Turkey obtained 10.25% gas price discount from Russia

Anadolu Agency, *27.02.2015*

After seven meetings held between Turkey and Russia to negotiate natural gas pricing, Russia agreed to give Turkey a 10.25 percent discount from March onwards, Turkish Energy Minister said.

In Dec. 2014 Putin offered a 6 percent decrease for natural gas while Turkey held out and insisted on a larger discount. "The discount will not affect the natural gas prices that households and industry use due to the lira-dollar parity. The lira-dollar parity is 12.6 percent, which is higher than the discount we had. This is the reason why the discount will not affect consumer prices," Taner Yildiz said.

Yildiz said that the natural gas prices Turkey has are at the same levels of those received in November, 2008. "Turkey uses the cheapest natural gas both for households and industry compared to EU-28 countries," he emphasized. In the first half of last year, the gas price per kilowatt hour in Turkey was €0.033 ($0.039) for households, and €0.024 ($0.029) for industry, according to data released from the European statistics agency Eurostat.

Yildiz said that the Petroleum Pipeline Corporation, BOTAS, will benefit from the discount and pay its debts. "We expect that BOTAS will have a cash flow by June 2015 thanks to both the discount and the result of the arbitration case over Iran's natural gas prices," he underlined. BOTAS owes $6 billion in debt to the treasury and customs as the state-owned company's expenditures exceed its income. Yildiz also commented on increasing the capacity of the Blue Stream natural gas pipeline from Russia from 16 bcm to 19 bcm. However, Yildiz said that its capacity will increase by one bcm while the remaining two bcm will be provided through the proposed Turkish Stream. He also confirmed that "Turkey will not increase natural gas prices in March."

Turkey’s crude oil imports decreased in 2014

Anadolu Agency, *27.02.2015*

Turkey’s crude oil imports in 2014 decreased by 5.8 percent while diesel oil imports increased by 26.4 percent compared the previous year, according to Turkey’s energy watchdog.

“In 2014, the import of crude oil declined by 5.8 percent to 17.4 million tons while the import of diesel fuel increased by 26.39 to 11.7 million tons,” EMRA announced in the Oil Market Sector Report of December 2014. Additionally, gasoline imports in 2014 declined by 16.7 percent to 2.8 million tons. In December 2014, crude oil imports declined by 5.19 percent to 1.4 million tons compared to November 2014. Meanwhile, diesel fuel imports increased to 1.1 million tons.

Sales of 95-octane unleaded gasoline increased by 4.83 percent in 2014 to 1.3 tons while biodiesel sales increased by 55.8 percent to 1.3 tons, compared to 2013. In December 2014, consumers spent 3.76 billion Turkish liras ($1.5 billion) on petroleum products in December 2014.

Turkey’s ‘Old Faithful’ well in Batman still produces oil

Anadolu Agency, *26.02.2015*

Turkey’s first oil well, Raman-8, which will celebrate its 70th birthday in 2016, deserves its name “Old Faithful” as it still produces around 25-30 barrels of oil per day.

Oil from the well which opened in 1946 in Batman, a province in the far east of Turkey, was found at a depth of 1,361 metres. The well began producing around 45 barrels of oil per day and by using a particular acid, the production increased to 450 barrels per day. The total production from “Old Faithful” reached 1 billion barrels of oil. “Raman-8 is the eighth well in which oil was found in the 1940s. Seven more wells were explored but oil was not found,” Gokhan Akin told.

“Although Old Faithful is over 60 years old, it still produces 25-30 barrels of oil per day. Thanks to the advanced studies of Turkish Petroleum, 15,000 barrels of oil is produced daily only in Batman,” he stated.

Turkey wants 'Turkish Stream' incorporated in its grid

Anadolu Agency, *24.02.2015*

BOTAS wants the proposed natural gas pipeline "the Turkish Stream" to be incorporated into its national gas grid, while Gazprom wants to build the pipeline isolated from BOTAS' grid, a leading industry player said.

Vladimir Putin announced that energy tsar Gazprom was ditching the South Stream natural gas pipeline project, which would bring Russian gas under the Black Sea via Bulgaria to Europe. Following the announcement, Putin announced a new project dubbed "the Turkish Stream," which would replace the South Stream. The idea of the new project is to carry 63 bcm to the Turkish-Greek border through Turkey.

An industry player, who did not want his name disclosed, told The Anadolu Agency that one of the biggest obstacles for an official agreement between Gazprom and BOTAS over the Turkish Stream was the clause over the pipeline's incorporation. While BOTAS requests the pipeline to be incorporated into its national gas grid to have gas flowing through its grid freely, Gazprom wants the pipeline to be isolated from BOTAS' grid and reach the Turkish – Greek border as a singular natural gas pipeline.

TANAP project granted investment subsidies

Anadolu Agency, *27.02.2015*

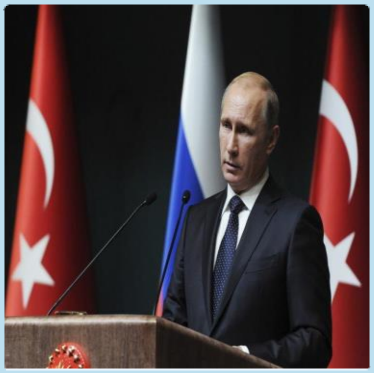
The $9 billion investment project of TANAP, the Trans Anatolian Pipeline, has been granted investment subsidies, according to Turkey's Economy Ministry. The subsidies include value added tax exemption, exemption from custom tariffs and support for employee-based benefit charges for 22 energy projects in wind, solar, hydroelectricity, geothermal and in pipeline projects.

The subsidized projects aim to employ approximately 250 people. TANAP takes the lion's share of the subsidies with its major projects in which it benefits from the comprehensive range of subsidies available and plans to employ 187 people.

TANAP is part of a project which will carry Azerbaijani natural gas via Georgia and Turkey to Greece, and from Greece to further European markets. It is scheduled to be completed by 2019. The pipeline's fixed investment expenditure is close to $9 billion and the total amount of exports for machinery and equipment required for the project is $761 million. When completed, TANAP will carry around 16 billion cubic meters of gas per year to Europe via TAP (Trans Adriatic Pipeline).

Turkish Stream: A bluff or not?

Natural Gas Europe, *25.02.2015*



In December 2014, Vladimir Putin announced that South Stream bound Russian gas under the Black Sea and across Southeastern Europe had been terminated.

A major reason for South Stream's cancellation was attributed to the exit from the project of Bulgaria, one of the key countries through which this pipeline would pass. Instead, Russia and its regional partners, including Turkey, are now discussing a new pipeline project Turkish Stream. It is becoming increasingly evident that Russia and Turkey want to ensure that the Turkish Stream project has a solid economic foundation.

During his most recent visit to Ankara, Aleksei Miller, the CEO of Russia's Gazprom, met with Turkish Energy Minister Taner Yildiz. In the course of their meeting, further technical details of Turkish Stream were revealed: the pipeline will have a capacity of 63 billion cubic meters (bcm) of gas, 15.75 bcm of which will be marketed in Turkey and the other 47.25 bcm is to be marketed to Europe through Greece. This gas pipeline is scheduled to be incorporated into an inter-governmental agreement during the second quarter of this year, and the first transmission of gas is planned to take place in December 2016. According to Miller, this is a fairly realistic timeline.

