Oil & Gas Bulletin

▸ *26.07.2013*

Gazprom assures no gas shortages in winter

Today's Zaman, *22.07.2013*

Responding to claims that the dispute with its Ukrainian partner Naftogaz will result in shortages in Gazprom's natural gas supply to Turkey this winter, Gazprom officials said they do not believe the controversy will result in any shortages.

Officials who spoke to the Anadolu news agency on Sunday noted that Gazprom gas has never cut off supplies to its contracted buyers, adding that whenever Turkey had experienced difficulties with its other suppliers; Gazprom always stepped in to provide gas on harsh winter days. Another advantage for Turkey is that the Blue Stream pipeline and it has already been used when Turkey needed extra gas.

Financial inspectors, police raid at Tüpras

Hürriyet Daily News, *24.07.2013*

Finance inspectors reportedly staged a raid at Tüpras July 24 on allegations of manufacturing smuggled fuel, just a day after the oil refiner was named as the country's top 500 company. Officials at the Finance Ministry carried out searches at Tüpras with 20 police officers and fuel specialists starting July 24 morning following a court decision, according to reports.

Yavuz Erkut said the raids were routine audits done by the EMRA authorities, the watchdog ruled out involvement in the probe. Erkut also spoke to the Wall Street Journal over the claims, saying authorities were making a "regular" inquiry.

"This is a physical inventory audit done by Energy Market Regulatory Authority (EPDK) authorities. It's being done as always. These audits are done in groups," he said. The samples obtained from Tüpraş as a result of the probe have been sent to Turkey's science watchdog Tübitak to be examined and some documents have been seized, the same reports said. Tüpras, the majority stake in which is owned by Turkish conglomerate Koc Holding, was named as the largest company of Turkey in the list of the Top 500 Turkish companies for 2012, the Istanbul Chamber of Industry (ISO) announced on July 23. Five of Koc Holding's companies appeared in the top 10 list in 2012, as was the case in 2011.

SOCAR plans to acquire some shares of OMV Petrol Ofisi's subdivision

Reuters, *20.07.2013*

SOCAR intends to purchase POAir company's some shares, which is a subdivision of the Turkish fuel distribution network OMV Petrol Ofisi, Reuters said on Friday, citing a source in the oil and gas market. The source did not disclose the percentage of shares to be bought by SOCAR.

According to the report, around 41.58 percent of POAir's shares are owned by Austrian company OMV, 55.4 percent - OMV Petrol Ofisi holding. Around 3.02 percent of the shares are in free circulation on the stock exchange. POAir owns about 100 terminals for aircraft refueling at airports of Istanbul, Ankara, Antalya, Izmir and Mugla.

These terminals serve about 240,000 planes a year. Currently, SOCAR is engaged in the Star refinery construction in Turkey, as well as interested in power distribution networks of the country. In particular, the Energy Market Regulatory Authority of Turkey (EPDK) issued a license on the gas distribution in the country to SOCAR Gaz Ticareti in January 2013. The license is granted for a period of 30 years. The company will distribute annually 700-800 million cubic meters of gas imported from Azerbaijan to Turkey.

Pirates release Turkish oil tanker hijacked off Gabon

Today's Zaman, *22.07.2013*

Turkey's ambassador to Gabon says pirates have released an oil tanker hijacked last week off the West African country's coast, leaving its 24-member Indian crew unharmed. Ahmet Riza Demirer said the Malta-flagged tanker, operated by the Turkish firm Geden Lines, was released in Nigerian waters early Monday after pirates stole an untold amount of crude oil and other oil products.

Security firm AKE said last week's attack constituted "a significant expansion" of the area affected by piracy in the Gulf of Guinea, occurring 200 nautical miles further south than a previous attack in April.

Iraq signs deal to import Iranian gas for power

Reuters, *22.07.2013*

Iraq has signed an agreement to import natural gas from Iran for power generation, the electricity ministry said on Monday, in a move that could interfere with US efforts to cut off funds for Iran's nuclear development.

Under the contract, Iran will install a pipeline into Iraq and supply it with 850 million cubic feet of gas that will be used to feed three power plants in Baghdad and Diyala provinces, the electricity ministry said. The deal was signed in the Iraqi capital Baghdad between Iraq's electricity minister Kareem Aftan and Iranian oil minister Rostam Qasemi. There was no media access to the ceremony.

Sanctions to prevent Iran exporting its oil and gas are one of the main tools Washington is using to choke off funding to Tehran's nuclear program, which it suspects is aimed at developing the capability to make nuclear weapons. Iran says the nuclear program is for generating power and medical devices. Iraq will buy the contracted gas according to international prices each day from Iran under the four-year deal, which could be extended, generating 2,500 megawatts.

The 42-inch 220 kilometer gas pipeline will pass through Iraq's Mansuriyah gas field near the Iranian border, through the volatile province of Diyala to supply a nearby power station and reach Baghdad, where it will branch into two lines that will supply two power plants. The pipeline is expected to be completed in two months and is being built by Iran Consulting Group (ICG) on the Iraq under a contract worth $365 million, the electricity ministry said in a statement. "The pipeline section inside Iraq was supposed to be completed last month, but the unstable security situation in Diyala province and property issues have delayed the project which is expected to finish after two months," the statement said.

Almost 10 years after the US-led invasion that toppled Saddam Hussein, investment is needed in most of Iraq's industries, not least power generation, which produces just 8,800 MW of the 14,000 MW needed. The dilapidated national grid supplies only a few hours of power a day, leaving Iraqis to swelter in the summer months, when temperatures can top 50 degrees Celsius. Existing U.S and European sanctions cover investment in Iranian gas, but do not specifically outlaw imports.

Other countries that import Iranian oil, like South Korea, must make continuous cuts to keep getting six-month waivers on the US sanctions. Iran and Iraq fought an eight-year war in the 1980s in which hundreds of thousands were killed, but ties have improved since Saddam was ousted by the US invasion and a Shi'ite-led government came to power in Iraq.

