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Energy Minister hints at natural gas price hike

Today's Zaman, *09.09.2013*

Shortly after he assured there would be "no hike" in natural gas prices for households, Energy Minister Taner Yildiz on Monday suggested that "global developments might push them to make some arrangements," igniting speculations of a price hike.

Yildiz appeared on TV evaluating the latest developments in markets: "Lingering civil unrest in Syria and Egypt has had a negative impact on global energy prices. These are crude and natural gas producers at the end of the day." He asserted that it is too early to comment on any price hike in natural gas. He added that "it is clear that the costs are increasing."

Observers argue this might refer to a possible price increase in natural gas ahead of this winter. In Turkey, natural gas consumption peaks during the winter season and, in the past, the country has suffered certain problems in supply from major providers like Iran and Russia. Yildiz earlier said he did not expect a shortage in natural gas this winter. Another factor the minister cited for a possible price hike in gas was the fluctuations in foreign exchange. The Turkish lira losing value against the US dollar is another setback, he noted.

Iran to export gas to Europe soon

Fars News, *09.09.2013*

An Iranian official said according to negotiations between senior Iranian energy officials and a European country, that he did not name, Iran is due to supply gas the given European nation via Turkey. He said some Iranian and European banks will be in charge of payment settlements, adding that talks with those banks have already taken place.

"The unnamed European country has asked for importing between 20mln to 25mln cubic meters of Iran's gas on a daily basis," the source added. The two sides will discuss the exact volume of gas supplies and also the price in their negotiations in the next two months.

“Iran and the European country will sign the deal for export of Iran’s gas to that country before the end of 2013, hence paving the way for export of Iran’s gas to Europe for the first time,” he added. In May, former Iranian Oil Minister Rostam Qassemi announced that gas exports earn the country 20 to 25 billion dollars a year. The former minister laid emphasis on the political and security significance of Iran’s gas exports to the neighboring states. With 137.6bln barrels of proven reserves, Iran enjoys the world’s fourth largest crude deposits, and the second largest gas reserves, estimated at 29.61 trillion cubic meters.

New instruments on way for energy bourse

Hürriyet Daily News, *12.09.2013*

The Istanbul stock exchange plans to introduce new financial instruments for new participants, such as an energy bourse, by 2014 and 2015, Bourse Istanbul (BIST) Vice President Mustafa Kemal Yilmaz, said yesterday during the All Energy Turkey Conference and Exhibition.

Yılmaz stated that the energy bourse, EPIAS, which would by founded within the body of BIST, would be important for the transformation of the energy sector, adding that BIST’s experience would be effective in the formation of pricing mechanisms in energy markets.He said BIST would introduce new spots and timed-instruments for different sectors.

“Our goal is to offer new instruments for different markets’ participants, such as the energy sector, with the aim of risk management in the coming period. We will see it introduced by 2014 and 2015,” he said. Speaking at the same event, Energy Ministry Undersecretary Metin Kilci said the share of the Turkish Electricity Transmission Company (TEIAS) in the energy bourse would be 30 percent, the share of BIST would be 30 percent, and that of the private sector would be 40 percent.

Yılmaz said that after founding the EPIAS, electricity buying-selling operations would be realized through the markets, adding that the agreements on natural gas and emission products would be concluded within the scope of EPIAS. He also said BIST would be responsible for creating efficient prices and offering market participants hedging instruments. Meanwhile, Kilci said Turkey needed to make investments worth around $12 billion every year until 2023 in order to respond to its rising energy demands.

BP inks Kirkuk Letter of Intent

Upstream Online, *11.09.2013*

BP has signed a letter of intent with Iraq's government aimed at exploring the potential to revive the contentious Kirkuk oilfield bordering KRG. The deal, inked in early September and confirmed by the UK supermajor and a Baghdad official, could give BP access to reserves in the north of Iraq.

Reuters quoted Iraqi Oil Minister Abdul Kareem Luaibi as saying on Wednesday that the deal was struck about 10 days ago. A BP spokesperson confirmed the signing of the letter of intent but did not provide further details. The news wire first reported in late August that the contract was imminent.

It is believed the BP will pump $100 million over an 18-month period into helping Iraq's government assess how to arrest the decline in production at the field. BP will work on the Baghdad-administered side of the border on the Baba and Avana geological formations. Kirkuk's third formation, Khurmala, is controlled by the KRG and being developed by the Iraqi Kurdish KAR group. The KRG had already termed any eventual deal with BP illegal as it was not consulted on the process. BP's involvement at Kirkuk has been under negotiation for more than a year.

The agreement is not a technical service contract like what BP has at Iraq's giant Rumaila oilfield in the south. However, it is thought that this may be the ultimate goal of both parties at Kirkuk. Output at the 78-year-old Kirkuk field has slumped to around 280,000 barrels per day from 900,000 bpd in 2001 after years of injecting water and dumping unwanted crude and products into the field. Iraqi officials have said they would like BP to raise production capacity to around 600,000 bpd in 5 years.

First oil at giant Kashagan field

Upstream Online, *11.09.2013*

The long-delayed supergiant Kashagan field has produced its first oil, the North Caspian Operating Company has said. The Caspian field situated 80 kilometres southeast of Atyrau is thought to hold as much as 35 billion barrels of oil in place.

It is expected to produce 180,000 barrels per day in the initial phase before ramping up to 350,000 barrels per day. The field is being brought online almost a decade later than had first been envisaged by the seven-member venture, which was formed in 1997. ExxonMobil, Shell, Total, Eni and Kazakhstan's KazMunayGas each hold 16.81% stakes in the field, with ConocoPhillips on 8.4% and Inpex on 7.56%.

Noble plans to drill Tamar SW prospect

Upstream Online, *10.09.2013*

The Noble Energy-led partnership at Israel's Tamar gas field has decided to go ahead with an exploration probe on the Tamar SW prospect, junior partner Avner Oil Exploration has said. Situated in the Tamar I/12 and licence 353 concessions, the prospect holds a best estimate of 684 billion cubic feet of undiscovered potential.

