Oil & Gas Bulletin
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ISIL attacks have a negative effect on energy projects

Hurriyet Daily News, *20.10.2014*

Attacks committed by the Islamic State of Iraq and Levant (ISIL) have had a negative effect on energy projects around Kirkuk and Mosul, but oil shipments from Iraq have experienced no problems so far, Turkish Energy Minister Taner Yildiz has said.

"After the peshmerga retook control of some oil fields, oil shipments began to rise. Some 240,000 barrels of oil were shipped just yesterday, a dramatic rise from around 100,000 barrels before. We are working to keep unproblematic oil shipments. Iraq needs more oil income right now and we are ready to ship seven-fold of what we ship today," Yildiz said.

He added that total exports of Iraqi oil through Turkey since May have reached 18 million barrels, despite ongoing tension in the region. Yildiz also touched on Turkey's possible problems with meeting its gas demand due to the ongoing tension between Russia and Ukraine, admitting that there was a possibility of a supply crisis. "We may face some problems with meeting our gas demand, but we see some progress after the negotiations between the European Union, Ukraine and Russia. Some revisions were made in gas prices," he said. "Let's have a look at Turkey's position in this equation: We generate half of our electricity from imported natural gas. Half of this gas comes from Russia, mainly via Ukraine. Some 12.5 percent of our gas needs come via Ukraine. This is huge. We hope not to face a big gas crisis, but we also admit that there is such a possibility," he added.

An interim natural gas deal between Moscow and Kiev, reached last weekend, could supply just enough to get Ukraine through the winter, as long as the weather does not become unusually cold. Russia, Ukraine and the European Commission moved towards an agreement in late September and made further progress last weekend, and the deal is expected to be finalized at meetings between officials in Brussels today. Russia cut off the gas supply to Ukraine in mid-June following more than two years of disagreement over the price and after relations between the two countries deteriorated over Moscow's annexation of Crimea and fighting in the east of Ukraine. Electricity and gas prices in Turkey increased by 9 percent at the end of September, effective for three months starting Oct. 1, after two years of no increases, mainly due to the depreciation of the Turkish Lira.

Yildiz asked for a discount on the price of gas Turkey buys from Russia during talks in Moscow in October. Russia's Gazprom is now working on a detailed price package in line with Turkey's demand for a discount on natural gas prices, Gazprom Vice President Alexander Medvedev said earlier this month. Yildiz said Turkey's state-run pipeline company BOTAS had lost 2 billion liras annually as it did not raise gas prices for the good of the public. "We are now asking for a discount in gas prices abroad. We will see how much of a discount we can get after the negotiations," he added.

Falling oil prices will decrease gas prices

Anadolu Agency, *18.10.2014*

Falling oil prices across the world are expected to bring down global gas prices within six months, experts said Friday. Brent crude oil - the global benchmark for world oilindex, has lost 28 percent in value since June and was traded at $85 per barrel on Friday.

Arif Akturk, Gas Group Leader of Petroleum Platform Association told Anadolu Agency that Turkey's long term gas import contracts are indexed to crude oilprices. He added that decreasing oil prices will cause gas prices imported by Turkey's Petroleum Pipeline Cooperation, BOTAS, to also decrease.

Akturk underlined that the price of gas imported by the private sector in Turkey depends on the negotiations undertaken with the countries that the gas was imported from. As of 2013, Turkey pays Azerbaijan $349 for every cubic meter of gas, and pays $429 to Russia for the same amount while Iran sells gas to Turkey for $507 per cubic meter. "Oil prices will likely begin to reflect a decrease in gas prices in four to six months," said Benjamin Gage, associate director of IHS Energy Insight.Gage said countries will continue to export liquefied natural gas, LNG, even if prices are lower, as exporters with long-term contracts with LNG buyers, such as Sonatrach with BOTAS, are contractually obliged to honor the volume of their contract. Gage in response to questioning on other impacts of the decrease of oil prices on global gas markets, said that a decrease in global economic activity will challenge the trade of LNG amongst its major fuel competitors - oil and coal. "LNG prices for the short-term, which are still a much smaller share of the global market compared to long-term contracts, are likely to retreat to lower price levels if a reduced oil price environment is sustained," he added.

Turkey aims to become a gas hub for Europe

Anadolu Agency, *21.10.2014*

Turkey could become a natural gas hub with its LNG terminals at the border of Greece and Bulgaria, according to an official from BOTAS, Turkey's state-run gas pipeline company.

"The natural gas transmission pipelines of Turkey could be integrated with the EU if Greece does not build a new LNG terminal," Hizir Hakan Unal, a gas transmission expert for BOTAS, said in a new report, titled "Third Party Access to Turkey's Natural Gas Transmission System 2007-2013." "Turkey may receive a visa to EU's energy market by letting Greece and Bulgaria use its LNG terminals," Unal added.

BOTAS will build a new natural gas pipeline in the northwestern Turkish district of Corlu by April 2015. "After the completion of the construction of the pipeline, the natural gas capacity in Greece will also increase," Unal said, adding that in addition to current natural gas agreements, Turkey could be a link for natural gas transfer to Europe. "Turkey's LNG terminals have third-party access, which means that European countries could use our LNG terminal for gasification," he said. Turkey has two operational LNG terminals, in the Marmara district of Eregli and in the Aegean district of Aliaga right now. Turkey currently imports 4 billion cubic meters of LNG from Algeria per year and 1.2 billion cubic meters of LNG from Nigeria via its LNG terminals. For Turkey, LNG is key to becoming one of the most important energy hubs between the Middle East and Europe, along with the Trans-Anatolian Pipeline (TANAP) that will bring Azerbaijani gas from Shah Deniz through Turkey and on to European markets.

Greek Cyprus cries foul as Turkish vessel enters waters

Hürriyet Daily News, *20.10.2014*

Greek Cyprus accused Turkey of taking “provocative and illegal” action by sending a survey boat to an area where the Greek Cypriot government has licensed exploratory drilling for oil and gas. Defence Minister Chistoforos Fokaides said the vessel was being closely monitored and that Nicosia would examine “its response to defend its rights and sovereignty.”

Nicosia is unhappy that Ankara is determined to search for oil and gas in the same region where the Greek Cypriot government has already licensed exploratory drills in an exclusive economic zone.

Ankara opposes the Cypriot government’s exploitation of offshore energy reserves before a deal is reached to solve the decades-long division of the east Mediterranean island. Earlier this month Greek Cyprus suspended its participation in UN-led peace talks launched in February, during which Greek Cypriot leader Nicos Anastasiades was to meet Turkish Cypriot counterpart Derviş Eroğlu. Anastasiades chaired an emergency meeting of political leaders to discuss how Greek Cyprus should respond to the Turkish action. Satellite maps of marine traffic in the region show that a Turkish vessel, the Barbaros, had moved to around 20 nautical miles off the island’s southeastern coast at Cape Greco near the exclusive economic zone.

Nicosia has licensed exploratory drills for oil and gas in the zone. Ankara does not recognize the zone and demands that Turkish Cypriots share natural resources. The movement of the Barbaros and accompanying ships - two support vessels and a Turkish navy frigate as shown by the maps - are “provocative and illegal,” Fokaides told state radio. Nicosia is “now obliged to escalate its response to defend it rights and sovereignty,” he said. “We have already studied alternative scenarios. This move by Turkey was one of the scenarios that we studied, we are not surprised that it carried through on its threat,” Fokaides said, without elaborating. Ankara had issued a notice that a Turkish seismic vessel would carry out a survey from mid-October to December 30 in the same area where the Italian-Korean energy consortium ENI-Kogas is operating.

Turkey 'determined' to continue gas exploration amid threats from Greek Cyprus

Hürriyet Daily News, *22.10.2014*

Ankara has vowed to continue gas exploration activities off Cyprus, despite Greek Cyprus' threats to block Turkey's ongoing EU accession talks in an effort to bring a halt to the operations.

"The Barbaros ship will continue to do its seismic studies nobody should try to create a crisis," Turkish Prime Minister Ahmet Davutoğlu told. "We have the right to conduct seismic studies there, according to agreements signed between Turkey and the Turkish Republic of Northern Cyprus [KKTC]. We will always use this right," Davutoğlu said.

