Oil & Gas Bulletin

▸ 15.03.2013

Interview with Yildiz: "Turkey is willing to exist on whole Iraqi soil"

Hürriyet Daily News, *04.03.2013*

Turkish Energy Minister Taner Yildiz says the Kurdish Regional Government (KRG) should be more open for energy deals, linking the issue to the continued 'normalization' of Iraq. 'Why is there a differentiation between the south and the north when the issue is to increase revenues?' he asked.

"If Iraq is to be considered as a whole … there should not be any differentiation between its south, north, east, or west," Yildiz said in an interview with the Hürriyet Daily News. "The revenue to be obtained there [in the north] will be reflected based on the proportionality that they agreed on, which is 17 to 83 percent. Why is there a concern about this?"

The Iraqi government claimed to have received a letter from Ankara giving assurances that it would not sign any energy deals with the Kurdish Regional Government (KRG) without the consent of Baghdad.

We have no information about that letter. No such letter was written by the Turkish Energy Ministry. However, if Iraq is to be normalized and if we are to talk about Iraqi projects, then we need to agree on doing projects. In other words, saying "we agreed not to do any projects" can't be a contribution to Iraq's normalization. If Iraq is to be considered as a whole, which it should be, there should not be any differentiation between its south, north, east, or west. If you make a distinction about a certain place then it means there is a problem there. Why is it that oil or natural gas exploration becomes an issue when no such issue was raised when we undertook operations in the south? The revenue to be obtained there in the north will be reflected based on the proportionality that they agreed on, which is 17 to 83 percent. Why is there a concern about this?

Baghdad says: I have a problem that I need to solve with the north, don't strike a deal with the north before I solve the problem.

Their Constitution says this: 17 percent of it [revenues] will be given to northern Iraq, 83 percent to the central government. We don't make any comment on that. Then why is the rule that is valid for the south not valid for the north? Seventeen percent of the oil [revenue] from Basra is given to northern Iraq. The reverse should be valid too. This is how I see it. If Iraq is to forget its sufferings and problems and be reconstructed again, it needs to increase its revenues. Iraq is a friendly neighbor to us. Good management requires increasing its revenues from wherever possible. Why is there a differentiation between the south and the north when the issue is to increase revenues? Actually, making this sort of differentiation opens up a debate about Iraq's integrity. We are there because we don't make such a differentiation.

When you say "we are," Turkey is only operating in the south of Iraq.

We are in the south, but we could be in the east, west, or north.

Yes, but has Turkey put the brakes on for going to the north?

Private companies are there.

But the KRG has invited Turkish state companies. There has even been speculation that Turkey and the KRG were very close to signing agreements.

The question we should be asked is, why aren't you doing business? It shouldn't be, why are you doing business? It is only normal for Turkey to be present in Iraq, when it has operations in countries like Venezuela, Columbia, Libya, and Azerbaijan.

This is precisely the question I am asking. Why, then, is Turkey not doing business in the north? Why is the Turkish state not signing deals with the KRG?

We are following developments and acting accordingly.

But isn't Turkey lagging behind and missing opportunities in the north?

Turkey is continuing with its road map, be it with timing, or be it with procedures. Turkey is a county that does not act against international law. When we say in Cyprus that the Republic of Northern Cyprus and the administration in South Cyprus should have a fair share of energy resources, we show the same consistency here. If revenue is generated, there should not be any differentiation between the south and north [of Iraq].

The United States has been telling Turkey not to go ahead with deals in the north in the absence of the consent of Baghdad. To what degree has Turkey succeeded in bringing the U.S. to a different stance?

Others need to be as consistent as Turkey. Why was nothing of that sort said when 39 companies from 19 countries signed deals there [in the north]. This needs to be answered. What is the difference with Turkey? Oil that comes through tankers to Turkey has become an issue, but these used to go to Iran just six months ago. We are monitoring this very clearly. We need to be told the answers to these questions. It is not only Turkey that owes it to the truth. Everybody owes it to the truth. You can't differentiate between the United States and Africa when you talk about deserving the truth. I think we have paid our debt to the truth.

So, your main message is that Turkey is sensitive to the concerns of the central government and will not seek to exclude them?

Turkey is among the countries that respect Iraq's integrity the most. There is no need to come together in order to conduct projects, but you need to come together to create positive value.

What do you think will be the consequences of the fact that U.S. will become energy independent thanks to the shale gas it produces?

Although the U.S. has stopped purchasing natural gas in four areas where it is sold, prices have not gone down, as it has not opened its shale gas to the international market. We will continue to monitor this for the next five to six years. If there is a change in this policy, then prices will change. After Fukushima, [the 2011 nuclear disaster that occurred due to an earthquake], Japan increased its LNG purchases, which led to a hike in prices. But Turkey has still not felt the effect of shale gas production in the United States.