Avner Oil Exploration said that Houston-based Noble Energy had recommended to it and its fellow partners to drill and test the prospect as it held a high chance of success. The probe will be drilled in about 1650 metres of water to a total depth of 5300 metres at a cost of $122 million, Avner said.

Noble Energy operates the Tamar I/12 licence along with partners Isramco Negev, Avner Oil Exploration, Delek Drilling and Dor Gas Exploration. Its partners at the Eran licence are Avner Oil Exploration, Delek Drilling and Ratio Oil Exploration. 2009's Tamar discovery was one of the biggest offshore finds of the past decade, holding an estimated 10 trillion cubic feet of gas, according to Noble Energy estimates. It began producing for domestic supply in March.

Senators want U.S. to help Israel tap its giant reserves

Natural Gas Europe, *12.09.2013*

Three senators with significant energy policy portfolios introduced legislation yesterday that would encourage more U.S.- Israel collaboration on developing Israel's large offshore natural gas reserves.

The bill rolled out by three senators Mary Landrieu, Ron Wyden and Lisa Murkowski would encourage U.S. sponsored research programs such as the National Science Foundation, academic institutions and U.S. energy companies to work with Israel on the development of its newly found substantial natural gas fields in the Levant basin of the Eastern Mediterranean Sea.

Israel has an estimated 30 trillion cubic feet of natural gas that, if developed, could supply Israel's expanding energy needs and help supply Jordan and Turkey. Two large gas fields are being explored and developed by Houston-based Noble Energy Inc. and its Israeli partners, Delek Drilling Ltd. Partnership, Avner Oil Exploration LP and Isramco Negev 2 LP. The largest of the offshore formations is called Leviathan and is estimated to hold 16 trillion cubic feet of gas. To put that into perspective, the U.S. economy consumes about 25 trillion cubic feet a year of gas.

For the far smaller nation of Israel, analysts say further development of its offshore gas bounty would be an economic boon and a geopolitical gain. "If the Israelis can pull it off, there would be huge security benefits for Israel and its neighbors," said David Goldwyn, a former U.S. State Department global energy affairs coordinator. Still, the prospect of exporting Israeli gas throughout the region or to Asia has been hotly debated within Israel. Mirroring aspects of a similar debate taking place in the United States, Israel's top court and government under Prime Minister Benjamin Netanyahu are considering how much gas should remain in Israel to ensure its energy security and boost domestic industries. Noble has encouraged the government to agree to liquefied natural gas exports. The mid-sized Houston oil and gas explorer has said exporting some of the gas at a higher global price is needed for Leviathan's development to be economical for project investors. If the gas stays in Israel, the state-run utility could be the project's sole supply contract, a prospect that tends to discourage large-scale investments in risky oil and gas exploration.

"The reality is that offshore drilling is the most dangerous sector in oil and gas, and doing it in the Middle East, offshore Israel, adds a whole layer of risk," said Gal Luft, co-director of the Potomac, Md.-based Institute for the Analysis of Global Security. "The big multinationals are not interested in getting into this game at this stage." Goldwyn said that up to this point, the U.S. government has remained at arm's length, offering Israel insights into the potential pros and cons of exporting gas but steering clear of domestic politics.

Noble and its Israeli partners are awaiting an Israeli court's decision about gas exports but have continued to press ahead with exploration. Yesterday, the partnership announced it would start drilling in a third field, called Eran, which is off Israel's northern coast. Israel is already getting gas from its offshore Tamar field, after the Israel Electric Corp. signed a 15-year contract last year to buy gas from the Noble-led producers.

In statements accompanying the proposal on Capitol Hill, Landrieu talked about the potential for Israel to "achieve energy independence" and her state of Louisiana's potential role in advancing Israel's gas reserves. "The Gulf Coast arguably has the most advanced offshore oil and gas industry in the world, and we are uniquely qualified to lead the effort to help Israel develop this source," she said. The legislation "recognizes energy cooperation between the two countries as a strategic interest of the United States," according to the bill summary. Further, it encourages collaboration on "energy innovation technology, technology transfer, and analysis of geopolitical implications of new natural resource development."

The Landrieu-Wyden-Murkowski bid for U.S.-Israel energy cooperation also encourages government-to-government collaboration on developing Israel's environmental management and regulatory best practices. It also allows cooperative agreements between the U.S. Energy Department and Israel and expands existing grant programs such as the Binational Industrial Research and Development Program (BIRD) to include natural gas-focused projects.

The presumed new axis in Cyprus

Hürriyet Daily News, *11.09.2013*

It is becoming clearer that the "gas" hopes of the Greek Cypriot side have started to evaporate with many reliable reports stressing the amount of "recoverable" gas at the so-called Aphrodite field, or block 12, will be a fraction of the original high expectation. That is, it is becoming clearer to everyone that construction of LNG plants or building a pipeline through the Mediterranean to Greece will not be feasible at all.

That is excluding the already expressed Turkish proposal to "buy" all the Greek Cypriot gas for its domestic consumption and re-export any excessive amount to Europe.

There is no economically viable way out to convert "Aphrodite gas" to much needed hard currency to finance the worst economic crisis of the island as well as the resolution of the Cyprus problem. The Turkish purchase, of course, is preconditioned on Greek Cypriots conceding a share of the offshore gas to Turkish Cyprus. That is one bitter reality which is difficult for any Greek Cypriot leader to swallow, of irrespective how well sugar-coated it might be.

As if the island has ever had political stability and reliable security since the last years of British rule, with the help of some pseudo-experts in Washington and Europe – whatever money was spent on them in these difficult times – Greek Cypriots are heralding what a great pillar of stability and security Cyrus offers to the troubled Middle East and the eastern Mediterranean. Put aside the Cyprus problem and all other factors, including the impacts of British sovereign bases, can Cyprus indeed be an island of security and stability if Syria is hit by the U.S. and its "coalition of the willing?"