Greek Cypriot authorities said Oct. 21 that the Barbaros entered their exclusive economic zone and intended to stay in the area according to a maritime advisory issued in early October. Nicosia is unhappy that Ankara is searching for oil and gas in the same region where the Cypriot government has already licensed exploratory drills in an exclusive economic zone.

Earlier this month Greek Cyprus suspended its participation in U.N.-led peace talks launched in February, during which Greek Cypriot leader Nicos Anastasiades was to meet Turkish Cypriot counterpart Dervis Eroğlu. However, Ankara disputes Greek Cyprus' rights to a swathe of sea to the island's south and southeast that are rich in natural gas reserves, demanding an equal share of resources between the two governments of the divided island.

Davutoğlu repeated Ankara's call for a fair distribution on Oct. 21 and expressed willingness to seek a solution on such a basis. "If we are going to agree on a solution, we should sit down at the table as soon as possible with our neighbor and friend Greece, Britain and the international community as guarantors and settle this issue. And these resources shall be used as resources of the unified Cyprus state. But if, they say, 'These resources belong to us and the north belongs to you,' then we should seek alternative solutions together," Prime Minister Davutoğlu also said. "You can't encourage deadlock, pull out of political negotiations, start having other talks, blackmail Turkey and hold Turkey responsible for all of this. It is not an acceptable situation," he added.

US Treasury: Turkish dealers helping ISIL earn $1 million per day from oil

Hürriyet Daily News, *24.10.2014*

The Islamic State of Iraq and the Levant (ISIL) is earning about $1 million a day from black market oil sales, the United States has said, vowing to impose harsh sanctions on the purchasers of the oil, "including middlemen from Turkey."

"With the important exception of some state-sponsored terrorist organizations, ISIL is probably the best-funded terrorist organization we have confronted," David Cohen, U.S. Treasury Department undersecretary for terrorism and financial intelligence, said in a speech at the Carnegie Endowment for International Peace in Washington on Oct. 23. "It has amassed wealth at an unprecedented pace."

ISIL is generating tens of millions of dollars a month through a combination of oil sales, ransom, extortion and other criminal activities, and support from wealthy donors, said Cohen, laying out the most comprehensive outline yet of the U.S. financial strategy against the group. "It is difficult to get precise revenue estimates but we estimate that beginning in mid-June, ISIL has earned approximately $1 million a day from oil sales," Cohen said. Other estimates have ranged as high as $3 million a day.

The undersecretary said ISIL was selling oil at substantially discounted prices to a variety of middlemen, including some from Turkey, who then transport the oil to be resold. "It also appears that some of the oil emanating from territory where ISIL operates has been sold to Kurds in Iraq, and then resold into Turkey," he said. However, the U.S. official also praised Turkey and the Kurdistan Regional Government (KRG) for being "committed to preventing ISIL-derived oil from crossing their borders." He also said U.S.-led airstrikes on ISIL refineries in Syria were also working to threaten the group's supply networks, dashing a major blow its resources.

Cohen acknowledged, however, that ISIL moves oil in illicit networks outside the formal economy, making it harder to track. "But at some point, that oil is acquired by someone who operates in the legitimate economy and who makes use of the financial system. He has a bank account. His business may be financed, his trucks may be insured, his facilities may be licensed," he said. "We not only can cut them off from the U.S. financial system and freeze their assets, but we can also make it very difficult for them to find a bank anywhere that will touch their money or process their transactions," he said. The Treasury also is going after individuals who donate money to ISIL and is urging officials in Qatar and Kuwait to do more to target terror financiers in their countries. A key, he said, is to restrict the militant group's access to the international financial system.

TAP issues tender for ‘largest contract’ in Greece, Albania

Natural Gas Europe, *18.10.2014*

Trans Adriatic Pipeline AG (TAP) has issued the first major Invitation to Tender (ITT) for the construction of the onshore section of the pipeline, asking engineering companies to present their projects for the 760 km onshore pipeline in Greece and Albania.

TAP’s Procurement Director Knut Steinar Kvindesland said it is the largest contract that the company intends to award. ‘Companies being invited to tender are international pipeline construction organisations, including companies from TAP’s host countries,’ TAP commented in a note released on Wednesday.

According to the company, the contract should be awarded in the third quarter of 2015. ‘The next Invitation to Tenders (ITT) that will be issued by TAP are the EPC for compressor stations in Greece and Albania, procurement of compressor units for the compressor stations, and procurement of large diameter ball valves. TAP plans to issue these ITTs in the fourth quarter of 2014.’ TAP will transport natural gas from the giant Shah Deniz II field in Azerbaijan to Europe. The approximately 870 km long pipeline will connect with the Trans Anatolian Pipeline (TANAP) near the Turkish-Greek border at Kipoi, cross Greece and Albania and the Adriatic Sea, before coming ashore in Southern Italy.

Israel discusses gas pipe deal to supply Egyptian buyers

ICIS, *21.10.2014*

The flow of natural gas from the Israeli Tamar field to Egyptian domestic buyers could begin in the second quarter of 2015. Israeli gas and exploration company Delek Group signed a non-binding Letter of Intent with a group of Egyptian companies known as Dolphinus Holdings on 19 October.

The agreement joins several others which could see Israeli piped gas head to Egypt and Jordan from the existing Tamar and planned Leviathan fields. The deal could see around 7 million cubic metres/day of gas delivered on an interruptible basis through the existing EMG pipe – commonly known as the Arab Gas Pipeline – that runs between the two countries.

A minimum cumulative volume of around 5 billion cubic metres over three years may be shipped, although the buyer group is not bound to take any minimum volume. The EMG pipe has not been used for the last two years and was designed to transport gas from Egypt to Israel. It suffered numerous acts of sabotage before Egypt's ability to export ebbed away. Work to allow reverse flows through the pipe from Israel would be required. Delek said the price of the deal would be linked to Brent crude and would be similar to other Israeli export deals. Dolphinus Holdings is understood to be a consortium of major Egyptian non-governmental and commercial gas consumers. The growth of Egyptian demand for gas-fired power generation and other industrial uses has met falling supply from domestic production and triggered widespread shortages.

Next steps in the pipe deal will involve seeking the required authorisations from Israeli, Egyptian authorities and between the Egyptian holding company and the EMG pipeline operator. A number of letters of intent have been signed this year linking Israeli gas to Egypt and Jordan. Israel needs to monetise gas from the Tamar and planned Leviathan fields while gas infrastructure in neighbouring countries is under pressure from rising demand and undersupply. ICIS understands a separate deal on Tamar gas into the liquefaction plant at Damietta with Spain's Union Fenosa, in Egypt that would involve the construction of a new sub-sea pipe could progress further this year.

EU wants market-led response to any Russian gas crisis

Reuters, *20.10.2014*

"A price increase is not a supply crisis and not a justification for intervening in the market under the pretext of security of supply," the European Commission warned member states as markets would be effected if gas deliveries are cut this winter as a result of the dispute between Russia and Ukraine.

Gas prices could double as a result of a shutdown in transit shipments, according to the International Energy Agency, but the European Commission insists they must be allowed to rise to promote fuel switching and reduce non-essential demand as well as attract additional LNG cargoes to replace lost supplies from Russia.

EU officials have modeled the impact of a six-month shutdown in Russian deliveries during an average winter but with a two-week cold snap in February when demand is typically highest and gas stocks would be depleted. Unsurprisingly, the worst-hit countries would be in eastern and south-eastern Europe, though Finland and the Baltic States would also be hit if the transit dispute led to a complete cessation of all Russian gas exports to the EU. Countries in central and Western Europe would not experience a significant direct disruption. But the Atlantic and Mediterranean coasts are where most of the Union's import terminals for receiving LNG are located.

The Commission therefore wants member states in central and Western Europe to allow the market mechanism to work and prices to rise, even if worse-hit members in the east and southeast are forced to introduce non-market measures to reduce consumption and reserve scarce supplies for priority customers. "The sequencing of measures is important and it is crucial that the market functions as long as possible," the Commission warned. "Where the market works, price signals will attract new deliveries of gas, mainly LNG, to the EU and within the EU to those countries where scarcity is greatest." There is more than enough LNG and shipping capacity to meet any shortfall from Russia, according to the Commission. But the Commission warned member states not to prevent gas flowing across borders and reminded them of their legal obligation not to introduce measures that "unduly restrict the flow of gas within the internal market".