The speed at which Turkish Stream is being brought to life and the way in which it appears to be taking priority in Ankara over the Azerbaijani-sponsored Trans-Anatolian Gas Pipeline (TANAP) project have both been received negatively by Baku-based media channels. TANAP is a key link in the planned Southern Gas Corridor, which aims to export non-Russian, Caspian-basin natural gas to European markets while bypassing Russian pipelines. Firat Gazel, the editor of Anadolu Agency's Energy Terminal, warned against dismissing Turkish Stream as unrealistic or a bluff. After all, Gazel noted, before the Blue Stream gas pipeline, which connects Russia and Turkey under the Black Sea, was built, various articles called this ambitious project just a bluff by Russia. "However," he added, "the current project between Russia and Turkey is just as realistic as the Blue Stream project was." According to Gazel, "The Turkish Stream project is vital for Russia, especially given that it is no longer safe [sic] to export gas via Ukraine." He concluded, "Moscow will see this new project through as expeditiously as possible".

Gazel brushed aside arguments that the economic crisis in Russia will derail Turkish Stream: “similar doubts were also cast on the construction of the Blue Stream project. But despite the very adverse economic conditions between 1998 and 2002, Russia still managed to construct a sizeable portion of that project underneath the Black Sea. [Turkish Stream] is highly significant for Russia both politically and economically in the longer term”.

Turkish Stream promises to considerably raise Turkey’s regional role as an energy transit country and major gas hub. Whereas, the exclusion of Bulgaria from Turkish Stream, South Stream’s successor, “is the result of Bulgaria not being a trustworthy partner,” Gazel argued. Meanwhile, Greece’s new government, led by Alexis Tsipras’ far-left SYRIZA party, combined with Prime Minister Tsipras’ refusal to impose new economic sanctions on Russia, have already been perceived as a signal for possible closer collaboration between Russia and Greece in the energy sphere. This has also led to an expectation that Greece may reexamine its previous decision not to sell its shares of DEPA (Greek gas supply corporation), worth 900 million euros ($1.022 billion), to Russia. Despite the Tsipras government’s announcement that this agreement would not be revisited, some experts have nevertheless emphasized the close, open relationship between Greece’s left’s and Moscow.

It is also worth noting that Greece has agreed to sell 65 percent of the government’s shares in DESFA (Greek gas transmission system operator) to the State Oil Company of Azerbaijan (SOCAR) for a total $400 million. Presently, however, the European Union is carrying out a probe into this sale to make sure that the deal does not broach any EU anti-monopoly laws. Adding to these above-cited issues, possible conflict or political tensions could emerge in the near future between Ankara and Athens due to the SYRIZA government’s nationalist, far-right coalition partner ANEL. Thus, the potential impact of a rapprochement between Greece and Russia on energy cooperation demands further inquiry. Tensions already exist in the Eastern Mediterranean region between Turkey and Greece—as was illustrated by the anti-Turkish coalition that formed in the last few years between the former Greek government, Israel, Cyprus and Egypt. Bosphorus Energy Club President Mehmet Ogutcu has argued that Russia’s punishment of Bulgaria—which changed its mind regarding hosting South Stream—will also entail providing Greece a more central role in Russia’s new regional energy mega-projects. A new axis among Russia, Turkey and Greece, therefore, may be emerging. Russia received a boost in its cooperation with Germany in Central Europe thanks to the North Stream pipeline. And now, Russia may be trying to repeat this achievement through the new Turkish Stream project in Southeastern Europe.

However, in light of a number of issues that remain between Ankara and Athens, it also seems rather improbable for a single, unified energy axis to be swiftly established among Greece, Turkey and Russia. More likely, Moscow will seek to improve its cooperation individually with Ankara and Athens, or try to act as a mediator between Turkey and Greece for continuing their dialogue—and by extension, raise Russia’s own profile in the Mediterranean region. It is also becoming increasingly evident that the energy-centered cooperation between Russia and Turkey will result in Ankara moving politically closer to Moscow. The Baku media alarmingly perceived Turkish Stream as undermining TANAP within Turkey, Azerbaijan’s close ally and a major regional transit state. However, from an even broader strategic vantage point, Turkey and Russia’s energy cooperation emerges as a serious challenge to the Euro-Atlantic community and its close regional partners.

Iran to exploit seven new gas reserves

Natural Gas Asia, *24.02.2015*

Iran will look to explore seven new natural gas reserves in coming years in an effort to accelerate realization of 2025 Vision Plan, Managing Director of NIGC Hamid Reza said.

He said upon instruction of the oil minister and on the basis of the Sixth Development Plan, reserves which had previously been explored by the National Iranian Oil Company and for which there was no possibility of exploitation have been transferred to NIGC. So far seven reserves have been transferred to the oil ministry for study, adding that using the new reserves for increasing gas storage is among strategies of the minister.

Operations have been launched on the explored wells and a number of reserves will become operational in the coming years, he said.

Russian interest in Cyprus gas deals a bit far-fetched

Cyprus Mail, *27.02.2015*

The latest iteration came out this week when energy minister Giorgos Lakkotrypis, speaking to the state broadcaster after meeting his Russian counterpart Aleksander Novak, said the two nations held "exploratory" talks on possible cooperation in developing energy finds in Cyprus' exclusive economic zone and the eastern Mediterranean.

Daily Politis meanwhile reported that on the sidelines of the Moscow talks, Lakkotrypis and Novak discussed the prospect of engaging Russia's Novatek in the exploitation of the Aphrodite prospect through the sale of a stake held by Houston-based Noble Energy.

As part of a consortium with France's Total, Novatek had bid for block 9 during the second licensing round here. In December 2012 the government ended the negotiations, and turned to ENI-KOGAS, to whom the concession was eventually granted. But the Mail understands that neither Novatek, nor any other Russian company, has so far made any official overtures to Noble about buying into block 12.

In any case, Noble would need the government's permission to take on additional partners. Asked to comment, gas expert Charles Ellinas said that in the past Russian companies have in fact expressed an interest in the Cypriot gas scene. But, he added, an expression of interest is not the same as a concrete proposal. Noble, it is understood, is in principle open to acquiring more partners in their block 12 concession. The Texas-based company has a policy of keeping around 40 per cent in any given project. They currently hold a 70 per cent stake in their Cyprus concession. Also, they'd want to bring in new partners to share the development costs for the Aphrodite field. In the event the prospect is developed with a pipeline to Egypt, the final tab might be north of $2bn. A company buying into Aphrodite would need to pay the corresponding amount for the stake, plus take on its share of the development costs.

If Aphrodite – an as yet undeveloped prospect – is valued at roughly $1.5bn to $2bn, buying 30 per cent of that (70 per cent minus 40 per cent, the stake Noble would like to keep) works out to around $500m. On top of that, the new partner would have to fork out a further $600m – a third of the development cost. Whereas these costs are not beyond the reach of Novatek – Russia's biggest independent gas producer – the company currently has cash-flow problems of its own.

Iran-Iraq pipeline almost ready as Iranian gas exports rise

Anadolu Agency, *25.02.2015*

Iran's gas pipeline to Iraq is almost complete, while the country increases its gas condensate exports from the South Pars field, say Iranian officials.

