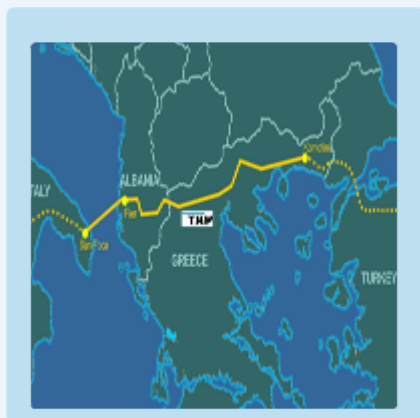


Shah Deniz group snub Nabucco gas pipeline in favor of TAP

Platts, 26.06.2013



One of the longest-running energy infrastructure sagas in recent history has finally reached its conclusion after the BP led consortium that operates the giant Shah Deniz field offshore Azerbaijan snubbed the Nabucco West pipeline in favor of the rival Trans Adriatic Pipeline (TAP) as its option of choice for delivery of its gas to Europe.

OMV the lead partner in Nabucco West broke the news Wednesday, days before a deadline of the end of June imposed by BP and its Shah Deniz partners earlier this year. "The Nabucco West project was not selected by the consortium," OMV said in a short statement.

OMV did not add any further details, but Nabucco's non-selection implies that rival pipeline TAP was chosen by the Shah Deniz group. BP, when contacted by Platt said only it was sticking to the end June timeframe for now, while TAP had no immediate comment. Nabucco and TAP submitted their initial gas transportation offers to the Shah Deniz consortium in April this year. Two other planned pipeline projects had already been rejected by Shah Deniz, leaving just Nabucco and TAP as the options on the table. "While OMV accepts the decision of the consortium, OMV is of the opinion that the offer which was submitted by Nabucco met all the selection criteria and was highly competitive," it said.

Phase 2 of the Shah Deniz project aims to bring 16 bcm/year to market, of which 6 bcm/year will go to Turkey and 10 bcm/year to Europe. First gas is due in 2018 in Turkey and in Europe in 2019. Nabucco had originally been intended to source gas from elsewhere in the Caspian region and the Middle East, but with the creation by Azerbaijan and Turkey of the TANAP line across Turkey, the Nabucco partners opted to shorten their route to start at the Bulgaria-Turkey border. Despite that setback, Nabucco was still confident its project was superior to TAP.

The route would have taken Azeri gas through the countries represented by the shareholders, namely Austria's OMV, Hungary's MOL, Romania's Transgaz, Bulgarian Energy Holding and Turkey's BOTAS. OMV earlier this year bought the stake held by Germany's RWE and had planned to sell on that stake to a new partner. RWE joined in February 2008, but is in talks with OMV on selling its equal stake, uncertain of the economic benefit of being a consortium member. Hungary has also complained about the viability of Nabucco. TAP, whose shareholders are Switzerland's EGL (42.5%), Norway's Statoil (42.5%) and Germany's E.ON Ruhrgas (15%), would take gas from the border with Turkey via Greece and Albania to Italy.

Turkish private firms to expand Russian gas deal

Today's Zaman, 22.06.2013



Ankara is looking to allow private distributors to deliver more natural gas from Russia via the Western Pipeline, a strategic line that feeds megacity İstanbul and a few other neighboring provinces.

Statements came from Energy Minister Taner Yildiz in St.Petersburg saying that the government requested Russian gas giant Gazprom to increase the amount of gas delivered by private firms at the Western Pipeline by another 4 billion cubic meters. In October 2011, the state-owned Turkish Pipeline Corporation (BOTAS) notified Gazprom that its contract with the Russian gas giant would be terminated.

Gazprom said it was ready to supply the same amount of gas to private companies. In August of last year, four Turkish private energy companies shook hands with Gazprom for the delivery of 6 billion cubic meters of natural gas via this pipeline.

Turkey is Gazprom's second-largest gas consumer. The additional 4 billion cubic meters is not certain yet, as Gazprom said they "need more time to deliberate," according to Yildiz. The handing over of the Western Pipeline delivery to private firms was welcomed by some analysts who argued that private firms would be able to negotiate better terms and thus provide gas at lower prices. Some other parties alleged that the government was turning the pipeline deal over to private companies that are politically affiliated or close to the ruling party.

Turkey still needs the Western Pipeline since its infrastructure is not yet capable of bringing natural gas from eastern Turkey to the western side. Turkey currently has natural gas purchase deals with Russia, Iran and Azerbaijan, as well as liquefied natural gas (LNG) deals with Nigeria and Algeria. Turkey's plans for the future include buying natural gas from Turkmenistan, Iraq and Egypt.

