funds granted by the international community obviously," Alexey Mozhin, , IMF, executive director for Russia, was quoted as saying by the Russian news agency Itar-Tass. Stating that the collapse of the Ukrainian economy would not be in the interest of Russia, Mozhin said the IMF's bailout program for Ukraine also bears risks.

The IMF has loaned $17.5 billion to Ukraine on March 11, while the country has to restructure $15.3 billion of its debts to private investors according to an IMF agreement, Itar-Tass said. Noting the debt to GDP ratio will depend on the country's exchange rate, the hryvnia, Mozhin stressed that if the rate is at 21.5 hryvnias to the U.S. dollar, then Ukraine's state debt will rise to 94 percent of its GDP. Ukrainian state-owned gas company Naftogaz announced on April 3 that it made a prepayment of $30 million to Russia's natural gas company Gazprom for its April's natural gas purchase.

China will not provide much relief to Russia before 2024

Natural Gas Europe, *09.04.2015*

Cooperation with China is only a "medium-term prospect" for Russia, whose production is affected by looming production challenges, declining CIS markets, weak domestic and stagnant European demand, says a report by CEDIGAZ.

"Russian Gas Market: Entering New Era" by Tatiana Mitrova and Gergely Molnar, analyses the ongoing changes in the Russian industry and the challenges to be met.released on Thursday, adding that the deals with China are not expected to 'provide much relief before 2024.' Despite the new analysis, the relationship with China could easily change form.

Especially in case Moscow further suffered adverse market conditions and Western sanctions, a new form of cooperation could be around the corner - Russia could give Beijing the kind of reward it refused to Western players for years. ‘Mounting competition by independent producers and the development of new production by Gazprom, combined with stagnating domestic demand and weakening export markets, have created a situation of overproduction, made worse by western sanctions and low oil and gas prices’ reads the note released a few days after a provisional agreement of six world powers and Iran on Teheran’s nuclear program.

The main point here is that traditional “Western” markets are a source of uncertainty for Gazprom. In this sense, Russia’s focus on Asian markets is somehow necessary, but not easy. According to the international association dedicated to natural gas information, this process will not come without hurdles, as the success of Moscow’s strategy also depends on its ability to build new expensive pipelines to China. ‘The role of the Asia-Pacific market in the medium term will remain low until new pipeline supplies to China start at full scale. Russia is eyeing multiple options for gas exports via LNG and pipelines and total Eastern exports could reach 55-85 bcm/yr’ CEDIGAZ said on in its latest publication, arguing that the Russian gas industry has shown strong resistance to any form of structural overhaul, and it will stick to its guns rather than embrace market liberalisation.

Recent developments seem to prove the report right. When it comes down to a strong politicisation of the Russian oil and gas market, there is really little doubt - Moscow plays its strengths in its own way, not following merely financially considerations. Over the last hours, for example, Gazprom confirmed its strong political role, approving additional 75 million euro for South Stream Transport B.V., which is the company originally conceived to bring gas from Anapa (Russia) to Varna (Bulgaria) through the “withdrawn” South Stream project. A few hours before Gazprom’s decision, the company led by Alexey Miller named the Director General of Gazprom Russkaya, the wholly-owned subsidiary created to build the offshore gas pipeline connecting Russia and Turkey via the Black Sea. From a financial standpoint, it is difficult to find a coherence in the two decisions. In this sense, CEDIGAZ is right when it say that “the (Russian) industry will likely remain under close state monitoring.” Gas is all about politics, and it will be even more so in case of extreme geopolitical confrontations.

According to Reuters, Russia is switching its focus from the Power of Siberia pipeline, whose price ranges between $55-billion and $100 billion according to the estimates, to the cheaper Altai project. The main issue here is where and how to find money to finance these projects. In its report, CEDIGAZ agrees on the financial difficulties related to the new pipeline from Russia to China. ‘The transportation network will need huge investment with the development of the “Turkish Stream” and “Power of Siberia”. LNG projects are likely to face significant delays, due to high costs, geopolitics and financial sanctions, but could eventually develop on a significant scale in the next decade’ CEDIGAZ wrote, adding that production has now to move from the highly productive but maturing fields to new production coming from Yamal, Eastern Siberia/Yakutia and the Far East. Despite the costs, Gazprom is trying to stave off communications discrediting its ability to deliver projects on time. The main Russian gas producer claimed that seismic survey operations in Yakutia are proceeding at full swing with innovative technologies and a significant deployment of experts.

Similarly, on March 19, Miller tried to dispel any doubt about the project. After a meeting with Yegor Borisov, Head of the Republic of Sakha, Miller said that “operations at Chayanda and Power of Siberia are in full swing and will be completed right on time.” The strong communication approach and the great attention to the Power of Siberia prove that this is a key project for Moscow. If it wants to increase its Asian presence, Gazprom has to please its Chinese partners. Beijing prefers the Power of Siberia pipeline, as it would connect eastern Russian fields to the Chinese coast, which relies on coal-fired power stations and has a bad reputation for its air pollution. According to Mikhail Krutikhin, a partner of consultancy company RusEnergy, the project is not commercial, but viable. “The Russian government can go ahead with that because it’s political” he told Natural Gas Europe. The contract signed between Russia and China last year envisages gas deliveries to China by 2019. Recently, China’s Foreign Minister Wang Yi said that Moscow and Beijing will sign an agreement on Altai pipeline by the end of the year. This will probably depend on the Power of Siberia - if Gazprom wants a new project, it needs to proceed on time.

As said, Russian approach to energy sources will remain politically-based at least in the medium term. And here lies the potentials for further steps towards China. If Beijing’s economic interests converge to Russia’s political aspirations in a moment of strong tensions with the United States, Russia could do something even more extraordinary than come up with uneconomical projects. Cooperation between Russia and China could extend to more encompassing forms, as the sale of a 10% stake in Vankorneft to China National Petroleum Corporation in November 2014 clearly suggest. Vankorneft is a Rosneft’s subsidiary that is developing a field in Eastern Siberia.

That is exactly the point. Moscow has been traditionally reluctant to offer stake in strategic onshore deposits to non-Russian companies. But it did so just some months ago. If the cooperation fits well with Russian geopolitical aspirations, Russian President Vladimir Putin could easily accept significant Chinese economic interests in his motherland. This compromise would allow Russia to deliver its Asian projects on time, and decrease its exposure to Europe.

Gazprom to increase capital of south stream operator company by 75 Mln Euro

Natural Gas Europe, *08.04.2015*

The Board of Directors of “Gazprom” approved the deal to contribute additional capital in the amount of 75 million euro into the company South Stream Transport B.V.

South Stream Transport B.V. is the operator of “South Stream”. Russia decided to stop the construction and instead decided to build “Turkish stream.” IRussia announced the rejection of the “South Stream”, which was to pass under the Black Sea and through Bulgaria to deliver fuel to the Balkan Republics, Hungary, Austria and Italy. The project was abandoned due to various reasons including the counter-productive stance of the EU towards Russia.

Instead, it was decided to build a pipeline to Turkey and to construct a gas hub for Southern European consumers on the border with Greece. After that, “Gazprom” signed an agreement with Eni, Wintershall and EDF to buy back 50% of South Stream Transport BV. Gazprom reported that it had bought back its European partners share in the South Stream Transport for 56 billion rubles.

Putin instructs Gazprom to strictly implement gas contracts with Ukraine

Sputnik, *08.04.2015*

The gas contracts with Ukraine must be strictly implemented, Russian President Vladimir Putin said during a meeting with the head of Russian energy giant Gazprom, Alexei Miller.