There are claims that the United States might be getting out of the Middle East. What do you think will be the consequences of such a move?

Tension or turmoil in our region, whatever the reason for it, is always against us. The cost of the Syrian turmoil has been $10 to $12 per barrel of crude oil for us from the social, administrative, and technical and energy perspectives. Therefore, the annual cost is $8 to $9 billion. We don’t favor that kind of tension. Obviously, it has a humanitarian dimension, but also when you look from the standpoint of the energy sector we need to come to a proper point with the end of international instabilities.

There are also claims that there will be an abundance in the market, because there will be new producers of natural gas, forcing Russia to revise its prices.

There is also a contraction in the world economy. There is a half point shrink in Eurasia. These are the real concerns. We don’t see much of an increase in production recourses. The price of the dollar is expected to be around $90 to $100 and a decrease in gas prices. There is hope, but there are no serious indications yet that this will happen.

Then we are not there yet to renegotiate prices with Russia?

No. We are aware of all the developments and monitor them very seriously. But we are not yet at the stage that we would like to see. We don’t see this happening for another 4.5 years, there is no such supply to the international market.

But what is Turkey’s strategy to decrease its tremendous dependence on Russia?

Let me voice my opposition to your use of the term “tremendous dependence on Russia.” Those talking about this dependence need to provide us with alternatives.

But your government is supposed to find these alternatives.

But if I can’t purchase gas from the United States and can’t get gas from Africa, I can’t explain it to my citizen. Those saying that we’re too dependent on Russia need to bring forward solutions. We will be conducting projects with whoever is necessary for Turkey’s growth, whether it be China or others. We will evaluate the projects that are proposed to us and can’t take into consideration those who do not come. There is no country for which we have a specific reservation in this sense.

If Turkey still maintains that it is an energy hub, it needs to project an image of stability in times of peace and war. How do you think the Arab Spring has affected Turkey's will to be an energy hub?

What is sustainable for being an energy hub is the presence of energy. But this war, this tension, is not sustainable. Will we see this scene for another 30 years?

Some claim that the strains in Turkey's relations in the region might harm Turkey's aspiration to be an energy hub.

Look, Turkey cannot make a move by disassociating its projects from international politics. Turkey will be a country that feels the tension in its neighborhood whether it likes it or not. Are we the ones who created the current situation? They tell us that we have problems with our neighbors. If having no problems with neighbors means having no principles, we just can't do that. Like the case in Syria. Which of our citizens can say to us, let's close the border and let them do whatever they want? You open the border and you become a side. If this brings a burden in the energy sector, then I will bear that burden. This is the practice. You become a hub as long as there are projects, and obviously Turkey says it is open to all projects. But, of course, political instabilities do harm us.

Is there a delay in nuclear energy with Russia? The Energy Ministry and the Turkish Atomic Energy Authority have cancelled bids that they had opened for legal and technical consultancies. This seems to have left energy circles in Turkey a bit confused.

But I have said in advance that these are long term projects. After Fukushima, all parameters about security are being reviewed. We are fine with that. It may be a year later, but let it be secure. Security is at the forefront.

Turkey is closed to energy cooperation with Israel until there is normalization. So is Turkey also taking the risk of being left outside the energy game in the Eastern Mediterranean?

We can't act as if nothing happened. It is not us that should do the repairs. Those projects can't happen without Turkey. You cannot force these projects; you need to meet at the top, not at the bottom, for these projects. You need to catch both the political and the economic feasibility.

Some suggest the state should let the Turkish private sector deal with Israel on energy issues.

These types of projects are too big to be disassociated from international politics. These projects also have a strategic approach. They are not done solely by states or the private sector. You need to approach them as a whole.

Turkey incentivizes use of domestic lignite to ease gas import dependency

Gas to Power Journal, *14.03.2013*

The hunger of Turkey for natural gas is unabated, while new government incentives aim to put the use of lignite resources at an advantage over natural gas for power generation.

"We are over reliant on gas imports and this dependency is set to rise in line with GDP growth," said Levent Özcan Caner, Strategy Department, Ministry of Energy and Natural Resources. As project developers start to submit more licenses for lignite-fired plants, "we are also putting a strategy document together for license applications for power plants that run on imported coal," he told a conference organized by Gas to Power Journal in Istanbul.

To incentivize investment in new coal power plants, the Turkish government has granted developers of new lignite power plant projects some form of corporate income tax allowance (investment participation rate), exemptions from customs duty and VAT and support employer's contribution to insurance premiums. Moreover, the government also helps with allocating state-owned land near domestic lignite production sites.