Meanwhile, Yildiz said the government expects to enlarge its natural gas storage with new foreign investments. "We have met certain foreign firms for planned projects in this regard. There is growing interest here," he explained. Turkey plans to store natural gas from supplier countries until it can become a supply center for energy-hungry Europe via diversified channels.

No applications for the gas distribution tenders in Eastern Turkey

Enerji IQ, 26.06.2013



There have been no adequate applications received for pre-qualification for the tenders to build and operate the local gas distribution network in the four cities of the Eastern Anatolia. The decision of the EMRA is awaited.

The interest, shown by the private companies in tenders undertaken by the EMRA with the aim of establishing a distribution network in the cities which do not use natural gas has decreased. The tenders organized since 2003, which were broadcast live on the EMRA website, were known for their cutthroat competitiveness.

However, the number adequacy applications made in the last period for Sinop, Mardin, Igdir, Bitlis, Bingöl, Mus, Artvin, Hakkari, Agri, Sirnak and Tunceli, where natural is not used, have been very low. No companies have made adequacy applications in Hakkari, Agri, Sirnak and Tunceli, while just one company each has made an application in Bitlis, Bingöl, Mus and Artvin, and Sinop, Mardin and Igdir have neared the tender process by receiving more than one application each. The decision of the EMRA on the four cities where there have been no adequacy applications, and the cities where there have been only one application is expected to be made and announced to the public by the end of June. Previously, the EMRA had cancelled tenders which were not entered by more than one company due to a lack of competition.

Yildiz: Energy touches all of Iraq

Hürriyet Daily News, 22.06.2013



Turkey supports a rise in oil and natural gas production in the Kurdish Regional Government but the decision should be taken by “all Iraqi people,” Turkish Energy Minister Taner Yıldız has said during his meeting with KRG President Masoud Barzani in Russia.

“We, as Turkey, are absolutely supporting the increase in natural gas and oil production in northern Iraq. However, production increases in this region should not only be within the framework of northern Iraq’s administration decisions. All Iraqi people should decide together,” Yıldız said in his talks with Barzani and Ashti Hawrami.

Iranian envoy opposes Turkmen gas delivery to Turkey via Caspian Sea

Today's Zaman, 22.06.2013



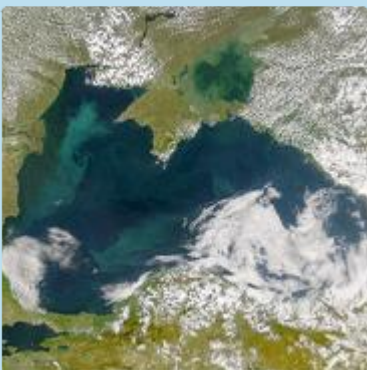
Iranian Ambassador to Turkey Alireza Bikdeli has opposed the idea of delivering Turkmen gas to Turkey through the Caspian Sea, adding that if Turkey wants to do serious business, it should do it with Iran.

“Until today, there has not been any example of the transfer of natural gas though the Caspian Sea. There are some problems in the Caspian Sea region, and these problems prevent the occurrence of business there. Turkey is also discussing the issue with us. If you want to do serious business, this business should be done though Iran,” Bikdeli said.

Turkey and Turkmenistan revived hopes for a long-term plan with regards to the delivery of Turkmen gas to Turkey after signing a cooperation agreement during President Abdullah Gül's high-level official visit to the country in early June. “The more this issue is taken seriously, the more the talks with Iran can gain importance. Iran has several natural gas pipeline networks that compensate for the energy needs of its neighbors,” Bikdeli added. Bikdeli also opposed the Baku-Tbilisi-Ceyhan pipeline when he was an ambassador in Baku in 1997, arguing that the cheapest and shortest route for the pipeline is through Iran from the Persian Gulf. “We have the necessary infrastructure,” Bikdeli said at that time. “They would only need to build 200 kilometers of new lines.”

OMV begins 3D shoot of Black Sea deep

Upstream Online, 25.06.2013



The OMV-led venture at 1-21 Han-Asparuh has kicked off a 7740-square kilometer 3D seismic survey at the deep-water Black Sea block off Bulgaria.

OMV exploration boss Jaap Huijskes said that the shoot would “enable us and our partners to define the drilling locations for the two exploration wells that are planned during the exploration period”. OMV operates the block on a 30% stake with partners Total (40%) and Repsol (30%). The block covers an area of 14,220 square kilometers with water depths of between 100 meters and 2200 meters. It is situated about 80 kilometers off Bulgaria in the western Black Sea.