Total interested in buying rights in Cyprus Block 12

Bloomberg, *21.07.2013*

French energy major Total is interested in buying rights in Greek Cyprus's Block 12 from Noble Energy Inc. and its partners Delek Group Ltd. units Avner Oil and Gas LP and Delek Drilling Limited Partnership, Charles Ellinas, CEO of state-owned Greek Cyprus National Hydrocarbons Co. has told Bloomberg.

In his estimate the potential for gas discoveries in the licenses already allocated could amount to 40 trillion cubic feet. Greek Cyprus intends expanding the liquid natural gas (LNG) installation for export beyond its original plan even if Israel does not allow gas exports via the Cypriot facility.

With the ongoing uncertainty regarding Israel's policy on gas exports, sources in Cyprus told Globes that "We are very interested in cooperation with Israel but we are not talking about a necessary condition for realizing our development program in the energy sector." Greek Cyprus is promoting a plan to build an LNG facility near Limassol at an investment of $12 billion. The facility will contain three production lines and the government recently signed a memorandum of understanding on the matter with Noble Energy, Avner and Delek Drilling. Noble owns 70% of Block 12 (Aphrodite) and the Delek units hold 15% each. Under the terms of the agreement the first production line will be built at a cost of $6 billion with annual output of 5 million tons, or 8 bcm of natural gas.

Subsequently a second two other production lines will be built each with a similar capacity at a cost of $3 billion each. The facility should be operating by 2019 with construction involving 10,000 workers beginning in 2016. Block 12 (Aphrodite) with up to 200 BCM and a further field that Noble expects to discover will supply gas to the facility. Noble is currently conducting a test drilling to try and estimate the size of the field. Development of the field could be affected by a spillover into Israeli economic waters.

With this in mind, Israel and Greek Cyprus have been conducting talks for the past three years to reach a unitization agreement for arrangements in cooperation over the energy reserves of the two countries. Sources in Greek Cyprus recently told Globes that if the agreement is not signed then Greek Cyprus will have no choice but to develop is fields without an agreement.

However, sources in Israel currently believe that such an agreement will be signed by the end of 2013 at the latest after the findings from the Block 12 drilling are received. At the same time Greek Cyprus is pushing ahead in developing other licenses that were distributed last year to leading global energy companies. Total already holds licenses for Blocks 10 and 11 and Italy's ENI holds the 2, 3, and 9 licenses together with South Korea's Kogas. These groups have said that they would be interested in taking part in the development of the future LNG installation.

Gas feud may raise Cyprus partition option, Turkey says

Today's Zaman, *21.07.2013*

Turkey's deputy prime minister has said Cyprus' formal partition may come up as an option in renewed talks to reunify the ethnically divided island if Greek Cypriots don't share newfound gas deposits with Turkish Cypriots.

Deputy Prime Minister Besir Atalay was speaking on Saturday at celebrations marking Turkey's 1974 intervention on the island that followed a coup by supporters of union with Greece. Turkish Cypriots declared independence in 1983, but only Turkey, which maintains 35,000 troops there, recognizes it. Turkey strongly objects to a search for mineral deposits by the Greek Cypriot administration.

Atalay's remarks were interpreted as a growing frustration in Ankara over sharing of the energy reserves off divided Cyprus. Turkey has long warned the Greek Cypriot government against unilateral moves to extract natural gas and oil reserves off Cyprus, saying the Turkish Cypriots, who run their own state in the north of the island, also have a say on these reserves. This is the second time this year Ankara is using the rhetoric of partition in divided Cyprus after 30 years of not touching upon it.

Back in March, Foreign Minister Ahmet Davutoglu said if Greek Cyprus insists on using hydrocarbon reserves off the island to overcome its debt crisis without the consent of the Turkish Cypriots, Turkey is ready to discuss a two-state solution on the island. Greek Cypriots say both sides can share in the potential bounty after a reunification accord is achieved. Observers argue a speculated gas pipeline from Israel to European markets via Turkey could add a new dimension to discussions with Greek Cyprus possibly joining this new route.

Cyprus has been divided into a Turkish north and a Greek Cypriot south since 1974, when Turkey sent troops in the aftermath of a Greek-inspired coup to unite the island with Greece. In 2004, a UN plan to reunite the island, backed by Turkey, collapsed because the Greek Cypriots rejected it in a referendum. Talks between Turkish and Greek Cypriot leaders to reach an agreement on a reunification plan have failed to produce any breakthrough. The talks are on hold as Greek Cyprus' newly elected leader, Nicos Anastasiades, is focused on the debt crisis.

TAP is a new corridor for Turk-Greek ties

Hürriyet Daily News, *20.07.2013*

A new energy relationship between Turkey and Greece, based on the Trans Adriatic Pipeline (TAP), a pipeline project to transport natural gas from the Azeri shore of the Caspian Sea through Greece, Albania, the Adriatic Sea, Italy and further to Western Europe, will be a project of "friendship," Greek Foreign Minister Evangelos Venizelos has said.

"We decided to gather the third High Level Strategic Council Meeting after we assume the EU presidency," Venizelos said yesterday at a joint press conference with his Turkish counterpart Ahmet Davutoglu. The gas pipeline is a new corridor for Turkish-Greek relations said Davutoglu.

"This zone will further strengthen our bilateral ties … Other friendly Balkan countries could also be involved in this zone," he said. Over a question about the issue of an exclusive economic zone between Turkey and Greece, Davutoglu said he was hopeful. "Problems related to the Aegean Sea and areas of cooperation are already handled by an existing mechanism. Instead of unilateral declarations, both sides should widen the areas of cooperation … I am very hopeful about this, hopefully we will bind the two parts of Aegean Sea with tourism and trade, as we did in Edirne [on the TAP path] with energy," he said.