"The construction of the gas pipeline from Iran to Iraq is 95 percent complete," Iraqi Ministry of Electricity spokesman Mosaab al-Modares was quoted saying by Iran's official news agency IRNA. "The remaining portion of the pipeline will be laid once the security of the regions through which it is supposed to traverse is guaranteed," he added, warning that military operations are still ongoing in some regions through which the pipeline will pass.

"16 Iranian workers were martyred by terrorist groups while laying the pipeline in Iraqi territory," he reminded. Al-Modares noted that the pipeline will supply gas to Iraqi refineries of al-Mansourieh, al-Sadr and al-Quds, stating "on completion, the project will solve a major portion of Iraq's energy problems, particularly its electricity shortage." The 100-kilometer pipeline that goes from Charmaleh, in Kermanshah, into the town of Naft Shahr on the border with Iraq. It will export 4 million cubic meters of natural gas per day, and the total capacity may reach 25 million cubic meters later.

Export products, mostly condensate and petrochemicals, from Iran's South Pars have increased by 20 percent, Khodadad Rahimi, General Director of Customs Office at Pars Economic energy Special Zone, was quoted as saying by IRNA. Rahimi stated 808,851 tons of non-oil products, worth $683 million, and 1,033,881 tons of gas condensate, worth $936 million were exported in the current month of Bahman, which begins in January and ending in February.

This indicates a 29 percent value increase in non-oil products and 10 percent value rise in gas condensate, compared to the same period last year. He said products from South Pars are exported to Turkey, Russia, China, Japan, India, South Korea, and may more in the Middle East, Caucasus, and Asia. Managing Director of Petro Pars Company Mohammad Javad Shams said on Tuesday that eight billion cubic meters of natural gas and 11 million barrels of gas condensate have been produced in South Pars' Phase 12, of which about 9.2 million barrels of gas condensate have been exported, IRNA reported. The South Pars natural gas field is estimated to have 17 million barrels of condensate, and holds nearly 40 percent of country's total gas reserves, the U.S.' Energy Information Administration says.

Iran, KRG may sign oil, gas deal: Iranian official

Anadolu Agency, *27.02.2015*

Iran and the Kurdish Regonal Government may sign an oil and gas deal, said an Iranian official. "We are hoping to buy oil from the Kurdish region in northern Iraq," the head of the Iran-Iraq trade mission Rostam Ghasemi said.

Ghasemi met with the KRG President Masoud Barzani in Erbil to strengten ties and cooperation in all areas, especially in trade, energy, and oil. Meanwhile, the oil dispute between the KRG and the Iraqi federal government continues, as Baghdad claims that Erbil did not deliver the promised oil and revenue in accordance with the Dec. 2 agreement between the two parties.

Iraq is the second-largest oil producing nation within OPEC, according to the U.S.' Energy Information Administration, which says the country's total oil output increased from 1.3 to 3 million barrels per day between 2003 and 2013. Meanwhile, Iran has the second-largest natural gas reserves in the world with 17 percent of global reserves, as it produced almost 5 percent of the world's dry natural gas production in 2012, says the U.S. administration.

Iraq boosts oil storage capacity to 10.5 million barrels

Anadolu Agency, *26.02.2015*

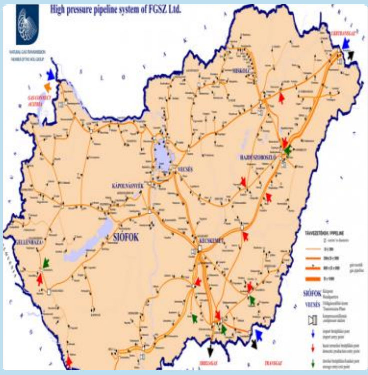
Iraq has increased its crude oil storage capacity in the south of the country to more than 10.5 million barrels, according to the ministry of oil's website. The new storage facilities added one million barrels of oil capacity to Iraq's reservoirs, said Assim Jihad, the spokesman of the ministry in a statement.

The ministry aims to increase its storage capacity to 15 million barrels in 2015. As part of this strategy, new reservoirs will be added to increase oil exports. The country's total oil exports for January 2015 fell to 78.6 million barrels, which is 14 percent less compared to December 2014, due to the two-week-long bad weather in the southern ports.

In order to compensate the oil export shortage in January, the oil ministry had announced their aim of increasing the export volumes in the coming months. The country expects to increase its exports to 3.3 million barrels per day in 2015. Iraq holds the fourth biggest oil reserves in the world and the country generates nearly 95 percent of its revenue from oil exports. The country's budget is showing a fiscal deficit of $21.4 billion largely due to low oil prices.

Hungary's FGSZ eyes on transmitting gas to Europe

Anadolu Agency, *24.02.2015*



FGSZ, Hungary's natural gas transmission company, is a key player in Central Europe's gas transmission system and is interested in all projects relating to Hungary, the company said.

The company owns and operates the high-pressure natural gas transmission pipeline system covering the territory of Hungary, as well as coordinating the operations of the total natural gas system. As a transit supplier on the international scene, it delivers gas to Serbia and Bosnia-Herzegovina, and through cross-border pipelines, it transmits gas to Romania, Croatia and Ukraine.

In response to a question on the company's interests in projects in Turkey, the FGSZ spokesperson told the Anadolu Agency, "we are interested in all pipeline projects which go through Hungary. It is true that those projects connecting our system with neighboring countries' systems are directly connected with or are passing through many countries and ending or beginning with Turkey." FGSZ also said that they are working on projects of common interest to the Bulgarian-Romanian-Hungarian-Austrian transmission corridor.

The company underlined that the FGSZ is already a key player in the Central European gas transmission system and added that it strives to contribute its share in the creation of the single European gas market. "Within this framework, FGSZ has just completed a large-scale investment program to establish interconnections with 6 out of 7 neighboring countries. As well as this, FGSZ is currently implementing the European Network Codes for gas ahead of their official deadline," the company concluded.

SOCAR to work on feasibility study for Albania's gasification master plan

Natural Gas Europe, *23.02.2015*

Azerbaijan and Albania will set up a special working group for preparation of the feasibility study for the master plan for developing Albania's gas market, SOCAR said in a statement.

Two sides discussed the future development of Albania's gas market and distribution system. Representatives of the European Commission, The Energy Community Secretariat, TAP company, Shah Deniz operator UK's energy major BP, RD Shell, West Balkan investment framework joined to the discussions. Albanian Minister Damian Gjiknuri praised Azerbaijan's role in the development of the Southern Gas Corridor project that will strengthen the relations.

He also expressed gratitude for SOCAR's active support in the implementation of the master plan for setting Albania's gas supply, the company statement says. "The creation of a gas network in Albania will allow expanding the gas network of the Balkan region," he has been quoted as saying. Albania plays an important role in the implementation of the Southern Gas Corridor project in South-Eastern Europe and Balkans, said Murad Heydarov, the advisor to SOCAR's president. "Azerbaijani government intends to make a contribution to the development of Albania's gas market," said Heydarov. "Following the meeting, the sides agreed to create a special working group for the implementation of the feasibility study for the master plan," SOCAR said.

Albania will be host-country for construction of European segment of the Southern gas corridor, which will bring Azerbaijani gas from Shah Deniz-2 field in Caspian to the EU through Turkey and Greece as well to reach Italy from Albania through the Adriatic Sea. However, the Balkan nation could not be able to benefit from its geographical position due to lack of a national gas grid. Last December Albania and Azerbaijan signed a memorandum of understanding providing cooperation in the development of a master plan for Albania's gasification.