Petrom and ExxonMobil to resume Black Sea gas drilling

Reuters, 25.06.2013



Romania's top oil and gas firm, Petrom, majority-owned by Austria's OMV, and ExxonMobil will resume exploration drilling in their offshore Black Sea block at the end of this year or in early 2014, the company said.

The two companies have completed a 3D seismic study on the Neptun block and contracted a drilling rig from Diamond Offshore Drilling Inc which they will use for exploration. ExxonMobil and Petrom "expect to invest up to U.S. \$1 billion in the exploration programme, which comprises the 3D survey now completed and further exploration and appraisal drilling," Petrom said in a statement.

Kirkuk flows halted by pipeline blast

Upstream Online, 24.06.2013



Exports of crude oil from northern Kirkuk oil fields have been on hold for the last three days due to an explosion at a key pipeline in Iraq, reports have said. The halt to the Kirkuk-Ceyhan pipeline is believed to have come after it was hit in a further attack.

"The pumping of crude oil from Kirkuk has been on hold since Friday at 2300 local time," two shipping agents including one based in Ceyhan told the wire service. Iraqi oil officials were not available to comment. "We are hearing that there was an explosion at part of the export pipeline inside Iraq," one of the agents said.

The pipeline had been halted since Friday because of a leak, without specifying further details. Iraq normally exports an average of 300,000 to 350,000 barrels a day but sabotage against the pipeline over the last few months, has reduced the flow. Last month, Iraq exported 273,000 barrels a day via the pipeline due to damage to the pipeline by unknown attackers. Iraq's crude oil exports in May were down 5.4% to 2.48 million barrels a day from April's 2.622 million due to bad weather in the southern oil terminals in the Gulf and attacks on the northern oil export pipeline to Turkey, the Iraqi oil ministry said in a statement Sunday.

New chapter may pave way for energy chapter

Hürriyet Daily News, 27.06.2013



The European Union's approval to open Chapter 22 may lead to negotiations on the energy chapter, according to the energy analysts referring to the country's recent legal regulations aimed at liberalizing the energy market and the union's pursuit of diversifying energy resources.

"Turkey, even though it did not become a member of the European Union, has launched an energy liberalization process based on the EU's legal regulations. The supreme institutions, like the MERA founded in 2001, were established as a part of the process," said Fuat Celepci, the General Manager of Zorlu Energy's Natural Gas Department.

Turkish Energy Minister Taner Yildiz said in April that they wanted to raise the private sector's rate in the energy sector to 75 percent in the medium term. As part of the government's target, it aims to establish a free energy market in Turkey under the supervision of the public sector.

Celepci recalled the statement in April of Stefan Füle, the European commissioner for enlargement and European neighborhood policy, which said the European Commission, thought that Turkey was ready to start negotiations on the energy chapter. "This statement is important as well as late. Because Turkey has made its preparations in order to answer the expectations. Turkey positioned itself as an important energy bridge between East and West and built its strategy in this way," said Celepci. Turkey 'main route' of energy transfer

However, Celepci said opening the energy chapter with Turkey would be an important step for the EU during a period in which the countries had been discussing how to transfer energy resources from Caspian Sea, Iraq and the eastern Mediterranean to Europe.

Turkey has become the main export route of the energy resources of the Caspian, Iraq and the eastern Mediterranean, Efgan Niftiyev, an expert at the Caspian Strategy Institute (HASSEN). Niftiyev added that as the EU eyed diversifying suppliers and the routes in natural gas imports in the framework of the 2020 vision, the energy resources that would come through Turkey were vital for the union. Also, Celepci stressed that the future targets in energy of both sides were similar. While the EU aims to have an installed power capacity of which 20 percent will be made up of renewable energy by 2020, Turkey aims to raise its renewable energy capacity to 30 percent by 2023.

Greek Cyprus in talks with firms over LNG plant

Hürriyet Daily News, 27.06.2013



Aiming for energy hub status and hoping to reboot an economy hobbled by a debt bailout Greek Cyprus started talks with three energy firms for the development of a liquefied natural gas (LNG) terminal. The terminal, with an estimated cost of \$6 billion, will process the vast natural gas reserves off the east Mediterranean island. Greek Cyprus hopes to start exports by 2020.

