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PETFORM

Yildiz: No natural gas hikes for October

Today's Zaman, *25.09.2013*

There will be no hikes to the price of natural gas in October, Taner Yildiz told. Yildiz explained that two main factors the price of crude oil and exchange rates determine gasoline and natural gas prices in the country. "A third factor is supply and demand and how this affects the pricing mechanism. We are also trying to balance high import costs with energy generated from renewable resources."

He also announced that the ministry is hopeful petroleum will be found around the cities of Antalya, Mersin and Iskenderun, but if it is not, companies will be granted licenses to search for shale gas.

Turkey may drill for oil and gas in Cyprus

Hürriyet Daily News, *25.09.2013*

Turkey's Barbaros Hayrettin Pasa seismic vessel, which has been conducting offshore oil and gas exploration in the eastern Mediterranean, could enter Cyprus islands' exclusive economic zone in three weeks to continue exploration pending prime ministerial approval, Energy Minister Taner Yildiz has said.

"The Barbaros seismic vessel will be working in Antalya region for three weeks more. Later, we will speak with Prime Minister Recep Tayyip Erdogan as to whether it will enter Cyprus islands' exclusive economic zone to expand its working zone.

If the prime minister approves, the vessel could enter to the north or south of Cyprus because it has both a technical and political dimension," Yildiz told in an interview. Yildiz also said they might buy a new vessel depending on the work load.

The Turkish government says all revenues obtained from the drilling operations off the coast of Cyprus should be distributed between Greek Cyprus and Turkish Cyprus and have frequently warned that Turkey would undertake unilateral drilling in the event of any failure to equitably share revenues. Ankara has also said companies could be shut out of future Turkish energy investments if they become involved in Greek Cypriot energy exploration work. Turkey decided in March to suspend energy projects with Italian giant Eni in retaliation for the company's involvement in oil and gas drilling off the coast of Greek Cyprus.

Turkey seeks Canada and US aid on shale gas reserves

Hürriyet Daily News, *23.09.2013*

Turkey has begun to carry out hydraulic fracturing operations to extract shale gas from wells in a number of regions, while a delegation from the Energy Ministry has visited the US and Canada to seek aid. Turkey has begun to carry out hydraulic fracturing operations to extract shale gas from the wells in the Thracian and southeastern regions, where 4.6 trillion cubic meters of reserves have been detected.

Energy Minister Taner Yildiz said there was shale gas potential in the Thracian, southeastern Anatolian, and inner Anatolian regions. TPAO had been working to extract the oil and the gas deeper there.

The company specifically focuses on the Thracian region and southeastern Anatolia. The operations will start in the old wells there to make them productive again by means of the hydraulic fracturing methods by the end of this year," Yildiz said. "Shale gas is really something both for us and for the world. The TPAO and Turkish private sector will make more investment on shale in the near future by collaborating with foreign companies," he noted. TPAO has already started to make initial preparations to explore and to produce shale gas by itself in the Thracian region, Yildiz noted.

"We created a special team for this. If we become successful in the region, we'll continue our drilling activities there. For instance, the U.S. is very ambitious in shale gas production. The country produces 1,000 cubic meters gas for $105 to $110 and sells it at the same price. If we can start to produce our shale gas, it will be very economical for us," Yildiz said. Meanwhile, a delegation from the Ministry of Energy went to the United States and Canada to examine the existing wells there and to meet the representatives of the companies in the sector.

The delegation members specifically examined the hydraulic fracturing operations for shale gas there. Furthermore, they visited a number of R-D facilities which specialized in shale gas drilling and production. The delegation members also made short presentations about the new Petroleum Law of Turkey. Shell and TPAO began exploring for shale gas in the eastern province of Diyarbakır's Sarıbuğday-1 natural gas field in September 2012. Five vertical wells were opened in the region and two horizontal wells are planned, Yildiz noted.

The U.S.-based Energy Information Agency (EIA) estimated that the Dadas Shale in the Southeast Anatolian Basin and the Hamitabat Shale in the Thrace Basin contain 163 trillion cubic feet (tcf) (4.6 trillion cubic meters) of risked shale gas in-place, with 24 tcf (651 bcm) as the risked, technically recoverable shale gas resource. In addition, they estimated that these two shale basins also contain 94 billion barrels of risked shale oil in-place, with 4.7 billion barrels as the risked, technically recoverable shale oil resource. Turkey could meet its gas demand for 14 years by using the technically recoverable shale gas resource, 651 bcm, the report estimated.

Turkish firm to export gas to Greece

Hürriyet Daily News, *24.09.2013*

AngoraGaz has received a license from the energy watchdog EPDK to sell 30 million cubic meters of gas annually to Greece, the company's general manager, Gökhan Yardim, announced. "The 30-year contract will be in effect by this year. We will start to export 30 million cubic meters of gas to Greece via the pipelines of BOTAS.

Our plan was to start the process this year, but we cannot as BOTAS did not give any capacity," he said. The company plans to supply the gas from local wholesalers. BOTAS also has a license to sell 750 mcm of gas to Greece annually. The country's annual consumption is around 4.6 bcm.