The financing of feasibility study for Albania's gasification and master plan will be compiled by using European Union funds (WBIF). These two projects, said earlier the country energy minister, will totally change the energy map of Albania, a fact that will have impact in country's economic development. "Albanian government sees TAP as an opportunity for the diversification of the country's energy resources and consolidation of the energy security," Gjiknuri said. Albanian government said it's preparing draft-laws aimed at gasification of the country with the gas from Azerbaijan, through the European Trans Adriatic pipeline, which is expected to be functional in early 2020, West Balkans online dtt-net.com reported.

Not only setting national gas grid in Albania but creating underground gas storage facilities could be the part of master plan, the sources suggested. TAP earlier considered the option and found it technically and commercially viable. The setting storage are not a part of Trans Adriatic pipeline project. However, it would be useful for the pipeline company to have access to underground facilities along the pipeline route for secure and non-stop supply of consumers.

Serbia considering alternative to South Stream

Natural Gas Europe, *24.02.2015*

After the failure of the South Stream gas pipeline project and Russia's intention to no longer supply gas to Europe via Ukraine, the Serbian authorities and experts are forced to find alternative supply routes.

Russia's plans to bypass Ukraine in future have forced Belgrade to consider all new gas supply options so as to ensure the country's energy security. Serbia annually needs some two bcm of gas. The debate kicked after a meeting between Serbian Prime Minister Aleksandar Vucic and US Assistant Secretary of State Victoria Nuland on energy and ways for Serbia to obtain natural gas.

According to a statement issued by the Serbian government at the time, the US official said that Serbia should look at new options of gas supply and work on its energy security. Prime Minister Vucic himself also confirmed that the government was rapidly weighing the situation in the energy sector. On February 12, he said that Serbia was open to proposals from the US and Russia on gas supply possibilities and that the best solution would be chosen.

The prime minister further said that the current energy situation in Serbia was good, but that it was “best for Serbia to have more options and to choose the best solution.” “The gas supply is running absolutely perfectly, but we must look a few years ahead. I’m interested in what will happen in four, five or six years,” said Vucic. Belgrade media reported that US officials had offered Serbia two alternatives to Russian gas supply. One is for Serbia to obtain gas from the US, but a prerequisite for that would be the construction of a gas terminal in Croatia, on the island of Krk. The Americans would deliver gas there on special ships, but for that Serbia would have to build connections to Croatia or Hungary on its own. The second option is to obtain supplies from Azerbaijan, through the Trans Adriatic Pipeline (TAP), which may be completed by 2019. But in that case Serbia would have to build a connection to Bulgaria, in which a leg of TAP would end.

However, for the time being experts are unsure to what extent the US can offer Serbia real alternatives with regard to gas supply. Belgrade Economics Institute fellow Mahmud Busatlija said the US was offering assistance to western Europe in gas supply, but that no one had said yet what exactly America was offering and in what way. He went on to say that the Americans might be offering shale gas and so-called liquefied gas, which is not of the same quality as natural ground gas. According to him, that liquefied gas could be transported, but certainly not in the quantities needed by Europe, and due to its quality much bigger quantities of the gas would have to be consumed by the European economy than the case would be with Russian gas.

The experts do not think supplies via TAP are a real alternative for the time being, either. “In order to connect to TAP, Serbia has to build a connection to Bulgaria on its own, and it is questionable whether there would be enough gas for us there,” said Jelica Putnikovic of the Balkan magazine. In her words, the best option is for Serbian officials to ask Russia for help in connecting Serbia to the Turkish Stream. “It would be good for Serbia to find a financier for building a pipeline and connecting to any other pipeline. The best option would be connecting to the Turkish Stream pipeline, as it boasts the biggest capacity of 63 billion cubic meters of gas. We would have both additional amounts of gas and earnings,” said Jelica Putnikovic.

Serbian Minister of Energy Aleksandar Antic says the government is considering all projects and “treating them all equally.” The minister said that among the projects were Turkish Stream, TAP and the project related to bringing liquefied gas from the US. “None of those projects crucially and capitally depends on Serbia and we expect their implementation and some steps... We will without any dilemma be a part of projects if they are realistic and if they give Serbia a chance to have additional quantities of gas,” said Antic. The Serbian minister is to meet with his Bulgarian counterpart in February for talks on building a gas interconnection between the two states. Funds for the making of project documentation for that connection have been earmarked in the Serbian budget for 2015, but everyone is aware that the road between that step and gas deliveries from that direction is very long.

Naftogaz calls out Gazprom for failing to supply prepaid gas to Ukraine

Natural Gas Europe, *23.02.2015*

Naftogaz claims that Gazprom has failed to supply requested prepaid gas volumes to Ukraine and claims a violation of the Binding Protocol signed on October 30, 2014.

The Ukrainian national oil and gas company has requested an explanation from Gazprom regarding its assertion that the Russian company failed to supply prepaid gas volumes. Naftogaz ordered 114 mcm in line with the "Winter Package" supply conditions, but Gazprom delivered only 47 mcm. Naftogaz said that it considers this failure to deliver prepaid gas a violation of the Binding Protocol signed by Alexander Novak, Guenter Oettinger and Yuriy Prodan .

Naftogaz has provided a Notice of this breach of contract and of the Brussels Binding Protocol to the Cabinet of Ministers of Ukraine, the European Commission and the Energy Community Secretariat. Naftogaz's remaining prepaid balance with Gazprom stood at 454 million cubic meters on February 19; on the same day, Naftogaz ordered 114 million cubic meters of gas through the Sudzha, Pysarivka, Sokhranivka, Valuyki, Kobrin and Mozyr metering stations.

Naftogaz pays Gazprom $15 million for March gas deliveries

Reuters, *27.02.2015*

Naftogaz transferred $15 million to Russia's Gazprom in advance payment for gas deliveries in March. The amount paid corresponds to around 50 million cubic meters of gas, Naftogaz said in an official statement.

"Under the terms of the winter package, Naftogaz has the right to determine the schedule and scope of prepayment," the company said. Gazprom announced that Ukraine's prepayment for natural gas supplies is almost finished and gas supplies to the country will be halted if no new payments are made. The existing prepayment deal will expire next month.

Russia, the EU and Ukraine agreed on the terms of payment and the restart of gas exports on Oct. 30 in Brussels. Since then, Naftogaz made three payments totaling $4.75 billion to Gazprom. Russian and Ukrainian energy ministers will meet in Brussels on March 2 with EU representatives, for talks on gas supply disputes.

EU antitrust chief prepares to move against Gazprom

The Wall Street Journal, *21.02.2015*

A sculpture of a raised middle finger greets visitors to the elegant offices of Margrethe Vestager, the most powerful woman in Brussels. It is a reminder, from a disgruntled lobby group in her native Denmark, that tough decisions come with the territory.

One hundred days into her new job, Europe's antitrust chief is preparing a series of politically explosive decisions involving some of the world's biggest companies, including Google Inc., Apple Inc. and Amazon.com Inc. Perhaps her most incendiary case is a 2½-year-old probe into Russian energy company Gazprom OAO .

In an interview, Ms. Vestager said she will move against the state-owned company shortly despite the Ukraine crisis, opening up the possibility of multibillion-dollar fines. "I think we can move the case forward in a hopefully relatively short time span," she said. European Union authorities have been investigating whether Gazprom abuses its market dominance in Eastern Europe to block rivals, but settlement talks have been on ice since violence flared in Ukraine a year ago. "It's very important for me to make sure that any company in the European market is being faced with the same set of rules and the same effort of enforcement," Ms. Vestager said.