“Completion of this project is an important step towards the realization of our energy strategy, with the ultimate objective the establishment of Greek Cyprus as a regional energy hub” said Energy Minister Yiorgos Lakkotrypis

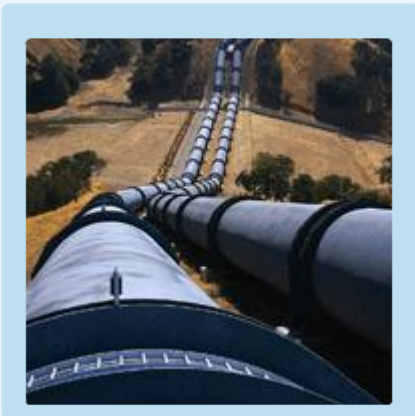
Greek Cyprus discovered an average 7 trillion cubic feet of natural gas in Dec. 2011 in one field offshore, close to where Israel reported major finds within its own maritime boundaries. Companies expected to end talks by end of year U.S. company Noble Energy and Israeli companies Delek Drilling and Avner Oil Exploration, which are the dominant players in both the Greek Cypriot and Israeli projects, will over the next six months discuss the technical and commercial details of any eventual deal on an LNG terminal. The sides hope to conclude talks by Dec. 31.

Noble launched an appraisal drilling on its Greek Cypriot offshore find last month, while Total and ENI are poised to launch exploratory drills elsewhere off Greek Cyprus by 2015. Facing an unprecedented austerity-driven recession and record unemployment at 15.6 percent, the island is clinging to the hope gas discoveries will bring in badly needed revenue and create jobs. Greek Cyprus received a 10 billion euro (\$13 billion) international bailout in March.

Lakkotrypis said there were “multiple ways” to finance the LNG project, including with equity or debt, but declined to go into further detail. Greek Cyprus is marketing the venture to Israel which has also reported natural gas finds, and to Lebanon. Israel’s government decided on June 23 that it could export about 40 percent of its newly-discovered reserves. Gideon Tadmor, Avner’s CEO and chairman of Delek, said the idea of using the Greek Cypriot LNG terminal to process Israeli gas should be explored. “It is a possibility and opportunity we intend to investigate,” he told reporters. Israel’s government decided on Sunday that it could export about 40 percent of its newly-discovered reserves.

Cyprus – Greece pipeline may get EU financing

Hürriyet Daily News (Reuters), 24.06.2013



A proposed gas pipeline to link Greek Cyprus to Crete and then Greece or Italy will be in an EU list of strategic projects eligible for financial support, Greek Cypriot officials has said. Greek Cyprus has high hopes its natural gas reserves can be developed quickly to help revive its broken economy.

Its priority is to build a liquefied natural gas (LNG) terminal, but a pipeline could have advantages for Europe. LNG, which can be shipped anywhere in the world, is typically sold to the most lucrative market. A pipeline would guarantee that some gas supplies reached EU consumers. ‘EU to include East Med Pipeline in list’

“The European Union will include the East Med Pipeline in the revised list of projects of common interest within the Southern Corridor for gas,” George Shammas, chairman of the Greek Cyprus Energy Regulatory Authority, said on June 21. Greek Cyprus Energy Minister George Lakkotrypis also said he had information the European Union would include the pipeline, although adding that Greek Cyprus had to study the feasibility of the link.

The Southern Corridor is the EU name for routes to ship gas from central Asia, the Middle East and the Eastern Mediterranean basin to diversify supplies and reduce dependence on Russian gas. Gas from Azerbaijan’s Shah Deniz II field is expected to become available for export from 2017, while Greek Cyprus has said it could be exporting gas from 2020.

The European Commission has said Greek Cypriot gas could play an important role in diversifying supplies and in improving room for negotiation with Russia, but its development is complicated by the long-standing rift between Greek Cyprus and Turkey. The pipeline would have to pass through disputed waters. A Commission spokeswoman declined to comment.

Gas, coal and the Atom: Turkey's diversification hopes

Natural Gas Europe, 25.06.2013



Neither nuclear energy nor coal is exactly in vogue at the moment. After the Fukushima disaster in Japan and amid growing concerns about the environmental impact of coal, most countries prefer instead to boost their consumption of natural gas, which is cleaner and cheaper.

Not so in Turkey, where the financial and political cost of importing gas, predominantly from Russia and Iran, has encouraged a diversification into both coal and atomic power. Both have taken a step forward recently, but it is debatable whether or not they are the best cure for Turkey's gas dependence

Nuclear power has been in the headlines recently after the Turkish government announced the signing of an initial deal to develop the country's second nuclear plant, after the Russian-built plant (still in construction after an agreement signed in 2010) in southern Turkey. A third plant will be constructed later, in line with a government strategy on nuclear power adopted in 2006 which aims to reduce reliance on costly gas imports. The latest deal, signed on 3 May with a headline figure of \$22 billion, was signed with a Japanese-French consortium including Mitsubishi Heavy Industries, Itochu, GDF Suez and Areva. The group will build a 4,800MW plant in the Black Sea province of Sinop.