General Electric plans to invest in Turkey

Reuters, *27.09.2013*

General Electric plans to invest $900 million in Turkey as promised last year, CEO Jeffrey Immelt said ahead of his meeting with Energy Minister Taner Yildiz. The company wants to start serious talks with Turkey to evaluate cooperation opportunities in the fields of LED technologies, wind power and gas turbines.

"I'm looking forward to discussing the projects [in these fields]," Immelt said, adding that there would be some solid announcements about the company's plans in Turkey. "I want to make these announcements later," CEO of GE Jeffrey Inmelt said.

"General Electric may play a significant role in the realization of energy projects in Turkey and the maintenance of sustainable growth," Minister Yildiz said, adding that Turkey remembered the significant contribution of the company during the establishment of the country's first lamp factory in 1948. Yildiz also emphasized that Turkey required some significant investments to save on the cost of street lighting. "We will probably put this issue on our agenda with GE," he said.

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Turkey's cross border energy policy's tone shifted

Natural Gas Europe, *23.09.2013*

An energy-hungry Turkey is betting on KRG oil and gas to multiply its supply sources, raising concerns about Washington's power to exert influence in the region. Last week, news leaked that Siyah Kalem was issued a license to import natural gas directly from the KRG.

This comes on the heels of a joint Turkish-British venture announced in January 2013, which saw Genel Energy awarded the right to ship oil directly from Northern Iraq. Both deals will help Turkey wean itself off costly and politically-risky Russian and Iranian energy supplies, but might also jeopardize its relations with Iraq's central government.

Baghdad has condemned the KRG's direct deals as illegal, and the US is backing up Baghdad as Washington attempts to calm down internal Iraqi tensions. Experts approximate that the KRG's oil and gas supplies could be three times cheaper than the prices Turkey pays for Caspian, Russian, and Iranian sources—especially important as Turkey's annual energy demand annual growth rate is 4% and its power generation largely relies on supplies imported from Russia and Iran. This situation has become more tenuous with the Arab Spring and the Syrian crisis--Turkey has found itself politically opposed to its main energy suppliers, increasing concerns about energy security vulnerabilities.

This new environment may have caused Turkey to spurn an old ally. As of a year ago, Turkey was set to reject extending its oil and gas exports from the KRG, citing respect for Washington's recommendations concerning a unified Iraq. US authorities have warned on several occasions against independent energy deals with Erbil, as Baghdad and Erbil have not yet resolved a long-standing feud on oil and gas revenue sharing legislation.

In a sign of respect for Washington's policy, when Istanbul-based Siyah Kalem submitted its license application to import natural gas from the KRG in December 2012, Turkey's Energy Market Regulatory Authority (EMRA) required Siyah Kalem to sign a purchase agreement with Baghdad's federal government as well, in order to ensure Baghdad's approval of the deal. Since Siyah Kalem was never able to get Baghdad to agree to this, its application for a license was not granted, and many had assumed the license would not be coming anytime soon.

This all changed last week, when a leak revealed the EMRA had awarded Siyah Kalem a license valid for 26 years, despite the lack of any Baghdad agreement. This license paves the way for increased energy imports from Iraqi KRG—something Turkey already began flirting with earlier this year when Genel Energy began exporting crude oil from the KRG's Taq Taq fields to Turkey's Ceyan port by truck, bypassing the Baghdad-controlled Kirkuk-Yumuratlik oil pipeline network.

Even though the level of exported oil is negligible (some 30,000 to 40,000 barrels per day), it has become a symbol of KRG oil export independence. Genel also recently announced it had made a significant oil discovery in the KRG's First Chia Surkh field, suggesting its activity in the KRG may not stay negligible for long. These KRG-linked projects seem set to expand. For example, Ikideniz Petrol ve Gaz Sanayi, a Calik Group company, recently applied to Turkish authorities for permission to construct a 640-kilometre long pipeline that would run parallel to the existing Baghdad-controlled Kirkuk-Yumurtalik oil pipeline—a clear blow to Baghdad's policy objectives.

As opposed to last December, Turkey's government is now showing support for investments like these. This tone shift started to become evident in May 2013, when Turkey's Prime Minister Recep Tayyip Erdogan announced a Turkish state-owned oil firm would work with ExxonMobil to develop oil in the KRG. When journalists asked how Ankara would justify this decision to Baghdad and Washington, Erdogan punted the question, saying "countries from various parts of the world are taking steps to explore and produce oil in different parts of Iraq, and then deliver it to world oil markets. There's nothing more normal and more natural than Turkey, which provides all kinds of support and aid to its next-door neighbor, taking a step based on mutual benefit."

The May 2013 announcement, recent investments, and the license issuance to Siyah Kalem all demonstrate Ankara is now treating US objections to KRG-linked energy deals with the same respect it gives sanctions against Iran. In spite of US sanctions in place since 1996, Turkey remains Iran's biggest natural gas customer. It imports about 40% of its gas from Iran by using a gold-for-gas formula to bypass sanctions, though the US has tried to prevent this by widening controls on precious metal sales to Iran.