There have always been buyers for any fairytale or Pollyanna story. It's human psychology perhaps, but anyone with some brains would see that a settlement of the Cyprus problem cannot and will not be achieved unless some sort of a game-changing approach replaces the ages-old negotiations platform between a state and a minority. Why should the state compromise and share its powers with a minority? Greek Cypriots don't have any motivation to agree to a bitter compromise resolution, excluding some territory, they practically have everything while Turkish Cypriots are being sandwiched between Greek Cypriots and Turkey, with no way out except through a bitter compromise deal, federation, confederation or two states – whatever that settlement might be.

Could, as Greek Cypriot pens lingers on the island and elsewhere prefer to assume nowadays, the United States get a divorce, abandon Turkey and realign itself with Greek Cypriots because of the gas finds? Could there indeed be a new axis of Cyprus, Israel, Egypt and Greece? Where would the U.S. be in this? Or, where would Russia be placed? Indeed, with its self-isolationist warmongering, Turkey has been providing every ammunition to the Greek Cypriot daydreamers that with Turkey's importance dwindling, Washington and its allies will start giving more prominence to the Greek Cypriots and their cause of getting rid of Turkish Cypriots with the minimal cost and making the entire island a "Hellenic paradise."

A sunken economy, raw dreams and arrogance cannot take Greek Cypriots or the axis they dream of establishing anywhere because irrespective of present-day woes, Turkey, Egypt, Israel, Iran and of course Syria, Iraq and Russia have always been and will be the main actors of any scenario to be played in this geography as Cyprus and such trivial actors play some inconsequential roles if and when needed. The only way out for Greek Cypriots is to stop barking at Ankara. That's in their best interest.

US approves Dominion Cove Point plans to export LNG to non-FTA countries

Platts, *11.09.2013*

The US Department of Energy on Wednesday authorized Dominion Cove Point LNG to export liquefied natural gas from its terminal in Maryland to countries that do not have free trade agreements with the US.

"The department considered the economic, energy security, and environmental impacts and determined that exports from the terminal at a rate of up to 0.77 bcf/d for a period of 20 years was not inconsistent with the public interest," Department of Energy said. The decision is subject to environmental review and final regulatory approval of the project, Department of Energy said.

"Dominion Cove Point is an ideal location for a cost effective and environmentally compatible export facility," Thomas Farrell, Dominion CEO, said in a statement. The Richmond, Virgina-based company has signed 20-year terminal service agreements with Pacific Energy Summit, a US affiliate of Japan's Sumitomo, and GAIL Global (USA) LNG, the US unit of GAIL (India), according to regulatory filings. Each company has agreed to take half of the export terminal's planned capacity.

Dominion plans to start building the facility in 2014 and start sending out LNG in 2017, according to the company's April application to the US Federal Energy Regulatory Commission for permission to build the export facilities. DOE is required by law to quickly approve applications to export LNG to FTA countries, but it can limit or block exports to non-FTA nations if it finds they are not in the public interest. Cove Point is the fourth project to win non-FTA approval, following the Sabine Pass and Lake Charles projects in Louisiana and the Freeport terminal in Texas.

Baghdad on alert for retaliation to a Syria strike

Today's Zaman, *07.09.2013*

Baghdad and foreign oil companies at work in Iraq's giant oilfields are adopting extra security measures in anticipation of retaliatory attacks if the United States strikes neighboring Syria, industry sources said on Friday. Car bombs and other attacks in recent weeks have led to the deaths of hundreds of Iraqis as the civil war in neighboring Syria aggravates deep-rooted sectarian divisions.

So far the violence in Iraq has not hit the operations of companies such as Exxon Mobil, BP, Eni and Royal Dutch Shell or deterred them from increasing oil output and turning Iraq into OPEC's second-biggest producer.

Since 2010, these companies have been reviving the southern fields near the oil hub of Basra, helping raise output by 600,000 barrels per day (bpd) to 3 million bpd, and they want to carry on expanding output without incident. "All the foreign companies are taking additional measures to guarantee their staff remain safe," a Western oil industry source said on condition of anonymity. The oil majors, as a rule, declined to comment on their security arrangements.

As US President Barack Obama prepares for limited strikes against Syrian President Bashar al-Assad's forces, Iraq's South Oil Co (SOC), which oversees operations around Basra, has warned Western oilmen to restrict their movements. "After the fears of the Syria strike, we have notified all foreign companies: British, American and others, to reduce their movements inside the city," an SOC source said. Not only will Western firms keep a low profile, they are also likely to cut their exposure to risks in Iraq.

"I think all Western companies will be careful not to have too many people in Iraq as long as the American war games last," a senior oil executive in Baghdad said. The Wall Street Journal reported on Thursday that the United States had intercepted an order from Iranian official instructing militants in Iraq to attack US interests in Baghdad in the event of a strike. An Iraqi Shi'ite militia group also has threatened to attack US interests in Iraq and the region if Washington strikes Syria.

The Ministry of Oil requires foreign oil companies to have representative offices in Baghdad, where bombings and attacks are killing scores of Iraqis on nearly a daily basis. Compared with Chinese, Russian and British firms, US oil companies have a fairly small footprint in southern Iraq. Exxon is in charge at West Qurna-1, and Occidental has a small stake in the neighboring Zubair oilfield, operated by Italy's ENI. Other mega-projects in the predominantly Shi'ite and relatively peaceful south are Iraq's biggest producer Rumaila - run by BP; Majnoon - led by Shell; Halfaya - operated by China National Petroleum Corp; and West Qurna-2, run by Russia's Lukoil. "Incidents in the south are increasing, although there's been no impact on any of our projects," another senior Western oil executive said.