All member states and neighboring countries have contingency plans for dealing with a severe interruption in gas supplies. Where district heating systems and power plants have dual-fuel capability, they would be ordered to switch to burning diesel, fuel oil or coal to save gas. Strategic diesel stockpile might be released in some circumstances to meet increased demand for liquid fuel. If that was still not enough, gas supplies would be cut to non-essential customers, such as steelmakers, to give priority to "protected customers" like households, hospitals and schools. Gas shortages in some eastern and south-eastern countries could be so severe that national governments have no choice but to order fuel switching and rationing, but the EU wants them to let gas prices rise first to conserve as much gas as possible by allowing the price mechanism to work.

In western and central Europe, the Commission wants the whole adjustment to be carried out through price changes. EU officials worry national emergency plans focus only on the domestic supply-demand balance and do not consider knock-on effects on other member states, so actions taken by one member state could worsen the situation elsewhere. Some national plans are actually inconsistent with one another, since member states are relying on the same alternative supplies, thus double-counting available gas. The Commission therefore wants national regulators to take a cooperative approach. By relying on the price mechanism as much as possible and discouraging restrictions on gas flows between member states and neighboring countries, the Commission wants to avoid a situation where non-priority customers in one state continue to be served while protected customers in another get cut off. Cooperation and relying as much as possible on the market would benefit everyone.

"Calm, market-based management of the supply crisis in member states less affected (by the interruption of gas supplies) will have an overall beneficial effect for the EU" and neighboring states like Turkey and in the Balkans, the Commission concluded. While that is to some extent an aspiration, EU authorities will apply intense peer pressure on national governments to avoid taking steps which are unhelpful and are likely to threaten action under the internal market supply security regulations. Any interruption in gas flows from Russia this winter would be painful for consumers across the EU and in neighboring areas, but an uncooperative response is a sure way to make it much worse.

High-stakes Russia-Ukraine-EU gas talks begin in Brussels

Agence France-Presse, *21.10.2014*

Russia, Ukraine and the EU began crunch gas talks on Oct. 21 to resolve a bitter price dispute and end fears that Moscow could halt crucial energy supplies to Europe this winter. The high-stakes meeting between Russian Energy Minister Alexander Novak, his Ukrainian counterpart Yuri Prodan and European Energy Commissioner Guenther Oettinger began as planned, a commission spokeswoman said.

"We had bilaterals with both sides and a trilateral meeting will start very soon," spokeswoman Marlene Holzner said in a statement. "It's not possible to say when the talks will end," she added.

Russia in mid-June cut supplies to Ukraine, demanding the new pro-Western government in Kiev pay steeply increased prices up front for any new deliveries after it ran up what Moscow says is an unpaid bill of $5.3 billion (4.1 billion euros). That supply cut heightened concerns that Europe, which gets about a third of its gas from Russia of which about a half transits via Ukraine, could be badly affected by the dispute this winter.

But hopes for a deal improved after Ukrainian President Petro Poroshenko and Russian counterpart Vladimir Putin reached a preliminary deal at an EU summit last week in Milan. According to Poroshenko, the agreement due to be completed in Brussels will see Ukraine meet Russia's demands and pay $385 per 1,000 cubic metres of gas for deliveries guaranteed through the end of March.

The new price is 20 percent lower than the figure Moscow charged Ukraine after it cancelled a discount offered to former pro-Russian president Viktor Yanukovych. In the draft accord, cash-strapped Kiev would pay $3.1 billion (2.4 billion euros) in unpaid bills to Moscow by end-October, with a new contract to cover subsequent deliveries. In Milan, Putin implied a deal was close but urged EU governments to help finalise the complex funding package required for Ukraine to afford the deal. German Chancellor Angela Merkel, speaking in Bratislava on Monday also said EU members states should do their part. "Everyone must contribute, including Slovakia," Merkel told reporters in the Slovak capital. "We're looking for a solution now, we don't have one yet and winter's already coming," she said.

Paying for Ukraine's gas still obstacle in trilateral talks

ICIS, *22.10.2014*

Russia, Ukraine and the EU failed to come to a final agreement about Russian natural gas deliveries to Ukraine this winter on Tuesday night as the question about how Ukraine will get the cash to pay for gas deliveries this winter remains unanswered.

The EU and Ukraine want to plug the financial gap over the coming days before a new round of trilateral talks will be held on 29 October in Brussels. The parties agreed that Ukraine will have to pay $385(301)/kcm for gas deliveries between November and March, European Commissioner for energy Gunther Ottinger said.

This price is guaranteed and cannot be changed by one side alone by for example imposing tariffs, he added. While it is up to Ukraine to request the volumes of gas needed for this winter it will have make monthly payments for this amount in advance in cash. Only then will state-owned Russian gas producer Gazprom deliver the volumes. Ukraine estimates that it will need an additional 4 billion cubic meters of gas this winter from Russia, according to the European Commission. In that case, Ukraine would need to raise $1.45bn, most likely from the EU or other international organization such as the International Monetary Fund. "On side of the EU, we will work over the next five working days to clear up what volumes of gas can be ordered and also paid for this year," Ottinger said. On top of the money for the additional gas volumes this winter, the parties also agreed that Ukraine will pay its debt of at least $3.1bn for previous deliveries. The exact amount depends on what delivery price is used to calculate it and could be revised following an expected decision by the court.

Russia says Ukraine should find money to pay for gas within a week

Reuters, *22.10.2014*

Ukraine should pay for Russian gas supplies within a week, Russian Energy Minister Alexander Novak said on Wednesday, suggesting a standoff would end once Moscow received financial guarantees from Kiev.

The latest round of gas talks between Moscow and Kiev ended late on Tuesday in Brussels with no agreement in a dispute that prompted Russia to cut off gas supplies to its neighbor in mid-June, potentially hurting flows west to the European Union. But while Novak said he was optimistic, Prime Minister Arseny Yatseniuk said he was skeptical about building ties with Russia.

Yatseniuk underlined how efforts to reach a deal are hampered by a wider political conflict between the two countries. On Tuesday, Russia increased the pressure on Ukraine, which is dependent on Western aid, demanding assurances on how Kiev, would find the money to pay Moscow. Earlier Ukraine asked the European Union for a further 2 billion euros in credit. Novak told reporters at an energy conference in Moscow that the two sides had almost reached a deal but that the talks came unstuck "by another issue - where will Ukraine get the money to pay in advance for gas supplies in November and December". "If the Ukrainians have the money, then the documents will be signed. If not, then we will wait." Sergei Kupriyanov, a spokesman for Russian gas exporter Gazprom told that gas flows to Ukraine would be restarted once Kiev received financial aid.

"If Europe gives them the money, then gas will flow," he said. In Kiev, Yatseniuk said Kiev was negotiating with its European partners on re-exporting gas to Ukraine and was not optimistic about the talks, overshadowed by a pro-Russian uprising in eastern Ukraine and Russia's annexation of Crimea. "I am rather skeptical about building relations with Russia, but will see what happens on the 29th," he told a government meeting. Kiev and Moscow have agreed on a price for Russian gas supplies during the winter at $385 per thousand cubic meters, but the two sides have stumbled over other issues, including whether Ukraine should be asked to pay up front. The deputy head of Ukraine's state energy company Naftogaz. Serhiy Pereloma, said Ukraine expected to get 5.7 billion cubic meters of gas in reverse flows from Europe between October and March. The country needed 26.7 bcm between those two months, down 24.5 percent from last year, he added. Those needs Ukraine wants to cover by its own gas production and gas from storages.

Russia’s gas monopoly is over

The Moscow Times, *20.10.2014*

The position of Russian natural gas in Central and Eastern Europe seems unshakeable: 100 percent market share in Latvia, Estonia, Lithuania and Belarus, 90 percent in Bulgaria, 80 percent in Hungary and Slovakia, and 60 percent in the Czech Republic, Poland and Ukraine. Yet these figures disguise crucial vulnerabilities.

In the coming years, Russia’s export volumes will remain high, even as its position in the European energy markets erodes. Often, discussion of the shale revolution’s impact on Russia focuses on the prospect of American LNG displacing gas flowing through Russia’s transcontinental pipelines.