Last week, Ukraine signed a short-term deal with Russia to buy gas at the price of $248 per 1,000 cubic meters until a permanent solution to the gas issue was found. The previous temporary accord, that was to last Ukraine through the peak winter season, was due to expire in April. But Moscow and Kiev prolonged it for another three months. Under the deal, Kiev has been granted a $100 discount for price per 1,000 cubic meters of Russian gas,.

Petrovietnam increase cooperation for exploration in Arctic

Natural Gas Europe, *07.04.2015*

Gazprom Neft signed a series of agreements to strengthen cooperation with Petrovietnam for exploration and production in the Arctic, as Russia is trying to both increase cooperation with Hanoi and its focus on the Pechora Sea.

‘Alexander Dyukov, Chairman of the Management Board of Gazprom Neft, and Nguyen Xuan Son, Chairman of the Board of Directors of Petrovietnam, signed a memorandum to extend their collaboration on joint oil and gas exploration, production and development projects on the Pechora Sea shelf’ reads the note, adding that Russia’s Prime Minister Dmitry Medvedev took part to the signing ceremony.

Gazprom Neft and Petrovietnam decided to join forces and to come up with a list of priority oil and gas fields by the end of 2015 for the Pechora Sea, a sea at the northwest of Russia, the southeastern part of the Barents Sea. ‘The projects will be implemented via joint ventures of Gazprom Neft and Petrovietnam, in which the stakes of each party will be negotiated’ explains the press release, which adds that Gazprom Neft is proceeding with its investment plans in Vietnam - it plans to acquire a 49% stake in the Vietnamese Dung Quay refinery.

Over the last hours, the Russian government also spoke about the possibility of dropping the dollar for the transactions between the countries, switching to national currencies (Rouble, Dong) in bilateral trade. Gazprom said it plans to sell its 10.52% stake in Germany’s Verbundnetz Gas (VNG). According to Reuters, the move is coherent with russian compay’s strategy to pull back from operations in Europe.

Rosneft’s Sakhalin LNG plant delayed for at least 2 years

Reuters, *07.04.2015*

Rosneft may have to delay development of its LNG plant on the Pacific island of Sakhalin for at least two years, sources said.

The delay is the latest blow to Rosneft, which has also been forced to suspend drilling at an oil project in the Arctic after sanctions imposed on Russia by the West over the Ukraine crisis halted cooperation with ExxonMobil. Rosneft, which has spearheaded Putin’s drive to increase oil and gas output and secure Russia’s energy dominance, signed an agreement with Exxon in 2013 that aimed at starting production of 5 million tonnes per year of LNG from 2018 at Sakhalin.

Russia is the world’s largest exporter of natural gas but mostly exports it by pipeline to customers in Europe. Once liquefied, natural gas can be transported by ship to customers in Asia, helping fulfil the Kremlin’s goal of finding new markets. Two sources with direct knowledge of the project said the 2018 target was no longer realistic. A source at Rosneft, who declined to be named because he was not authorised to speak to the media, said the plant would most probably “be postponed for three to five years because of lack of funds and low fuel prices”. A second source said it could be delayed for two years. “This is not a surprise,” the source said. “The year 2018 had never been seen as the final deadline. All the stuff that’s happening - a decline in LNG prices, a slump in demand, the economic crisis - only confirms that.”

A Rosneft company spokesman said there had been no change to the project's timeline: "Rosneft has not revised the terms for the implementation of the far east LNG project." Exxon's Moscow office declined to comment. A spokesman at Exxon's headquarters in Texas also declined to comment. In May 2014, Rosneft and Exxon signed a deal to continue work on the LNG plant, which will be partly fed from gas produced at Sakhalin-1, an oil and gas project in which Exxon is a major investor.

State-controlled Rosneft has struggled financially under sanctions imposed a year ago over the Ukraine conflict, which have all but cut it off from financing from U.S. and European capital markets. Sanctions rules have also limited Western cooperation in exploring Russia's Arctic, deep-water and hard-to-recover oil deposits. Run by Putin ally Igor Sechin, the energy producer has run up record debts of 2.47 trillion roubles ($44 billion), much of it to buy out the stake of Britain's BP in a joint venture in 2013. It has since asked the state to give it around 1.3 trillion roubles from the country's rainy day National Wealth Fund to help finance various projects. The firm needs to cover around $16 billion in payments to Western banks this year. With fewer funds available after budget revenues were hit by falling oil prices, the government has yet to say how much it can offer Rosneft as it weighs the needs of several state companies which have few sources of financing.

Demand for LNG in Asia surged between 2010 and 2014, but since then prices have fallen. Spot prices WTB-NBKLP-JP are now trading at around $7.5 per million British thermal units (mmBtu) from around $15 per mmBtu last year. Valery Nesterov, an analyst with Sberbank CIB, said he thought the project could start no sooner than 2020. "The project can be put into effect with substantial support from the state, which is suffering from a lack of funds," he said. "I think the project's implementation has been moved to the beginning of the 2020s."

Gazprom plans to sell stake in German gas group VNG

Reuters, *06.04.2015*

Gazprom said it plans to sell its 10.52 percent stake in Germany's Verbundnetz Gas (VNG), in line with the Russian company's strategy to pull back from operations in Europe.

Gazprom said the decision to sell the stake was made after Wintershall Holding sold its stake in VNG. Gazprom and Wintershall jointly held a blocking stake of 26.31 percent in VNG. "Now, Gazprom is unable to take real participation in managing VNG," Gazprom said. State-controlled Gazprom has been cutting back on its exposure to Europe against the background of frosty relations between Russia and the European Union over Moscow's role in the Ukraine conflict.

Last year, Gazprom scrapped plans to build the undersea South Stream gas pipeline to Bulgaria, choosing a route to Turkey instead. BASF, parent of oil and gas explorer Wintershall, said last year that Wintershall wanted to sell its 15.8 percent stake in VNG. EWE AG, Germany's fifth-largest utility by sales, has also been in talks to sell its 63.69 percent stake in VNG, a deal that could fetch 1.3 billion euros ($1.4 billion), according to sources. Based on these valuations, Gazprom's stake could amount to around 200 million euros. In 2014, VNG AG, in which municipal utilities and local groups hold 25.79 percent, made a net profit of 224 million euros, up from 174 million.

What awaits Russian supplies to Europe if Iran joins race

Azer News, *06.04.2015*

Senior politicians from all around the world assessed a framework agreement on Iran's nuclear program as an important political and diplomatic milestone; but the deal is broader in scope than many ever anticipated.

The deal brings to the agenda a number of disputes, the first of which is its effect on energy market. The agreement between Iran and the group known as P5+1 the U.S., U.K., Russia, China, France and Germany in Lausanne doesn't commit either side to action and is merely an outline agreement which will need to be fleshed out over the next three months.

The agreement stipulates the removal of economic sanctions that have crippled the Islamic Republic's economy, and this eventually will bring the Persian Gulf nation closer to the European gas market. Since the Russia-Ukraine crisis erupted in 2014, Iran has made clear it stands ready to enter the gas race and open its vast reserves in the Caspian Basin to the EU and Turkey. Where Iran's expansion plans were hindered by strict sanctions before, a lifting of the economic and financial embargo on the Islamic Republic would mean that Tehran is back in the energy game.

Bruce Pannier, an expert and energy researcher at RFE/RL said Iran, being able to export its own gas, and act as a transit country for gas from the Caspian Basin, would be a huge loss for Russia. Europe, which relies on Moscow for about 30 percent of its supplies, has been seeking to diversify its sources of energy imports for several years now and especially decrease the amount of gas the EU purchases from Russia. The expert noted that although Russia will continue to be a major supplier of gas to Europe for at least the next decade, Europe's ability to access gas from Iran, Azerbaijan, Turkmenistan, and other countries would represent a huge financial loss for Russia. "As much as 25 percent of Russia's revenue has reportedly been coming from the gas producer Gazprom. Admittedly that figure is certain to go down since the price of gas is following the price of oil downwards," Pannier said in an e-mail to AzerNews.