Analysts estimate the above measures will increase the share of coal in Turkey's energy mix rise from about 28 percent in 2011 to over 37 percent by 2020. To reap maximum benefits, developers of coal-fired power plants need obtain investment certificates by 2013, Gas to Power Journal was told. Notwithstanding the pro-coal regulation, gas demand continues to rise amid strong industrial demand which is largely driven by economic growth. "The volume of gas imports to Turkey is not sufficient to meet rising energy demand," Caner said, pointing at the potential of additional gas supply from Azerbaijan's Shah Deniz II development as well as from northern Iraq and Iran. "Our growth trajectory anticipates that power generation capacity will rise from currently 57.072 MW to over 110,000 MW in the next decade as Turkey needs more plants to cater for rising energy demand." he added.

The costs of gas supply varies significantly however with state-owned power plants paying higher prices, which result in a subsidy to state-owned gas supply incumbent BOTAS, compared with lower tariffs for privately run power plants. Conference participants unanimously agreed on the need for a legal unbundling of BOTAS and the removal of subsidies and restrictions for gas imports by the private sector. Renewable energy, targeted to supply 30 percent of Turkey's power demand by 2050, is yet another measure to curb reliance on imported fuel sources in an environmentally sustainable manner.

Japan achieves to extract first methane hydrate gas

Hürriyet Daily News (Reuters), *13.03.2013*

A Japanese energy explorer said it extracted gas from offshore methane hydrate deposits for the first time in the world, as part of an attempt to achieve commercial production within six years.

Since 2001, Japan has invested several hundred million dollars in developing technology to tap methane hydrate reserves off its coast that are estimated to be equal to about 11 years of gas consumption. State-run Japan Oil, Gas and Metals National Corp said the gas was tapped from deposits of methane hydrate, a frozen gas known as "flammable ice", near Japan's central coast.

Japan is the world's top importer of liquefied natural gas and the lure of domestic gas resources has become greater since the Fukushima nuclear crisis two years ago triggered a shake-up of the country's energy sector. Methane is a major component of natural gas and governments including Canada, the United States, Norway and China are also looking at exploiting hydrate deposits as an alternative source of energy.

Japan used depressurization to turn methane hydrate to methane gas, a process thought by the government to be more effective than using the hot water circulation method the country had tested successfully in 2002. Methane hydrate is formed from a mixture of methane and water under certain pressure and conditions.

A Japanese study has estimated the existence of at least 40 trillion cubic feet (1.1 trillion cubic metres) of methane hydrates in the eastern Nankai Trough off the country's Pacific coast, about 11 years of Japanese gas consumption. Japan's LNG imports hit a record 87.3 million tonnes last year after Japan shut down most of its nuclear power plants following the Fukushima disaster.

Yanukovych: Ukraine will lessen Russian gas imports if price remains unchanged

Natural Gas Europe, *14.03.2013*

President of Ukraine Viktor Yanukovych is remaining defiant against Russian gas prices, saying his country will reduce consumption if the price of the supplied gas does not drop.

Speaking at a visit of the Latvian president to Kiev, he said Ukraine could not keep enduring the burden of Russian gas prices. "We have been facing a serious problem for 3 years already," he said. "We are working over it but still haven't found a solution. We cannot answer the question why does Ukraine pay the highest price for gas in Europe. If the price remains the same Ukraine will reduce consumption of Russian gas and look for alternative sources."

During the meeting, the Ukrainian president also said that the upgrading of its gas transport system (GTS) was a priority, especially in light of its role in European transit. "Europe must be confident that Ukraine will guarantee transportation of necessary volume of gas and maintain stable work of GTS," he said. "We will find a solution as soon as possible."

Gazprom CEO and Greece PM discuss DEPA privatization

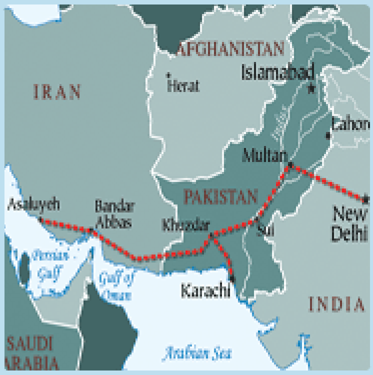
Oil & Gas Eurasia, *13.03.2013*

The chief executive of Gazprom Alexei Miller and the Greek prime minister Antonis Samaras have discussed the Russian giant's possible participation in the privatization of Greek gas company DEPA.