In the autonomous Kurdish region, companies are also urging caution, even though the northern enclave has so far managed to insulate itself from the violence that plagues other parts of Iraq. “To date we have not increased our security measures, but as always in areas like Iraq, our personnel are on high alert, and travel to the area is restricted to essential personnel, requiring prior approval,” a Western oil company source said. The Iranian message was reportedly sent by the head of the Revolutionary Guards’ Qods Force to Shi’ite militia groups it backs in Iraq, according to anonymous US officials cited by the Journal.

Iraq’s Shi’ite-led government, which opposes any international military strike on Syria and is close to Iran, is grappling with a Sunni insurgency fuelled by the conflict next door and recently reinforced the border between the two countries. Iraqi forces are on high alert in the north, where suspected Sunni militants have repeatedly attacked the main pipeline to Turkey in recent months, disrupting exports to world markets and frustrating Baghdad’s oil expansion plans. “During the last few days, as preparation for any emergency, we increased checkpoints near the oil installations and increased the number of security forces protecting them, especially the sites where the extraction of oil and the refineries are,” a source at Iraq’s North Oil Company said.

Yemen to sell its LNG at market prices starting 2014

The Gulf Times, *11.09.2013*

The Gulf Times reports that Yemen will sell its LNG at global market prices next year after negotiations with its buyers, its oil minister said yesterday. An agreement came out of the negotiations with France’s Total and GDF Suez at the end of 2012 stipulating the sale of LNG at $7.21 per million British thermal units (mmBtu), Ahmed Dares was quoted as saying in state-run newspaper Al Thawra.

The previous price of $1.50 per mmBtu will hold until the end of 2013, the paper said. Yemen is planning to boost its share in global LNG trade.

The impoverished gas producer told South Korea in August it had to pay global market prices by the end of 2013 after complaining it had lost hundreds of millions of dollars of potential earnings over recent years because of the low price that state-run Korea Gas Corp (Kogas) secured in a long-term deal with Yemen’s only gas export plant. It was unclear from the minister’s statement to Al-Thawra whether Kogas also agreed to start paying the higher price at the start of 2014.

Gulf Keystone wins KRG oilfield ownership court case

Reuters, *10.09.2013*

KRG focused oil explorer Gulf Keystone won a court case over its ownership of giant oilfields on Tuesday, removing a legal shadow hanging over the company and making it more attractive to potential suitors.

Announcing his ruling to a packed London courtroom, the judge dismissed claims made by Excalibur Ventures that it was entitled to a 30 percent share in the oilfields, bringing to a close almost three years of legal wranglings. Shares in the company, which had been temporarily suspended ahead of the ruling, soared as much as 26 percent when trading resumed.

Gulf Keystone has long been touted as a takeover target for a big oil company looking for a foothold in KRG, but the ongoing uncertainty created by the legal battle had been cited as a potential obstacle to any takeover deal. The company's prize asset in KRG is the Shaikan field, which is estimated to hold at least 12 billion barrels of oil - a volume which would make it one of the biggest discoveries made anywhere in recent years - and from which it aims to produce 250,000 barrels per day by 2018.

KRG, a semi-autonomous region of Iraq locked in a dispute with Baghdad over oil exports and payments, was once the domain of smaller firms such as Gulf Keystone but recently big oil companies such as Exxon Mobil, Total, Chevron and Gazprom, have all moved in. Excalibur's case was made against Gulf Keystone and Texas Keystone, a company founded by Gulf Keystone Chief Executive Todd Kozel, which holds a small interest in the Shaikan field in trust for Gulf Keystone.

“It (Excalibur) has accordingly no valid claim against either Texas or Gulf to an interest in that (Shaikan) or any other PSC (production sharing contract),” said the judge, Christopher Clarke. Kozel was in court for the judgement and left to backslapping and applause from about 50 private investors gathered outside the courtroom. Excalibur, a two-man company which said it helped introduce Gulf Keystone to the opportunity in KRG, began legal action in 2010.

The man behind Excalibur, former U.S. special forces soldier Rex Wempen, said during the trial that he had funding from hedge funds which specialise in litigation finance. Under court orders, the claimant had been ordered to pay 10.7 million pounds ($16.82 million) as security for Gulf Keystone's costs. Shares in Gulf Keystone traded up 19 percent at 224 pence at 1124 GMT, hitting levels not seen since October 2012, but below an all-time high of 465 pence reached in February of that year. In a statement anticipating the reopening of trading in its stock, Gulf Keystone said its priority now was to move from the London Stock Exchange's Alternative Investment Market (AIM) and onto the main market by the end of 2013.

"We are very pleased to have achieved the best possible outcome from the point of view of the Company and our shareholders. We look forward to pursuing the company's stated objectives for the future." With a valuation of around 2 billion pounds after Tuesday's news, Gulf Keystone is one of the biggest companies on AIM. The judge adjourned the hearing to a later date where arguments over costs and Excalibur's right to appeal will be heard.

Analysts at Mirabaud called Gulf Keystone's victory "decisive" and said it was unlikely an appeal would go ahead given the one-sided nature of the judgement. "Whilst there will be a fair bit of profit taking from existing holders the underlying upside is substantial, our target price of 480 pence stays and now with just the full listing to come I remain very bullish about the prospects for Gulf Keystone," VSA Capital analyst Malcolm Graham-Wood said.

Iran: OPEC unlikely be able to appoint new secretary general

Platts, *09.09.2013*

Iranian oil minister Bijan Zanganeh said Monday it was unlikely that Organisation for the Petroleum Exporting Countries would be able to appoint a new secretary general to run the group's Vienna secretariat when it makes another attempt in December to fill the post, parliamentary news service icana.ir reported.

Organisation of the Petroleum Exporting Countries has so far failed to agree on a successor to Libyan Abdalla el-Badri, whose second three-year term as secretary general ended on December 31, 2012, but who was asked to remain in the post for an additional year.