The expert reminded that Russia is already re-orienting its gas exports toward Asia, particularly China but that will take a few years to really take hold. “That being said, by the time Europe starts receiving Iranian and Caspian Basin gas Russia should be in a position to export its gas to Asia,” he said. The Southern Gas Corridor linking the Trans-Adriatic Pipeline and the Trans-Anatolian Pipeline is the first route that will bring gas from the Caspian Basin and later from Middle East to Europe. Azerbaijan will be the initial supplier of gas through the SGC but the EU needs to find other gas suppliers if Brussels is serious about reducing Europe’s dependence on the Russian gas.
Pannier said Iran and Turkmenistan combined have more gas than Russia does, adding “if Iranian gas were to also enter the world market, Europe could in theory replace Russia as a supplier entirely.” “That would take probably more than a decade because first, there is the question of how soon sanctions affecting Iran’s ability to sell gas and those sanctions prohibiting Western companies from investing in Iran can be lifted. Then there is the construction of the pipelines and other infrastructures necessary to carry gas to Europe,” he said.

Tehran would face several obstacles that will slow Iran’s entry into Europe’s gas markets: the need to produce more gas on the one hand and the need to build infrastructure to get it to Europe on the other hand. Iran is consuming a large proportion of natural gas and it imports gas from Turkmenistan and Azerbaijan. Also, natural gas production requires much larger investments and the signing of investment contracts generally takes a number of years. Speaking about possible repercussions on Russian-Iranian ties, the expert noted that it is “a big question”. Russia has been a major supporter of Iran over the past few years; Moscow has used its position as a permanent member of the UN Security Council to prevent Iran from being subjected to even harsher sanctions than those already imposed upon the Islamic Republic. However, Pannier said, Iran will want to burst into the international market and start turning its economy around, something Russia at the moment is in no position to help with. “The relationship between Tehran and Moscow will remain good but there will be “real politik” at work here and Moscow will have to accept that Iran will be seeking, and finding, new partners in the international community. If Moscow cannot accept Iran’s new place in the international community, Tehran would opt to reduce its ties with Russia rather than appease an ally that cannot help Iran recover from decades of sanctions,” he said. Pannier believes that Iran’s relations with Central Asia and the Caucasus should improve quite a bit since the major obstacles to better regional ties with Iran have always been international sanctions and knowledge on the part of countries in the Caucasus and Central Asia that pursuing better ties with Tehran would mean losing Western support and investment.

A future for long-term gas contracts: Some say “yes”

Natural Gas Europe, *06.04.2015*

Will there be a “new deal” between natural gas marketers and producers? In fact, Pierre Vergerio, COO, Edison, called those two aspects the key questions. Now, he said, is the time to strike a deal regarding the sharing of risk and profit among the two sides – sellers and buyers.

“Now we are coming from 4-5 years of turmoil in the gas market in Europe, 4-5 years of difficult and painful price reviews, sometimes with arbitration processes during which it has been quite challenging to enforce the principals and logic upon when long-term contracts which were founded at the time of their signing,” he explained.

As for whether there is a future for long-term contracts, Mr. Vergerio stated: “The answer is obviously yes, there is no doubt.” He said this is evidenced by new projects which are looking for long-term commitments for their gas to secure financing and take final investment decisions. One major exception, he said, is when the size of a project is small in respect to the liquidity of the market, for example for shale gas producers in the US. “The point is that gas sellers who suddenly have all the advantages in their hands compared to buyers: extra profit, time to negotiate, cash flow; in contrast, buyers are suffering massive losses, have had to struggle to demonstrate the validity of their price review to return to the original balance of the contract,” he said, reiterating the volume risk for the buyer and price risk for the seller.

Marco Arcelli, EVP Upstream Gas, ENEL, noted the very broad range of a forecast for European demand, projected to be 400-800 BCM/annum, due to uncertainties like energy efficiency, renewables and uncertainties regarding investments. Considering the low global oil price, he observed that many projects are being cancelled or mothballed. Volatility is expected to increase, he said, which is good for traders but not for politicians or citizens, who need to be safeguarded from imbalances. He commented, “What we can do today is basically try to preserve the existing supplies and peruse the treasure that we still have under our feet, partly in the south of Europe.”

Algeria, he said, is one example of a place that has the potential to supply about half of what Gazprom provides to Europe, but exports from North Africa to Europe have decreased from 26% to 5%. He said, “We’re discussing all the time pipelines from Russia and we forget to see that we may lose just as much gas if we don’t support investments in Algeria.” That’s why, he said, Enel has begun direct investment in some countries, like in four blocks in Algeria; the company also sees potential in Italy, Spain and Greece. Mr. Arcelli offered, “If I take the case of Italy, we have the potential to produce and cover 20% of demand for at least 20 years at a cost that is 20-30% lower than the import cost.” Such opportunities, he said, are necessary to do to keep the supply demand balance, reduce volatility and contain prices.

Vladimir Drebentsov, PhD, Head of Russia & CIS Economics, BP Plc, recalled that what is now happening to natural gas markets, had happened much earlier to oil. “The buyer doesn’t have sufficient choice of supply and hence prices, because one supplier can overcharge and the buyer finds the price inappropriately high,” he explained. There is also an insufficient number of consumers, according to him. “If you build the pipe and the buyer on the other end doesn’t want to take your volumes, you’re stuck,” he remarked, adding that such phenomenon did not apply to other commodities like oil or coal. Of that reference, he said: “I think the main difference is that these markets are much better developed in terms of physical infrastructure. “We will have long-term gas contracts as long as the market is underdeveloped, as long as diversification of supplies and of consumers are insufficient,” concluded Mr. Drebentsov, who added he is looking forward to seeing more competition and diversification in the form of new producers and consumers so that natural gas will resemble other energy markets.

LNG, said Andrew Walker, VP Global LNG, BG Group, is really a global trading space which is contributing to globalizing natural gas markets. He explained, “The natural gas industry/LNG is at a particular point in its evolution and there is much speculation how quickly it will move down that track towards commoditization, how quickly LNG will become more liquid, flexible, traded, more spot price indexed.” He noted that LNG had a different affect on various regions, with North America eyeing becoming an exporter; while it is all about imports and growth markets in Asia. Of Europe, he said: “Europe has really always sat in the middle – the interface between the regulated pipeline system and the interatnional LNG trade. For that reason, it plays a balancing role for the LNG industry.”

LNG into Europe, he explained, waxes and wains depending on both the regional and global supply and demand piciture. “If you go back to 2011 there were 65 million tons of LNG coming into this market; last year we saw just under half that,” he remarked, “and we’re likely to see about the same level again this year.” Because of the LNG pull from Asia during a period where local supplies are not growing, but demand continues to grow, he observed. Meanwhile, Europe has low demand requirements and coal substitution is occurring. “And, of course, Gazprom has played a balancing role in that marketplace: the LNG that’s gone has partly been substituted by supplies from Gazprom so we very much have a global system.” He continued, “At the end of the day, the objective remains the same – buyers want to buy gas; sellers want to sell gas; both want an equitable balance between risk and reward, which means we continue to develop this industry – our objective.”