The government of Recep Tayyip Erdogan has been ebullient about the implications of the Sinop plant and the third facility which will follow (and which may be built domestically). Erdogan has claimed that "we will not need to import one-third of our current natural gas imports when our nuclear plants are online, saving \$7.2 billion annually". Energy Minister Taner Yildiz has also said that the Sinop plant will save the country \$84 billion over its 60-year lifespan.

But as David O'Byrne points out, the project doesn't necessarily deserve the triumphalism which the government has given it. For one thing the deal is not a construction contract but just an agreement on exclusive negotiations. For another, Turkey has previously rebuffed GDF Suez because of political disagreements between the Turkish and French governments. This could conceivably happen again, which would raise a question mark about GDF Suez's involvement. So would any attempt at energy cooperation with Cyprus, which has already led to Italy's Eni being shut out of projects in Turkey.

These are only hypothetical but possible in Turkey's politicized energy business. Most significantly, the Sinop plant will not be producing electricity until at least 2023. The third plant will not be operating until several years after that, and even the first plant is not expected to be activated until 2020. So for the rest of the decade, with electricity consumption expected to rise around 7% per year, Turkey will remain reliant on other forms of energy, particularly gas.



In any case, the government's plan is for nuclear power to supply only 10% of Turkey's electricity by 2023, or around 9000 MW. Although that's 10% higher than now, the realities of the energy mix mean that gas-fired plants will continue to underpin electricity generation – they provided 42% last year - even after 2023.

Gas-fired power accounted for 72% of the total increase of Turkey's power generation between 2000 and 2009, a trend which is unlikely to change drastically in the medium-term. In this context nuclear energy is clearly not a panacea, especially given the cost, time, and potential for delays and shutdowns. So in a bid to reduce the share of gas in the power mix, coal is also being touted as a convenient, cheap alternative. Turkey has ample coal and lignite reserves and early this year it boosted the financial incentives for coal-fired plants whilst cancelling the 20% incentives for gas-fired plants, in an effort to shift the balance away from imported gas. Major deals have been signed recently to build coal plants with companies from Abu Dhabi and China

Although Turkey relies heavily on coal imports at the moment, it's boosting domestic coal mining and can rely on a more flexible global market than for gas. But coal is not without problems. The biggest is the environmental impact, which has led most European states to cut their reliance on coal; heavy reliance on it would undoubtedly cause some disapproval in the EU. For the long-term health of Turkey's environment, particularly in fragile ecosystems in Anatolia, over-reliance on coal would be disastrous. Turkey's environmental lobby may be small but is likely to become increasingly vocal and active, increasing the political cost of coal too. Like nuclear power, it is not a viable long-term solution.

The irony is, of course, that gas supplies cheaper and more flexible than ever. Azerbaijan's gas production, and its exports to Turkey (en route to Europe) are set to soar in the coming years, and gas may one day come from KRG, the Black Sea, Cyprus, or Israel. Unconventional gas from Turkey itself may one day make it a shale hotspot. At a global level, changes in the gas market are creating new spot markets for gas, while an abundance of LNG will help to push down prices. In a few years' time Turkey could be swamped with cheap gas.

Soaring demand will still be a challenge, and diversification of power-generation sources is undoubtedly needed. But in its rush for alternative power sources today, Erdogan's government – which has repeatedly demonstrated a kind of attention-deficit disorder on big infrastructure projects – may be locking the country into an energy future it does not need. Building three major nuclear plants is a major commitment, not to be taken lightly; neither is an explosion in the number of coal-fired power plants. By the time all these projects come to fruition, the new global gas landscape could make them look rather like unneeded white elephants.

Gazprom considering possible interaction in KRG's oil and gas sector

Oil and Gas Eurasia, 24.06.2013



A meeting between Alexey Miller, Chairman of the Gazprom Management Committee and Massoud Barzani, President of Kurdish Regional Government took place today as part of the St. Petersburg International Economic Forum 2013.

The meeting addressed the bilateral cooperation issues in the oil and gas sector. In particular, the parties discussed the progress with interaction in oil and gas field exploration, development and operation.

Gulf Keystone to pump 40,000 bpd KRG oil within coming weeks

Reuters, 26.06.2013



Gulf Keystone Petroleum will produce 40,000 barrels of oil per day (bpd) within the coming weeks after KRG focused explorer's field development plan was approved, the region's energy ministry said

Discovered in 2009, the Shaikan field is Gulf Keystone's prize asset, from which it aims to produce as much as 150,000 bpd in the next three years and 250,000 bpd by 2018. Production from the block will help the Kurdish region reach its overall oil export targets of one million barrels per day by the end of 2015, and two million barrels per day by the end of the decade.