Shale gas; risks and opportunities for Turkey

Hürriyet Daily News, *23.07.2013*

Turkey is ready to produce shale gas, according to Environment and Urban Planning Minister Erdogan Bayraktar. Bayraktar, who attended the European Union Environment Ministers meeting in Vilnius recently, mentioned Turkey's shale gas potential and said shale gas would be produced according to defined criteria without polluting the environment.

Bayraktar added that Environmental Impact Assessment reports, known as EIA, should also be taken into consideration during the shale gas production. It is pleasing that Bayraktar has mentioned EIA.

The ministry, which is in a love-hate relationship with the EIA reports, had announced with a bylaw, which was published in the Official Gazette this past April that major projects would be exempt from EIA. As I have mentioned, even though the EIA part has relieved me, the question marks in my head about shale gas production are not few. Like the chief economist of the International Energy Agency Fatih Birol said, the “shale gas revolution” in the US has turned all of the energy equations upside-down.

The US since 1997 for the first time has produced more than the oil it has imported. In fact, it is calculated that in 2020 it will exceed Saudi Arabia’s production. Shale gas production, which provided employment for 600,000 people in 2010, will offer 1.6 million people an employment opportunity. This is the bright side of the medallion. As for the dark side, there is a worrisome report recently presented by nine scientists to the American National Academy of Sciences. Scientists who analyzed 141 drinking water wells in the state of Pennsylvania, where shale gas production hits a record high, determined that 80 percent were polluted by coal gas and some other gases.

Scientific researches about shale gas that have aroused big arguments in France are continuing both in the US and in Europe. France, which had forbidden breaking rocks with the “hydraulic method” in 2011 for the production of shale gas, is after new technologies. There are concerns that shale gas production can trigger earthquakes apart from polluting the groundwater. For a country like Turkey that lies in the seismic belt, this is a danger that cannot be disregarded.

So what is Turkey’s shale gas potential? Melanie Kenderdine, one of the energy experts from the Massachusetts Institute of Technology (MIT) who was in Istanbul in April 2012 on Sabanci University’s invitation, had issued Turkey’s shale gas potential as 420 milliard cubic meters. This is an amount that can meet Turkey’s 10-year energy needs.

Turkish Petroleum Corporation (TPAO) is conducting joint operations with Shell for shale gas in the Mediterranean, Black Sea and Diyarbakir. TPAO conducting joint operations with Exxon Mobil on shale gas is also on the agenda. According to Shell’s senior managers in Turkey, the operations about shale gas are still on the research stage and it is too early for tangible data. Even when gas with commercial productivity is attained, it will probably take an average of 10 years for the gas to reach the houses and factories.

Therefore, even though the Environment and Urban Planning Minister Erdogan Bayraktar heralded the shale gas production, Turkey will not benefit from this any time soon. We have a long way ahead. My wish is that during this time scientists in Turkey also conduct scientific researches, taking the land’s geological characteristics into consideration. Another wish is that politicians, who have disregarded the opinions of the academic experts like in the examples of “urban transformation” and energy projects that threaten the environment, will act with more care.

Rosneft seeks Azeri gas field stake

Reuters, *25.07.2013*

Russian oil major Rosneft is seeking a stake in Azerbaijan's Absheron gas project, sources close to the talks said, in the latest move that may help it become a competitor of Russia's gas exporter Gazprom.

Rosneft CEO Igor Sechin discussed a possible role in Absheron with Azeri President Ilham Aliyev during a visit to Baku this month and has also been in discussions with the project's leader, France's Total, the sources said. Azeri state oil company SOCAR and the French oil company each hold 40 percent of the project to develop Absheron, offshore field on the Caspian Sea, under production-sharing agreements.

The remainder is held by GDF Suez. Exploratory drilling by Total showed the field contained 150 billion to 300 billion cubic metres (bcm) of gas resources. The find was declared commercial in 2012. Azeri officials have said Absheron and other new fields would significantly increase Azeri gas exports in coming years, beyond the 10 bcm it has already pledged to Europe and 6 bcm it has pledged to Turkey from the giant Shah Deniz field 25 km from Absheron.

These Azeri exports are set to compete with supplies from Gazprom, which holds a monopoly on exports of Russian gas and covers a quarter of Europe's gas needs through pipelines. For Rosneft, an Azeri deal would be its foreign foray that could put it into direct competition with Gazprom in sales to Europe. Rival new pipeline projects are being planned to reflect the future competition between Azeri and Russian gas. Aliyev and Sechin discussed cooperation in oil and gas during the meeting, Rosneft said in a news release.

In response to a request for comment on the Absheron talks, Rosneft said it was studying options in Azerbaijan but did not comment on potential participation in specific projects. Rosneft has made its growing gas business a top priority. Sechin has stopped short of openly challenging Gazprom's monopoly on the exporting of Russian gas but has sought to sidestep it - initially by striking a deal with Exxon Mobil to build a plant to liquefy natural gas from their Sakhalin-1 project in the Pacific.

In a sign of frustration with Gazprom's gas export monopoly, the Kremlin has launched a debate on export rights for producers of LNG, though President Vladimir Putin has warned other Russian companies against competing with Gazprom in exports to Europe For the next 10 years, Azerbaijan is seen as the most secure source of new pipeline gas exports to Europe. European buyers have struggled to find alternatives to Gazprom, whose contracts link prices to oil, generally making its gas expensive by comparison with the spot gas market. Azerbaijan plans to start exporting Shah Deniz gas in 2019 to Europe in 2019 through the Trans-Adriatic Pipeline (TAP), chosen last month by Azerbaijan and Shah Deniz operator BP.