The choice of a secretary general must be unanimous, which has frequently resulted in stalemate because of ongoing rivalry between Saudi Arabia and Iran for the job and, eventually and after much delay, the emergence of a compromise candidate. "I think it's unlikely that Iran can take the secretary general [post]. Not only Iran, neither can other countries take the position," Zanganeh was quoted as saying.

Because the post has been locked, even though a committee has been set up in this organization to decide on the secretary general position and examine the issue, I am not very optimistic that it will be able to reach a result," he said. "The secretary general post is a secondary issue for us and it doesn't play a big role in OPEC, but it doesn't mean that we let go of our right to be overlooked," he added. Iran has nominated Gholamhossein Nozari, who served as oil minister for two years from August 2007, as its candidate to replace Badri, a former Libyan oil minister. Saudi Arabia has nominated its former OPEC governor, Majid al-Moneef. Iraq has nominated former oil minister Thamer Ghadban.

EIA edges up gas output estimate

Upstream Online, *10.09.2013*

The US Energy Information Administration on Tuesday slightly raised its estimate for 2013 domestic natural gas production, which up nearly 1% from 2012's record high levels. In its September Short-Term Energy Outlook, the EIA said it expected marketed natural gas production in 2013 to rise by 0.73 billion cubic feet per day to 69.91 bcf per day, up fractionally from its August outlook of 69.89 bcf daily.

If the forecast is realised, it would be the third straight year of record production. Domestic output in 2014 is expected to set another record high, up 0.51 bcfd to 70.42 bcfd. EIA had previously estimated 2014 production at 70.46 bcfd.

The agency, again noting that the economics remain more favorable for onshore gas development, still expects production growth from onshore fields to more than offset declines in Federal Gulf of Mexico output. Natural gas pipeline imports, primarily from Canada which have fallen over the last five years, are projected to slip slightly in 2013 to just over 8 bcf per day. Imports of LNG are expected to remain at minimal levels of around 0.4 bcf per day in both 2013 bnd 2014, EIA said.

EIA slightly lowered its estimate for 2013 consumption, but still sees usage to be up by 0.23 Bcfd, or 0.3%, from 2012 to 69.91 Bcf daily. It was the fifth straight month that the agency lowered its estimate for consumption growth this year as rising gas prices contribute to declines in gas used to generate electricity. Gas used for residential and commercial space heating, however, was expected to increase this year.

In 2014, EIA sees total gas use slipping 0.6 Bcf per day, or 0.9%, to 69.31 Bcf daily, with higher gas prices again curbing demand from the power sector. EIA projected the share of power generation fueled by gas in 2013 will average about 27.4 %, down from 2012's average of 30.4% as higher gas prices prompt generators to burn more coal. In 2014, that share is expected to decline to 26.7%. EIA forecast Henry Hub natural gas prices in 2013 to average $3.68 per million British thermal units, down 3 cents from its August estimate of $3.71 but 34% above 2012's estimated average of $2.75. In 2014, EIA expects gas prices to rise 23 cents, or 6 percent, to $3.91 per MMBtu.

Energy companies propose concrete measures to rebuild EU Energy Policy

Natural Gas Europe, *11.09.2013*

Following on from the formal call of May 21, 2013 to the European Council, Gérard Mestrallet CEO of GDF SUEZ and Paolo Scaroni CEO of ENI appeared before a European Parliament hearing today. The event was jointly organized with Amalia Sartori (Chair of the EU Parliament's Energy Committee) and took place in the presence of the European Commissioner for Energy, Günther Oettinger.

The hearing was aimed at highlighting the risks of the EU's present energy policy. The efforts made by energy companies to attract the necessary private sector investors have been hampered by the uncertainty of the return on investments.

In part due to the lack of a clear, foreseeable and objective energy policy framework based on stable and predictable regulation. As a result, European industry can neither fulfill its potential as a source of growth and employment nor play a key role in establishing a dialogue with producing countries. Energy security of supply is no longer guaranteed, CO2 emissions are currently on the rise, investments in the sector are not happening and energy bills are rising sharply. Faced with this failure, the nine energy companies have seen the need to formulate concrete proposals to revitalize Europe's energy policy now:

1. Limit soaring energy bills

European consumers (citizens and industries) must be able to pay fair prices for their energy. Energy operators are, through their investments, at the forefront of the development of renewable energy sources across Europe. However, it is now necessary to draw the lessons from recent EU policy developments (including recognizing that the rules of the game to which investors sign up, simply cannot be subject to change halfway through for short-term political reasons) so as to identify possible improvements. Therefore, the industry leaders propose:

To ensure that the energy consumer bill reflects as far as possible the market based cost of energy and that it cannot be a vehicle for financing other policies. A well-functioning and integrated European energy market will further foster competition, empower customers and enable a cost-effective transition of the energy system; To foster the integration of new capacities of the most mature renewable energy technologies (taken into account, notably, the forecasts of learning curve) into the regular market process and with a view to enhancing competition;

To adjust, for new installations, public support for renewable electricity production in view of reflecting the electricity market needs; and to strengthen R&D policies and funding (Horizon 2020), and support the least mature renewable electricity technologies by enhanced R&D efforts rather than by production subsidies.

2. Guarantee a reliable electricity and gas supply

European consumers must always benefit from fully reliable, uninterrupted energy supplies. To that end, the industry leaders propose:

- To revitalize the European “Electricity Coordination Group” as a strategic platform to exchange views and information between Member States as well as other stakeholders, on electricity policy, with a special emphasis on national decisions on the energy mix that may have an effect on other Member States.
- To immediately apply the 3rd package of legislative proposals in all Member States in order to standardize rules in Europe and facilitate exchanges.
- To utilize all existing power capacity contributing to the security of supply rather than subsidizing new capacity construction that may undermine a level-playing field between competitive technologies.
- To speed up the establishment of EU guidelines for non-discriminatory capacity remuneration mechanisms. To implement, as soon as possible, the European programme contributing to the financing of important European energy infrastructures.
- To enhance the diversification of gas supply by routes and sources, notably, through domestic energy production (including unconventional sources), whilst always taking into account environmental concerns.