The Kremlin, which is already under pressure from falling oil prices and global sanctions, is likely to depict any EU decision to issue formal charges against Gazprom as politically motivated. Ms. Vestager, who was Denmark's economy minister before moving to Brussels in November, dismisses the political dimension to the case. "I think if you see it as a political case, then any timing will be bad," she said. "For me, there's a case and eventually that may have to stand up in court." Large U.S. companies also feature among the prominent dossiers in the commissioner's in-tray, chief among them Google, which has been under an EU antitrust investigation for five years.

Ms. Vestager's predecessor, Spaniard Joaquín Almunia, tried and failed three times to settle with the U.S. company over allegations that it abuses its dominance of Europe's online search market. Each time, Google's opponents—which include European companies such as publishing house Axel Springer SE and U.S. companies such as Microsoft Corp. and Oracle Corp. — claimed the deal didn't go far enough. Ms. Vestager, an economist by training, said she has been "very impressed" by the arguments of Google's opponents.

“I have now met with a number of the complainants and been very impressed by their nuances, the complaints that they make, the way that they make it very fundamental, very basic,” she said. She sympathizes with arguments that Google and other companies can use control over people’s data to stifle competition, but indicated that the issue wouldn’t play a role in the current Google investigation. Big data “works very much as a currency on the Net right now,” she said. “If you deliver your email address, your gender and your age, you can be allowed to access things you would otherwise not be allowed to access and I’m not sure people realize that they do pay because these pieces of information about yourself, well, they are worth money in the Old World.” The EU is currently updating its case file on Google and has, since Ms. Vestager took office in November, sent two rounds of questionnaires seeking information from market participants, with the most recent sent last week. Political pressure around the case has been fierce. The European Parliament passed a resolution in November calling on Ms. Vestager to consider a breakup of Google, while the U.S. government warned against politicizing the antitrust process.

In the past week, President Barack Obama stepped in, saying that Europe’s response to companies such as Google “sometimes is just designed to carve out some of their commercial interests.” “It’s a point of view,” Ms. Vestager said of Mr. Obama’s comments. “There will probably be a lot of debate but I think it is fair to say that we can have very straightforward competition-case issues without that being politicized in any way.” The intense political interest means that “I have to make sure that the casework is very solid, that it’s based on facts, so that it can stand up in court,” she said. Ms. Vestager, 46 years old, is two decades younger than her predecessor Mr. Almunia, and a “very enthusiastic” convert to digital technology: She shops online for groceries and clothes, and is known in Denmark as the Queen of Twitter. In December she announced on Twitter her approval of the $43 billion merger of cement companies Holcim Ltd. and Lafarge SA .

Digital technology has “enabled things that were otherwise not possible, I think that’s amazing,” she said. “Maybe one of the reasons that Google is big and Facebook is big is that they deliver something that people like,” she said. Ms. Vestager cautions against overly intrusive regulation of the online marketplace, which she says is “very dynamic and volatile.” “I think it’s a mistake when some suggest they want to cushion European companies in order to make a nicer environment for European growth,” she said. “I think competition at home is the best growing condition for any company that wants to achieve something globally.” Less than a week into her five-year term, Ms. Vestager was confronted with a firestorm: Her boss, European Commission President Jean-Claude Juncker, has said he was weakened politically in the Luxleaks scandal, which exposed the extent of tax avoidance by multinational companies in Luxembourg while he was finance minister.

At the time, Ms. Vestager’s agency had been investigating sweetheart tax deals for multinationals, including in Luxembourg. Ms. Vestager hasn’t commented on Mr. Juncker’s alleged involvement in Luxembourg’s tax practices, but she didn’t back away from the investigation, insisting that the Luxleaks documents were fair game for her agency. Still, she also widened the probe beyond the four countries that were initially targeted, to include all EU countries, and she hasn’t opened further investigations in Luxembourg beyond the two into Amazon.com and Fiat SpA. The investigations could result in demands for back taxes worth hundreds of millions of euros.

"I do not have an issue with specific countries or companies, what I'm interested in are schemes which allow for preferential treatment," she said. She hopes to wrap up the four current probes—into Apple, Amazon, Fiat and Starbucks Corp. —by June, before opening more. "I don't think we will do any good by opening hundreds of investigations and throwing every resource we might ever get our hands on at this," Ms. Vestager said. "I think we should try to find the right cases."

Russian gas to Asia-Pacific may rise ninefold by 2035

Anadolu Agency, *27.02.2015*

Russia's natural gas supplies to the Asia-Pacific region can rise ninefold by 2035, said a Russian official. The amount of gas can increase from 14 to 130 bcm, Alexander Novak was quoted as saying at the Krasnoyarsk economic forum.

Russian President Vladimir Putin and China's President Xi Jinping inked a deal in May 2014, which was over $400 billion, to supply 38 billion cubic meters of Russian gas annually to China for the next 30 years. The project called as "the Power of Siberia" commenced on Sept. 1, 2014 with an estimated cost of $21.3 billion, while it pans to carry 61 billion cubic meters of gas every year over 3,968 kilometers (2,465 miles).

In Nov. 2014, Russia also signed a framework agreement to supply gas to China via the western route, which is also know as the Altai pipeline. While the two countries will sign at least three key documents on that project, Itar-Tass reported, its capacity may reach 30 billion cubic meters a year to carry gas from Russia's western Siberia to northwestern China.

According to some experts, the proposed Altai natural gas pipeline project could ease the effects of western sanctions on the Russian economy, while China could gain from cheaper gas prices to meet its energy demand. Russian Energy Minister Novak also said that oil and coal supplies to Asia-Pacific will double by 2035. Russian oil giant Rosneft and China's state-owned oil company CNPC signed a $270 billion deal in 2013 to supply 360 million metric tons (2.64 billion barrels) of oil for the next 25 years to China.

Gazprom pivots toward Asian stock markets

Reuters, *26.02.2015*

Gazprom's new move towards listing the company on the Asian stock markets is seen as an attempt to raise money from Eastern investors, experts say.

Andrey Kruglov, the company's finance head announced that Gazprom was planning to be one of the first Russian companies to be listed on the Hong Kong stock exchange market. He added that they were also carrying on negotiations to be listed on the Chinese stock market. "Russia and Gazprom are trying to raise money in the Far East, because they cannot raise money in the West," said James Henderson.

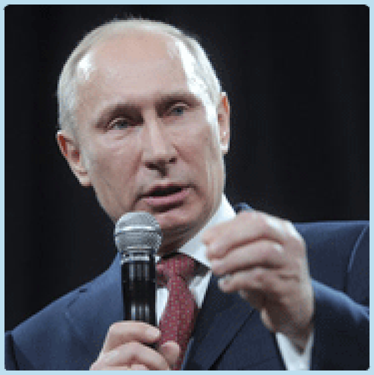
These moves follow the company's listing on Singapore's stock exchange market last year. The punitive measures in the form of sanctions imposed by the West came after Russia annexed Crimea in March 2014 after holding a referendum on Crimea's future. The measures target Russian banks, its arms industry and oil companies, as well prohibiting Western companies from selling high-tech drilling equipment to Russia. The U.S. and EU imposed sanctions on Russian energy companies that prevent them borrowing from western financial institutions.