Expanded export capacity to countries bypassed by TAP could be fed by Absheron and other new generation fields such as Shafag-Asiman, which will be developed under a production-sharing agreement with BP, Azeri officials said at a ceremony to announce the selection of TAP last month. One of the sources close to the talks on Absheron said Rosneft could seek additional partnerships in Azerbaijan through BP, the biggest foreign player in Azerbaijan and holder of a 20 percent stake in Rosneft. BP bought into Rosneft with part of the proceeds from the sale of its Russian joint venture, TNK-BP.

Of all the former Soviet oil exporting states, Azerbaijan has been the most aggressive in courting Western investment in energy. It allowed BP in particular to gain control of much of its hydrocarbon production under production-sharing agreements, while SOCAR continued to dominate infrastructure and refining. Russia so far has had little participation in the Azeri energy industry. Gazprom has kept a foot in the door through small purchases of Azeri gas for export in recent years. Sechin's visit to Baku, which followed the decision on TAP by a matter of days, could be a sign that the Azeris are shifting some attention back to Russia, perhaps to keep a balance of influence after committing the bulk of its gas resources to Europe.

Khor Mor LPG plant back online

Upstream, *22.07.2013*

Joint operators Dana Gas and Crescent Petroleum have completed a US$15mn upgradation of the Khor Mor LPG plant in the Kurdish region of Iraq and recommenced production at the facility. The latest safeguarding and control technology installed at the plant will enhance safety and control over the loading process.

Khor Mor LPG plant can currently produce as much as 2,548 cubic metres per day for the regional market. Meanwhile, total cumulative petroleum production by Dana Gas and Crescent Petroleum in their operations in the KRG of Iraq has now reached 88mn barrels of oil equivalent.

Since October 2008 total investment for the plant reached more US$1bn, read a statement. Also more than 11.7bn cubic metres of gas and 18mn barrels of condensate and liquids have been produced, with the gas supply to local power stations enabling 2,000MW of electricity generation to the region for the past five years.

No easy to break gas dominance of Russia

Reuters, *20.07.2013*

The European Union aims to diversify away from Russian natural gas supplies, yet Reuters research indicates the EU's biggest provider a decade from now could easily still be Russia. Billions are to be spent on piping gas from Azerbaijan while new finds in Africa and eastern Mediterranean also promise new supply for the EU, which currently buys mostly from Russia and Norway.

Europe also gets liquefied natural gas (LNG), mostly from Qatar, and the U.S. shale boom could free up LNG exports from there in coming years, too. But growth in Europe's demand for gas will eat up much of the new potential supply.

Russians show little willingness to fade away as they gear up to defend their position through massive projects, such as the $35 billion South Stream pipeline to Italy. "Russia will continue to remain Europe's primary energy supplier, including natural gas supplies, for many years and possibly decades," a U.S. congressional research paper on Europe's energy security said in March. Reuters' own research indicates that in 2023 Russia will likely remain the dominant supplier, as it boosts exports while EU and Norwegian output declines.

Of the EU's current annual demand for 485 billion cubic metres of gas, Russia supplies some 150 bcm. Yet even if Gazprom continues to resist calls to stop linking gas with oil, analysts say its supplies to Europe should drop no lower than around 130 bcm by 2023, meaning they would still account for a quarter of the market, ahead of Norway. Risks to EU hopes for reducing Russian supply include political hurdles and daunting development costs.

Azerbaijan plans to supply 16 bcm of gas towards the end of the decade, with 6 bcm going to Turkey and 10 bcm eyed for Italy, at costs to develop the new pipeline estimated at $2-5 billion. Reuters research shows that other new supply, such as LNG from the eastern Mediterranean would unlikely exceed 15 bcm a year by 2023, and that would be contingent upon Greek Cyprus building an LNG terminal estimated to cost $10 billion

OMV to book $73 million writedown over Nabucco pipeline project

Reuters, *24.07.2013*

Austria's OMV said Wednesday it will book a Euro 55 million ($73 million) one-time loss during the second quarter of 2013 from the writedown of assets related to its share of the failed Nabucco West pipeline project.

The producer also said its oil and gas output slipped 2.6% in the second quarter from year-ago levels due to floods in Austria, technical problems in Kazakhstan and security problems and strikes in Libya. OMV, the lead partner in Nabucco West, lost out last month to a rival pipeline project to bring gas from BP's giant Shah Deniz field offshore Azerbaijan to Europe.

For years OMV had promoted the Nabucco pipeline to bring Azeri gas to countries represented by the project's other shareholders, namely Hungary's MOL, Romania's Transgaz, Bulgarian Energy Holding and Turkey's Botas. The producer said it would book the writedown as a net special charge in its second-quarter results. On production, OMV said its oil and gas output fell to 297,000 b/d of oil equivalent in the second quarter, down from 305,000 boe/d in the year-ago quarter.

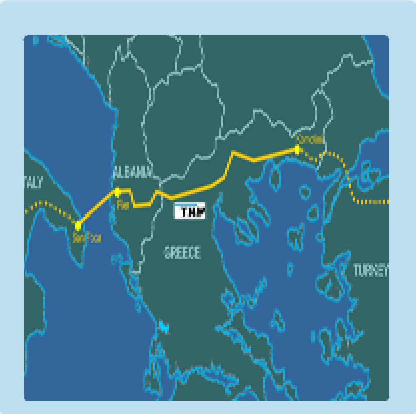
"This decrease was partly offset by higher quantities in Romania and New Zealand," the company said in a statement. In February, the company said it expected total output in 2013 to average around the same level as 2012 -- around 303,000 boe/d. Late last year, OMV said it was on track to hit a new production target of 350,000 boe/d by 2016, despite its recent production problems in Libya and Yemen.

Sales volumes in the quarter were slightly above the previous quarter, however, reflecting higher liftings in Tunisia and higher gas sales in Austria, the company said. OMV said its second-quarter earnings were also likely to suffer from weaker oil prices, despite the positive effect of a stronger US dollar versus the Euro. Exploration expenses were below the previous quarter which was burdened by the write-off of an unsuccessful exploration well in Norway and due to lower seismic costs in Romania, OMV said.