Gazprom is one of two Russian companies eyeing the public gas corporation, DEPA, and its gas network operator, DESFA. Gazprom has only expressed interest in DEPA. The other Russian bidder is privately-owned Sintez Group. The other companies to have made the final stage of bidding for the gas businesses are two Greek groups and Azerbaijan's state energy firm SOCAR.

Iran and Pakistan to inaugurate gas pipeline project

Oil & Gas Eurasia, *11.03.2013*



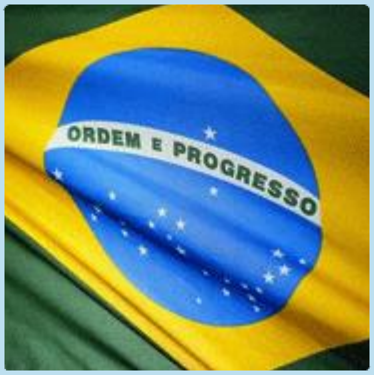
Iranian President Mahmoud Ahmadinejad and his Pakistani counterpart Asif Ali Zardari are set to officially inaugurate the Iran-Pakistan gas pipeline project.

The 7.5-billion-U.S.-dollar project will be inaugurated by the two presidents at a ceremony to be held at the Iranian border city of Chahbahar. Iran has constructed 900 km of the 1,600-km pipeline on its soil, adding that both Iranian and Pakistani firms will undertake the construction of the remaining part in Pakistan. When the project is completed, Iran will export 21.5 million cubic meters of natural gas to Pakistan on a daily basis.

Despite strong opposition by the United States and possible sanctions, Zardari said last week that his country would pursue the gas pipeline project and would persuade the critics that Pakistan needs energy. Pakistan and Iran have held a series of talks on the project for nearly two decades, but it was finalized during the recent visit to Tehran by Zardari. Pakistani media has reported that Tehran had agreed to provide a 500-million-dollar loan to partially finance the construction of the pipeline on the Pakistan side, which will cost 1.5 billion dollars. Pakistan will shoulder the remaining cost from its own resources. Both countries have agreed to complete the project by mid-2014.

Brazil: 36 line up for 11th round

Upstream Online, *13.03.2013*



Brazil's first oil and gas bid round in five years has already attracted the interest of 36 companies from 15 countries. Helder Queiroz, a director of Brazil's National Petroleum Agency told attendees at an industry event that explorer from the US, Europe and Japan were among those who purchased data packets for the country's 11th bid round.

"The number of companies interested has a lot to do with the quality of the information and because we have not done a bid round since 2008," he said. The sale scheduled for 14 and 15 May will include 289 blocks in 11 sedimentary basins covering 155,800 square kilometers. The deadline to buy the data packets is 26 March.

European gas market still weak as global demand increases

Natural Gas Europe, *12.03.2013*

Global energy and metals consultancy firm Woods Mackenzie has said that gas demand in Europe will remain weak even as that of the U.S., China and the Middle East increases.

In a presentation given at the FLAME 2013 conference in Amsterdam today, the consultancy's Head of Gas & Power Research Ben Hollins said that the European market would likely not increase to pre-financial crisis levels until the end of the decade. "Energy intensive industry is being squeezed by a lack of competitiveness," Mr. Hollins told conference attendees.

"Coupled with that, we've already seen evidence that energy efficiency measures in the retail sector are taking hold in North West Europe. For now, the only upside is in Turkey and parts of Central & Eastern Europe, driven by relatively strong economic growth. Gas simply cannot compete with coal in the power generation sector at current fuel (and carbon) prices." he continued. EU regulations would also play a part in the demand for European gas, Mr. Hollins said, with the EU Emissions Trading Scheme and the drive toward renewable energies also playing a role.

In contrast to the depressed situation in Europe, globally the gas market is actually on the rise, the consultancy's investigations forecast, with global gas demand expected to be greater in this decade than last. The firm expects demand to grow as much as by 33% between 2010 and 2020, leading to total global gas demand exceeding 4,000 billion cubic meters by 2020.

Chief among these gas purchases will be countries that traditionally have not had a strong demand for gas, the forecasts show. China is expected to increase demand by 300 billion cubic meters. The Middle East, which has always exported more gas than it imports, is expected to stay level for gas exports at around 100 billion cubic meters a year. However, import demand will rise to 150 billion cubic meters. Finally, the U.S., which has previously favored oil will also increase it imports over this decade, according to the firm, with growth between 2015 and 2020 alone accounting for 150 billion cubic meters of imports.

Azerbaijan moderates output drop forecast

Upstream Online, *13.03.2013*

Oil output in Azerbaijan will fall again in 2013 after a 5% decline in 2012, but should exceed an initial government forecast due to BP's efforts to stabilize production, Azeri officials said.