UK, Turkmenistan eye energy cooperation

Azer News, *06.04.2015*

The delivery of Turkmen gas to Europe has recently occupied the political agenda. Following a dramatic diplomatic and political fallout with Russia, energy-hungry Europe is looking for alternatives, its mind set on bringing the Caspian Sea littoral countries into the European fold.

Turkmenistan happens to be looking to diversify its gas export portfolio, eyeing up new markets. The energy dossier was one of the main issues discussed at a recent meeting between Turkmen and UK officials. The two countries discussed prospects of further expansion of bilateral cooperation in the energy sector in Ashgabat.

The energy issue was raised during a meeting with the British delegation, headed by the prime minister envoy on trade with Azerbaijan, Kazakhstan and Turkmenistan, MP Charles Hendry at the ministry of foreign affairs of Turkmenistan. During the meeting, the sides exchanged views on cooperation in trade and economic sphere, according to the message. “During the talks, special attention was paid to the issues of holding a next meeting in between the Turkmen-British trade and industry council,” said the message.

London sees Turkmenistan, which has large reserves of natural gas, as one of key players on the international energy market. In turn, the Turkmen government, regarding the prospects of supplies of Turkmen natural gas to European markets, including the UK, said this corresponds to the country’s plans to diversify the export of its energy carriers to world markets. Energy-rich Turkmenistan possesses 0.6 billion barrels of proven oil reserves and 618.1 trillion cubic feet of proven natural gas reserves. Despite Turkmenistan’s large natural gas reserves, its development has been limited due to insufficient pipeline infrastructures. The country has tried to mitigate that issue by creating a more business-friendly environment that allows foreign companies to take on joint-ventures with the state-run oil and natural gas companies.

British companies, such as Bristow Helicopters, British-American Tobacco, De La Rue, Augusta Westland, Hermes Datacom, and Shell actively operate in Turkmenistan. There have been no official UKTI trade services in this market since April 2005 to help British companies which wish to export or invest in Turkmenistan, except for lobbying in relation to UK companies’ commercial interests by the head of mission. A British Business Group was established in 2010, as was a Turkmenistan-UK Trade and Industry Council, which held its first meeting in Ashgabat on 13 October 2010.

Lithuania to attract investors before announcing shale gas extraction tender

Natural Gas Europe, *08.04.2015*

Lithuanian Minister of Environment, Kestutis Treciokas, and Minister of Energy, Rokas Masiulis, discussed about a new tender for the hydrocarbons in Silute-Taurage area.

"It is not the most suitable time to call a tender now. Business plans are being revised due to tense geopolitical situation. Many hydrocarbon extraction companies have cut spending on oil and gas exploration or have abandoned it altogether because of changes of oil prices in the international market. However, we hope that the situation will change and new companies will emerge that will take interest." said Treciokas.

Investors should find Silute-Taurage area attractive because it is possible to extract oil in traditional ways there, but once oil is extracted the same well could be used to drill into layers of shale. The minister of energy said that in order to attract potential investors and encourage them to participate in the tender, it is crucial to professionally prepare information about the geological data, legal environment, environmental requirements, tendering conditions and to disseminate this information worldwide. According to the minister, all available channels must be used in order to achieve this – embassies, international events and meetings with company representatives.

A new shale gas exploration tender in the Silute-Taurage area is planned to be announced in two or three months, however, the date will essentially depend on how interested investors will be, says Lithuanian Environment Minister Kestutis Treciokas. "Yes, in two or three months. This will be the whole Government's decision, not just mine. However, if we do not find any interested investors or only some shady companies show interest then we will discuss if it is really worth risking. There is no point in announcing a tender just for the sake of announcing something," the minister said. According to him, Lithuania is most of all interested in energy companies from the US, Poland, and Canada which have shale gas extraction experience. However, the minister admitted that has not received any signals of interest from potential investors.

In reaction to the declining interest of investors, heads of the Environment Ministry and the Energy Ministry agreed to look for potential investors together. The environment and energy ministers agreed to establish a joint team which will look for and attract investors. They say that investors should find the Silute-Taurage area attractive because it is possible to extract oil in traditional ways there, but once oil is extracted the same well could be used to drill into layers of shale.

BG takeover to make Shell world's second largest oil, gas company

Platts, *30.03.2015*

Shell has agreed to acquire BG Group in a deal which values the UK-based gas company at GBP47 billion ($70 billion) and catapults the Anglo-Dutch major to second in the ranks of global oil producers.

Under the terms of the transaction, for each share they own, BG stockholders would receive GBP0.383 in cash and 0.4454 Shell B shares, the companies said in a joint statement Wednesday. Based on Tuesday's London closing price of GBP22.085 per Shell B share, the deal values BG at around GBP13.67/share, representing a 50% premium to its Tuesday closing price of GBP9.104/share.

Shell said the acquisition, which will accelerate the company's growth in LNG and deepwater oil around the world, would boost its proved oil and gas reserves by around 25% and add 20% to its production, compared with 2014. Shell produced 3.08 million b/d of oil equivalent last year. "Bold, strategic moves shape our industry," said Shell CEO Ben van Beurden. "BG and Shell are a great fit. This transaction fits with our strategy and our read on the industry landscape around us." Van Beurden said deepwater and LNG operations were two of Shell's growth priorities. "Furthermore, the addition of BG's competitive natural gas positions makes strategic sense, ahead of the long-term growth in demand we see for this cleaner-burning fuel," he added. "This transaction will be a springboard for a faster rate of portfolio change, particularly in exploration and other long-term plays. We will be concentrating on fewer themes, and at a larger scale, to drive profitability and balance risk, and unlock more value from the combined portfolios."

BG CEO Helge Lund said the deal has strong strategic logic. "BG's deepwater positions and strengths in exploration, liquefaction and LNG shipping and marketing will combine well with Shell's scale, development expertise and financial strength," Lund added. Shell said it believed that, by around 2020, the combined group would have two strategic growth businesses -- deepwater and integrated gas -- that could potentially each generate $15 billion-$20 billion/year of cash flow from operations. In the meantime, Shell expects its asset sales to increase and to total $30 billion for the period 2016 to 2018. The deal is expected to become effective in early 2016. The combination will result in BG shareholders owning around 19% of the enlarged Shell group.

ETS Reform: Will we see gas overtake coal?

Natural Gas Europe, *09.04.2015*

With no economic rationale to run or build gas-fired power plants, modifications to the European Emissions Trading Scheme (ETS), heat-emitting installations and power stations, are a change that everyone has been waiting for in the national gas industry.

Better regulation could mean that power generation companies have an incentive to burn lower emitting natural gas. Reforming the ETS would aim at reducing this oversupply, according to Geoffroy Hureau who says that by doing that, normally the price then should increase and could increase at a level that would favor gas over coal.

But coal is really much cheaper than gas in terms of energy: 2-3 times cheaper than gas, he reports. According to him, while this has been going on for several years the burning of coal has been increasing in the period 2009-2012. “In 2013, I think less coal was burnt, but that didn’t mean more gas was being burnt,” he observes. “Renewables keep coming on the market and now in Germany some coal plants have started to also have problems and are not profitable any more. They’ve started to become less and less profitable. At some point, only the lignite plants will be profitable – that’s a problem.”

Now, he says, change could be forthcoming. “Policymakers have started to realize that something has to be done in order to have the adequate capacity at some point to deal with the intermittency created by renewables, because when renewables don’t run you still need the same capacity as without renewables,” explaine Mr. Hureau. “If these capacities are not profitable, they close. That’s what’s happening at the moment and why in some countries we see the emergence of capacity markets to avoid not having enough capacity.” According to him, there were some things missing from the ETS when it was formulated in 2005. He says, “In fact, the amount of allowances that were issued were calculated on historic emission trends and emissions curve targets, but it didn’t take into account the other policy of a certain percentage of renewables – Horizon 2020 was not taken into account in the calculation of the allowances – they were two separate policies, and because of the increase in renewables, less allowances were needed in fact. “It resulted in an oversupply of allowances and very low prices of CO2, and those prices were not enough to make a difference between coal and gas. It was not an incentive to invest in low carbon technologies,” says Mr. Hureau.