Such analysis is misleading. Increasing global supplies damage Russian interests. It is important to remember that, as recently as 2005, projections favored the U.S. to become the largest net buyer of natural gas in the world. But in the years since, domestic production rose 34 percent, making the country functionally independent of offshore suppliers. The closure of the U.S. LNG import market is forcing producers in the Middle East and Africa to look for customers elsewhere. This exerts downward pressure on prices and is making LNG from all sources more economical for European consumers. Keen to diversify away from Russian energy, Lithuania and Poland responded by investing in ambitious and costly LNG import projects.

Lithuania’s facility will begin receiving cargoes in December. With a re-gasification capacity of 3 billion cubic meters per year, it can process 90 percent of national demand. Poland’s terminal will begin operations in mid-2015. At 4.8 bcm, it can meet 25 percent of that country’s annual gas consumption. These competitive threats have already damaged Russia’s bargaining power. In the last four years, Gazprom negotiated discounts of 10 to 20 percent with customers in Poland and Lithuania, as well as 7 to 15 percent price cuts with utilities in the Czech Republic, Slovakia and Western Europe. These discounts were given even as the U.S. lacked any LNG export capability. But this will change in the coming years. The first export terminal in the U.S., with a capacity of 20 bcm per year, will commence operations next year.

The country’s eventual volumes are impossible to predict, but they are likely to be significant on a global level. As it stands, 60 bcm is on track by 2020, with an additional 330 bcm in various stages of approval. For the foreseeable future though, Europe cannot use LNG to replace the bulk of its Russian imports. The Western portions of the continent have ample re-gasification capacity, but limited pipeline linkage to Central and Eastern Europe, the region most heavily dependent on Russia. Nevertheless, any significant LNG activity will materially benefit Europe at Russia’s expense. As gas tankers journey across oceans, global markets become more integrated, lowering price differentials among regions — giving buyers greater choice. Thus American shale undermines Russia, with or without direct displacement. Columbia University’s Center on Global Energy Policy estimates that by 2025, 93 bcm of exports would mean 11 percent lower gas expenditures for Europe and 27 percent lower gas export revenues for Russia.

At 186 bcm, American LNG would reduce Europe's costs by 20 percent and slash Russia's sales by 38 percent, or $33 billion. Aside from heightening offshore competition, shale gas imperils Russia's European position because its political rivals are attempting to harness it for their own benefit. It is considered a national security interest in Ukraine and Poland, which possess some of the largest reserves on the continent. Ukraine's basins contain 20 times that country's annual gas demand, and Poland's — about 35 times. Russia will remain an important European energy provider because its gas is relatively economic. But Russia's ability to leverage this resource as an instrument of foreign policy is diminishing.

Oil prices unlikely to exceed $100 per barrel in near future

Oil and Gas Eurasia, *20.10.2014*

Russia's finance ministry thinks that oil prices are unlikely to exceed 100 U.S. dollars per barrel in the short-time perspective, Maxim Oreshkin, the director of the ministry's long-term strategic planning department, said.

"In general, the current downward price movement is structural," he told. "Investments in oil production have increased dramatically in the past decade. The market is featuring excessive offer. That is why price reduction is inevitable, it will have a structural character. We are unlikely to see prices higher than 100 U.S. dollars per barrel in the near future."

Nonetheless, he said, the Russian budget is resistant to low oil prices. The major oil exporter - Saudi Arabia, he said, is interested in keeping oil prices around 80 U.S. dollars per barrel for a number of years. "It will decrease investments in new projects," Oreshkin noted. "Oil prices around 80 U.S. dollars are no threat to the stability of the Saudi budget." Shale oil production in the United State, according to Oreshkin, is expected to go down in the next six months. "There is a specific of shale oil that within a year after drilling a well loses about 50% of its debit.

It means that production drops dramatically. To maintain production levels, let alone to increase them, more drilling is essential," he noted. "But they will start drilling only in case price conditions on the market are sufficient to ensure profitability of the project. The price of 80 U.S. dollars is the price when some projects become unprofitable, hence, drilling is to go down," he said. Last week, oil prices dropped to their minimum since 2010. Thus, November futures price for Brent oil at the London-based ICE Futures Europe was 85.04 U.S. dollars per barrel on Tuesday. WTI prices dropped by 4.6% in New York to 81.84 U.S. dollars per barrel. By the end of the week, oil prices somewhat increased but stayed below 90 U.S. dollars per barrel.

Russia's natural resources minister wants shale oil regulation eased

Reuters, *21.10.2014*

Russia needs to lighten regulation to exploit unconventional oil deposits, including shale, its natural resources minister said, because not only conventional resources dwindle but also Western sanctions limit access to foreign technologies and financing.

The world's top oil producer, believed to hold most of the world's shale oil, extracts less than a million tonnes a year from unconventional sources, including heavy, tight and shale. It pumps conventional oil near its capacity of about 10.5 million barrels per day, with the bulk still coming from depleting western Siberian deposits.

Moscow was counting on technology and funding from abroad to increase its shale production before sanctions were imposed this year over its stance on the Ukraine crisis. "Russia is facing serious challenges. It is essential to clearly understand which sources will allow sustaining a mineral resources production level essential for the country's economic development," Sergei Donskoi said. Tapping shale oil has become increasingly unprofitable in Russia as oil prices have plunged by a quarter since June to just above $80 per barrel. Last year, Russia introduced some tax breaks to boost shale oil production. In a column in newspaper Vedomosti on Tuesday, Donskoi suggested skipping tenders for unconventional oil exploitation, and offering rights to develop such deposits based only on a request from a firm, with a bias towards smaller companies.

Those firms should be obliged to start exploration no later than 4-5 years after the offer was accepted, with a possibility that the field would be transferred to another company if the firm failed to find appropriate technology, he said. Donskoi also suggested cancelling mineral extraction tax for unconventional oil, and guaranteeing access to refining facilities and funding, including from the National Wealth Fund. Russia's main oil industry tax is oil export duty and mineral extraction tax and it offers tax breaks depending on the structure of a field and its location.

Russia to Expand LNG Production by 2018

Oil and Gas Eurasia, *21.10.2014*

The importance of Liquefied Natural Gas to the Russian economy has been highlighted by a new report from GlobalData, the market intelligence company which says Russia plans to greatly increase LNG production, especially through the state-owned company Gazprom to some 25 million tonnes by 2018. VoR's Tim Ecott spoke to Dr. Anna Belova of GlobalData.

Gazprom has expressed plans whichg aim to expand beyond pipeline-based gas marketing into Liquefied Natural Gas (LNG) as it aims to extend its reach into Asian demand centres.

The company has committed to expanding its liquefaction capacity by 250% to 25 million tonnes per year in 2018 in order to secure a larger share of the global LNG market. Rosneft and Novatek, backed by foreign partners, plan to bring new liquefaction plants online by 2018. The two companies are the main beneficiaries of recent regulatory changes in Russia, expanding gas export options beyond Gazprom. Based on announced development plans, the two companies will account for almost 50% of Russian liquefaction capacity by 2018. Dr Belova told VoR: "The oil and gas business provides 50% of budget revenues for the Russian government, so it's an extremely important industry. Liquefied Natural Gas (LNG) is still a very small industry, but the Russian Government is very intent on developing that industry, mainly because it provides the flexibility of markets.

"Whereas now, all natural gas is destined for Europe – and some of it will be destined for China at some point – building LNG terminals, Russia will be able to export all around the world and not be tied to one partner." She said LNG can be transported by road or ship and is not reliant on pipeline.
"It's usually transported by marine transport. It's cooling natural gas to a point where it becomes liquid and then transporting that liquid in tankers. What's important is that you need a terminal on the receiving-end to gasify the gas." Dr Belova said the market for LNG would be Asia, in general and Japan, which, following the nuclear incident, has been importing a lot of natural gas. Spain has also been earmaked as another potential market.

EU seeks alternative energy suppliers

Financial Times, *22.10.2014*

The clash between the west and the Kremlin over the latter's military action in Ukraine has led to the worst stand-off between both sides since the cold war, and the threat to energy supplies has accelerated calls for a move away from Russian energy sources.