The Azeri energy and industry minister said he expected oil and condensate output to reach 41.5 million tonnes this year, up from the government's forecast of 40.82 million tonnes. "Oil output in Azerbaijan is now forecast at 41.5 million tonnes, which is down from 43.0 million tonnes produced in 2012, but work on stabilization of oil output is underway," Natiq Aliyev told.

Extending a drop that began in 2011, oil and condensate production in the ex-Soviet republic fell 5.3% to 42.98 million tonnes in 2012. Falling oil production at the Azeri, Chirag and Guneshli (ACG) oilfields, the biggest in Azerbaijan and one of BP's largest global projects, has raised concerns and prompted President Ilham Aliyev to accuse the British major of making "false promises".

Officials at BP and Azeri state energy company SOCAR say the geology of the country's main oilfields has fallen short of original expectations and they have cited maintenance as a reason behind the falls of the past 18 months. The energy minister praised BP for its efforts to stabilize oil production. "BP is implementing necessary works which will give a positive result soon," Aliyev said.

Oil and condensate output declined by 3.5% in January 2013 from a year earlier, according to the State Statistics Department, but the head of SOCAR, Rovnag Abdullayev, said that the decline was halted in February. Abdullayev said SOCAR would present a program to President Aliyev in April to increase production at oilfields where SOCAR operates without foreign partners. "The main goal of this program is to increase oil output by SOCAR by 1-2 million tonnes per year thanks to use of new technologies," Abdullayev said. "Part of the proceeds from a second issue of (SOCAR's) Eurobonds will be used for implementation of this program," he said.

SOCAR issued 10-year Eurobonds worth $1 billion this month for refinancing its existing debt and funding its upstream and downstream operations. It issued a debut Eurobond of $500 million last year. The company produced 8.3 million tonnes of oil at its own oilfields in 2012, down from 8.4 million tonnes in 2011. The former Soviet republic ships its oil via five main routes: Russia's largest Black Sea port of Novorossiisk, neighboring Georgia's Supsa, Batumi and Kulevi ports, and Turkey's Ceyhan.

Exxon sees North America exporting 15% gas, 5% oil by 2040

Oil & Gas Eurasia, *14.03.2013*

ExxonMobil said North America may be able to export 15 percent of its natural gas output and 5 percent of oil by 2040 as the region's production surges and demand stalls.

North America probably will become a net energy exporter by about 2025, after importing 35 percent of its oil in 2010, Irving, Texas-based Exxon said in an energy outlook report released today. Asia Pacific countries may import almost 40 percent of their total energy needs by 2040 as demand increases. "After decades of relatively flat production, output of oil and other liquid fuels in North America is projected to rise by about 40 percent from 2010 to 2040," Exxon said in the report.

Meanwhile, "overall U.S. energy consumption is expected to gradually plateau and then decline by about 5 percent from 2010 to 2040." Technological advances have helped tap oil and gas from shale-rock formations, as well as extracting it from oil sands and deep-water prospects in North America. Monthly U.S. oil production exceeded 7 million barrels a day in November, for the first time in 20 years. The International Energy Agency said in November the U.S. is poised to surpass Saudi Arabia as a crude producer in the next decade. U.S. liquefied natural gas exports will stay below 10 billion cubic feet a day, Bill Colton, Exxon's vice president for corporate strategic planning, said.

Exxon assumes that at some point in the next 30 years governments around the world will begin putting a price on carbon emissions, Colton said. Exxon sees a possible price of $60 a ton of carbon dioxide emitted in the U.S. in 2030. Under that circumstance, the price to burn coal to generate electricity jumps well above gas, which has about 50 percent fewer emissions, Colton said. "Coal's got a lot of environmental pushback, wind and solar are growing but they're limited from a practical standpoint, nuclear is also limited from practical and political considerations," he said. "That provides this huge opening for natural gas as sort of the fuel of choice for the future." More use of gas instead of coal and increased output from nuclear and renewable energy sources will reduce U.S. greenhouse-gas emissions, Exxon said. Carbon-dioxide emissions may drop more than 25 percent by 2040 to the lowest levels since the 1970s, the company said.

Exxon wants the U.S. government to revise its rules for blending ethanol into gasoline to cap the level at 10 percent of total gasoline consumption, Colton said. Automobile manufacturers aren't comfortable with ethanol making up more than 10 percent of fuel blend, he said. Government regulations are calling for the total amount of ethanol to be blended into gasoline this year to be greater than 10 percent of total expected gasoline demand. "We call it the blend wall," Colton said. "The problem is, when they set those mandates and they have them growing, I don't think they realized demand for gasoline would be shrinking. ''It's just another reason why it's difficult to make gasoline, and frankly it puts cost pressures on making gasoline," he said. "So we think it's in the general good to cap it at 10 percent, and even less would be a bonus for consumers."