So far, the US has not announced any direct reaction to Turkey's recent energy deals with the KRG. But Baghdad has. In early September Iraqi Parliament Speaker Osama al-Nijaifi handed a message to Erdogan from Iraqi Prime Minister Nouri al-Maliki. Al-Nijaifi invited Turkey to open a new page with Iraq by respecting its sovereignty and abstaining from interfering in its affairs—i.e., by not making any more independent energy deals with the KRG. EMRA's leak about Siyah Kalem receiving its license came the day after this Iraqi statement--a sign that Ankara-Baghdad partnerships may be a thing of the past, and that Washington's role in the region continues to be diminishing rapidly.

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San Leon steps into Turkey

Natural Gas Europe, *17.09.2013*

San Leon Energy has announced an acquisition that will see the emerging explorer enter into Turkey. The company has entered into a conditional agreement to acquire 75 percent of the issued share capital of Alpay Enerji from Server Fatih Alpay for consideration of $4 million USD.

Alpay is a Turkish oil and gas company which currently holds a 100 percent participating interest in seven conventional oil and gas licenses in Turkey with gross proved and probable gas reserves of 46.6 BCF. San Leon believes that additional gross proved and probable contingent gas resources of 140.7 BCF can be unlocked with a low-risk drilling programme.

The proposed acquisition is subject, amongst other things, to obtaining the necessary regulatory approvals from the General Directorate of Petroleum Affairs in Turkey for the transfer to Alpay of nine additional conventional oil and gas licences in Turkey currently held by ARAR Petrol Ve Gaz Arama Uretim Pazarlama AS, a company controlled by Server Fatih Alpay. Following the transfer, Alpay will hold a 100 percent participating interest in sixteen licenses in Turkey, making it the second largest private acreage holder in the country of which San Leon will hold an indirect 75 per cent.

San Leon estimates that production from the Existing Licences and the Additional Licences can be increased from approximately 250 MCFD and 60 BOPD to 10 MMCFD and 100 BOPD by the end of Q1 2014 which would generate monthly revenue of approximately $3 million USD. The Company further estimates a large upside from the Existing Licenses of 440 BCF on a proved plus probable plus possible reserves and contingent resources basis. Following completion of the acquisition, Server Fatih Alpay will retain a 20 percent shareholding in Alpay. The balance of 5 percent will be retained (subject to any sale) by Niche Group plc. San Leon also announced a share placement intended to raise £31 million (gross) by way of a placing to be carried out in two tranches.

Oisin Fanning, Executive Chairman of San Leon Energy, commented: “The acquisition of Alpay Energy is an important milestone for San Leon, bringing both proven reserves and immediate cash flow which are directly accretive to the business. The Company intends to use capital from this fund raising to bring to market rapidly stable production of 10 MMCFD and 120 BOPD in Turkey, with continued near term investment focused on developing the significant 2P and Contingent reserves already discovered. In addition, the extensive land position we are acquiring through the transaction gives the Company access to significant exploration upside in proven play fairways.

The cash flow generated from the near-term development of Alpay Energy’s assets is expected to make San Leon cash flow positive across the Company’s entire portfolio of assets by Q2 2014 and to deliver significant cash flow by Q4 2014. This will allow the Company’s longer term projects with huge upside, in Poland and Morocco, to develop while negating the need to come back to the market for further funding.”

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Iraq threatens to cut revenue to Kurds over pipeline

Reuters, *24.09.2013*

Iraq threatened to cut oil revenue to the Kurdish north in a deepening standoff over a new export pipeline that companies from DNO International ASA to Genel Energy Plc plan to use to ship crude from the region.

The government in Baghdad may refuse to give the 17 percent of annual earnings from oil sales allocated to the semi-autonomous Kurdish provinces if they bypass central authorities and start operating a link through Turkey by year-end, Hussain al-Shahristani, deputy prime minister for energy affairs, said in an interview in Dubai yesterday during a conference.

"We have our options, and you will hear them when we adopt measures, as this is a big loss for Iraq," he said. "No Iraqi would accept that they take 17 percent of Iraq's revenue from crude produced outside of KRG and at the same time all of the revenue of the crude produced in KRG." The KRG halted crude exports through the government-run pipeline in December amid a dispute with the Oil Ministry in Baghdad over the sharing of crude sales revenue and payments owed to companies such as DNO and Genel Energy.

The Iraqi government insists that the Kurds link their new crude export pipeline to the main government pipe at a metering station near the Turkish border, Shahristani said. "They refused and said they want to link it after the metering station to prevent the Iraqi government from knowing the quantity of crude they are exporting," he said. "The real problem is that they don't want anyone to know how much they are producing and selling." Exxon Mobil Corp. made a "serious error" by signing a contract to explore for oil in the Kurdish region without the approval of the central government, Shahristani said.

Iraq, home to the world's fifth-largest crude reserves, is producing 3.3 million barrels a day and last month exported 2.58 million barrels a day, Shahristani said. That output will increase by 400,000 barrels a day by year-end and will exceed 5 million within three years, he said. Export capacity will exceed 6 million barrels a day once four offshore plants are operating next year and terminals in the south are upgraded, he said.