Henderson said Gazprom is trying to encourage investors in markets where there will be demand for gas and oil to get them involved in the equity of the company. "Russia's move is an example of an attempt to diversify towards the East, having been originally prioritizing western markets," he added. Collin Koh Swee Lean, from the Singapore-based S. Rajaratnam School of International Studies, said that capital-intensive enterprises, especially those in the oil and gas industries, typically desire stability in terms of the markets they can access. "Therefore, Gazprom's move is strategic but not wholly exclusive," he said.

Commenting on the geopolitical aspect of the move, Lean said "Gazprom's forays deeper into Asia would further Russia's foreign policy goals in the region through broadened and deepened links with countries in Asia." This, he maintained, would on the whole give Moscow a more secure foothold in the region as an alternative to Europe. "In other words, while we may see increased energy interests in Asia, we will at the same time also witness a gradual revival of Russian diplomatic and military forays into the region," he said, adding that Moscow is certainly keen to reinstate its position as one of the major Asia-Pacific powers.

Putin’s gas problem

Today’s Zaman, *26.02.2015*



Last December, Gazprom, and BOTAŞ signed a memorandum of understanding to construct a pipeline from Russia to Turkey under the Black Sea.

“Turkish Stream” is an alternative to the “South Stream” Black Sea pipeline from Russia to Bulgaria a project that the Kremlin abandoned, in response to the sanctions imposed by the European Union. The South Stream project failed to comply with EU competition and energy directives, and the announcement of the $12 billion Turkish Stream is likely to reinforce Russia’s reputation as an unreliable partner, thus accelerating Europe’s search for alternate supply sources.

Indeed, in risking his most lucrative market, Putin is exhibiting an almost suicidal disregard for the Russian economy – apparently for no other reason than to cement enmity with Ukraine. The Kremlin intends to remove Ukraine from a gas-delivery system that has been in place since the 1980s, routing supplies instead through a new and untried network to a market that may not even exist. Last month, Gazprom announced its intention to cease shipments through Ukraine when the contracts with the country’s gas pipeline company, Naftogaz, expire in 2019. Gas from the Turkish Stream will be delivered to the Greek border on a take-it-or-leave-it basis. Gazprom expects permission to carry out design and survey work “soon,” with its first delivery to Turkey to arrive in 2017.

Gazprom’s erratic behavior is not a matter of minor concern for Europe. The continent relies on Russia for some 30% of its natural gas, 80% of which is transported through Ukraine. And the continent has been left out in the cold once before. In January 2009, Gazprom ordered cutbacks of deliveries through Ukraine, causing severe shortages in six countries in eastern and southeastern Europe. In late 2014, Russia cut off Ukraine completely, again signaling its readiness to use gas supplies as a weapon of foreign policy. The EU rushed in to broker a settlement that some contend was against Ukraine’s interests. But, contrary to what Putin seems to believe, neither Europe nor Ukraine is likely to be the biggest loser in Russia’s effort to redirect its gas exports. Gazprom receives two-thirds of its hard-currency revenues from Europe, and a period of falling exports and domestic economic crisis is not the ideal time to play games with your best customer.

Indeed, the European market is already slipping away. Gazprom’s European sales plummeted in the third quarter of last year and fell by 25% in the fourth quarter. The slump in demand is coming at a time when Russia is desperate for hard currency, owing to sanctions that exclude it from credit markets. Its major companies are facing huge debt refinancing needs, its currency reserves are collapsing, its economy is heading toward a deep recession, and the ruble is plumbing new lows. In redirecting its exports, Russia is in effect demanding that Europe spend billions of euros on new infrastructure to replace a perfectly good pipeline, only to satisfy Putin’s desire to cause trouble in Ukraine.

The initial reaction in Europe was that Putin either was bluffing or had taken leave of his senses. “The decision makes no economic sense,” was how Maroš Šefčovič, the European Commission’s vice president for energy union, put it. “We’re good customers. We’re paying a lot of money. We’re paying on time, and we’re paying in hard currency. So I think we should be treated accordingly.” Putin’s erratic and economically oblivious policies are frittering away the last remnants of what was once Gazprom’s monopoly position in the European gas market. Clearly, if Europe is to spend billions on pipelines, it would be better off doing so as part of an effort to diversify its sources of natural gas, rather than deepen its dependence on Russia. After all, memories are long, especially when it comes to frigid winters of unheated homes and closed factories. When one of Joseph Stalin’s chief planners was asked why he was willing to defend a series of ludicrous proposals, he famously replied, “I’d rather stand for unrealistic plans than sit [in jail] for realistic ones.” One can imagine that Gazprom officials are thinking along the same lines. If so, they should start thinking differently. Russia cannot afford more economic pain and suffering. But that is what it will get unless sober heads prevail.

Pipeline politics: new gas route revives Russian rivalry with West

Reuters, *24.02.2015*

Thwarted in one attempt to build a gas pipeline to southeast Europe, the Kremlin is working with a small circle of allies to lay the groundwork for an alternative that would help it maintain leverage in its rivalry with the West.

Russia last year aborted South Stream, a $40 billion pipeline that was to have passed under the Black Sea and via Bulgaria, in the face of objections from the European Union. With Moscow in financial crisis, it is not clear if its latest plan - a route passing through Turkey, Greece, Macedonia and Serbia, then into Hungary and perhaps on to Austria - will ever come to fruition.

But even if it only exists on paper, it may undermine funding for rival projects and, at a time of heightened tensions over Ukraine, sow division between EU members over the extent to which the bloc should rely on Russia for energy in the future. A meeting between the Hungarian and Turkish prime ministers on Tuesday was the latest in a flurry of recent contacts between states on the planned route, all countries which have kept warm ties with Russia despite the Ukraine crisis. “Hungary is pursuing an active policy to allow gas to arrive from Turkey, via other countries, through Serbia to Hungary and central Europe,” Hungary’s Viktor Orban said after meeting Turkey’s Ahmet Davutoglu. Davutoglu said Turkey was open to dialogue about funneling Russian gas onwards to southeast Europe. “Volumes need to be discussed, the details of demand,” he told a news conference in Budapest.

Almost all of the natural gas consumed in southeast Europe comes from Russia via Ukraine. But tensions between Kiev and Moscow, sparked by Russia's annexation of Crimea and the pro-Russian separatist war in eastern Ukraine, make this supply route vulnerable to disruption. Russia has halted gas flows to Ukraine three times in the past decade: in 2006, 2009 and last year. The stoppages arose from price disputes but drew accusations from the West that Moscow was using energy as a geopolitical weapon. Russia's Gazprom again threatened to switch off supplies within days unless Kiev sent more money, and said transit to Europe could be under threat.

The EU, which as a whole depends on Russia for about a third of its oil and gas, has imposed successive rounds of sanctions on Moscow over its role in Crimea and eastern Ukraine. But it faces a difficult challenge to persuade its 28 nations to keep up the pressure, a task made harder as President Vladimir Putin woos EU members like Hungary with the prospect of plentiful Russian gas on attractive terms. Washington and Brussels say the way forward is to diversify supplies: more links to the gas networks of EU neighbors, and terminals that would allow the import of liquefied natural gas from Qatar or, eventually, the United States. Those solutions would threaten Russia's role as a virtual monopoly supplier to southeast Europe, so the Kremlin urgently needs to find a way to get its gas to the region while bypassing Ukraine. “Russia has not dropped its political plans to maintain its monopoly on gas” in the region, said Michael LaBelle, gas expert at the Central European University in Budapest. “There is no doubt that Putin and Orban, working together will seek to ship gas to the Balkans, Hungary, and Austria.”