The European Union is importing more than fifty percent of the energy it usually consumes, and Russia is its biggest supplier of oil, coal and natural gas. In Europe's capitals there is a palpable sense of déjà vu, in view of the 2006 and 2009 stand-offs between Moscow and Kiev, that held Europe to ransom.

As Mr Oettinger mediates talks between Russia and Ukraine to resolve a gas pricing row in an attempt to avert a damaging supply cut in the winter, the latest dispute has not only revealed what little room for manoeuvre Europe has, but also the diverging interests of EU member countries. The conflict has also underlined – again – the competing claims of the EU's three energy policy objectives: security of supply, environmental concerns and competitiveness. Jonathan Stern, senior research fellow at the Oxford Institute for Energy Studies, says: "If you want to use less gas, in many countries that will mean more coal [usage] and you kiss your carbon dioxide emissions targets goodbye." Renewables would need subsidies, while alternative gas imports would cost more, he adds. In recognising the continent's vulnerability to external energy shocks, the European Commission has spent the past few months conducting stress tests to assess how the continent's energy networks would cope in the event of disruptions, particularly during the winter when gas usage is at its highest.

The aim of the tests is to develop short-term back-up mechanisms for emergency situations. The results will be released this month, before the commission meets to discuss its 2030 policy framework for climate and energy. This includes moves to increase gas stocks, develop infrastructure – such as reverse flow pipelines – reduce energy demand and switch to alternative fuels in the short term. Longer-term aims include improving energy efficiency, boosting production within the EU, diversifying supplier countries and access routes, constructing infrastructure and creating a more unified energy policy – a demand former Soviet states, such as Poland.

Laszlo Varro, head of the International Energy Agency's gas, coal and power division, says: "Over the past five years there has been real progress on the infrastructure and regulatory sides, particularly in terms of increasing gas storage capacity and the construction of pipeline interconnectors to redirect gas flows across the continent. "But the European energy network does not have physical resilience to a sustained disruption to Russian gas supplies. There is no way to cope if there is a complete shutdown." Mr Varro says that to make a real dent in the continent's reliance on Russian energy sources would take the best part of a decade, hundreds of billions of dollars and a lot of political will. Improving domestic supplies of gas, such as from Norway or the UK, is on the cards, but reserves are depleting while Europe's fledgling shale gas industry.

Gas from further afield, such as north Africa, the eastern Mediterranean, the Caspian and central Asia, Iran and Iraq have been considered, but each has its problems and will be a longer-term strategic focus. Bringing non-Russian gas to Europe will need infrastructure improvements and favourable regulations, and will only bear fruit from 2025, analysts say. Although Europe could boost liquefied natural gas (LNG) imports, infrastructure improvements are necessary first. Prices are far higher than pipeline gas, as the continent competes with Asian consumers, such as Japan, whose needs have increased following the fallout from the Fukushima nuclear power plant disaster.

Following in the footsteps of Lithuania, Poland – one of the most hawkish European states towards Russia's actions in Ukraine – is racing to complete construction of an LNG terminal on the Baltic coast, which should begin imports within 12 months. At full capacity it could halve Poland's reliance on Russian gas, from 66 per cent of today's needs. But, even as the rush to the finish gathers pace, the country is importing coal from Russia to feed its power plants – an example of how deep energy relationships with Russia across Europe run. The option of generating electricity from coal, instead of gas, has become an attractive economic proposition in Europe thanks to a falling global coal price, but it clashes with the EU's long-held goals to cut greenhouse gas emissions. And coal-fired power stations are running at capacity. Further, Europe is divided on nuclear policy. While the UK is pushing for new plants, countries such as Germany and Belgium are moving away from nuclear in their energy mix.

Implementing policies to reduce energy demand could be effective in the long term, as could accelerating the deployment of renewable energy technologies, which has stumbled in recent years due to the financial crisis, the impacts of the US shale boom and low carbon trading prices.The renewable energy lobby has been a vocal supporter of the EU's 2030 climate change targets, arguing for them to be even more stringent. But experts wonder if governments have the stomach to commit the considerable sums of time and money necessary to bring alternatives to market, and question whether that would be sufficient to offset existing gas supplies. Renewables accounted for 11 per cent of the EU's gross energy consumption in 2012, with a 20 per cent target set for 2020. Biomass and renewable wastes, derived from plants or animals, accounted for the bulk of that, contributing 7.3 per cent. Bioenergy's cost per kilowatt-hour could be almost halved over the next decade, the consultancy McKinsey wrote in a recent report, making the cost of electricity generation from the fuel close to that of coal.

Although steps have been taken to improve the resilience of the EU's energy regime, they have had varying degrees of success. Some energy market watchers question if the most recent push is too little too late. "Europe has sleepwalked into a deep dependency on Vladimir Putin's gas," says Gal Luft, co-director of the Institute for the Analysis of Global Security, a Washington-based think-tank focused on energy security. "Europe needs to be much more introspective about its energy responsibilities for the future. For years, it has turned its back on all other forms of energy in pursuit of its environmental policies: coal, nuclear, shale, and now we hear it has problems with Russia. When you throw energy security under the bus, this is what happens."

Lithuania's first LNG terminal ends Russian grip on Baltics

Channel News Asia, *19.10.2014*

As much of Europe is anxiously awaiting a Ukraine-Russia deal to avert the risk of winter gas cuts, Lithuania is breathing a sigh of relief as its first liquefied natural gas (LNG) terminal will sever Moscow's grip on gas deliveries to the Baltic States.

Aptly dubbed Independence, the massive floating LNG facility measuring three football fields in length is due to dock in the port of Klaipeda on Oct 27. Its arrival comes just as Russian President Vladimir Putin warned that Europe faces "major transit risks" to gas supplies coming from Russia this winter unless Ukraine resolves a gas dispute with Moscow.

The terminal gives Lithuania the capability to import up to four billion cubic meters of gas per year from sources like Norway's Statoil - well above the 2.7 billion cubic meters it bought from Russia last year. That leaves plenty of extra capacity for its Baltic neighbors Latvia or Estonia, analysts note. Despite joining the EU and NATO in 2004, Lithuania has been completely dependent upon Russia for natural gas, a legacy of five decades of Soviet domination that wound down in 1990. The nation of three million will initially import 0.54 billion cubic meters of gas from Statoil in 2015, covering about one-fifth of its demand. Tensions have been running high between Vilnius and Moscow for years over gas, as Lithuania believes that state-controlled Gazprom has abused its monopoly position and driven up the price. Gazprom's prices are confidential, but Energy Minister Rokas Masiulis told AFP that "Lithuania has paid the highest prices for natural gas in the EU".

Vilnius has not taken the situation lying down. In addition to arranging for the LNG terminal, it has asked the EU to conduct an anti-trust probe against Gazprom and launched an international arbitration procedure, with decisions expected within the coming year. Gazprom's contract with Lithuania expires at the end of 2015. While Gazprom is likely to remain a key supplier, Vilnius insists competition will improve pricing and energy security, and so curb Moscow's political leverage in the region. We're "looking forward to important negotiations with LNG suppliers and Gazprom," said Masiulis, adding that "in a worst-case scenario, we could buy all our gas via the terminal". As the arrival date neared for the new LNG facility, which Lithuania is leasing for a decade, Gazprom already agreed to a price cut of around 20 per cent.

Gazprom has always denied monopoly practices in Lithuania and warned that shipped-in LNG will not come cheap. "If Lithuanian consumers are willing to pay more to reduce their dependence, it's their business," Gazprom spokesman Sergei Kupriyanov told AFP in Moscow. Lithuania's state-owned Litgas LNG agency says Statoil's LNG prices will depend on market factors. The floating 294m terminal owned by Norway's Hoegh LNG will also buoy tiny Lithuania's political leverage towards its Soviet-era master Russia at a time when Moscow's meddling in eastern Ukraine has sent geopolitical jitters in the Baltic states through the roof.

“Dismantling Russia’s monopoly deprives it of yet another tool of political influence over Lithuania,” Marius Laurinavicius, an analyst at the Eastern Europe Studies Center, a Vilnius-based think tank, told AFP. Lithuania’s Prime Minister Algirdas Butkevicius recently told US Vice President Joe Biden the terminal meant “de facto energy independence” and finally integrated the “Baltic States into the internal market of the continental EU.” Fellow Baltic states Estonia and Latvia, also EU and NATO members dependent on Russian gas, say they could also use the terminal to seek out alternative suppliers.