"We have plans for five single-point mooring facilities: one as spare and four for simultaneous pumping, each with a capacity of 900,000 barrels a day," he said. Once the four mooring units are operational at the start of next year, the government plans to suspend activities at the onshore Basra oil terminal to expand it. The nearby Khor al-Amaya terminal will be upgraded later, he said. Iraq's reserves of 150 billion barrels, which don't include the Kurdish north, rank behind Venezuela, Saudi Arabia, Canada and Iran, according to the BP Statistical Review of World Energy published in June

Azerbaijan urges Armenia to withdraw, join in energy

Hürriyet Daily News, *27.09.2013*

Azeri Foreign Minister Elmar Mammadyarov has urged that if Armenia withdraws from the Azeri territories that it occupies, it would contribute to the regional success of the Southern Gas Corridor.

Mammadyarov said the Southern Gas Corridor had strategic importance that would assure stability, sustainable development, security and peace in the region, during the Caspian Forum held in New York late Sept. 25, organized by HASEN, a think tank that conducts research on the Caspian region. "Armenia can be a part of regional success after withdrawing its troops from the occupied territories," he said

According to the HASEN press release, adding that the Baku-Ceyhan and new pipeline projects "reinforced Azerbaijan's sovereign independence." Speaking at the same event, Turkish Foreign Minister Ahmet Davutoğlu said the Southern Gas Corridor was expected to not just bring economic benefits, but also to "contribute to peace and security." Davutoglu stated that the Baku-Tbilisi-Ceyhan pipeline and the Southern Gas Corridor projects linked the continents by creating a "peace and energy basin" from the Caucasus to the Balkans and from the Caspian Sea to the Mediterranean. He stressed that the Southern Gas Corridor would not only be an energy corridor, but also a "peace corridor."

The Trans Anatolian Natural Gas Pipeline Project (TANAP), the Southern Gas Corridor's Turkish component, will contribute to making Turkey a strategically important intermediary, he said, while adding that Turkey was also a consumer market as it has a considerable demand for domestic consumption. The TANAP intends to enable the transportation of gas from the Shah Deniz 2 field and other fields of Azerbaijan through Turkey to Europe. In addition, the Trans-Adriatic-Pipeline (TAP) is slated to carry Azeri gas to Europe across Greece, Albania and Turkey. The TANAP is planned to be completed in 2018 and will be connected to the TAP.

Oettinger: South Stream not a project of common interest

Natural Gas Europe, *22.09.2013*

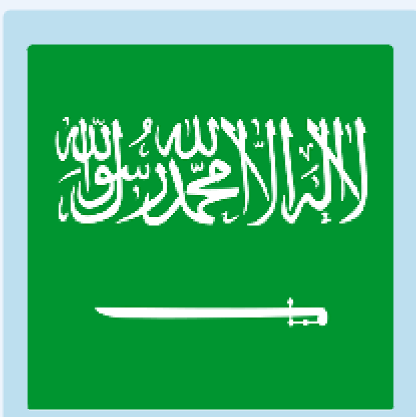
The European Union Energy Commissioner has stated that the South Stream Pipeline project, which plans to move Russian gas to European markets through Southern and Central Eastern European nations, does not qualify for EU priority funding.

In remarks at the conclsuion of recent meetings of EU energy ministers in Vilnius, Günther Oettinger said that South Stream did not meet the criteria for receiving the designation of a "Project of Comon Interest," which would allow for accelerated planning approvals, as well as potential funding from the EU.

"South Stream is an addition, but it does not give us access to any new sources of energy and it does not increase the competitiveness of the energy market in European Union," commented Oettinger. "South Stream is an idea that comes from our eastern partners. We have no problems with South Stream, but we don't think it's a particular EU priority."

Saudi ready to cover global oil shortage

Hürriyet Daily News, *25.09.2013*



OPEC kingpin Saudi Arabia will compensate for any shortage in global energy markets, its Oil Minister Ali al-Naimi told reporters yesterday. "We are ready to compensate for any shortfall in the oil market," said Naimi on the sidelines of a meeting with his Gulf counterparts in Riyadh.

Naimi said, however, that "the market is good, reserves are excellent, and supplies are adequate and stable." He did not give figures for the kingdom's production, which sources in the industry estimate at 10 million barrels per day, but said that "our production capacity is 12.5 million barrels per day."

The minister's remarks come as global oil prices retreated yesterday with news of recovering output in Iraq and Libya. Iraq restores normal output. Officials from Iraq were on Sept. 23 quoted as saying that the country had restored normal output after completing repair work on a pipeline leak. In Libya, production resumed following a weeks-long blockade by guards at key Libyan oil terminals.

Kashagan halted after leak

Upstream Online, *26.09.2013*

Kashagan field off Kazakhstan has been shut down due to a reported gas leak just a few weeks after being brought online earlier this month. The Caspian Sea oil and gas field was set to be out of action for three to four days after a small leak was detected earlier this week on a pipeline running to the Kazakh Bolashak processing plant in Atyrau that receives oil from Kashagan, according to local news agency Kazinform..

"In accordance with the normal procedures this onshore section of pipeline was isolated and pressure was released," said a spokesman for North Caspian Operating Company, the multinational consortium that operates the field.

"Toxic hydrogen sulfide was not released into the air, nobody was injured. All manufacturing facilities are in standby mode, the wells are temporarily closed," he added. Gas alarms at the plant were however not activated and there was reported to be no danger to personnel. It follows a similar incident reported at the plant last month. The incident will though not delay the start of commercial output that is due next month, Kazakh Oil & Gas Minister Uzakbai Karabalin was reported as saying by Reuters.