Within that context, last year his organization, CEDIGAZ, released a report on gas and coal competition in the european power sector. “This report shows that coal may be a problem, but the main problem is gas demand in the power sector with the rapid growth of renewable power, which has created overcapacity that has pushed other capacity means with higher costs out of the market – and those are gas plants, which are at the far end of the cost curve” he explains. According to Mr. Hureau, while this has been apparent in Germany with the Energiewende, it is also happening in other countries like the UK, at least for a period. “Gas lost a lot of ground, while coal progressed,” he says. “This was partly due to short-term factors like the fact that some of the old coal plants in the UK had only a certain number of hours to go, and with the anticipation of a tax in the UK they wanted to use these allocated hours before the tax went into force, so they were run at high rates,” he recalls.

While the fall in the oil price has resulted in lower gas prices, according to Mr. Hureau, at the same time coal prices have gone down, so this doesn’t change anything. “To make a change, CO2 prices have to go up. That’s what’s happening in the UK, because they have a tax to compensate between a minimum level and the price of allowances in the market,” he says. Mr. Hureau recalls that his organization began drafting its coal/gas report with the premise that coal was the problem, but then realized it was a secondary problem to renewables. He explains, “Gas power has always been more expensive than coal that’s in the system, even before all this renewable power came online – both were used and gas was used for peak periods, and that made a business case for gas. Now, there’s just no need for this extra capacity, so in our report finally what we say that there is obviously a need for reform of the EU ETS and that’s very important.” Following that, he says the industry is likely to need a new market design to allow investment to enable the necessary capacity to deal with the intermittency of renewables. “We believe the best energy to manage intermittency is gas, because it’s more flexible than coal, more efficient for load following,” says CEDIGAZ’s Geoffrey Hureau.

Lithuania “extorts” money for LNG terminal maintenance

Natural Gas Europe, *09.04.2015*

With an annual need for natural gas at 1.3 million cubic meters, Lithuania’s nitrogen fertilizer manufacturer, Achema, is the Baltic country’s largest single gas consumer. It guzzles nearly half Lithuania’s yearly consumption of gas and is now sending calls of distress.

With the country’s LNG terminal and FSRU in operation, the state mandatorily requires all gas consumers, including Achema, to switch from natural gas supplied from Russia’s Gazprom to a roughly 10 percent costlier Norwegian gas in the terminal, described by the Lithuanian authorities as a national security guarantor.

While others gave in, the fertilizer producer calls on the Government to stop the “extortion” and has threatened to stop using gas at all in the manufacturing process. So far, Lithuania’s biggest single gas consumer has come out victorious in legal wrangling against the state over the much-lauded LNG facility in the Lithuanian seaport of Klaipeda. Well before its launch, Lithuania had sought to contractually obligate Achema to buy 25 percent of its LNG from the terminal, but the European Commission (EC) stepped in after the manufacturer lodged the complaint. “It has to be a two-way communication, not a unilateral decision by the state,” the EC ruled in favor of Achema.

The fertilizer producer was also asked beforehand by the state to meet the country’s “national security interests” and allot a chunk of its earnings for the LNG terminal construction, which Achema also refused. The case is still in court. With the setbacks, those in power have hurriedly crafted a new draft of legislation holding all gas-consuming power and heat suppliers in the country, as well as Achema accountable for the annual maintenance of the LNG terminal and FSRU. Approximately $80 million is the yearly requirement. The largest Lithuanian single gas consumer is asked to chip in with nearly half the amount. But Ramunas Miliauskas, Achema’s director general, says in agreeing to do so, the company will “inevitably” end up filing for bankruptcy.

Especially, with the tepid performance lately: company posted a lackadaisical $1.62 million in profit in 2013 and reported loss last year. The loss-making was said to be due to the partly halt of production failing to obtain a cut in the Russian gas price. “In the situation, a single company cannot cover half the LNG terminal costs, especially that we are not getting a single cubic meter of gas from it,” Miliauskas emphasized. He added: “If we are compelled to pay the facility maintenance fee, we would have to do it from our current assets which would be exhausted very soon and the company will need to stop it operations.”

Additionally, by breaching the contractual obligations with Gazprom, the manufacturer’s long-term gas supplier, Achema would face huge fines. “We want fair treatment”. As the contract with the Russian gas giant is expiring, the Lithuanian CEO told Natural Gas Europe, the fertilizer producer is in talks with “potential gas suppliers” and mulls ad hoc options. “For us it is all about the economics. We do not repudiate the possibility of buying gas through the LNG terminal in Klaipeda, but we insist on allowing us operate on equal conditions as similar caliber companies operate in Germany, Poland and elsewhere, where state does not meddle into the commercial relations and holds its duty to support large industrialists,” Miliauskas pointed out. He says Gazprom wants Achema to pay a price calculated according to the old formula, which, pegged to the price of oil, is about $330-350 per 1000 cubic meters of gas now. But speculations abound the fertilizer company favors Gazprom and seeks a better bargain from it. “Gazprom is one of the largest natural gas market players in Europe and it had the best possibilities to offer the least prices due to the relatively little gas transportation costs,” the company head acknowledged.

As Lithuanian law forbids forceful agreements, he says, the state has to stop to demand Achema to buy natural gas from the Klaipeda LNGT. “The state, insisting on the necessity to secure the technical alternative of gas supply in the country, had already unilaterally obligated gas consumers to purchase 25 percent of gas from the LNG terminal regardless the gas price. But the enforced duty has been renounced by the European Commission as illegitimate. As all the activity in company is based on law and commercial relations, it is hard for anyone to imagine that a commercial body can be obligated to buy something,” Miliauskas said.

The Achema CEO says he wants to “bring up a public discussion” about the operators of the LNG facility, who called it “profit-making” yet at the outset of the construction, and who now, according to the director general, “try to extort” money for the facility’s maintenance. “They apply the method to a 1500-employee factory that is 50 years in operation,” the company chief pointed out to Natural Gas Europe. He said he counts on Lithuania’s Constitutional Court in the dispute and reiterated that “throwing the LNGT operation costs” on the shoulders of “one company” is not just unjust, but also breaches the state’s security. “It will lead company to a financial crisis if this happens. New local energy projects should not be destroying entire industries which have an international reputation established,” the director general noted. He hinted Achema mulls among other things terminating the existing contract with Gazprom, suffer penalties from breach of contract, but start buying ammoniac at the end of the day. “In this case, we’d not need gas at all. Any gas. Do the Lithuanian authorities realize that?” the fertilizer factory head asked rhetorically.

Lithuania’s LNG terminal contains the minimal quantity - 540 million cubic meters - of natural gas now, though the maximum capacity is ca 3 billion cubic meters of gas annually. The daily re-gasification capacity is said to be around 11 million cubic meters of gas. Against this backdrop and with the shrinking gas consumption in mind, Lithuania is scrambling to find a fix to the plight. Amendments to the LNG Terminal Law, allowing the Klaipeda terminal’s gas sales oversees are already ready and await the parliamentary scrutiny. Among the proposals some stand out, particularly the one suggesting South America might be the next buyer for gas from the Lithuanian LNG terminal. The Energy Minister has confirmed the intentions. Had a gas buyer in the other hemisphere come forward, the Ministry, some sources say, might consider relocating the floating storage and re-gasification facility closer to it. But the question - who has to cover the facility maintenance costs? - would perhaps become even more acute. Achema is not the only producer uneasy about the gas from the local LNG facility.