Study suggests U.S. better off using natural gas, not exporting

Oil & Gas Eurasia, *14.03.2013*

The America's Energy Advantage organization called on the Department of Energy to pay close attention to a new study that suggests that the United States would be better off using its natural gas for manufacturing than it would be if it exports liquefied natural gas to other countries.

The study was completed by Charles River Associates for Dow Chemical Company for the purpose of assessing the impacts of liquefied natural gas exports on the US economy. According to the study, a natural gas renaissance in the United States is being driven by favorable natural gas prices.

"Since 2010, there have been announcements of more than 95 major capital investments in the gas-intensive manufacturing sector representing more than $90 billion in new spending and hundreds of thousands of new jobs all related to our domestic natural gas price advantage," the study stated. The study found that using natural gas to continue to further manufacturing created more jobs than exporting it did 180,000 annual jobs to 22,000 annual jobs. The jobs provided by manufacturing would be evenly spread across the nation rather than concentrated in a few coastal states, the study found.

The trade benefit of manufacturing would also be higher than exporting, the study found, with manufacturing creating a $52 billion trade benefit through both increased exports and decreased imports, while the trade benefit of liquefied natural gas exports is estimated to be about $18 billion with gas at a price of two times what it currently is.

Further, America's Energy Advantage stated, domestic natural gas prices could triple under a high export scenario, which could place the current surge in U.S. manufacturing opportunities in jeopardy. The Department of Energy recently ended a public comment period on its own commissioned study and is considering 15 applications from companies which wish to export liquefied natural gas.

According to the department, federal law requires approval of natural gas exports to countries which have a free trade agreement with the U.S. However, the Department of Energy can also authorize applications to export with countries which don't have a free trade agreement if it is consistent with the public interest. America's Energy Advantage reported that a number of other organizations, including the American Public Gas Association, are concerned about the exporting of liquefied natural gas. "We are concerned about the increased price of gas caused by unchecked LNG exports that would elevate consumers' energy bills," stated American Public Gas Association CEO Bert Kalisch.

IEA: U.S. oil boom protects world from supply shocks

Oil & Gas Eurasia, *14.03.2013*

Reuters reports that soaring U.S. oil production should be enough to allow consumers withstand most potential supply shocks, the International Energy Agency (IEA) said, as it cut estimates for global oil demand.

"The oil-producing world today is in the midst of a once in a generation transition of far-reaching consequences," the IEA said. "Rarely has the market's ability to withstand crisis been so tested as in the two years since the start of the so-called Arab Spring. Yet the market seems to have taken it all - civil uprisings, terrorist attacks, natural disasters, production outages, trade embargoes - in its stride," it added.

The IEA expects non OPEC supply to grow by 1.1 million barrels per day (bpd) in 2013 to 54.5 million bpd, led by North American booming shale oil output. The agency said a year-on-year gain of 1.1 million bpd in U.S. oil supply in the fourth quarter of 2012 was a record, not only for that country but also for any non OPEC producer since at least 1994. The IEA reduced its estimate for demand for OPEC's crude oil in 2013 by 100,000 bpd to 29.7 million bpd, the lowest since 2009, reflecting rising competition and a weak global economy.

The estimates are in line with monthly reports by the U.S. government and by OPEC itself published. OPEC expects U.S. oil supply to rise by 580,000 bpd to 10.59 million bpd in 2013, which it said would be the highest level since 1985. OPEC also said demand for its own crude would fall to 29.7 million bpd this year.

The U.S. government sees global oil demand rising 1.01 million bpd in 2013 and non-OPEC production growth reaching 1.17 million bpd. The IEA said it remained bearish on oil demand for 2013 and trimmed its outlook for the 2013 oil demand growth by 20,000 bpd to 820,000 bpd. "The subdued growth rate of oil demand now looks increasingly entrenched in the face of high oil prices and weak economic growth," it said. It said the U.S. budget "sequester", worsening Chinese business sentiment and continued deterioration in European employment were three economic "hits" appearing to further delay a turnaround in global economic growth.