Initial production kicked off on 11 September at the long-delayed giant field, located 80 kilometres south-east of Atyrau, and is expected to reach 180,000 barrels per day in the initial phase before ramping up to 350,000 bpd. Kashagan is believed to hold as much as 35 billion barrels of oil in place - of which about 10 billion barrels is believed to be recoverable - and about 1 trillion cubic metres of gas.

Partners in the consortium are US supermajor ExxonMobil, Total of France, Anglo-Dutch supermajor Shell, Italy's Eni and state-owned KazMunaiGaz, which hold 16.81% each, with Japan's Inpex on 7.56%. China National Petroleum Corporation was also recently brought onboard after acquiring an 8.4% stake formerly held by ConocoPhillips for $5 billion.

PETFORM

US energy companies back on top

The Economist, *21.09.2013*

In September 2009 it seemed that America Inc was being crushed. Of the world's ten largest quoted firms by market value, only three were American—Exxon Mobil, Microsoft and Walmart. The list was dominated by state-controlled giants such as PetroChina, China Mobile and ICBC, a Chinese bank. Petrobras, an oil-and-gas firm run by the Brazilian government, had just made it into the ninth slot.

It all fitted an easy story. America was in decline after the subprime crisis. The private firm was being displaced by state capitalism. There was an inexorable shift in power to the emerging world.

That year turned out to be a low point for the American firm: its resurgence has been remarkable. Today nine of the ten most valuable companies are American. The country has not been as dominant for a decade. Look at the top 50 firms and America's share is much lower. But it is still over 50%, and has recently begun to rise (see chart 1). With its economy energized, not least by cheap shale gas, and its stock market rampant there is optimism in the air.

On September 2nd Verizon, a telecoms firm based in New York, said it would take full control of its wireless arm, buying out its British partner, the once all-conquering Vodafone. At $130 billion this deal is the third-largest ever and an advertisement for the depth and sophistication of Western capital markets—Verizon has managed to issue a colossal $49-billion-worth of bonds and the next stage is a fiddly cross-border transfer of Verizon shares to Vodafone shareholders. The following day Microsoft said it was buying Nokia's troubled handset arm.

Countries do not need giant companies to be successful: Germany's strength is its medium-sized firms; Canada is comfortable living colossus-free. And dominance in the league tables can evaporate quickly. In May 1987, before Japan's banks keeled over, the country accounted for eight of the top ten companies. Tokyo Electric Power, once the planet's third-biggest firm, is now worth a tenth of its peak value back then, and mainly famous for the disaster at its Fukushima nuclear plant.

In 2000, even as the dot-com bubble began to burst, Cisco and Oracle (two technology giants) were in the top ten. Between 2005 and 2007 Citigroup, AIG and Bank of America moved in and out of the top ten—all three had to be bailed out by taxpayers before the decade was done. As the next decade began, talk of a commodities "super cycle" driven by Chinese demand saw BHP Billiton, an Australian mining firm, join the top ten. Now it has slumped back to 27th place.

Despite certain fickleness, though, the ranking is a snapshot of something that matters. Plenty of businesspeople believe that being among the biggest firms in a given industry matters if a company is to compete in the globalized economy. And although corporate America's achievement is due, in part, to fashion among investors—the stock market and dollar have risen strongly this year—three deeper forces are also at work.

The first is America's mix of resilience and dynamism. True, there is an old guard. Exxon, an energy producer, General Electric (GE), an industrial conglomerate, and Johnson & Johnson, a health-care outfit, were all in, or very close to, the top ten a decade ago—and between them boast four centuries of history. But the old financial establishment has bombed; America's most valuable lender is Wells Fargo, once dismissed as a bumpkin's bank by Wall Street types. Coca-Cola and Pfizer have slipped from the first tier, but by improving its once-dreadful exploration record Chevron has become the world's second-most-valuable oil firm. Intel and IBM, tech stalwarts that both graced the top ten in the past decade, have ceded their spots to Google and Apple (see chart 2)—though IBM may well come back. Microsoft is the lone tech survivor.

There seems to be more churn among America's biggest companies than in the rest of the world. The second deeper force at work is Europe's poor performance. Switzerland and Britain still have a disproportionate share of firms in the top 50, including Nestlé, Roche, HSBC and BP. But the rest of the continent boasts only four top-50 firms. A long preference for bank financing over stock markets is part of the story, and the difficulty of consolidation through cross-border takeovers probably has not helped. Nor has the euro crisis. It clobbered Santander, a bank, and Telefónica, a telecoms company—Spanish firms with large Latin American operations that, five years ago, were rushing up the rankings.

The third force at work is the rise and fall of state-controlled firms, particularly Chinese ones. China Mobile listed in 1997 and in the next decade many other huge Chinese firms went public, including the country's big banks. The frenzy peaked in 2007 when PetroChina, an oil firm that was already listed in Hong Kong and America, sold shares on the Shanghai market. It briefly became the only firm in history to have been worth over $1 trillion. If you take the highest-ever value for each of 2009's top-ten state firms and add them together you get $3.7 trillion.