Latvia has the capacity to stockpile more than a year’s supply of gas, while Estonia is almost self-sufficient with shale oil. The Baltic states and Finland are also in talks with Brussels over a separate EU-funded LNG terminal in the Gulf of Finland. Unlike Poland, Slovakia, Austria or Hungary, the Baltic trio have not seen any dip in deliveries from Gazprom this autumn. Russia cut off Ukraine in mid-June after a pro-Western government took power, accusing Kiev of not paying its gas bills. The EU, which gets over a quarter of its gas from Russia, is seeking a deal to ensure that Russian gas will flow uninterrupted to European homes via Ukraine this winter. As Russia must pump gas to its Kalinigrad exclave via Lithuania, it is unlikely to suffer cuts.

Finland would suffer from Russian gas shortages

Anadolu Agency, *20.09.2014*

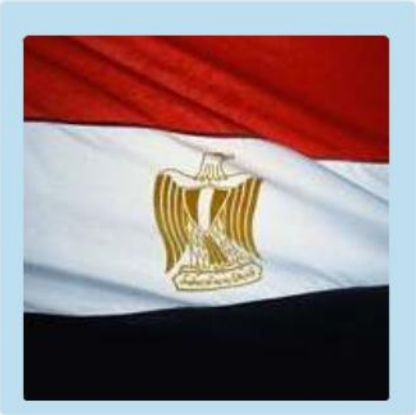
Finland would suffer in the event of a possible Russian natural gas cut-off, according to a recent EC report on the findings of a Baltic and Finnish Focus Group. This stance was also reiterated in EC communication on the short-term resilience of the European gas system.

“The inclusion of Finland is important to ensure that the most complete assessment of the impact of a gas disruption can be made,” the EC said. The Baltic States; Latvia, Estonia, Lithuania and Finland are fully dependent on Russia as their single source of supply. Russia pumps gas either directly to these countries, or through Belarus.

Should an interruption in supply arise, Finland would run out of natural gas as it does not have any reserves, warns the report. Finland is not connected to the Baltic States via a gas pipeline, but is connected to Estonia and other Baltic States by the EstLink 1 and EstLink 2 electricity interconnection subsea cables which link the states. The Commission suggested that Finland should consider the feasibility of fuel switching - changing fuel that is used for electricity production in power stations. Fuel switching can be utilized during emergencies such as supply disruptions or shortages in addition to continuing efforts to develop new regional infrastructure. “Finland, as well as Estonia, should demonstrate clear political will to accelerate the necessary investments. This applies in particular to the construction of the Estonia-Finland interconnector and the regional Baltic LNG terminal,” the EC said.

Egypt may pay foreign firms higher price for gas

Anadolu Agency, *18.10.2014*



Foreign energy companies are negotiating with Egypt's government to raise the price of natural gas they produce in the country, according to the oil ministry The aim is to accommodate the rising costs of development and production; the country's official news agency quoted.

"The negotiations aim to reach a balanced price, to encourage companies working in Egypt to boost exploration activities especially in deep water which requires higher costs," he added. British gas company, BG Group, one of the largest producers in Egypt, confirmed to Anadolu Agency on Friday that it is taking part in the negotiations.

"We are participating in negotiations on domestic gas prices," BG spokesman said, but declined to comment on the progress of the discussions. "A materially higher gas price is needed to encourage further investment in the domestic gas market," he added, but refused to comment on what price would be satisfactory to the company. Egypt is facing an energy crisis and has witnessed severe power cuts in the summer, hitting industry and raising public discontent. The country needs more foreign investment in oil and gas to expand exploration and production. Egypt's natural gas production has declined by an annual average of 3 percent from 2009 to 2013, according to the U.S. Energy Information Administration, EIA.

"Substantial gas discoveries in the deep offshore Mediterranean Sea and in other areas in Egypt remain undeveloped because the price that Egypt's government is willing to pay foreign operators for the gas is too low, making some investment projects commercially unviable," the EIA said. In 2013, the BG group made a capital investment of $634 million in Egypt. The company spokesman said, "The release of funds for any further development..., remains contingent upon a material improvement in the investment climate including a further, and significant, reduction in the outstanding receivable position." Egypt owed foreign oil and gas companies an estimated $5.9 billion by June 2014 and higher gas prices may put further strain on the country's finances.

Libya's oil to flow despite struggle between rival governments

Reuters, *23.10.2014*

A struggle has broken out for control of Libya's state-run energy sector as rival governments in Tripoli and the east compete for power, but a common interest in maintaining oil revenues will keep exports flowing for now.

The OPEC producer has had two governments and parliaments since an armed group took control of Tripoli in August, appointing its own prime minister and taking over ministries as the country disintegrates three years after the fall of Muammar Gaddafi. Libya's internationally recognised government was forced to move to the eastern city of Bayda when the gunmen drove them out of the capital.

The elected parliament is now in Tobruk, even further to the east. The new rulers in Tripoli, largely boycotted by the rest of the world, have appointed their own oil minister, who has already held a press conference in the ministry and started discussing oil policies. Their man, Mashallah Zawi, is challenging the internationally recognised government of Prime Minister Abdullah al-Thinni, who had put Mustafa Sanallah, chairman of the state-run National Oil Corporation, in charge of the oil sector. The struggle is part of a wider conflict threatening to tear apart a country where factions of heavily armed former rebels, who helped oust Muammar Gaddafi in 2011, are now fighting for power and a share of Africa's biggest oil reserves. Libya is divided between a rump state in the east, where Thinni's government and the elected parliament hold court, while Tripoli and central Libya are held by brigades allied to the western city of Misrata, which have taken control of the capital and set up an alternative parliament.

But despite the struggle that is dividing towns, tribes and armed groups, officials at the National Oil Corporation say oil exports have not been affected. The conflicting parties need to keep the oil money, Libya's only source of income, flowing. Revenues from oil export sales are being paid into a state-owned bank abroad. The money is then remitted to the central bank in Tripoli, which pays the salaries of thousands of public employees on both sides of the new political divide. The fact that supporters and members of armed groups on both sides are on the state payroll is a legacy from Gaddafi, who made most adults government employees in order to buy their loyalty.

Libya's new rulers have been too weak to change this system even though many people simply don't show up for work at overstaffed government offices. Other former rebels have been put on the state payroll as members of semi-official security forces while a new national army is being created, even though many of them are more loyal to tribe, region or local commanders than the Libyan state. "There is probably a big disincentive to disrupting the oil payments system, and payments will probably continue to get paid into the central bank," said one Western diplomat. That helps explain why oil production has risen despite the general chaos. Libya now pumps at least 800,000 barrels a day, four times more than five months ago, when Thinni's government managed to end a rebel blockade of oil ports in the east. Still, the industry remains highly vulnerable as armed groups, often unaffiliated to political parties, seize oilfields or ports to press authorities to meet their financial demands. Another potential difficulty is that the struggle to control the National Oil Corporation and the central bank might make foreign traders reluctant to buy Libyan oil if they cannot figure out who owns it. Earlier this year, the United Nations banned the sale of oil not authorised by the National Oil Corporation when rebels campaigning for regional autonomy were trying to sell crude from seized eastern ports. “Personally, given the reality on the ground of two parliaments, two governments... the U.N. should consider putting such a freeze on all Libyan assets and transactions until the picture is clear as to who is really in charge of Libyan sovereign assets,” said Hafed al Ghwell, a political analyst.

Husni Bey, head of one of Libya’s largest private conglomerates, said the poor state of the public finances due to armed men disrupting oil production earlier this year, and a fall in oil prices, had forced all sides to cooperate in order to keep oil sales going. Oil revenues would be as low as $28 billion in 2014, half last year’s level, he said. Ghwell said the central bank would have to burn more foreign currency reserves to fund the budget of $40 billion and annual imports of $30 billion. Highlighting the challenges, the National Oil Corporation has called on oil workers to maximise production to offset the fall in oil prices. With that financial dilemma, the competing powers are leaving National Oil Corporation technocrats to handle routine issues such as issuing tenders. “Work is going very normally,” said Omran al-Zawie, spokesman for the Arabian Gulf Oil Co, a subsidiary of the National Oil Corporation running export ports in the east.