OMV said its reference refining margins in the quarter fell sharply over the same period of 2012 and over the previous quarters. The margin averaged $2.48/b in Q2, compared with $4.15/b a year before and $3.01/b in the first quarter this year. "The OMV indicator refining margin decreased compared to Q1 influenced by weaker middle distillates and naphtha spreads as well as a tightened Urals differential," OMV said. The company said, however, weaker margins were "almost fully compensated" by higher refinery utilization rates after the scheduled partial turnaround in Bayernoil in first quarter, as well as a seasonal increase in sales volumes and cost reductions. Refinery utilization rates averaged 94% in the quarter, up from 87% in Q1 and 80% the year before.

Greece aims to link TAP with regional strategic gas facility

Natural Gas Europe, *24.07.2013*



The selection of the Trans-Adriatic Pipeline (TAP) has led to plans by all interested parties to boost the energy diversification of Southeastern Europe in the near future, using optimum methods such as interconnectors and natural gas storage facilities. Regarding the latter, the Greek Ministry of energy is trying to revitalize an old plan to create a significant strategic depot in the Kavala region in the North of the country, right beside the proposed route of TAP.

According to unofficial commentary by Greek sources, plans include the creation of a gas hub by around 2018-2019 when the first flow of Azeri gas will traverse the region via TAP.

A gas storage facility envisaged is said to have a capacity of around 1.25 bcm that will both cover emergency needs of Greece, along with Bulgaria's, through the Interconnector Bulgaria-Greece (IGB), which is due to be operational by 2015. A second phase after 2020 will aim to materialize an LNG terminal both for export of Azeri gas into the international markets or for imports that will then be re-exported to the Bulgarian, Romanian and Hungarian markets through interconnectors in these countries.

Furthermore, Albanian authorities are said to be in similar talks with TAP's management in order to create gas storage facilities in the Adriatic Sea. Presently TAP is scheduled to transfer 10 bcm, an amount deemed not sufficient for the fulfillment of all plans. As such the Greek government is seriously thinking of fully privatizing the designated gas storage facility in Kavala and said to be actively engaging SOCAR with aims to form a strategy of storage facilities of its production in Greece and link those projects with international LNG trade.

It should be noted that similar negotiations were underway late 2012 and in May 2013 between Athens and Russia's Gazprom and Sintez that were at that time interested in buying DEPA and DESFA, though interest eventually waned conveniently just days before the announcement of Nabucco's defeat. In that sense, the Greek Administration is trying to use the Azeri interest in DESFA, which is close into materializing a business deal, as a way to stay in the regional energy game and establish a natural gas hub.

Regarding SOCAR and DESFA, the former is about to submit its €40 million guarantee letter to the Greek privatization authority. In the coming weeks an additional €400 million is expected, so as to close the deal that will see SOCAR obtain 66% of the Greek gas network manager. Lastly, Greece's Energy Ministry is viewing TAP's selection as an integral project for the country's economic revival and plans to lay down further plans in the coming months for its expansion to both the Azeri side and the rest of the countries that the pipeline is going to pass through, Italy and Albania.

Macedonia and Russia sign South Stream agreement

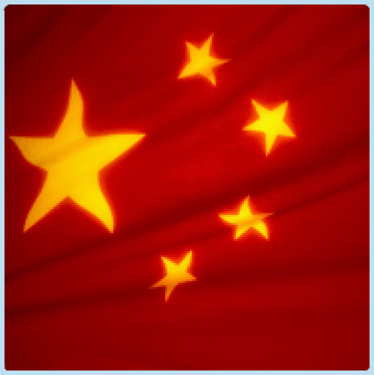
Natural Gas Europe, *23.07.2013*

Russia and Macedonia plan to construct a line from the South Stream pipeline. Russia's Ministry of Energy commented that an agreement for the pipeline to deliver gas to the Balkan country was signed during meeting of Russian Energy Minister Alexander Novak and senior Macedonian officials including Prime Minister Nikola Gruevski.

US Itar-Tass reports that the document calls for the creation of a joint company with ownership divided evenly between Gazprom and Macedonian Energy Resources. The agreement also provides guarantees that Macedonia will facilitate a favorable customs and tax environment for the project.

China's oil imports from Iran shrink in first half

Reuters, *22.07.2013*



China's daily crude oil imports from Iran fell 1.9 percent in the first half of the year from the same period in 2012, making it easier for it to stake a claim later to a waiver extension on U.S. sanctions against the Middle Eastern nation.

Countries that import Iranian oil must make steady reductions in their volumes to continue to receive six-month exemptions from the U.S. sanctions aimed at cutting off Iran's oil revenues and bringing it to the negotiating table. China won a six-month waiver in June, along with other Asian importers of Iranian crude, and officials have said Chinese refiners would likely cut Iran shipments 5-10 percent this year

The drop in the first-half volumes came on top of a 21 percent cut in China's purchases from Tehran in the first half of last year. A contract dispute had slashed Iranian oil shipments in the first quarter of 2012. June volumes imported from Iran were also sharply down compared with the same month last year and from May imports. China is Iran's largest oil client, brought in 424,183 barrels per day (bpd) of Iranian crude in the first six months of the year, data from the General Administration of Customs showed yesterday. Compared with the second half of 2012, Chinese imports in the first six months of this year were down 4.6 percent, Reuters calculations based on customs data showed.

New OTC platform to be launched in Romania

ICIS Heren, *20.07.2013*

Romanian energy regulator ANRE has now agreed to launch an over-the-counter (OTC) centralized platform for electricity trading, it confirmed on Thursday. ANRE approved the regulation on the new market for bilateral energy contracts at a regulating committee on 12 July. The document will be published in the official monitor, ANRE told ICIS, but did not say when.

The new market structure follows a proposal earlier sent to ANRE by a council made up of government officials and industry stakeholders - the consultative council (see EDEM 10 July 2013).