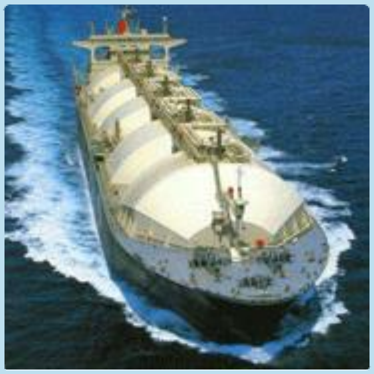
On a shorter-term horizon, demand for crude will be depressed in the second quarter as after seasonal refinery maintenance works in Europe and the United States, it will be Asia's turn for heavy turnaround schedules. "Over the next three months, about 1.7 million bpd of refining capacity will be offline, with major turnarounds expected in South Korea, China and India," the IEA said. "After an earlier tightening in Atlantic basin product markets, this is expected to have a substantial impact on those in Asia, especially since several Middle Eastern refiners will be conducting maintenance operations at about the same time."

The IEA also expects Iranian oil exports to hold strong and even exceed 1.4 million bpd "New U.S. sanctions implemented in February, which bar Iran from repatriating earnings from its oil exports, appear not to have had an impact on February shipments," the IEA said in the report. The sanctions are part of a stand-off between the West and Iran over Tehran's nuclear program and are aimed at curbing Iran's revenues.

Iranian exports fell below 1 million bpd during several months in 2012 from around 2.5 million bpd in 2011. They have rebounded above 1 million bpd in 2013. Industry sources told Reuters that Iran's exports in March may plunge by a quarter from a month earlier to the lowest since Western sanctions came into effect in 2012. The IEA said OPEC leader Saudi Arabia's oil production was steady in February at 9.25 million bpd and should rise from April onwards to meet higher demand from local refiners.

Australia leads Qatar as biggest supplier of LNG to Japan

Oil & Gas Eurasia, *11.03.2013*



Australia's The Observer reports that the country has jumped ahead of Qatar to become the largest single supplier of LNG to energy-starved Japan for the first time.

New figures show that despite complaints from Japanese utilities about the costs and worries over project blowouts, Australia was cheaper than all but six of the 21 suppliers of gas to Japan. The figures will be welcomed by Australia's LNG industry during a time of rising uncertainty as Japan, Korea and other large buyers strive to win approval to import shale gas from the US to cut their energy bills.

At the same time, high wages and environmental sensitivities are driving up the cost of production in Australia and placing projects in the $175 billion pipeline of LNG proposals in jeopardy. Japan has long been by far the biggest buyer of Australian LNG, purchasing 70% of exports.

IEA: Venezuela oil sector faces more ‘degradation’

Oil & Gas Eurasia, *14.03.2013*

Venezuela’s oil industry could deteriorate further if Nicolas Maduro, the chosen successor of late president Hugo Chavez, wins national elections next month.

While Maduro is widely tipped to become leader of the world’s top proven holder of reserves, it is uncertain how he will deal with the pressures to the oil industry left behind by Chavez, the International Energy Agency (IEA) said. “The future of the Venezuelan oil industry, and of Venezuela itself, may well hinge on finding the right balance between the divergent needs of caring for the population and nursing a long neglected oil sector back to health,” the IEA said.

Instead of investing to improve the infrastructure of the oil sector, Venezuela has used state oil company PDVSA as a cash cow for Chavez’ expensive social programs. Venezuelan oil output has dropped from around 3.5 million barrels per day (bpd) when Chavez was elected 14 years ago to just 2.34 million bpd last month, according to analysts. The death of Chavez last week did not alarm markets, but prompted debate about how the oil assets of the world's 11th largest crude exporter will be managed in the medium term. “Venezuela’s next leader faces a Catch 22 situation: current oil policies - namely, the diversion of oil revenues to fund costly social programs - cannot continue without putting the oil industry - and the country’s entire economy - at considerable risk,” the report said. “But neither can they be reversed without the risk of social unrest and political chaos.”

A lack of investment has also left the development of the Orinoco heavy oil belt, where Venezuela has a string of projects with foreign companies behind schedule. The Orinoco belt, stretching across eastern Venezuela, is vital to lifting current production in the OPEC member to as much 4 million bpd. The IEA expects the Orinoco developments, considered the world's single biggest source of oil reserves, to add 1.24 million bpd of gross capacity at peak production by 2017. But Venezuela’s net oil production capacity growth will rise by just over 200,000 bpd, to 2.8 million bpd, during the next three to four years, with the bulk of production not fully online until later, the agency said. The IEA tipped Venezuela’s oil diplomacy program, which provides costly subsidized oil sales to Central American and Caribbean nations, to be the first Chavez program to break down.

These subsidies have been controversial within Venezuela and may be dropped in favor of increased exports at market prices. In the short-term, however, the IEA expects production operations to remain unaffected with Energy Minister Rafael Ramirez continuing to head the oil sector.