3. Reinforce Europe’s climate ambition

European consumers must be able to benefit from energy that is as respectful of the environment as possible and that supports the achievement of the other two EU objectives: competiveness and security of supply. To that end, the industry leaders propose:

- To give a new impetus and to fundamentally strengthen the European carbon market. This can be achieved by:
  i) measures to rebalance CO_2 supply and demand in 2013-2014 and in the framework of a long term perspective of ambitious emissions reductions targets,
  ii) discussing and deciding as soon as possible on an ambitious but realistic greenhouse gas emission reduction target by 2030 as the main driver for a pathway towards a low-carbon economy in 2050,
  iii) potentially expanding the carbon market’s application to other CO_2 emitting sectors in the context of an international agreement;
- To accelerate the setting up of the future climate summit planned in Paris during 2015 so that this key event can achieve a far-reaching agreement; and
- To introduce, should an international agreement not be reached, additional measures to secure the competitiveness of EU industries with a risk of carbon leakage.

These concrete proposals are also being presented to key European Heads of State or Government with a view to enhancing the prospects for the February and March 2014 European Council meetings dedicated to energy issues.

CNPC clinches deal for $5 billion stake in Kashagan field

RIA Novosti, *29.08.2013*

China's CNPC has signed a deal with Kazakhstan's KMG to purchase an 8.33 percent stake worth $5 billion in the Kashagan oil and gas field on the Caspian shelf, the head of KMG said Saturday.

"After completing all the procedures, the Chinese side has become an 8.33 percent shareholder," Kazmuniagaz's head Sauat Mynbayev said after a signing ceremony. "The value of the deal is around $5 billion, but in addition to the sales price there are a range of conditions, namely the Chinese will finance a share in Kazmuniagaz for second-phase investment.

Let's say, the first part of the second phase – this is around $3 billion only on the part of KMG, the total amount is around six times more," he added. "KMG now has a 16.8 percent share in Kashagan," he said. "This is half the investment KMG is obliged to finance in accordance with its share obligations. In addition, a pipe works will be built, as well as an industrial complex for oil equipment in Aktau, and some social facilities in Astana," Mynbaev added.

The Kashagan field is one of the largest fields in the world opened in the last 30 years with geological oil reserves of 4.8 billion tons, with 38 billion barrels of oil (10 billion recoverable), and over a trillion cubic meters of natural gas. The Kashagan project is operated by the North Caspian Operating Company, whose shareholders are Eni, KMG Kashagan BV (a daughter company of KMG), Total, ExxonMobil, Royal Dutch Shell with 16.81 percent each and Inpex with 7.56 percent. ConocoPhilips previously held 8.4 percent. Kazakhstan's oil and gas ministry notified American oil giant ConocoPhilips in July of its intention to use its preferential rights to buy ConocoPhilips' share in the North Caspian project.

China and South Korea to invest in $1.5 billion Iranian oil project

Oil and Gas Eurasia, *11.09.2013*

Sinopec and a South Korean company have finalized a deal with Iran to invest in a project to revamp Iran's Esfahan Oil Refinery. The name of the South Korean company has not been revealed. The project is aimed to boost the refinery's gasoline and diesel fuel production capacity.

The foreign companies have been also negotiating with Iran for launching other similar project in Abadan Refinery. In April, the Mehr News Agency quoted Managing Director of National Iranian Oil Engineering and Construction Company, Farhad Ahmadi, as saying that Chinese financers will participate in Iran's Abadan Refinery development project.

The project is estimated to cost $2.6 billion, he said, adding that 85 percent of the fund will be secured by the Chinese side. The financing contract will be signed in the near future, he added.

Gazprom, BASF to close asset swap deal in 2014

EIN News, *09.09.2013*

Russian state gas firm OAO Gazprom said Monday it will close an asset-swap deal with BASF SE in 2014, a year later than planned. Gazprom agreed in November last year to give BASF two stakes in a West Siberia gas field in return for 100% ownership of a gas trading and storage joint venture it operates with the German firm and a stake in a North Sea gas producer.

Gazprom said then it expected to close the deal by the end of 2013. Gazprom said in a statement Wednesday that a final agreement on the sale will be signed in 2013, and the deal will be closed in 2014.

Exxon: Natural gas soon will overtake coal in global energy use

Fuelfix, *07.09.2013*

Thanks to the advent of hydraulic fracturing, natural gas has a new manifest destiny: By 2040, the commodity used to make electricity will command 25 percent of the world's energy supply.

Natural gas "is penetrating into the power sector, which has been predominantly coal in the past. We see it making tremendous inroads there," said Lynne Lachenmyer, a senior vice president at ExxonMobil, at a petrochemical conference in Pasadena on Thursday. The oil and gas behemoth expects that in 30 years, natural gas will overtake coal as the second-most used energy source after oil.

"We see a lot of people looking at natural gas as a form of transportation fuel, so you're beginning to see compressed natural gas or liquefied natural gas applications for fleets within large communities," she said. "Its growth rate is higher than the balance of the energy mix, so it's basically increasing its market share on an annual basis." Surrounded by engineers, bankers and Port of Houston officials at the 2013 Petrochemical and Maritime Outlook Conference, Lachenmyer said even as solar and wind pick up steam as sources of energy, fossil fuels aren't going anywhere.

Wind power is expected to grow by 7 percent per year while solar power will be 20 times more prevalent by 2040. Still, wind will make up just 7 percent of the world's stockpile of energy in that year and solar will make up just 2 percent, Lachenmyer said. Meanwhile, oil and natural gas will make up 60 percent of the world's energy supply in 30 years, up from 55 percent today, she said. Population growth and rising economic prosperity will push demand for energy by a third in 2040 – that's equivalent to the current energy consumption of Russia, India, Africa, Latin America and the Middle East combined.