Gulf Keystone operates Shaikan, in which Kalegran Ltd, a subsidiary of Hungarian oil and gas group MOL, has a stake, as well as Texas Keystone Inc. In recent months, investor focus has been less on Gulf Keystone's activities in KRG than its ownership of some of those assets, which the company has been defending in a London court battle after it was sued. KRG crude is also the subject of disputes with the Iraqi central government, which rejects contracts, signed by the autonomous region as illegal and has withheld payment to companies operating there.

Norway overtakes Russia as EU's biggest gas supplier

Euractiv, 25.06.2013



Norway overtook Russia as the main supplier of the EU's natural gas in 2012, a first for the Scandinavian country, the chief economist for the British Petroleum Group chief said in unveiling a new energy report in Brussels.

Christof Rühl, who is also a BP vice president, said that over the past 10 years, there have been two trends – the rapid growth of shale gas production in the United States and the rapid growth in liquefied natural gas trade. In the last year, shale gas production continued at a slower level, and LNG trade suddenly declined. Behind these trends was a “very interesting competition between coal and gas,” Rühl said.

On the European spot market, prices increased, although not as high as in Japan. In the US, drilling activities have shifted from shale gas to shale oil, because gas prices fell while oil remained expensive. Rühl illustrated this shift with figures, the increase in shale gas production in the US having been 84 billion cubic metres (bcm) in 2011, compared to an increase of only 10 bcm in 2012. The oversupply of gas in the US has been so high, according to the BP economist, that exports to Mexico by pipeline or LNG exports had not been sufficient to absorb it. He said that the only sector which was big and flexible enough to absorb the oversupply of gas was the power sector. However, this sector required that prices for gas be so low that they could compete with coal, he explained. What took place has been “an amazing shift”, Rühl said, with 44 bcm of gas that went into the power sector, an increase of 21%, and the biggest in US power generation history. Consequently US coal consumption fell by 12%.

What happened in the EU is exactly the mirror image of the US developments, Rühl said. With increasing Asian demand, Europe did not compete for LNG and its imports to Europe fell by 25%, he said. “That should have been good news for traditional gas exporters to the EU, Norway and Russia,” Rühl said. He added that they could have raised their prices, but this didn't happen, as they were faced with competition from an unexpected quarter – cheap coal. The BP chief economist explained that the coal that was used in US power generation was now available for Europe, cheap enough to compare with natural gas in Europe. On average, generating power in Europe is 45% cheaper with coal rather than with gas, he said.

As Russia's gas prices remained tied to oil prices, and as Norway's had left this system of indexation, imports from Norway rose 12%, while imports from Gazprom fell 10%. And 2012 became the first year when Norway sold more gas to the EU than Russia, Rühl said. Rühl said the increased use of coal had a negative impact on Europe's carbon emissions, but the problem remained more serious in China, which is consuming half of the world's coal for the first time. A substantial increase of carbon emissions also is taking place in Japan, he added.

Gazprom dealt pricing blow as loses court case to RWE

Reuters, 27.06.2013



Russian gas export monopoly Gazprom's efforts to keep a link between the price it sells gas and costlier oil were dealt a blow on Thursday, when a court ruled it had to include market pricing in the rates it charged Germany's RWE.

Gazprom must also reimburse Germany's second-largest utility for overpayments it made on gas purchases, RWE said, adding to pressure on the Russian firm from European clients who say they have lost billions of dollars on long-term supply deals agreed at higher prices than current market spot rates by citing a ruling by the International Court of Arbitration of the International Chamber of Commerce.

RWE said Gazprom had to reimburse it for gas purchases since May 2010, but declined to comment on the size of the expected payout. Analysts said it was the first court ruling to impose spot pricing on Gazprom, which includes some spot pricing in its contracts, but has largely stuck to reducing oil-linked pricing to placate customers that have suffered losses on its gas. "Clients will continue to demand this in court. This is a certain precedent, although I am not sure it will lead to a flood of lawsuits, because there is already a spot element in many contracts," UBS analyst Konstantin Cherepanov said. "It is another sign that the balance of power between Gazprom and its consumers is shifting in favour of the consumers and Gazprom is not ready for that."

Gazprom declined to comment on the ruling. A Russian gas industry source said it was a "compromise decision, which only partially satisfied the demand to change the price formula out of all of RWE's demands." Gazprom resists pressure from European customers to base its pricing on European gas hub trade, saying the hubs lack liquidity and fail to provide financial security to underpin costly investments in gas infrastructure. It also cites the need to secure its investments in its complaints against the European Union's so-called Third Energy Package, which bars suppliers from simultaneously controlling gas market infrastructure. Analysts previously forecast RWE would receive a payment of about 300 million euros (\$390 million).