Russian tycoons approach former BP chiefs

Oil&Gas Eurasia, *14.03.2013*

Dow Jones reports that representatives of the Alfa Group, set to earn billions of dollars from the sale of Anglo-Russian oil venture TNK-BP, have sounded out former BP CEOs John Browne and Tony Hayward about investing jointly in international oil projects, Reuters reported.

German Khan, one of four Russian businessmen who shared control of TNK-BP with BP for a decade, met Mr. Browne and Mr. Hayward and other potential deal partners in London last month, Reuters cited sources familiar with the discussions as saying. Mr. Khan effectively heads TNK-BP and is Mikhail Fridman's partner in the Alfa Group consortium.

The Alfa-Access-Renova consortium will receive cash of $28 billion for selling their one-half stake in TNK-BP to Russian state-owned oil company OAO Rosneft. Alfa will get half of that and wants to reinvest much of the money in oil and gas, as well as in telecoms, the sources said in the report. The other two partners in AAR, mining tycoon Viktor Vekselberg of the Renova Group and Len Blavatnik of Access Industries, are likely to bow out and focus on other ventures and charity work, sources close to TNK-BP and AAR said.

Announcements & Reports

► *Developing a Natural Gas Trading Hub in Asia*

Source : International Energy Agency
Weblink : http://www.iea.org/publications/freepublications/publication/AsianGasHub_FINAL_WEB.pdf

► *OPEC Monthly Oil Market Report (Mar 2013)*

Source : Organization of the Petroleum Exporting Countries
Weblink : http://www.opec.org/opec_web/static_files_project/media/downloads/publications/MOMR_March_2013.pdf

► *New Lens Scenarios*

Source : Shell
Weblink : http://s03.static-shell.com/content/dam/shell-new/local/corporate/Scenarios/New_Lens_Scenarios_Low_Res.pdf

Upcoming Events

Supported by PETFORM

► *TUROGE 2013* ***(in Turkey)***

Date : 10 – 11 April 2013
Place : Ankara – Turkey
Website : http://www.turoge.com/2013/

► *North Caspian Regional Atyrau Oil & Gas Exhibition*

Date : 16 – 18 April 2013
Place : Atyrau – Kazakhistan
Website : http://www.atyrauoilgas.com/2013/

► *LNG17 – International Conference and Exhibition on LNG*

Date : 16 – 19 April 2013
Place : Houston – USA
Website : http://conferencehound.com/conference/lng17-international-conference-and-exhibition-on-liquefied-natural-gas/53874

► *Offshore Technology Conference*

Date : 6 – 9 May 2013
Place : Texas – USA
Website : http://www.gshtx.org/en/cev/908

► *Uzbekistan International Oil & Gas Exhibition*

Date : 14 – 16 May 2013
Place : Tashkent – Uzbekistan
Website : http://www.oguzbekistan.com/2013/

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► *Tight and Shale Gas Summit 2013* ***(in Turkey)***

Date : 15 – 16 May 2013
Place : Istanbul – Turkey
Website : http://www.wplgroup.com/aci/conferences/eu-eug2.asp

► *Turkmenistan Gas Congress*

Date : 21 – 22 May 2013
Place : Ashgabat – Turkmenistan
Website : http://www.turkmenistangascongress.com/

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► *Caspian Oil & Gas*

Date : 4 – 7 June 2013
Place : Baku – Azerbaijan
Website : http://www.caspianoil-gas.com/2013/index.html

► *12th Moscow International Oil & Gas Exhibition*

Date : 25 – 28 June 2013
Place : Moscow – Russia
Website : http://mioge.com/about/upstream.aspx

► *Oil and Gas Conference and Exhibition 2013*

Date : 3 – 6 September 2013
Place : Aberdeen – UK
Website : http://www.offshore-europe.co.uk/page.cfm/Link=1/t=m/goSection=1

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

Date : 11 – 12 September 2013
Place : Istanbul – Turkey
Website : http://www.all-energy-turkey.com/?lang=tr

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► *Texas Oilfield Expo*

Date : 6 – 7 March 2013
Place : Texas – USA
Website : http://www.gshtx.org/en/cev/906

► *21st Kazakhstan International Oil & Gas Exhibition and Conference*

Date : 1 – 4 October 2013
Place : Almaty – Kazakhstan
Website : http://www.kioge.com/2013/upstream2013.html

► *Deep Offshore Technology International Conference & Exhibition*

Date : 22 – 24 October 2013
Place : Texas – USA
Website : http://www.biztradeshows.com/trade-events/deep-offshore-technology.html

► *World Shale Gas Conference & Exhibition*

Date : 4 – 7 November 2013
Place : Texas – USA
Website : http://www.biztradeshows.com/trade-events/world-shalegas-exhibition.html