That global total has now fallen to $1.5 trillion. PetroChina is today worth just $233 billion. This epic loss clearly reflects frothy initial valuations, the decline in commodity prices and the recent sell-off in emerging markets. But it may also show that investors are growing wary of state-backed firms for more fundamental reasons.

Gazprom, a Russian energy firm run by the Kremlin, has fallen to a value just three times its annual profits, compared with 11 times for Exxon. One of China's big three lenders, Bank of China, now trades below its book value, and the other two are not far off. China Mobile has been de-rated compared with its Asian peers, according to James Ratzer, of New Street Research, an analysis firm. Vale, a big Brazilian miner over which state-backed institutions hold sway, is cheaper than global rivals such as BHP Billiton and Rio Tinto.

This may be because the downsides to cozy relationships with government have become clearer. On September 2nd Jiang Jiemin, PetroChina's former chairman, was put under investigation for "suspected serious disciplinary violations", an official term that often denotes accusations of graft. Fund managers worry that China Mobile may be forced to invest in unprofitable networks for the greater national good, according to Mr Ratzer. Many investors fear that the government-induced lending boom of the past five years has left China's banks packed with bad debts. They still salivate over Chinese public offerings—just not those of sluggish state-backed monoliths. If, as expected, Alibaba, a big privately controlled Internet Company, soon floats it will do so on a sky-high multiple of its profits.

It is a similar story elsewhere. The $40 billion a year which the Peterson Institute for International Economics, a think-tank, believes that Gazprom loses to graft and inefficiency may account for its collapsing share price. Minority shareholders in Brazil argue that state meddling has hurt profits by requiring Petrobras to use local suppliers, regulating retail prices and dictating the role it plays in exploiting the country's giant offshore oilfields.

American boosters may take cheer from their home teams' ascendancy. They should remember that at this level victory comes from away goals. Successful American companies have become more global. Six of those in the top ten—including Google—sell more abroad than at home, and in almost all cases the proportion of foreign sales is rising steadily. Jeff Immelt, GE's boss, is prone to speculating that his successor may not be American. Among Chevron's biggest bets is an Australian gas field called Gorgon—not shale gas at home.

Nor is America's new-found dominance assured. Measured using a larger sample of the top 50 firms its share is lower and the recovery less pronounced. Two state firms, ICBC and China Mobile, sit just outside the top ten. Of the firms ranked 11th to 30th fewer than half are American. Perhaps most significantly, American firms no longer dominate by profits (see chart 3). Even if their share prices have been lackluster or worse, most giant emerging-market firms have steadily increased their earnings—China Mobile's annual net income has almost doubled in five years to a massive $20 billion.

Today's investors value America's big firms more, with respect to their incomes, than they do firms elsewhere, perhaps reflecting a belief in their ability and willingness to allocate resources efficiently and to govern themselves in a shareholder-friendly way. By improving the way they are run, other firms with large profits could boost their valuations and creep up the league table. This is true of some private-sector firms, like Volkswagen and Samsung, that have a reputation for opacity and mediocre ratings as a result. And it applies in spades to big state firms.

There are some hints of change. Petrobras has allowed minority investors to appoint a director to its board. Maria das Gracas Foster, its newish boss, has indicated it will be more careful with its investments. Russia's government has talked about making state firms pay higher dividends, in part to force greater discipline upon them. China's reformers signal that they would like to confront its mighty industrial lobby. A 2012 semi-official report called "China 2030", written in conjunction with the World Bank, says that allowing state firms to act in a more commercial manner is a key objective.

The hybrid model which makes firms answerable to both investors and politicians may never be satisfactory, but it can be improved. Many non-American firms have the profits needed to rise up the league table of the world's most valuable companies. If they harness this raw financial muscle to a broader global outlook and better management and governance they will kindle, or rekindle, investors' confidence. And America will have a fight on its hands.

Some enquiries on Romania's post Nabucco energy policies

Natural Gas Europe, *26.09.2013*

There has probably never been in the past 23 years a stronger deception in terms of Romania's energy security than the Nabucco debacle. The (unspoken) death of the AGRI project may be added to this drama. The consequential economic and geopolitical losses for Romania are tremendous. It is extremely strange though, that this major event was held on public and government agenda for, probably, not more than 2 weeks, squeezing itself through some sterile Romanian "political" debates.

Although disappointment of Romania regarding selection of TAP, there various reasons behind that choice.

There have been certain events evolving within a relative short time span which, in a combined approach, may have indicated the outcome of the Nabucco project: (i) BP's significant financial exposure in the US following the Deepwater Horizon oil spill in the Gulf of Mexico, (ii) BP's position in the Shah Deniz consortium and the Southern Corridor selection process, (iii) the expertise of BP in offshore and arctic regions which would enable Rosneft to develop its capabilities, (iv) ultimately, the 2012/2013 BP-TNK-Rosneft deal in Russia which financially fueled BP's balance sheet threatened by the Mexico Gulf disaster, (v) Gazprom's withdrawal from the privatization bid for Greek DEPA gas company in favor of Azeri SOCAR (member of Shah Deniz consortium), (vi) the US shale gas energy self-sufficiency and its (new) regional "power balance" approach that led to its lesser involvement in the Caspian region and shifting focus to its close neighborhood (South America) and Far East Asia, (vii) Norway's slow but certain emergence as second European supplier of natural gas after Russia, and (viii) Israel's strategic East Mediterranean interest promotion along the TAP project, securing export of its Leviathan basin resources to the EU.