Gazprom has said it had reserved 200 billion roubles (\$6 billion) for rebates this year. It said it was analyzing the award and the effect on its full-year outlook, adding the group would shortly make a further statement. RWE expects core profit of about 9 billion euros and recurrent net income of about 2.4 billion this year. European utilities have been arguing over prices and terms of gas purchase contracts for the past three years with suppliers such as Gazprom and Norway's Statoil. Last year, Gazprom offered RWE rival E.ON a price cut on long-term gas supplies, which resulted in a 1 billion euro boost to E.ON's half-year results. RWE said the tribunal also adjusted the purchase price formula of its long-term gas supply contract with Gazprom by introducing a 'gas market indexation', reflecting relevant conditions on the gas market at the time of the price revision in May 2010.

Tax change favors tight oil, Russian unconventional

Oil and Gas Eurasia, 22.06.2013



Given today's oil prices, the production of unconventional oil and gas fields (specifically, shale oil and shale gas) is justified, Alexey Kondrashov, Partner, Global Oil & Gas Tax Leader at Ernst & Young, said.

“Developing these reserves is a political objective for many governments around the world which are continuing to perfect their tax regimes with the goal of stimulating the fruition of such projects”. In Russia, the issue ways to stimulate unconventional hydrocarbon production came to the fore last spring when Russian President Vladimir Putin issued instructions to draft a law on the subject.

By November 2012, a law was passed to lower the export customs duty (10% of the standard duty). On 18 June of this year, a new bill was introduced to the Russian Duma to stimulate the production of tight oil. The bill, drafted by the Russian Energy and Finance ministries, proposes adopting a lower rate on the natural resources production tax for deposits of tight oil taking into account the efficiency of the oil-bearing layer, indicators of the permeability of the layer and also the level of depletion at the field.

“The fiscal environment is constantly changing around the globe. With the globalization of investment have come an increased emphasis on global tax policy and regime changes and the resulting impact these changes can have on investments. Globally, various countries have introduced or are contemplating introducing changes in the way oil and gas operations are taxed – from exploration and production to retail operations”, Kondrashov said, commenting on the influence of changing tax regimes and the nature of investment in the oil and gas sector, “The impact of changes to the tax law may affect available cash to establish reserves or to service debt. This can negatively affect the balance sheet, with the result that credit agreements and covenants may need to be examined closely.”

In their annual Global oil and gas tax guide, Ernst&Young analysts said that in 2013, “The search for recoverable reserves continues to globalize. As long as recovery remains economically viable, both developed and emerging countries are expected to take measures to develop such reserves and countries are constantly competing for investor's capital. New emerging markets, in which hydrocarbon reserves have just been discovered – including the African nations, Cyprus, Lebanon, Israel and Myanmar – are working toward designing their national legal and tax legislation for the oil and gas industry. Kondrashov concluded, “Now more than ever, it is vital for governments to make oil and gas tax regimes competitive and attractive to investors.”

Rosneft to double oil flows to China in \$270 billion deal

Today's Zaman, 22.06.2013



Russia's Rosneft agreed a \$270 billion deal to double oil supplies to China on Friday, as the Kremlin energy champion shifts its focus to Asia from saturated and crisis-hit European markets.

The deal will bring Rosneft \$60-70 billion in upfront prepayment from China, the holders of the world's largest foreign exchange reserves. It will also allow Rosneft, the world's biggest publicly listed oil firm, to steeply cut its heavy debts and develop new remote Arctic fields. "The estimate of the sum of the contract in today's market prices is absolutely unprecedented \$270 billion," said Putin

The agreement highlights a growing partnership between China, the globe's top energy consumer, and Russia, the largest oil producer, and comes despite previously uneasy relations between Rosneft and Beijing over energy pricing. Rosneft's boss Igor Sechin, a close ally of Putin, said his firm will supply China with 300,000 barrels per day over 25 years starting in the second half of the decade, on top of the 300,000 bpd it already ships to the world's No.2 oil consumer.

Putin later said total supplies could amount to as much as 900,000 bpd. The speed of change in Russian export patterns has been dramatic switching huge volumes from Europe in only five years. Russia first started supplying China by railway and then by a new pipeline while opening a Pacific port, Kozmino, in 2009. Together with supplies to Kozmino, it is already exporting around 750,000 barrels per day to Asia, or 17 percent of its overall exports of 4.4 million bpd.