The planned new pipeline route traces the contours of Russia's surviving friendships in Europe. New Greek Prime Minister Alexis Tsipras, on taking office last month, received the Russian ambassador before meeting any other official; Serbia feted Putin with a military parade and a fly-past by fighter jets when he visited Belgrade in October. Hungary this month became the first EU member in over six months to host Putin for a bilateral visit. Orban used the occasion to say EU states that thought they could get by without Russia were “chasing ghosts.” Macedonia too is in favor of the project, according to a person familiar with official policy on the issue. He said, though, that the government of the former Yugoslav republic was nervous of being caught up in East-West rivalry: “In a battle between elephants, the ants usually suffer the most.”

Still, doubts linger about the feasibility of the plan. Russia, cut off from Western capital by sanctions, will struggle to pay for it. The countries on the route are also cash-strapped, and Brussels is unlikely to provide finance: the EU's energy chief has said the Russian idea is economically flawed and in breach of legally binding contracts. “At the moment this is just a fairy tale,” said Attila Holoda, managing director of Hungary-based energy consulting firm Aurora Energy Kft, who considers the scheme a “classic Russian bluff”. Nevertheless, as long as there is a prospect the route will be built, it will hamper rival projects by creating uncertainty that will make it harder to attract investors to fund them. Alternative schemes include a gas connector between Greece and Bulgaria, and a project, dubbed “Eastring”, to connect south-eastern Europe to Slovakia's gas network via Ukraine and Romania.

Gazprom: Ukraine dispute 'threatens Europe's gas supplies'

Anadolu Agency, *24.02.2015*

The chairman of R Gazprom has warned supplies of gas to Europe could be seriously affected within two days amid an ongoing dispute with Ukrainian firm Naftogaz.

Alexei Miller said in a statement that European supplies could be hit after his company refused to deliver 114 million cubic meters of natural gas requested by Naftogaz over the Ukrainian energy provider's alleged failure to pay in advance for supplies. Miller said: "Ukraine has not made a timely pre-payment for gas. "Today, only 219 million cubic meters of prepaid gas is left and it takes about two days for funds from Naftogaz to transfer to Gazprom."

"Therefore the delivery of gas to Ukraine in the requested daily amount of 114 million cubic meters will lead to a total halt of Russian gas deliveries to Ukraine in just two days, which poses serious risks for the transit of gas to Europe," he warned. Russia, Europe's largest supplier of natural gas, supplies more than 50 percent of its gas exports to the European Union via Ukraine, from where pipelines enter Poland, Slovakia, Hungary, Romania and Moldova. Miller's comments came as Naftogaz struggles to restore gas supplies to war-torn areas in eastern Ukraine. Gazprom has also recently begun delivering directly to separatist-controlled areas of Ukraine under orders from Russian Prime Minister Dmitry Medvedev.

Naftogaz claimed in a press release on Monday that Gazprom had failed to properly deliver supplies and breached its contract. Naftogaz stated: "Naftogaz ordered 114 million cubic meters in line with the Winter Package supply conditions, but Gazprom delivered only 47 million cubic meters. "Notice of this breach of contract and of the Brussels Binding Protocol was sent today to the Cabinet of Ministers of Ukraine, the European Commission and the Energy Community Secretariat." Naftogaz's latest order of 114 million cubic meters of gas per day was almost four times higher than its previous orders. The company said last Thursday it had ordered 30 million cubic meters of gas and would soon order an additional 42 million cubic meters.

Scientific consensus on shale gas could take 10 years

Natural Gas Europe, *24.02.2015*

Uncertainties related to shale gas reserves in Europe add to the lack of scientific consensus, which could take ten years in the making.

According to panelists gathered at the Charlemagne building of the European Commission, these uncertainties require a global approach to research that could see, for example, cooperation between the US, Canada, and the European Union. Several experts, both from North America and Europe, said that there is room for multiple demonstration sites that could be used to understand the environmental consequences, and financial costs of shale gas production.

In other words, there are some experts that would like Washington, Ottawa, and Brussels to join forces to come up with reliable hard figures. Despite this openness, this transatlantic dialogue and cooperation has first to pass some difficult tests. “Currently, the few available estimates of recoverable shale gas reserves vary enormously, from 2.3 to 17.6 trillion cubic metres” said Robert-Jan Smits, Director-General for Research and Innovation (DG - RTD), European Commission. This hurdle, which could be overcome in case of further exploration, is not the worst stumbling block. Indeed, before facing production uncertainties, companies should first get the green light from politicians, and local communities. And this is nothing but difficult.

According to several pundits from different fields, the main point is that communities don’t trust politicians. That is why, the only way to garner consensus would be to have scientific evidences. However, the process leading to reliable estimates on the environmental impacts is difficult and long. The experience in North America is of little help. A complete assessment would indeed require monitoring, which has never been carried out on a scientific way before. Not in the United States, not in Canada.

“There is not a single fracking pad in North America which has actual science-based monitoring at the pad” stated John Cherry, Director of a Consortium on Ground Water Research at the University of Guelph, Canada. Cherry said that monitoring should be carried out before, during and after shale gas operations. He also argued that lack of data is a major problem. “Everybody is looking at the same old, lousy data” the Canadian academic said.

As said, Europeans agree on the need of additional information in order to take well-informed decisions. “We really need a demonstration site, which is fully monitored to help us prove our concepts, and our understanding of what’s going on” said Christopher McDermott, Senior Lecturer in Hydrogeology and Coupled Process Modelling at the University of Edinburgh. Since every shale play is unique, one single demonstration site might be not enough. Coherently, demonstration sites in different contexts would be required.

In this way, more information would be available to promote a more meaningful debate, which at the moment seems quite hazy. Against this backdrop, timeframe for a scientific consensus is another tricky point. “If societies decide to truly fund at the level it needs… I think it is going to take 10 years to get to the point where we can have large groups of scientists discussing these issues with some sort of consensus” Cherry concluded.

At the end, these difficulties require an holistic approach, which would not only require a precise monitoring. After the monitoring phase, more all-inclusive studies should be done in order to discuss whether shale gas makes sense both on a commercial and environmental level. “We want to try to understand what would be the environmental impact of hydraulic fracturing.. What we need to know is how much energy has been used to drill the well, how much energy has been used to frack the well, how much energy has been used to complete the well, to produce, and to seal the well once the productivity is complete. We need to know how many chemicals have been used in the various stages, and how much water has been used in the various stages. Then, on the other hand, we also need to know what comes out - how much energy has been produced, how much gas has been produced, how much pollutants and water” said Alberto Striolo, Professor of Molecular Thermodynamics at University College London, who also mentioned an attempt currently underway in Florence to develop chemicals specifically targeted to formations in Europe.

Apart from these scientific and political statements, it is also important to understand geopolitics. In this context, it is worth questioning whether Washington would really allow a scientific approach to this issue, knowing that it could run the risk of triggering social opposition. Local communities’ anger could force the White House to revise its energy policies. And that could potentially backlash on the United States, which could then lose several competitive advantages. This gives to the last important question: Is a global approach to shale gas realistic?