All these, along with other factors which could have been accounted for the expected failure of Nabucco, pose an example of realistic geopolitical moves of countries that indeed know how to pursue their strategic energy interests. Unfortunately, Romania did not properly consider the risks surrounding the Nabucco project and did not prepare itself for a negative outcome. It rather seems that Romania rested in the shadow of an expected/hoped-for (but inexistent) EU common foreign and energy security policy. Also, it further relies with the EU prospects of ensuring a fully EU interconnected energy market, as the alternative for the Nabucco participating states.

If indeed Romania would have been prepared for such failure, normally, we should have noticed a "plan B", either officially stated or factually obvious. Instead, Romania chose the to pursue its "energy independence" and to complete its Eastern and Western gas interconnectors (thankfully, partially EU funded), as part of the EU (as recently confirmed by the EU Commissioner for Energy, HE Gunther Oettinger, in a speech delivered to the CSIS in Washington) declared intention of ensuring a fully interconnected energy market.

The option of “independency” was, apparently, the most facile one, but disregarded any perceivable Romanian or European regional geopolitical approach to the more and more complex and strategic “Magic Triangle”, comprising the Caspian, the Black Sea and the East Mediterranean regions. “Energy independence” is unlikely to be achieved through the Government’s back and forth moves on development of gas from shale (which tends to become more a political issue rather than an environmental one), lack of comprehensive governmental approach to the Black Sea E&P developments’ required gas transport infrastructure, and the sudden change of the rules of game for the renewable energy industry.

Equally important, the preparation of the 11th bid round for new hydrocarbons perimeters can hardly be a realistic target, while the NAMR is lacking sufficient staffing and while some previous bid round concessions still await ratification by Government for already 2 years now. Along the same lines, it is unlikely that EU’s third energy package (yet to be fully implemented in Romania), will become a near future reality in Romania. Even though the package insists upon, among others, the importance of national independent regulators, one can only notice the pre-eminence of a Governmental department (so called Ministry of Energy) in national energy matters to the detriment of ANRE, the regulator. Last, but not least, “energy independence” (quite an obsolete, but very popular concept) is not compatible with a Government’s confusing talks on revisiting the hydrocarbons royalty system.

In our view, the Romanian Government should consider some aspects in shaping its medium term energy security policy in the post-Nabucco era and, just to mention a few: (i) the implications of the currently negotiated TTIP accord between the US and the EU, particularly in terms of promoting US gas exports (LNG) to (western) European coasts, in the larger context of energy competition among EU member states, (ii) the gradual shaping of regional and sub-regional energy alliances (see the recent revival of the Visegrad group in terms of gas market integration, the recent Accord between Greek Cyprus, Greece and Israel on energy development of the East Mediterranean offshore potential, and the further possible energy cooperative frameworks or challenges that shall be initiated by or shall involve powerful regional players like Turkey, Ukraine, Israel, Russia and, “new entry” Azerbaijan (iii) the dilemma between competing (including militarization) and cooperative attitudes in relevant energy regions, particularly the Black Sea region, (iv) the Middle East area and, in particular, the Syrian conflict with the implications it may have on the Eastern Mediterranean and the “Magic Triangle” regions and, given limited space for this contribution, last but not least, the role that “bilateral ties” and bargaining on realistic domestic energy assets (like transport infrastructure, storage, energy efficiency and sustainable development plans) play in European regional energy security matters.

Energy “independence” and some interconnectors to neighboring states alone cannot ensure energy security for Romania. In the post Nabucco era, Romania must urgently define its energy security profile, add value to its true energy security domestic assets (like infrastructure, storage), further the development of a true liberal and attractive energy market, including true independent regulators - with potential impact on regional energy prices, promote new technologies able to “revive” largely depleted or inaccessible hydrocarbon reserves, etc. In what external energy policy is concerned, Romania should intensify its bilateral and sub-regional energy cooperation on the north-south and east-west axis, with particular focus on the “Magic Triangle”, but without overlooking countries like Poland and the Baltic states.

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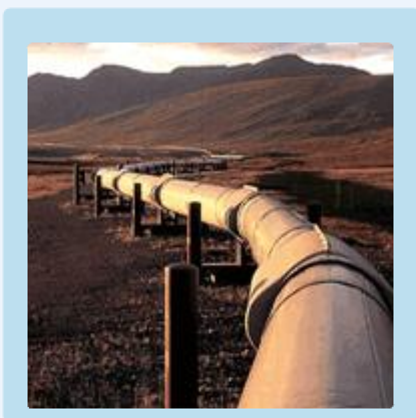
This would imply the immediate deployment of a professional corps of Romanian "energy diplomats" in relevant countries. Even at this moment, setting forth our energy diplomacy could be very useful, given Ukraine's recent request for gas supplies from Romania. Regarding our Central European neighbors, as the Nabucco bubble burst, every country's supply security strategy needs to focus on gradually moving towards solid regional market integration. The answer for Romania's energy security dilemma lies in coordinating with the other countries in order to connect the missing pieces of the puzzle represented by this area's gas infrastructure.