After bills for heating in the Lithuanian capital Vilnius was upped by 7 percent this year, Vilniaus Energija, the heat supplier, said it was a result of more expensive mandatory gas purchases from the liquefied natural gas terminal. “The part of gas now being bought in the LNG facility amounts to 65 percent, a considerable jump from the previous level,” explained Nerijus Mikalajunas, the spokesman for the heating company. Like other heat and power producers, Vilniaus Energija has started mandatory LNG purchases from January 1, 2015. But the gas supplier, Lietuvos duju tiekimas, insists the heat provider has been “inaccurate” with the information. “The March prices are based on the price the heating company had bought gas in January. But because of the procrastination with gas procurement, Vilniaus Energija did not acquire gas not from us that month, but did so on the gas exchange, where it has paid for it 20 percent more. As the company continued obtaining gas on it until February 12, it will have an adverse affect on the heating bills until the end of April,” says the gas supplier’s statement. It also says the price of gas will be edging down until the new course of dollar and euro will go into force.

Raimundas Kuodis, a high-ranking official at the Central Bank of Lithuania with a competency in energy issues, told Natural Gas Europe that Lithuania might have done well without the expensive LNGT and FSRU facilities had the authorities focused on gas consumption cuts through improvements of the efficiency of insulation in the Soviet-era housing. “Lithuania is using natural gas mostly for three purposes: housing heating, heat production and for fertilizers’ production at Achema. Lithuania does not need to use gas for heat production, for example. What the country needs is to boost the heat efficiency in the apartment blocks and make transition gradually to bio-fuels. This should have been done long time ago,” the expert told. Instead, he says, the Lithuanian authorities took on the costly investments into the LNG terminal and the vessel. “The whole thing about gas is like dependency on drugs: some people in the legislative chambers and Government cannot see Lithuania without gas.” With the gas structure well developed and the demand going down, the costs are edging up, especially with the more expensive Norwegian gas. “But many decision-makers out there seem to be out of touch with the new reality. With the main gas users, economy-savvy municipalities, switching for cheaper bio-fuels, the officials try stick with the LNG terminal and prolong the use of gas by hook or by crook. So the largest gas consumers, like Vilniaus Energija and Achema, for example, are being obligated to take the bulk of the terminal’s costs,” Kuodis said.

Altogether, with the LNGT and FSRU launched, he says, the Gazprom gas price has inched downward, but not the two facilities stand behind it. “The negotiations, especially, over the latter facility, coupled with the new global energy geopolitics and litigation in the Stockholm Arbitration Court, have forced Gazprom to reduce the price,” the expert said. “Not economics, but geopolitics rule global LNG market” Meanwhile, Lithuanian Energy Minister Rokas Masiulis insists Gazprom’s gas price decrease is “artificial.” However, even some Government officials agree that ordering Achema to buy LNG and cover the terminal maintenance costs is not just unfair, but also do not serve the country’s best interests. “But Lithuania does not have many options now in that regard, so security issues, especially amid the tense geopolitical situation, comes first,” an official within the Lithuanian Government speaking on the condition of anonymity told Natural Gas Europe. “With the number of gas consumers on the decline, the state does certainly not have many other options, but requiring the heavyweights like Achema to help out with the financial burden of the LNG facility costs. Talks of our LNG export to South America fall in with the same story as the US LNG imports to Lithuania,” Kuodis said. “It it happens, it will be a symbolic, geopolitical gesture.”

Talking of the globalization of LNG market, the understanding of it is quite twisted, says the Lithuanian Bank official. “If we were to look at the picture not from the geopolitics, but economics, one would clearly see there is no need for the US LNG exports to Europe if the United States stopped its own gas imports from Qatar, for example, and distributed the domestic gas production evener within the states. That would allow Europe- and Lithuania- deliver gas at cheaper costs from closer, Qatar, for example,” Kuodis pointed out. The Lithuanian expert says gas infrastructure development in Lithuania has become “an obsession” for many. “If Achema does not budge and decide to bypass the necessity for gas and buy ammoniac directly, the state will run into a major roadblock,” the expert predicted.

Vidmantas Jankauskas, a Lithuanian scholar and energy expert, believes that Lithuanian authorities have mis-communicated the message on the LNG terminal expectations. “A suggested “inevitable fall in gas price” is just not seen anywhere. As a matter of fact, the price has done the opposite: for some major gas consumers, like Vilniaus Energija, the heating supplier, went up 30 percent,” the expert said. Many company heads, he says, he’s spoken to recently complain they will need to go bankrupt soon should they continue buying gas from the LNG terminal. “Imagine a company anywhere - let’s leave alone in a country size of Lithuania - being asked to put away a whopping 15 million euro and more - not for commodities or services it needs, but for maintenance of a business model that the state deems to be of key importance to the country’s energy security and national interests. That is the case with Achema.”

Soon, the expert says, gas might be replaced with bio-fuels in the country’s housing heating, which, again, bodes nothing good to Achema. “Only more financial responsibilities, especially with the bids of building bio-fuel-fired electricity generators in Vilnius and Kaunas (the second largest Lithuanian city) taking some real shape,” Jankauskas told Natural Gas Europe. Talking of the buzz on the US LNG Europe-bound exports, he said he “does not believe” they will push the gas price considerably down. “I see it going down if some other major LNG players, like Australia or some African nation with abundant gas resources, for example, stepped into the market, but to make that happen the oil price has to be around $80-90 per barrel- not below than that,” Jankauskas underscored. Another nation that will likely have a significant impact on the LNG market is Japan, which is expected to start re-launching its power plants sooner or later. “So, again, it will push the demand for gas down. Once cannot deny the Lithuanian LNGT and FSRU have played their part in the energy geopolitics, first of all in talks with Gazprom over a new price, but with the standoff ever defusing, the issue of the Lithuanian energy security guarantor costs will come up sooner or later,” the Lithuanian energy expert predicted.

Oil potential in UK’s Weald basin better than expected

Anadolu Agency, *09.04.2015*

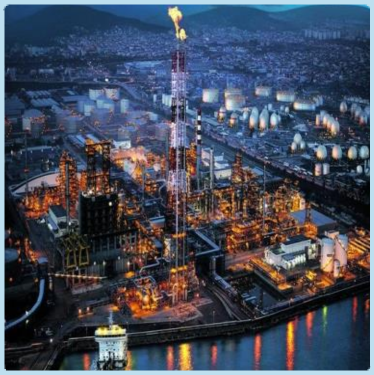
New findings on the oil potential of a well near London’s Gatwick Airport shows better than expected results, exploration firm U.K. Oil & Gas Investments announced.

Nutech was assigned to carry out exploration on the potential of the wells in the Weald Basin. Nutech estimated that the Horse Hill-1 well in the northern part of the basin has a total of 158 million barrels of oil per square mile, more than previously forecast. New technology, equipment and techniques have allowed for a better understanding of the area’s oil resources resulting in a changed understanding of the well’s potential, commented Stephen Sanderson.

“As a result, we believe the Horse Hill well has discovered a possible world class potential resource in what is interpreted to be a new Upper Jurassic “hybrid play,” Sanderson added. The land is naturally fractured, meaning it doesn’t require fracking. This is beneficial as the unconventional way of extracting hydrocarbons through fracking is environmentally controversial and is widely criticized. “These reservoirs can be successfully produced using conventional horizontal drilling and completion techniques,” he revealed. Licensing in the Horse Hill region covers 55 square miles of the Weald Basin in southern England in which UKOG has a 20.3 percent interest. “Daily oil production is expected, according to preliminary results, though further detection is required,” he concluded.