After several meetings between ANRE, Romanian power exchange OPCOM and the Association of Energy (AFEER), the regulator agreed to the proposed version for OTC platform, due to be in operation in January 2014, AFEER said in an e-mail sent to traders and seen by ICIS. A source from ANRE said: “We first need to approve the method of trading on the centralized market, while OPCOM needs to prepare for the administration of this market.”

According to the ANRE source, the committee suggested using not only the standard contract set by the European Federation of Energy Traders (EFET), but also private types of contract for a six month transaction period. Products traded on the platform will have standardized volumes, delivery times and contract types, like for instance base load and peak load. Traders will be able to list the counterparties they wish to trade with, while deals can to be cancelled 10 minutes after they have been settled if both parties agree.

The offered price can be changed after it is put online. ANRE also proposed making trading transparency by publishing the price and volume traded. If a price is 10% higher than the previous transaction on the same curve contract, then full details of the trade will be published. ANRE previously suggested that all trading contracts would be published, but traders active on the Romanian market expressed their concerns regarding this change to the initial proposal.

Transneft starts transportation of Turkmen oil through Makhachkala port

TrendAZ, *22.07.2013*

The first tanker with Turkmen oil arrived in the Russian port of Makhachkala, online publication Oil Transport Territory reported with reference to the official representative of Transneft Company Igor Demin.

Turkmen side as the owner of the cargo, the oil will be transported by Makhachkala - Novorossiysk pipeline for export shipment. Raw materials supply from Turkmenistan became possible after Dmitry Medvedev signed the order on terminating the intergovernmental agreement between Russia and Azerbaijan on transit of oil through the Baku - Makhachkala - Novorossiysk oil pipeline.

“In the past five years, Azerbaijan has not been fulfilling the conditions of the intergovernmental agreement, which provided for pumping of five million tons of Azerbaijani oil. However, the actual amounts did not exceed two million tons a year,” the article said. From next year, Transneft will deliver Azerbaijani oil on the basis of a commercial contract.

The Makhachkala port requires extensive reconstruction for receiving additional volumes of Turkmen oil, the Oil Transport Territory wrote. Now the maximum carrying capacity of tankers in Makhachkala is 10 thousand tons. The existing oil storage capacity of the port, as well as the lack of depth does not allow unloading large ships. Oil production in Turkmenistan in 2012 amounted to 222,000 barrels a day, an annual review of BP said.

According to the review, in 2011 this indicator was equal to 217 thousand barrels per day. Total oil production in Turkmenistan last year was 11 million tons, which is 2.5 percent more than in 2011. The share of Turkmenistan in global oil production stood at 0.3 percent last year. According to the estimates of BP, in 2012 the oil consumption in the country increased by 3.3 percent - to 100,000 barrels per day. BP has kept unchanged its estimates on proven oil reserves in Turkmenistan in 2012 - at the level of 0.1 billion tons (0.6 billion barrels), as in the previous year.

Nigeria to keep crude oil exports little changed in September

Bloomberg, *25.07.2013*

Nigeria, Africa's largest oil producer, will keep daily crude exports for September little changed from August, according to loading programs obtained by Bloomberg News covering 17 grades excluding Bonny Light.

The nation will ship 63 cargoes totaling 1.94 million barrels a day, the schedules showed. Exports will comprise 12 consignments of Qua Iboe grade, seven of Agbami, five each of Brass, Akpo, Bonga and Forcados, four of Usan, three each of Amenam, Erha, Escravos and Antan, two each of Yoho and Okono, and one each of Abo, EA, Okwori and Pennington. Range in size from 250,000 to 1 million barrels.

It remains unclear whether Nigeria will export Bonny Light in September, four traders with knowledge of the loading program said. No shipments for this grade were planned for August. Royal Dutch Shell Plc declared force majeure on exports of Bonny Light after closing the Nembe Creek Trunkline on April 15 to remove connections oil thieves used on the pipeline.

OPEC oil revenue to decline from 2012's record high, EIA says

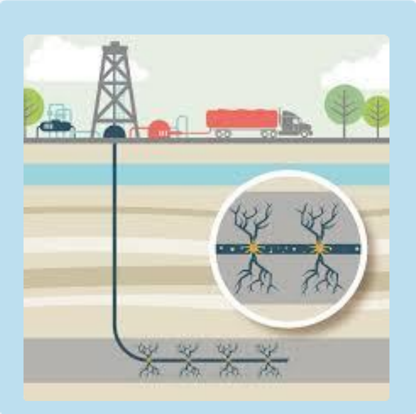
Bloomberg, *23.07.2013*

Bloomberg reports that OPEC, excluding Iran, made $982 billion from exporting oil in 2012, the most in 38 years of data, the U.S. Energy Information Administration reported today. It forecast that sales will drop in 2013 and 2014.

Net oil-export revenue by the 12-member organization climbed 5.4 percent last year from 2011, according to the EIA, the Energy Department's statistical arm. Sales will tumble by 4.3 percent to $940 billion this year and by 3.9 percent to $903 billion next year, the agency said. Demand for OPEC's crude will slip by 300,000 barrels a day next year to 29.6 million barrels.

DOE study points fracking chemicals didn't taint water

AP, *20.07.2013*



A landmark federal study on hydraulic fracturing, or fracking, shows no evidence that chemicals from the natural gas drilling process moved up to contaminate drinking water aquifers at a western Pennsylvania drilling site, the Department of Energy told The Associated Press.

After a year of monitoring, the researchers found that the chemical-laced fluids used to free gas trapped deep below the surface stayed thousands of feet below the shallower areas that supply drinking water, geologist Richard Hammack said. Although the results are preliminary, for more precise results, research will be deepened.