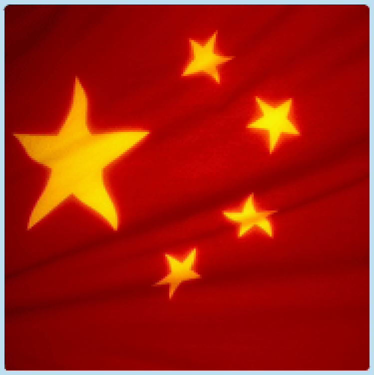
In the U.S., natural gas is undergoing rapid transformation. Once thought unreachable, massive natural gas resources trapped in dense, shale rock across the country have been unlocked by new drilling technology and a process known as hydraulic fracturing. That, in turn, is creating a new economic force that is disrupting and boosting businesses as diverse as the auto industry, the agricultural sector and the petrochemical industry.

"This growing supply of shale gas and its associated gas liquids have really allowed North American petrochemical producers to have a significant cost advantage over other producers in the world," Lachenmyer said. That promises to be a boon for the Port of Houston, where the petrochemical industry and the export business have formed a symbiotic relationship. Just five years ago, before the shale revolution, petrochemical exports were declining, and the U.S. nearly became a major importer of petrochemical products.

So far, more than 120 petrochemical construction projects have been publicly announced in recent years, promising $80 billion in investments throughout the U.S. Gulf Coast region. Once that gets rolling, petrochemical exports are expected to boom, too. Currently, petrochemical exports make up 12 percent of the overall U.S. exporting business, which brings in $188 billion a year. The American Chemistry Council projects that chemical exports will outpace imports and grow from an $800 million trade surplus in 2012 to more than $46 billion of net trade exports in 2020, she said. “This improvement in profitability is what’s giving rise to the desire to continue to invest, to grow our footprint here alongside the shores of the Houston port,” she said. “That’s good news not just for the petrochemical industry, but also for the Port of Houston.”

China’s President pursues energy deals in Russia, Central Asia

VOA, *08.09.2013*



China’s president came to St. Petersburg for the G-20 meeting, and while most leaders were distracted by Syria, he was pushing business deals. China’s foreign policy looked like its energy policy as President Xi Jinping presided over a major gas deal in Russia Thursday.

Xi met with Russian President Vladimir Putin and cited the gas deal as one of 50 joint projects that have advanced since the two leaders met in March six months ago. They met in St. Petersburg, where Putin is hosting the annual meeting of the Group of 20 nations. China’s deputy finance minister, warned of the economic cost of any U.S. attack on Syria’s military.

China’s president came to Russia from Turkmenistan. On Wednesday, he inaugurated a gas processing facility at a massive new field on the border with Afghanistan. China has lent Turkmenistan $8 billion to develop the field. Beijing also has financed the 1,800-kilometer pipeline that will take the gas across Uzbekistan and Kazakhstan to China. Because of this pipeline, Turkmenistan is now China’s largest supplier of gas.

Russian gas reform proposal would open up LNG exports

Reuters, *09.09.2013*

Russia's Energy Ministry has drafted a proposal that would liberalize exports of LNG and allow companies other than Gazprom to sell abroad. With the global LNG trade expected to grow by a third in the next five years as the United States and Australia boost production, Russia is under pressure to complete new projects.

Rosneft and Novatek have secured buyers of LNG from yet-to-be-built plants, but need the reforms to be adopted so they can secure project financing. The proposals are essential for Novatek's Yamal LNG project and for state-controlled Rosneft's own Sakhalin LNG project with ExxonMobil.

Russia has only one LNG plant in the Far East, now controlled by Gazprom, which liquefies gas from the Sakhalin-2 project and has an annual capacity of around 10 million tons. A source familiar with the document said on Tuesday that the proposal would allow LNG exports by companies that hold licenses to build LNG plants, or to send the gas for liquefaction to a plant determined by the government. The source also told Reuters that the draft proposed allowing LNG exports by companies with state holdings of at least 50 percent - if they send LNG abroad from offshore fields or from production-sharing agreements.

The Russian authorities previously planned to open up LNG exports from 2014, with a requirement that Novatek's and Rosneft's projects would ship gas to Asia only and not challenge Gazprom's exports to Europe. Gazprom, despite having agreed on cooperation with the China National Petroleum Corp (CNPC) in 2004, has yet to finalize terms on piping gas to China. The $20 billion Yamal LNG project being developed by Novatek, France's Total and China's CNPC is scheduled to start producing LNG in 2016 with a view to supplying 16.5 million tons of the tanker-shipped fuel by 2018.

Rosneft's planned LNG plant in Russia's Far East involves Exxon, has an estimated cost of $15 billion and a production target of 2018. The Energy Ministry declined immediate comment. Under an existing 2006 law, Gazprom, the world's top gas producer, is the only company allowed to ship gas out ofRussia. Gazprom had earlier said it had discussed the possibility of supplying LNG to China from a planned plant near the Pacific port of Vladivostok.

IEA: Oil markets to ease as supply improves

Reuters, *09.09.2013*

A rise in output should help cushion oil markets seized by tension over a possible conflict in the Middle East, according to a report of the IEA, with emerging market nations facing difficulties due to their falling currencies. Global oil supplies look comfortable despite a massive outage in Libyan output and oil prices could see some downward pressure if sharp currency depreciation in emerging markets leads to softer demand, the International Energy Agency (IEA) said.

Also, Saudi Oil Minister Ali al-Naimi said the country was ready to increase its current supply level needed crude to meet demand.