Analysts say another reason why Tripoli’s new rulers have not tried to shake up the National oil Corporation is that up to 70 percent of oil production comes from the east, where Thinni’s government is still in charge of export terminals. Bey said oil revenues are booked abroad in an account of the state-owned Libyan Foreign Bank, which transfers the money to the central bank. The central bank, trying to stay out of the conflict, has stopped all budget payments except salaries to public employees and essentials such as wheat imports. But Ghwell, who works for the World Bank, said foreign buyers might freeze transactions as a result of confusion over who is in charge at the central bank. Its governor has been fired by the Tobruk-based parliament and he has filed a lawsuit to try to get his job back. “There may also be a point at which the officially recognised Libyan government can request that all transactions from the central bank in Tripoli should not be recognised, which will add to the confusion,” Ghwell said.

Iran, BP restart joint gas field in North Sea

Oil and Gas Eurasia, *21.10.2014*

BP recommenced production at the Rhum gas field in the UK North Sea, half-owned by Iran's National Oil Company, nearly four years after the oil major was forced to halt output because of sanctions against Tehran.

The oil group confirmed that gas had begun to flow out of the Rhum field, which until its closure in November 2010 had been contributing around 4-5 per cent of Britain's total gas output. A thaw in diplomatic relations between Western governments and Iran led to permission in October last year from the UK's Department of Energy and Climate Change (DECC) for production to begin once more at Rhum.

However technical difficulties and safety concerns have led to a delay of a year for output to resume. Rhum is half owned and operated by BP, but the Iranian Oil Company has a 50 per cent stake in the field, which was discovered in 1977. BP said it would take two to three days for gas flows from the field to feed though Rhum's platform systems to allow for eventual delivery. The oil company is expecting initial output at Rhum to be held at 50m cubic feet per day. The field's peak output capacity had initially been expected to reach 300m cubic feet per day. "The government supports the resumption of production at Rhum, which is necessary to avoid potential environmental damage and will prevent the possible destruction of the value of the field and its important contribution to the UK's annual gas production," DECC said. Revenues owed to Iran from renewed production at Rhum will be held, for now, by the British government in a frozen account until a full resolution over sanctions emerges, according to the report.

U.S. stocks retreat as energy shares decline with oil

Bloomberg, *22.10.2014*

U.S. stocks retreated, after the Standard & Poor's 500 Index rose the most in a year yesterday, as energy shares led losses amid a drop in oil prices.

Cimarex Energy Co. and Helmerich & Payne Inc. lost more than 4.6 percent to lead all 43 energy stocks in the S&P 500 lower. Biogen Idec Inc. slid 5.4 percent as sales of its top drug missed analyst estimates. Yahoo! Inc. added 4.5 percent after sales topped estimates. Broadcom Corp. jumped 5.5 percent after reporting earnings that beat estimates and giving a forecast that eased concern chip orders might be drying up.

The S&P 500 slipped 0.7 percent to 1,927.11 at 4 p.m. in New York. The Dow Jones Industrial Average slid 153.49 points, or 0.9 percent, to 16,461.32. The Nasdaq Composite Index lost 0.8 percent. Crude oil slid 2.4 percent to $80.52 a barrel, the lowest level on a closing basis in more than two years, after a U.S. report showed inventories increased by 7.11 million barrels last week. "The market is driven primarily by trader and investor emotion and sentiment," Michael James, a Los Angeles-based managing director of equity trading at Wedbush Securities Inc., said in a phone interview. "All that's going to remain consistent in the short term is that volatility is going to continue and that you're going to have significant swings just based on trader sentiment, without any specific data points."

Four consecutive advances in the S&P 500 through yesterday pushed the gauge up 4.2 percent since Oct. 15, recouping half the losses from a selloff that began in mid-September. The equity index surged 2 percent yesterday, its best day since October 2013, as speculation the European Central Bank will boost stimulus to spur growth in the region. The cost of living in the U.S. barely rose in September, leaving inflation below the Federal Reserve's goal as fuel prices plunge this month. The consumer-price index climbed 0.1 percent after decreasing 0.2 percent in August, a Labor Department report showed. Canada's S&P/TSX Composite Index (SPTSX) fell 1.6 percent after a shooting at the national legislature in Ottawa.

Stores and office buildings in downtown Ottawa were locked down for about five hours after the unprecedented attack in Canada's usually sleepy capital, raising terrorism concerns nationwide. Police are continuing to search for suspects after a gunman was killed by parliamentary security officials. BlackRock Inc. Chief Executive Officer Laurence D. Fink said yesterday the selloff last week in U.S. equity markets "weeded out the excesses," making stocks a good investment for those who aren't going to sell their positions soon. "As a long-term investor, yes, I'd be buying equities," Fink said yesterday in an interview with Bloomberg Television's Erik Schatzker. "This is just a market correction, and we need market corrections to clean the market out."

His remarks were echoed by billionaire hedge-fund manager Dan Loeb. Loeb, who runs Third Point LLC, told investors in a letter yesterday that “going forward, we expect that the U.S. will remain the best place to invest” and that “markets will resume an overall upward trajectory in the U.S. through year-end.” About 77 percent of S&P 500 companies that have released quarterly results this season beat profit projections, while 61 percent surpassed revenue estimates. Profit for index members rose 5.9 percent in the third quarter and sales increased 4 percent, analysts predicted. The Chicago Board Options Exchange Volatility Index added 11 percent to 17.87. About 7 billion shares changed hands on U.S. exchanges, 12 percent higher than the three-month average. Eight of 10 main industries in the S&P 500 declined. Energy shares slipped 1.7 percent as a group for the biggest decline as crude oil slid. Utilities gained 0.6 percent for the biggest advance.

Biogen Idec slumped 5.4 percent to $309.07. Revenue from Tecfidera was $787 million in the third quarter, falling short of the average analyst estimate of $794 million. A patient on the treatment died after developing a rare brain infection known as progressive multifocal leukoencephalopathy, or PML, Chief Executive Officer George Scangos said on a call. Boeing Co. dropped 4.5 percent to $121.45 for the biggest loss in the Dow. Investors signaled concern that the world’s largest planemaker isn’t moving fast enough to curb costs on the 787 Dreamliner, a carbon-fiber jet on which the company still loses money, after the company reported third-quarter earnings today. Per-share profit growth also was buoyed by expanding margins in the defense business, which is dwarfed by the commercial unit. Yahoo climbed 4.5 percent to $42. The Web portal reported third-quarter revenue, excluding sales shared with partner websites, that beat estimates and forecast sales of $1.14 billion to $1.18 billion for the current period, exceeding analysts’ average prediction of $1.17 billion.

Chief Executive Officer Marissa Mayer detailed in a conference call after earnings results how Yahoo has bought back 24 percent of shares since late 2012 and said the company’s dealmaking has been “meaningful.” She added that Yahoo is making progress in mobile and the Web portal has been focused on cost efficiencies. Broadcom jumped 5.5 percent to $39.37. Excluding certain charges, profit last quarter was 91 cents, topping an average analyst estimate of 84 cents. The maker of communications chips also said revenue in the current period will be $2 billion to $2.15 billion, compared with an average estimate of $2.11 billion, according to data compiled by Bloomberg. Six Flags Entertainment Corp. soared 13 percent to $38.90 for its biggest one-day gain on record. The theme park operator reported adjusted earnings per share and revenue last quarter that beat analysts’ estimates.