The study is still ongoing — they are the first independent look at whether the potentially toxic chemicals pose a threat to people during normal drilling operations. But DOE researchers view the study as just one part of ongoing efforts to examine the impacts of a recent boom in oil and gas exploration, not a final answer about the risks. Drilling fluids tagged with unique markers were injected more than 8,000 feet below the surface at the gas well bore but weren't detected in a monitoring zone at a depth of 5,000 feet.

The researchers also tracked the maximum extent of the man-made fractures, and all were at least 6,000 feet below the surface. That means the potentially dangerous substances stayed about a mile away from surface drinking water supplies, which are usually at depths of less than 500 feet. “This is good news,” said Duke University scientist Rob Jackson, who was not involved with the study. He called it a “useful and important approach” to monitoring fracking, but he cautioned that the single study doesn't prove that fracking can’t pollute, since geology and industry practices vary widely in Pennsylvania and across the nation. The boom in gas drilling has led to tens of thousands of new wells being drilled in recent years, many in the Marcellus Shale formation that lies under parts of Pennsylvania, New York, Ohio and West Virginia.

That’s led to major economic benefits but also fears that the chemicals used in the drilling process could spread to water supplies. The mix of chemicals varies by company and region, and while some are openly listed the industry has complained that disclosing special formulas could violate trade secrets. Some of the chemicals are toxic and could cause health problems in significant doses, so the lack of full transparency has worried landowners and public health experts. Over the last four years the debate over fracking chemicals has attracted tremendous attention from state and federal agencies, public health experts, and opponents of fracking. Yet while many people have focused on the potential threat from the chemicals, experts have come to believe that more routine aspects of the drilling process are more likely to cause problems. Poor well construction that allows excess gas to escape, spills of chemicals or other fluids that take place at the surface, and disposal of wastewater are all issues of concern.

Jackson said most of the problems that the Duke researchers have seen have been related to well construction, not fracking chemicals. The study done by the National Energy Technology Laboratory in Pittsburgh marked the first time that a drilling company let government scientists inject special tracers into the fracking fluid and then continue regular monitoring to see whether it spread toward drinking water sources. The research is being done at a drilling site in Greene County, which is southwest of Pittsburgh and adjacent to West Virginia.

Eight Marcellus Shale wells were monitored seismically and one was injected with four different man-made tracers at different stages of the fracking process, which involves setting off small explosions to break the rock apart. The scientists also monitored a separate series of older gas wells that are about 3,000 feet above the Marcellus to see if the fracking fluid reached up to them.

The industry and many state and federal regulators have long contended that fracking itself won't contaminate surface drinking water because of the extreme depth of the gas wells. Most are more than a mile underground, while drinking water aquifers are usually close to the surface. Kathryn Klaber, CEO of the industry-led Marcellus Shale Coalition, called the study "great news." "It's important that we continue to seek partnerships that can study these issues and inform the public of the findings," Klaber said.

While the lack of contamination is encouraging, Jackson said he wondered whether the unidentified drilling company might have consciously or unconsciously taken extra care with the research site, since it was being watched. He also noted that other aspects of the drilling process can cause pollution, such as poor well construction, surface spills of chemicals and wastewater.

Jackson and his colleagues at Duke have done numerous studies over the last few years that looked at whether gas drilling is contaminating nearby drinking water, with mixed results. None has found chemical contamination but they did find evidence that natural gas escaped from some wells near the surface and polluted drinking water in northeastern Pennsylvania.

Scott Anderson, a drilling expert with the Environment Defense Fund, said the results sound very interesting. "Very few people think that fracking at significant depths routinely leads to water contamination. But the jury is still out on what the odds are that this might happen in special situations," Anderson said. One finding surprised the researchers: Seismic monitoring determined one hydraulic fracture traveled 1,800 feet out from the well bore; most traveled just a few hundred feet. That's significant because some environmental groups have questioned whether the fractures could go all the way to the surface.

The researchers believe that fracture may have hit naturally occurring faults, and that's something both industry and regulators don't want. "We would like to be able to predict those areas" with natural faults and avoid them, Hammack said. Jackson said the 1,800-foot fracture was interesting but noted it is still a mile from the surface. The DOE team will start to publish full results of the tests over the next few months, said Hammack, who called the large amount of field data from the study "the real deal." "People probably will be looking at the data for years to come," he said. On Friday, DOE spokesman David Anna added that while nothing of concern has been found thus far, "the results are far too preliminary to make any firm claims."

First deepwater well offshore western Ireland

Upstream Online, *24.07.2013*

ExxonMobil plans to P&A its first deepwater exploration well offshore southwest Ireland. The 44/23-1 Dunquin North exploration well in frontier exploration license (FEL) 3/04 was drilled in around 1,700 m (5,577 ft) of water, 170 km (105 mi) from the southwest coast.

Drilling started in late April on the structure, situated on the northern flank of a 700-sq km (270-sq mi) intra-basinal ridge system in the southern Porcupine basin. Operations concluded on July 15 after reaching TD of 16,400 ft (4,999 m) MDBRT. The primary Lower Cretaceous Dunquin target comprised a thick overpressured carbonate reservoir system.

The well was terminated after drilling through 800 ft (244 m) of porous carbonate reservoir. Early well analysis indicates the reservoir is water bearing. However, petrophysical log interpretation, elevated gas levels, and oil shows in sidewall cores over the upper 144-ft (44-m) section of the reservoir suggest there could be a residual (i.e. non-producible) oil column.

John O'Sullivan, technical director of Providence, said: "The Dunquin exploration play comprised two interpreted carbonate features, Dunquin North and Dunquin South. The presence of a potential residual oil column may indicate that hydrocarbon entrapment has occurred at Dunquin North but that the oil has subsequently leaked. "Top seal integrity had been identified pre-drill as a possible risk for Dunquin North, with fluid escape features and seabed core hydrocarbon anomalies present over the prospect. Notably, the separate Dunquin South build-up appears to have a thicker seal and lacks the significant fluid escape features seen further to the north."