The IEA, which coordinates energy policies for developed economies, said global oil supply was set to jump in the next months thanks to a mix of seasonal, cyclical and political factors and notwithstanding the Libyan problems. “While the geopolitical storms in the Middle East and North Africa have yet to pass, easing fundamentals look set to lessen the pressure somewhat on market participants - at least for the next few months,” the IEA said in its monthly report.

Oil prices rallied to six-month highs in August amid expectations of Western military strikes in Syria and as Libyan production plunged to a tenth of capacity due to protests at fields and terminals in the worst disruption since the 2011 revolution. But the IEA said even if Libyan production remained disrupted for the rest of the year, the winding down of seasonal field maintenance in the North Sea and the U.S. Gulf of Mexico shall bolster supply in the fourth quarter of 2013.

“New North American production - including U.S. light tight oil and Canadian synthetic crude - continues to surge. Saudi production is hovering near record highs, even as a seasonal dip in domestic air-conditioning demand looks set to free up more barrels for export,” it added. Besides, Saudi Arabia is ready to supply whatever volume of crude is needed to meet demand, Ali al-Naimi said yesterday. Saudi Arabia produced record high volumes of crude in August as it boosted output for the second time in two years to cushion the global oil market from supply disruptions.

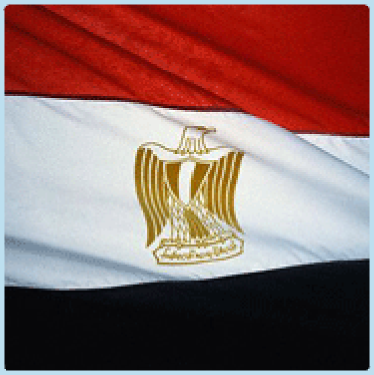
Naimi’s comments come after producer group OPEC this week sought to reassure consumers there is sufficient supply to cover a plunge in Libya’s output. “For the record, oil market fundamentals are good. The market is well balanced,” Naimi said at an industry event. “I repeat the message that Saudi Arabia is willing and capable for meeting any demand.” Despite rising Saudi output, benchmark Brent crude prices spiked above $117 a barrel in late August on the virtual shutdown of Libyan oil output and the prospect of U.S. military action against Syria.

The agency left its global demand growth estimates for 2014 broadly unchanged compared to its report last month at 1.1 million barrels per day, up from 895,000 bpd in 2013, as it said the underlying macroeconomic situation improved. Global oil demand is projected to average 92.0 million bpd in 2014. But it said demand could see some downward pressure in emerging economies whose currencies have depreciated steeply in recent months.

Some currencies in Asia and Latin America have been hit hardest by expectations that the U.S. Federal Reserve will slow its bond-buying program, which would lead to a strengthening of the dollar. The Indian rupee lost nearly one-third of its value in the four months to the end of August and other countries such as Indonesia, Malaysia, Peru, the Philippines and Thailand have also seen their currencies weaken. “If sustained, this may ultimately curb their demand trend or, in countries where oil subsidies are in place, raise pressure on their governments to reduce those subsidy programs,” the IEA said.

Egypt owes foreign oil companies $6 billion

Reuters, *09.09.2013*



Egypt is close to agreeing a schedule for repaying $6 billion in outstanding debt to foreign oil companies, Prime Minister Hazem el-Beblawi said in a newspaper interview published on Thursday. Beblawi also told Al Masry Al Youm that reaching an agreement would lead to a rise in investments from the companies to $15 billion within two years.

The Egyptian state, racked by political and economic turmoil since the ouster of Hosni Mubarak in February 2011, has been struggling to meet soaring energy bills caused by high subsidies on fuel products for the country's 84 million-plus population.

“We are in debt to foreign oil firms for around $6 billion, which is what led them to stop investing. We are on the verge of reaching an agreement with them to schedule the debts,” Beblawi said. “Reaching a settlement will lead to a rise in investment from foreign (oil) firms within two years to $15 billion.” Earlier this month, Oil Minister Sharif Ismail said Egypt was preparing a timetable for repaying arrears on debts it owes to foreign companies in order to encourage them to continue investing in exploration and development. Financial disclosures by firms including BP PLC, BG Group, Apache, Edison SpA and TransGlobe Energy show Egypt owed them more than $5.2 billion at the end of 2012. Dana Gas, owed $230 million by Egypt in overdue payments for gas supplies, said it was in active dialogue with the government over the debts.

Announcements & Reports

►*Oil and natural gas production is growing in Caspian Sea region*

Source : Energy Information Administration
Weblink : http://www.eia.gov/todayinenergy/detail.cfm?id=12911

►*Caspian countries are developing new oil and natural gas export capacity*

Source : Energy Information Administration
Weblink : http://www.eia.gov/todayinenergy/detail.cfm?id=12931

► *Azerbaijan Country Analysis Brief*

Source : Energy Information Administration
Weblink : http://www.eia.gov/countries/analysisbriefs/Azerbaijan/azerbaijan.pdf

► *EIA Short Term Energy Outlook*

Source : Energy Information Administration
Weblink : http://www.eia.gov/forecasts/steo/pdf/steo_full.pdf

► *Global crude oil supply disruptions and strong demand support high oil prices*

Source : Energy Information Administration
Weblink : http://www.eia.gov/todayinenergy/detail.cfm?id=12891

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

Source : Organization of the Petroleum Exporting Countries
Weblink : http://www.opec.org/opec_web/static_files_project/media/downloads/publications/MOMR_September_2013.pdf

► *OPEC Bulletin (Aug 2013)*

Source : Organization of the Petroleum Exporting Countries
Weblink : http://www.opec.org/opec_web/static_files_project/media/downloads/publications/OB082013.pdf

Upcoming Events

► 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

The Economist
Events

Supported by PETFORM

► *15th CIS Oil and Gas Transportation Annual Meeting* ***(in Turkey)***

Date : 30 October – 1 November 2013
Place : Istanbul – Turkey
Website : www.theenergyexchange.co.uk/cispipes

► *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