Interconnectors would not only enhance the region's security of supply, but also would introduce a gas-to-gas competition which would drive prices down. Some next high level meetings with powerful key-countries in the region like Turkey, for instance, would be a very good first step in enhancing Romania's energy security, which should tackle a comprehensive and extensive agenda on energy related issues (not only on electric power, but also on hydrocarbon production/transit in a regional perspective), and, thus proving that Romania still has a role to play in this area. If, indeed, we still have some bargaining power left.

Lithuania-Poland pipeline likely to get priority status

Argus, *25.09.2013*



The European Commission has confirmed that a proposed project to build a pipeline between Lithuania and Poland is likely to be on its list of "Projects of Common Interests" to be announced next month, which would grant the pipeline project a faster permit process for EU funding eligibility.

PCIs are energy infrastructure projects that have been deemed a priority for the EU because they enhance security of supply for member states. They are part of the commission's wider energy infrastructure package. Lithuania has been pushing to diversify its gas supply, which is dominated by imports from Russia's Gazprom.

The proposed pipeline would have an initial capacity of 2.3bn m³/yr, and would link the Baltic states with other European markets. Further investment in the project could eventually expand the pipeline's capacity to 4.5bn m³/yr. PCIs benefit from a special permit granting procedure, which is easier, faster and more transparent than normal procedures, and will not exceed four years. PCIs are also eligible for EU funding in the form of grants, project bonds or guarantees. The EU will in exceptional circumstances co-finance up to 80pc of a project if it is considered crucial for regional or EU-wide security of supply. That said, PCIs are not granted automatic EU funding. To receive funding the projects must prove that they are not commercially viable. The commission declined to give final confirmation that the Lithuania-Poland project is to be a PCI ahead of its final announcement in mid-October, but said "the Lithuania-Poland gas interconnector will most likely be on the list of PCIs".

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Gazprom plans LNG import terminal in Baltic enclave

Natural Gas Europe, *24.09.2013*

Russia's Gazprom is looking into building a liquefied natural gas (LNG) import terminal on the Baltic Sea to supply the country's Kaliningrad enclave, amid a spat with neighbouring Lithuania over gas prices and distribution. Gazprom, the world's biggest gas producer, supplies around 2 billion cubic meters of gas per year to Kaliningrad via Lithuania, paying transit fees.

However, Lithuania is heavily dependent for imports and also buys its gas from Gazprom and, according to European Commission, pays more for the gas than any other EU state, leading to a dispute.

Gazprom said on Monday its Chief Executive Alexei Miller and Kaliningrad governor Nikolai Tsukanov had agreed to study the construction of an LNG import terminal, with an investment decision seen next year. Gazprom had previously said in June it was looking into building an LNG plant in the Baltic Sea that would actually produce the gas, rather than just convert imported LNG. Valery Nesterov, an analyst with Sberbank CIB, said Lithuania could lose transit fees from Gazprom if the Russian producer presses ahead with the import terminal.

However, Gazprom would probably have to find new sources of the frozen gas, as it currently only have one LNG producing plant - on the Russian Pacific island of Sakhalin. Lithuania plans to start importing LNG itself in 2015 to reduce its dependence on Russian gas supplies, which totaled over 3 billion cubic meters in 2012 - small compared with Gazprom's total exports to Europe, but still a blow to the Russian company's revenues if that demand dried up. Gazprom, which supplies a quarter of Europe's gas needs, is facing growing pressure from cash-strapped Western clients seeking to cut bills and to revise long-term oil-linked contracts.

Statoil records second gas find in Barents Sea

Natural Gas Europe, *22.09.2013*

The semisubmersible West Hercules drilled well 7219/8-2 on the Iskrystall prospect in license PL608. The well interested a 200-m (656-ft) gas column with poorer than anticipated quality in both targeted formations. Water depth was 344 m (1,128 ft). Statoil estimates volumes in the 6-25 MMboe range.

Iskrystall was the second of the four prospects drilled this year aimed at finding further volumes for the Johan Castberg (Skrugard/Havis) development project. The first well led to a small gas discovery on the Nunatak structure. "Our main goal was to find oil in Iskrystall, but unfortunately it did not materialize".

We still believe we can prove more oil resources in the Johan Castberg area and will continue our exploration effort with two more wells in the Skavl and Kramsnø prospects," said Gro G. Haatvedt, senior vice president exploration Norway. A comprehensive data acquisition program was performed in the Iskrystall well including coring, wireline logging, and fluid sampling. This gives valuable geological information about the Johan Castberg area. Statoil and partners Eni and Petoro opted to delay an investment decision on Johan Castberg in June.

Announcements & Reports

► *IEA Natural Gas Information 2013*

Source : International Energy Agency
Weblink : http://www.iea.org/W/bookshop/add.aspx?id=629

► *EIA Monthly Energy Review (Sep 2013)*

Source : Energy Information Administration
Weblink : http://www.eia.gov/totalenergy/data/monthly/pdf/mer.pdf

► *EIA Electric Monthly Update (Jul 2013)*

Source : Energy Information Administration
Weblink : http://www.eia.gov/electricity/monthly/update/

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Upcoming Events

► *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)***

The Economist
Events

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

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► *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