Announcements & Reports

► *Drilling productivity report*

Source : EIA
Weblink : http://www.eia.gov/petroleum/drilling/pdf/dpr-full.pdf

► *Price of electricity transit in transition countries*

Source : Energy Charter
Weblink : http://www.encharter.org/fileadmin/user_upload/Publications/Price_of_Electricity_Transit_in_Transition_Countries_ENG.pdf

► *Entso-E recommendations to help achieve Europe's energy and climate policy objectives*

Source : Entso E
Weblink : https://www.entsoe.eu/Documents/Publications/Position%20papers%20and%20reports/141008_ENTSO-E_Policy_Recommendations_web.pdf

► *Challenges across Brazil's oil sector and prospects for future production*

Source : Oxford Energy Institute
Weblink : http://www.oxfordenergy.org/wpcms/wp-content/uploads/2014/10/WPM-55.pdf

► *Oil markets in transition and the Dubai crude oil benchmark*

Source : Oxford Energy Institute
Weblink : http://www.oxfordenergy.org/wpcms/wp-content/uploads/2014/10/Oil-Markets-in-Transition-and-the-Dubai-Crude-Oil-Benchmark.pdf

► *A perspective on contingent labor management in refining*

Source : Accenture Global
Weblink : http://www.accenture.com/SiteCollectionDocuments/PDF/Accenture-Perspective-Contingent-Labor-Management-Refining.pdf

Upcoming Events

► *Society of Petroleum Engineers Annual Technical Conference and Exhibition (ATCE)*

Date : 27 - 29 October 2014
Place : Amsterdam – The Netherlands
Website : http://www.spe.org/atce/2014/

► *The International Energy Agency's Africa energy outlook*

Date : 28 October 2014
Place : Washington – USA
Website : http://www.brookings.edu/events/2014/10/28-africa-energy-outlook

► *European Autumn Gas Conference*

Date : 28 – 30 October 2014
Place : London – United Kingdom
Website : http://www.theeagc.com/

► *Turkey International Underground Gas Storage Conference*

Date : 29 – 31 October 2014
Place : Ankara – Turkey
Website : http://tugs2014.org/

► *Gas to Liquids*

Date : 29 – 30 October 2014
Place : London – United Kingdom
Website : http://www.smi-online.co.uk/energy/uk/conference/gas-to-liquids

► *The Shale Revolution: What Do We Know Now and Where Are We Going?*

Date : 30 October 2014
Place : Houston – USA
Website : http://bakerinstitute.org/events/1677/

► *Incorporating energy efficiency into energy security planning*

Date : 30 October 2014
Place : Brussels – Belgium
Website : http://www.encharter.org/fileadmin/user_upload/document/PEEREA_Special_session_30_October_2014.pdf

► *Israel Energy & Business Convention 2014*

Date : 03 – 04 November 2014
Place : Tel Aviv – Israel
Website : http://www.energianews.com/energy2014/agenda.htm

► *Climate Change: Raising Ambition, Delivering Results*

Date : 03 – 04 November 2014
Place : London – United Kingdom
Website : http://www.chathamhouse.org/ClimateChange14?campaign=ngfe

► *Iran Oil & Gas Summit*

Date : 03 – 05 November 2014
Place : London – United Kingdom
Website : http://www.iranoilgas-summit.com/

► *Africa Oil Week*

Date : 03 – 07 November 2014
Place : Cape Town – South Africa
Website : http://www.woodmac.com/public/events/12318502

► *Global Energy Forum*

Date : 04 November 2014
Place : Houston – USA
Website : http://www.woodmac.com/public/events/content/12524912

► *The European Utility Week*

Date : 04 – 06 November 2014
Place : Amsterdam – The Netherlands
Website : http://www.european-utility-week.com/

► *Enabling Amicable Settlement of Investment Disputes: Mediation and Conciliation*

Date : 04 – 07 November 2014
Place : Brussels – Belgium
Website : http://www.encharter.org/fileadmin/user_upload/Knowledge_Centre/2014_November/Leaflet_5-7_Nov_2014.pdf

► *Energy Security in Southeast Europe*

Date : 06 – 08 November 2014
Place : Izmir – Turkey
Website : http://energysummit.org/

► *The 4th China International Offshore Oil & Gas Technology Conference and Exhibition*

Date : 09 – 11 November 2014
Place : Beijing – China
Website : http://www.bmc-china.cn/en/OTC/Info.aspx?m=20140623175442410336&nm=20140623140856553113

► *International Petroleum Technology Conference*

Date : 10 – 12 November 2014
Place : Kuala Lumpur – Malaysia
Website : http://www.iptcnet.org/2014/kl/?utm_source=Web+Banner&utm_medium=Web-ADBNR&utm_content=14IPTC-Web-ADBNR-WebUps-13AUG14&utm_campaign=14IPTC+-+Register+Now

► *Asset Integrity Management Summit Asia 2014*

Date : 10 – 13 November 2014
Place : Kuala Lumpur – Malaysia
Website : http://www.assetintegritysummit.com/default.aspx?utm_campaign=UpStream&utm_medium=external&utm_source=external&utm_content=home&utm_term=banner&MAC=ISG_UPS_BA

► *Global Energy Forum 2014*

Date : 13 November 2014
Place : London – United Kingdom
Website : http://www.woodmac.com/public/events/content/12525033

► *Middle East Upstream Forum*

Date : 17 November 2014
Place : Abu Dhabi – United Arab Emirates
Website : http://www.woodmac.com/public/events/12524884

► *EU Energy Policy*

Date : 17 November 2014
Place : Brussels - Belgium
Website : http://ec.europa.eu/energy/events/doc/201411_energy_policy_conference.pdf

► *Turkmenistan International Oil & Gas Conference and Exhibition*

Date : 18 - 20 November 2014
Place : Ashgabat - Turkmenistan
Website : http://www.oilgasturkmenistan.com/

► Securing Europe's Competitive Energy Future

Date : 19 November 2014
Place : Brussels - Belgium
Website :https://www.entsoe.eu/news-events/events/Pages/Events/entsoe-conference-securing-europes-competitive-energy-future.aspx?EventWorkshopId=154

► Shell distinguished lecture series

Date : 19 November 2014
Place : Houston - USA
Website : http://bakerinstitute.org/events/1675/

► International Energy Congress and Fair / EIF 2014

Date : 24 – 25 November 2014
Place : Ankara - Turkey
Website : http://energy-congress.com/2014/

► 7th International Energy Congress Expo

Date : 24 - 25 November 2014
Place : Ankara - Turkey
Website : http://www.energy-congress.com

► Oil & Gas Cyber Security

Date : 24 – 25 November 2014
Place : London - United Kingdom
Website : http://www.smi-online.co.uk/energy/uk/conference

► 166th (Ordinary) OPEC Meeting

Date : 27 November 2014
Place : Vienna - Austria
Website : http://www.opec.org/opec_web/en/311.htm

► Ashgabat Energy Charter Forum: Reliable and Stable Transit of Energy

Date : 08-09 December 2014
Place : Ashgabat - Turkmenistan
Website : http://www.encharter.org/index.php?id=676&L=0

► 8th Transparency Workshop

Date : 11 December 2014
Place : Brussels - Belgium
Website : http://www.entsog.eu/events/entsog-8th-transparency-workshop#welcome

► Kurdish – Iraq Oil & Gas

Date : 16 – 18 December 2014
Place : London – United Kingdom
Website : http://cwc-news.com/S3A-2TCLY-E1BYMVHYA9/cr.aspx?v=0

► Middle East and North Africa Energy

Date : 26 January 2015
Place : London – United Kingdom
Website : http://www.chathamhouse.org/events/Mena-Energy2015

► Middle East and North Africa Energy

Date : 18 – 21 February 2015
Place : London – United Kingdom
Website : http://www.chathamhouse.org/node/15232

► 4th Erbil Oil & Gas International Exhibition

Date : 18 – 21 February 2015
Place : Erbil – Iraq
Website : http://www.erbiloilgas.com/

► Ukrainian Energy Forum

Date : 02 – 05 March 2015
Place : Kyiv – Ukraine
Website : http://www.ukrainianenergy.com/

Supported by PETFORM

► 6th World Forum on Energy Regulation *(in Turkey)*

Date : 25 – 28 May 2015
Place : Istanbul – Turkey
Website : http://www.wfer2015.org/

► 6th OPEC International Seminar

Date : 03 – 04 June 2015
Place : Vienna - Austria
Website : http://www.opec.org/opec_web/en/press_room/2793.htm

► OGA 2015

Date : 02 – 05 June 2015
Place : Kuala Lumpur - Malaysia
Website : http://www.oilandgas-asia.com/home/index.php

► *The Energy Event 15*

Date : 15 – 16 September 2015
Place : Birmingham – United Kingdom
Website : http://www.theenergyevent.com/Content/MAIN-SF-W2L-enquiry-form