Russia defends oil refinery deal with Uganda

Anadolu Agency, *06.04.2015*



Russia’s ambassador to Uganda has defended a recent deal between the East African country and a Russian state conglomerate to build a $4-billion oil refinery in Uganda.

“Ugandans must cooperate with all partners who are ready to come here and invest,” Ambassador Sergey Shishkin told. “Ugandans are wise people; if this deal benefits them, all the best,” he asserted. Uganda recently announced that RT Global Resources, a subsidiary of Rostec had won a bid to build a $4-billion oil refinery in the country. Rostec CEO Sergey Chemezov, however, is currently included on U.S. sanctions lists due to Russia’s recent intervention in Ukraine.

Earlier this month, U.S. Ambassador to Uganda Scott DeLisi voiced disapproval over the awarding of the oil refinery project to the Russian state conglomerate. “This venture is not a done deal,” he told journalists in Kampala. The American diplomat called on the Ugandan government to look carefully at the sanctions on Russia. “They have designated a Russian company as the first on the list, absolutely. But they still have to negotiate a variety of issues that will go to financing and the rest,” he said. “I would suggest that you wait and see how that all plays out,” he added.

Uganda made commercial oil discoveries in 2006 in the Albertine region of the country’s southwest. Uganda is now expected to start production in 2017 or 2018 once the 60,000-barrel-per-day refinery in the western Hoima district is completed. According to Ernest Rubondo, commissioner of the Energy Ministry’s petroleum exploration and production department, oil availability in the ground stand at 6.5 billion barrels, of which 1.5 billion barrels is recoverable. Recoverable amounts refer to oil that Uganda can sell commercially and extract from the ground.

In February of 2014, the Ugandan government signed a memo of understanding with three joint venture companies – China’s National Oil Corporation (CNOOC), Total, and Tullow Uganda Operations Pty Limited – to export crude oil. Toyota Tsusho, a Japanese company, is currently conducting a feasibility study to determine the best option for transporting crude oil and the most cost-effective route. Options available so far include a northern route to Lamu port in Kenya (1,380km), a central route to Mombasa (1,300km) and a southern route to Dar es Salaam (1,950km).

Ambassador Shishkin said Russia would never advise Ugandans as to who they should work with. “We will never say, ‘Do not cooperate with these people’ – it’s not Russia’s style,” he told AA. “I wish for Uganda to cooperate with the U.S., if that’s in the interest of Uganda,” added the Russian diplomat. He insisted, however, that the Ugandan government should not to be concerned by the sanctions. Rather, he asserted, Uganda should focus on the benefits of its relations with Russia instead of listening to “advisors.” “People who advise Uganda not to cooperate with Russia because of sanctions – nobody feels these sanctions,” Shishkin told AA. “Our troubles are not because of sanctions, but because of oil production.” He said that 50 percent of Russia’s export revenue was from oil and gas, adding that all the sanctions had done was improve Russia’s economy.

The sanctions, he said, “forced us to produce agricultural products… instead of importing them.” The ambassador suggested that the sanctions were meant to pressure Russia to give the Crimea to Ukraine. “It will never happen; maybe we shall feel these sanctions 50 years from now. These sanctions are not our business; it’s their business – they can do what they want,” Shishkin said. He said Russia’s focus in Africa would remain on infrastructure, including roads, hydropower stations, atomic power stations and railways, among others. “This refinery is a first step in the right direction,” Shishkin insisted. He said the next step was building the oil plaster and supporting manufacturers that produce oil and gas products that can be sold not only in Uganda but in the entire region.

As to whether Russia would continue supplying Uganda with arms, the ambassador stressed that Russia and Uganda were sovereign states. “If Uganda, a sovereign country, is interested in buying modern, sophisticated arms from Russia, as a sovereign country, Russia is ready to do it,” Shishkin said. “If you think it is necessary for your defense, Russia will always support you at all times – no problem at all,” he added. In 2012, Uganda bought six Sukhoi Su-30MK2 multirole fighter jets from Rosoboronexport, a Rostec affiliate, valued at 654 billion Ugandan shillings (roughly $220 million).

Ethiopia export revenue 35% below stated target

Anadolu Agency, *05.04.2015*

Ethiopia's export revenue in the first eight months of the current fiscal year hit $1.92 billion, a 35.1 percent drop from the projected $2.96 billion, according to Ethiopia's Ministry of Trade.

"The plan was to earn $2.96 billion during the reported period," Abdurrahman Seid, the deputy head of public relations at the ministry, told The Anadolu Agency."The achievement was lower by over $1 billion compared to the set target, and decreased by over $15 million from the $1.93 billion [in] revenue secured [during the] same period in the previous year," Seid said.

With regard to coffee exports, the country had planned to export 110,375 tons coffee to the tune of $403.49 million during the stated period. However, revenue from coffee exports stood at $398.5 million, as the country managed to export only 91,826 tons of coffee. Compared to last year's budget, exports have risen by three percent and export revenue has jumped by 30.08 percent, he said. "Fluctuation in the price of coffee as well as the economic crisis in Europe were some of the constraints in the coffee market," Seid noted. "Concerning oil seeds, the ministry planned to earn $470.5 million from the export of 230,555 tons of oilseeds but the performance was low.

KazTransGas begins to explore methane gas in Kazakhstan's Karagandy province

Natural Gas Asia, *09.04.2015*

Saryarka Social-Entrepreneurial Corporation (SEC) and KazTransGas (KTG) have jointly launched a project for exploration of methane gas in Karaganda coal basin Karagandy Province in Kazakhstan, Tengrinews reported.

The gas produced will be supplied to Astana, the news report said citing a press statement by Karaganda Oblast municipal authority. Saryarka SEC is the national company promoting economic development of Karaganda Oblast facilitating public-private partnership. KazTransGas is the national gas company responsible for integration and development of gas sector.

The two companies signed the agreement to explore for gas in Sherubai-Nurinsky coal deposit on April 5, Tengrinews reported adding that all the obligations related to the execution of the exploration contract are born by the SEC, while the funding for the exploration works is provided by KTG. According to preliminary data, probable reserves of methane in Sherubai-Nurinsky coal-bearing area equal about 50 billion cubic meters, the report stated. The exploration works are expected to get over in 2015-2017.

Pakistan grants five year tax holiday for LNG, gas import projects

Natural Gas Asia, *09.04.2015*

Pakistan's Economic Coordination Committee (ECC) extended five year tax holiday for LNG and gas import projects, reported local newspaper The News International.

ECC also extended 23-year tax holiday for Gawadar Port by giving it the status of Gwadar Port free zone as requested by China Overseas Port Company Ltd. Other decision that the ECC took was that Pakistan's Oil and Gas Regulatory Authority (OGRA) would determine the price of LNG on a monthly basis without going through the process of public hearing, the newspaper reported. Earlier this month, Pakistan received its first ever shipment of LNG from Qatargas.

Qatar sold the LNG cargo to Pakistan State Oil Company Limited (PSO), Qatargas announced. The LNG cargo was sold on a free-on-board basis and loaded at Ras Laffan Port on to the LNG vessel Excelerate Exquiste on 21 March 2015. The cargo was secured to commission the Excelerate Exquiste, the Floating Storage and Regasification Unit, a part of the Elengy LNG terminal which is the first Pakistan LNG import terminal, Qatargas said. Also, China Petroleum Pipeline Bureau (CPP) is soon expected to begin laying 700 km Gwadar-Nawabshah gas pipeline in Pakistan on government to government basis. CPP would bring the required capital of $1.5 billion and will also construct the LNG terminal in Gwadar, costing $800 million. The terminal, which is likely to be offshore, will have a capacity of 500 mmcfd of LNG.