Tony O'Reilly, Providence CEO, added that the well "demonstrated that all of the key components of a working petroleum system exist in the southern Porcupine basin. These data are encouraging not just for the adjacent Dunquin South prospect, but also for the basin in general and are likely to intensify the already growing industry focus on this emerging hydrocarbon exploration arena."

Pre-drill studies had indicated that the basin would be gas-prone. Providence says the focus will likely shift now to the separate Dunquin South build-up. Seismic mapping suggests this feature has a much thicker seal and lacks the fluid escape features evidenced to the north, so any potential oil accumulation may still be in place.

Statoil profit dives

Rigzone, *25.07.2013*

Norwegian player Statoil has attributed its 84% plunge in quarterly profit to lower liquids and gas prices and weak trading results. The company posted on Thursday a net income of Nkr4.3 billion ($725.7 million), a significant reduction from Nkr26.6 billion in the second quarter of 2012.

Net operating income also fell by nearly half from Nkr62 billion to Nkr34.3 billion for the three-month period. "Measured in (Norwegian kroner), the 7% lower average liquids price and the 11% lower average invoiced gas price negatively affected net operating income in the second quarter," Statoil said in a statement.

"Gain from the sale of assets and the reversal of a provision related to the early retirement pension, both recorded in the second quarter of 2012, significantly contributed to the decrease," it added. Adjusted earnings were down 17% to Nkr38 billion, while revenues and other income totaled Nkr148.3 billion reflecting a 26% decline on the same quarter last year.

In addition to lower prices, Statoil said the drop in revenues was partly due to the divestment of the Fuel and Retail segment in the 2012 second quarter. Statoil said adjusted exploration expenditure was reduced by 24% to Nkr4.1 billion, mainly as a result of a high portion of current spending being capitalized during the quarter because of commercial wells. "Also, a lower portion of exploration expenditures capitalized in previous periods was expensed in the first half of 2013," it said.

Operationally, Statoil continued to have exploration success, making five discoveries in the quarter. The company also ramped up several fields and is continuing with major ongoing field developments including Gudrun, Asgard subsea compression and Valemon on the Norwegian continental shelf. In the quarter, Statoil ramped up several fields. The company continues to have a high activity level in projects on the Norwegian continental shelf, with major field developments ongoing such as Gudrun, Asgard subsea compression and Valemon.

"The activity level on new field developments is high. We are executing our projects according to plan," Statoil chief executive Helge Lund said in a statement. Exploration spending was Nkr5.1 billion, in line with the 2012 second quarter. Reduced drilling activity in the international business and more expensive wells being drilled in the second quarter last year were offset by higher drilling activity on the Norwegian continental shelf in the second quarter of this year, Statoil said. Total equity and total entitlement liquids and gas output dropped 1% from 2012 to 1.97 billion barrels of oil equivalent and 1.77 bboe, respectively.

Statoil attributed the drop in equity production to the expected natural decline on mature fields, as well as operation disruption at some fields and decreased gas deliveries from the Norwegian continental shelf. Total entitlement output was also impacted by the fall in equity production.

Announcements & Reports

► OECD Oil Information 2013

Source : Organization for Economic Co-operation and Development
Weblink : http://www.oecd-ilibrary.org/energy/oil-information-2013_oil-2013-en

► Energy Balances of OECD Countries 2013

Source : International Energy Administration
Weblink : http://www.iea.org/W/bookshop/add.aspx?id=625

► IEA Renewables Information 2013

Source : International Energy Administration
Weblink : http://www.iea.org/W/bookshop/add.aspx?id=632

► Energy Statistics of OECD Countries

Source : International Energy Administration
Weblink : http://www.iea.org/W/bookshop/add.aspx?id=624

► OPEC Revenues Fact Sheet

Source : Energy Information Administration
Weblink : http://www.eia.gov/countries/analysisbriefs/OPEC_Revenues/opec.pdf

► US Natural Gas Spot Prices

Source : Energy Information Administration
Weblink : http://www.eia.gov/todayinenergy/detail.cfm?id=12191#

► International Energy Outlook 2013 Highlights

Source : Energy Information Administration
Weblink : http://www.eia.gov/forecasts/ieo/?src=home-b1

Upcoming Events

► 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

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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

► Global Gas Opportunities Summit *(in Turkey)*

Date : 1 – 3 October 2013
Place : Istanbul – Turkey
Website : http://www.fleminggulf.com/conferenceview/Global-Gas-Opportunities-Summit/209

► 21st Kazakhstan International Oil & Gas Exhibition and Conference

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

► 22nd World Energy Congress

Date : 13 – 17 October 2013
Place : Daegu – South Korea
Website : http://www.daegu2013.kr/eng/index.do

► 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

Supported by PETFORM

► *EIF International Energy Congress and Fair* *(in Turkey)*

Date : 24 – 25 October 2013
Place : Ankara – Turkey
Website : http://www.enerjikongresi.com/en/

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► *The Economist European Energy Summit* *(in Turkey)*

Date : 30 – 31 October 2013
Place : Istanbul – Turkey
Website : http://cemea.economistconferences.com/event/european-energy-summit#.UfJAK40vlbF

► *Gas to Power Turkey 2013* *(in Turkey)*

Date : November 2013
Place : Istanbul – Turkey
Website : http://www.biztradeshows.com/trade-events/world-shalegas-exhibition

► *World Shale Gas Conference & Exhibition*

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

► *Abu Dhabi International Petroleum Exhibition and Conference*

Date : 10 – 13 November 2013
Place : Abu Dhabi – UAE
Website : http://www.adipec.com/page.cfm/Link=1/t=m/goSection=1

► *European Unconventional Gas Summit 2014*

Date : 28 – 30 January 2014
Place : Vienna – Austria
Website : http://www.theenergyexchange.co.uk/event/european-unconventional-gas-summit-2014#tab-country1