Europe, by contrast, has lost out. A decline in deliveries in the past few years partially contributed to Russian Urals crude oil often trading at a premium to benchmark dated Brent. Analysts have expressed doubts Rosneft could quickly boost supplies to China from depleted fields in West Siberia, the historic homeland of Soviet and Russian oil production. A source familiar with the deal said the new agreement with China was timed to tie in with the launch of new streams of East Siberian crude to avoid big redirection of existing flows and allow time to expand export infrastructure.

Rosneft and oil pipeline monopoly Transneft have already secured \$25 billion from China in 2009 in upfront payments by pre-selling oil in order to accumulate cash to finance growth and new construction projects. Rosneft's debt burden has spiked this year after it acquired Anglo-Russian producer TNK-BP in a \$55 billion cash-and-stock deal, the largest in Russian corporate history, and became the world's largest publicly listed oil firm. Industry sources have told Reuters Rosneft may secure up to \$30 billion in prepayment from China as part of the new deal. On Friday, Putin said pre-payments could amount to \$70 billion.

Analysts said the possible upfront payment from China would be a big positive for indebted Rosneft. “If confirmed, this would be a transformational event for the company's balance sheet: Rosneft could even potentially be able to show a net cash position, though working capital would be negative. The prepayment could minimize financing risks for the leveraged state-controlled oil company,” J.P. Morgan analysts said in a note.

Shtokman delayed indefinitely

AFP, 27.06.2013



Russian giant Gazprom has reportedly placed the development of the Shtokman gas field, in the Barents Sea off Russia, on hold. AFP reported that Gazprom was placing the project on ice until new technology was available to make the project more viable.

“Right now we are not ready to work on this project,” the news agency quoted Gazprom spokesman Sergei Kuprianov told. “We are waiting for the emergence of more efficient technologies, less costly or that market conditions change,” he added, delaying the project indefinitely. Estimated cost of the project will be at \$15 billion alone for the first phase.

Gazprom had already postponed the development of the field last year due to the high costs of financing the challenging project, first phase that was originally due on stream in 2016. Norway’s Statoil transferred its stake in the project back to Gazprom last year, however it remains in dialogue with the remaining partners, Gazprom (75%) and Total (25%), on how to make the project commercially viable. It was reported earlier this year that Statoil is pushing for a floating liquefied natural gas solution to develop the Shtokman field. The Arctic field lies in the north-western part of the South Barents basin, about 550 kilometers offshore, and is estimated to hold about 3.9 trillion cubic meters of gas.

Ukraine seeking \$25 billion shale gas investment from Chevron

Oil and Gas Eurasia, 25.06.2013



Ukraine is hoping Chevron Corp. will invest 25 billion U.S. dollars to develop the potentially large Oleska shale gas deposit in its west, a senior energy official said. “This sum exceeds the amount of foreign investment that Lvov and Ivano-Frankovsk regions have attracted over the 20 years of Ukraine’s independence,” Volodymyr Ignashchenko, adviser to Ukraine’s minister of ecology and natural resources, said during a visit to Ivano-Frankovsk city.

“The price of gas to be supplied to China won’t be linked to the US spot market prices,” The Oleska deposit stretches across Lvov and Ivano-Frankovsk regions.

With estimated shale gas reserves of 0.8 trillion to 1.5 trillion cubic meters; Oleska will produce up to 10 billion cubic meters of gas annually, Ignashchenko said. Meanwhile, the project would create thousands of jobs within the next few years, he said. Ukraine, which imports about two-thirds of its gas from Russia, is seeking to diversify its gas sources. It picked Chevron as a partner to extract shale gas in Oleska through tender in May 2012.

Announcements & Reports

► *IEA Medium Term Renewable Energy Market Report – 2013*

Source : International Energy Agency
Weblink : <http://www.iea.org/w/bookshop/add.aspx?id=453>

► *TPAO Crude Oil and Natural Gas Sector Report – 2012*

Source : Turkish Petroleum Corporation
Weblink : <http://www.tpao.gov.tr/tpfiles/userfiles/files/2012-sektor-report-may-eng.pdf>



Upcoming Events

► *2nd China Shale Gas and Oil Forum*

Date : 11 – 12 July 2013
Place : Beijing – China
Website : <http://www.chinashalegasforum.com/>

► *3rd Erbil International Oil and Gas Exhibition*

Date : 2 – 5 September 2013
Place : Erbil – Iraq
Website : <http://www.erbiloilgas.com/>

► *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>

Supported by **PETFORM**

► *All Energy Turkey* **(in Turkey)**

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



► *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>