Gippsland Basin JV to supply gas to AGL energy

Natural Gas Asia, *09.04.2015*

Gippsland Basin joint venture has agreed to supply gas to AGL Energy Limited, ExxonMobil announced. Esso Australia Resources a subsidiary of ExxonMobil Australia, and BHP Billiton Petroleum make up the Gippsland Basin joint venture.

As per the deal, 198 petajoules of gas from the Gippsland Basin joint venture would be supplied over a three-year period starting in January 2018. The Gippsland Basin joint venture continues to demonstrate that it is playing an important role in meeting gas supply requirements of large industrial and wholesale customers on the Australian east coast, said Stu Jeffries.

"With this agreement, we have now sold significant quantities of gas from 2018 onwards," Jeffries said. "This agreement demonstrates that the east coast gas market is functioning effectively." The agreement, which incorporates an oil linked pricing component, has enabled AGL to secure competitively priced gas supply until 2020 for its 1.5 million residential and small business gas customers, the Australian utility said adding that its gas portfolio now has sufficient Queensland sourced supplies to release 30 to 50 PJ per annum for sale into the the high value Queensland market between FY18 and FY20.

US top petroleum, gas hydrocarbons producer in 2014

Anadolu Agency, *08.04.2015*

The U.S. was the world's biggest petroleum and natural gas hydrocarbons producer in 2014. In 2014, the U.S. hydrocarbon production was above both Russia and Saudi Arabia, the world's second and third biggest producers respectively.

While Saudi Arabia's hydrocarbon production mostly consists of petroleum, total hydrocarbon production includes both natural gas and petroleum in the U.S. and Russia. Petroleum production includes crude oil, gasoline, heating oil, diesel and propane. EIA said that the U.S. petroleum production rose by more than 1.9 boe.

However, combined hydrocarbon output in Russia increased by 517 million boe, and by 690 million boe in Saudi Arabia over the past five years, while EIA emphasized that the U.S. petroleum output was around 500 million boe just in 2014. Most of the rise in production differential between the U.S. and Russia came last year, EIA data show, as the total petroleum and natural gas hydrocarbon production in the U.S. exceeded Russia by almost 2 billion boe in 2014. The significant rise in U.S. hydrocarbon output is a direct result of exploiting tight oil and shale gas formations in the country EIA said, adding that other factors also led to hydrocarbon production grow in Russia and Saudi Arabia during 2014 as well. EIA stressed that Russian petroleum output has risen in the recent years, however natural gas production declined with weak European economic growth and a warmer-than-usual winter season, which reduced sales of Russian gas to Europe -- the primary market for the country’s gas exports.

Meanwhile, the U.S. produced almost twice the total petroleum and natural gas hydrocarbons output by Saudi Arabia in 2014. Despite the falling oil prices and rising glut of oil in the second half of 2014, the kingdom did not cut its oil production in the annual OPEC meeting on Nov. 27, 2014 in order to preserve its market share, and its total hydrocarbon output remained the same in 2014 compared to the previous year. On the contrary, Saudi Arabia kept rising its oil production to increase its market share, as the kingdom’s oil minister Ali al-Naimi told his country’s output reached 10.3 million barrels a day, higher than the recent 30-plus-year-record of 10.2 million barrels per day in Aug. 2013. In the past, Saudi Arabia raised or lowered its oil output in the past against increasing or decreasing oil prices to balance supply and demand in the global oil market, a method that looks obsolete for the new Saudi ruler, King Salman, and his oil strategy.

Oil prices fell 5% with US stock, production rise

Anadolu Agency, *09.04.2015*

Oil prices fell almost 5 percent with a record supply buildup in the U.S. with soaring production volumes. The price of the global benchmark Brent crude oil fell 4.77 percent in just four hours, diving to $55.51 per barrel at 7:15 p.m. GMT from $58.29 per barrel at 3:15 p.m. GMT.

The sudden decline came with the U.S. oil supply data showing that commercial crude oil inventories rose by 10.9 million barrels in a single week to a total of 482.4 million barrels for the week ending. Domestic oil production also increased in the country to reach 9.4 million barrels a day during the same period, according to EIA.

The rise in crude stocks and oil output increase the glut of oil supply in the oversupplied global market. Moreover, the world's biggest crude producer and exporter, Saudi Arabia, said Tuesday that the kingdom produced 10.3 million barrels a day in March -- higher than the recent 30-plus-year-record of 10.2 million barrels per day in Aug. 2013. "In terms of petroleum, I expect that prices will improve in the near future, that the Kingdom's production will continue at approximately 10 million barrels per day," al-Naimi said during a speech at an energy event in Riyadh. "The Kingdom is still ready to help bring back stability to the market and improve prices in a reasonable and suitable manner, but with the participation of the main producing and exporting countries, and based on clear principles and high transparency, the Kingdom or the Gulf countries or OPEC countries will not shoulder that alone," al-Naimi said. He added that the Kingdom of Saudi Arabia does not use oil for political purposes against any country, and is not in competition with shale or other high-cost oils. "On the contrary, we welcome all new energy sources which add depth and stability to the market and that will help meet growing oil demand in the years to come," he said.

Announcements & Reports

► *Sultans of Swing? The Geopolitics of Falling Oil Prices*

Source : Brookings
Weblink : http://www.brookings.edu/~/media/research/files/papers/2015/04/2-falling-oil-prices-gause/falling-oil-prices-english.pdf

► *Short-Term Energy Outlook*

Source : EIA
Weblink : http://www.eia.gov/forecasts/steo/?src=home-b1

► *This Week in Petroleum*

Source : EIA
Weblink : http://www.eia.gov/petroleum/weekly/

► *Natural Gas Weekly Update*

Source : EIA
Weblink : http://www.eia.gov/naturalgas/weekly/

Upcoming Events

► *Flame 2015*

Date : 13 – 16 April 2015
Place : Amsterdam - Netherlands
Website : http://www.icbi-flame.com/?xtssot=0

► *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/

► *International SAP Conference for Oil&Gas*

Date : 14 – 16 April 2015
Place : Berlin - Germany
Website : http://uk.tacook.com/sapoilandgas

► *ERTC Energy Efficiency Conference*

Date : 16 April 2015
Place : Brussels - Belgium
Website : http://events.gtforum.com/energy-efficiency

► *Madrid Forum*

Date : 20 – 21 April 2015
Place : Madrid - Spain
Website : http://ec.europa.eu/energy/en/events/madrid-forum

► *9th Edition Global Procurement and Supply Chain Management for the Oil and Gas Industry*

Date : 22 - 24 April 2015
Place : Amsterdam - Netherlands
Website : http://www.gulfoilandgas.com/WEBPRO1/Events/event_details.asp?id=2023

► *FT Energy Strategies Summit*

Date : 14 May 2015
Place : New York - USA
Website : https://live.ft.com/Events/2015/FT-Energy-Strategies-Summit

► *Wood Mackenzie 11th Annual Exploration Summit*

Date : 26 – 29 May 2015
Place : Johannesburg - South Africa
Website : http://www.woodmac.com/public/events/12526247

Supported by PETFORM

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

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

► *Offshore Production Technology Summit*

Date : 01 - 02 June 2015
Place : London – United Kingdom
Website : http://offshore-summit.com/

► *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

► *FLNG*

Date : 11 - 12 June 2015
Place : London – United Kingdom
Website : http://www.mioge.com/RPGC-Congress/About-the-Conference.aspx

► *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