North Sea oil and gas industry suffers worst losses in decades

The Guardian, *24.02.2015*

The North Sea oil and gas industry is facing a severe challenge to its future viability after suffering a dire year which involved the worst losses in decades.

Oil & Gas UK said its annual activity survey painted a bleak picture of the North Sea’s prospects after discovering that the sector as a whole lost £5.3bn last year, the worst figure since the 1970s. Its report said the cost of producing a barrel of oil had risen to a record high of £18.50, on top of investment, tax and decommissioning costs. Falling oil prices, which slumped to below $50 a barrel earlier this year, cut revenues to just over £24bn for the year, the lowest since 1998.

The industry body said the financial situation was so dire that large areas of the North Sea could be "sterilised", because oil companies would be unable to afford to develop and exploit unused fields. The fall in revenues and investment came despite total North Sea output remaining very strong last year, at more than 1.4m barrels of oil equivalent per day – an industry measure that includes natural gas as well as oil. The 2014 total was the best year-on-year performance since 2000. The chief executive of Oil & Gas UK, Malcolm Webb, said it could increase marginally this year, to 1.43m BOE, but only 14 new exploration wells were drilled last year, compared with the 25 that had been expected.

In remarks aimed directly at the chancellor, George Osborne, in advance of next month's budget, Webb said thousands of high skill jobs, key exports and high-tech industries were at risk unless there were radical changes to the sector's taxation and incentives regimes. "Without sustained investment in new and existing fields, critical infrastructure will disappear, taking with it important North Sea hubs, effectively sterilising areas of the basin and leaving oil and gas in the ground," he said. "The industry recognises that its cost base is unsustainable. Cost and efficiency improvements of up to 40% are required to give this basin a viable future. This adjustment is now underway, but cost control alone is not the answer."

Danny Alexander, the chief secretary to the Treasury, said the report made it clear that his department was right to give the industry extra help last December. He said ministers knew about the challenges facing the industry, and hinted that it would get further support in the budget. "I can reassure everyone involved in this vital industry that its future is front and centre of our thoughts as we approach the budget," he said. Climate campaigners, energy experts and environmentalists say that many of the world's unused fossil fuels are "unburnable" if global warming is not to breach the 2C threshold set by the UN's intergovernmental panel on climate change.

The Guardian revealed last week that Oil & Gas UK was alarmed by comments from Ed Davey, the UK energy secretary, that action on climate climate could render their reserves worthless. The EU now wants to cut carbon emissions by 60% by 2050. Oil & Gas UK's report raises challenging questions for the Scottish government's campaign for Scotland to have far greater fiscal independence in exchange for propping up a minority Labour government after the May general election. In 2012/13, overall government spending in Scotland stood at £65bn, but total Scottish tax receipts excluding North Sea revenues were just £47.5bn – a hole largely plugged by oil taxes in boom years.

The report says that the industry needed to invest £94bn to exploit the 10 billion barrels in known reserves, dramatically cutting the tax receipts needed to sustain Scotland's higher than average public spending. A continuing slump would also threaten tens of thousands of high-paying jobs. Oil & Gas UK said investment in new production was expected to slip in 2015 by about a third, to a maximum of £11.3bn. Current forecasts suggest that spending on authorised projects was likely to decline rapidly to £2.5bn by 2018, and to £3.5bn for unsanctioned projects. Fergus Ewing, the Scottish energy minister, made no reference to the potential impact of a North Sea slump on Scotland's balance sheet. Instead, he said, the UK Treasury had to cut taxes and increase financial incentives to help the industry recover urgently. "This report highlights the long overdue and urgent action on taxation and regulation, which the UK government must deliver to give the industry the certainty it needs to protect jobs and investment," he said.

Lithuania's Litgas obtains permission to trade in Estonia

Natural Gas Europe, *24.02.2015*

Lithuania's LITGAS obtained the green light to trade in the Estonian gas market without an additional licence by Estonian Competition Authority.

"This opportunity will allow the company to get closer to potential customers, who until now had to take care of the transportation of natural gas from the Estonian and Latvian border. This is great facilitation to us and means that we can move forward faster", Dominykas Tuckus, General Manager of LITGAS. LITGAS supplies natural gas to Estonia's Reola Gaas from Alexela Group from the beginning of the month, and recently signed a contract with Eesti Energia.

"There are ongoing discussions with other potential customers and we are expected to sign new contracts," said the company, adding that it plans to supply up to 30 million cubic meters to Estonia in 2015.

Lime petroleum Norway increases stake in Norwegian Sea

Natural Gas Europe, *23.02.2015*

Limee Petroleum Norway clinched a deal with Tullow Oil Norge to buy an additional 20% in three licences in the Norwegian Sea.

'Following the transaction, the ownership will be Tullow operator 60%, Lime Petroleum 25% and North Energy 15%. The transfer is subject to authority approval' reads the note released. According to the company, the operator should drill the prospect on the licences in mid-July. 'The prospect has Late Jurassic aged Rogn Formation sandstones as reservoir target, holding a gross potential of some 250 mmboe and geological chance of success estimated at 27%.'

Operators expect common market area in the south to increase attractiveness of French gas market

Natural Gas Europe, *24.02.2015*

Gas transmission operator GRTgaz expects that the common market area in southern France - to be launched on 1 April - will increase the attractiveness of the French gas market.

“This is a first step towards the creation of a single wholesale gas market in France by 2018 as encouraged by the French Energy Regulator CRE” Thierry Trouvé, CEO of gas transmission operator GRTgaz, said. On 1 April, the Trading Region South (TRS) will replace the existing GRTgaz PEG Sud and the TIGF market areas. According to the gas transmission and storage operator TIGF, the measure will help shippers, and will make the market area more liquid.

“The main aim of TRS is to simplify client access to the wholesale gas market in southern France, introducing a common price for the settlement of imbalances. As from 1 April 2015, shippers will no longer have to subscribe capacities to the interconnection of the two networks” Monique Delamare, CEO of gas transmission and storage operator TIGF, added.

San Leon announces its first Polish commercial gas find

Reuters, *25.02.2015*

San Leon said on Wednesday it had made its first commercial gas discovery in Poland. “This is the well we have been waiting for - a significant gas discovery in one of the highest-priced gas markets in Europe,” Oisin Fanning, executive chairman at San Leon, was quoted as saying in a statement.

“This well is transformational for the company, a step towards energy independence for Poland”. The well is in Rawicz, in south-western Poland. It commenced flow testing and has to date flowed at a rate of up to 4.1 million standard cubic feet per day. San Leon said it plans to drill another three to five wells to develop the field.

The Rawicz project is operated by Palomar Natural Resources, which has a 65 percent share in equity. San Leon owns a 35 percent equity share of the first two wells. The discovery was of conventional gas. San Leon is also one of the few foreign investors still looking for shale gas in Poland. Hopes for commercial shale gas production dimmed after Chevron became the latest major energy company to quit Poland.

Lithuania steps up efforts to increase diplomatic clout through LNG ties with us

Natural Gas Europe, *25.02.2015*

Lithuania continues its efforts to increase its diplomatic clout and its role as a gas exporter in the Baltic Region. Lithuanian Minister of Energy Rokas Masiulis met with the US Secretary of Energy Ernest Moniz, saying that Vilnius is ready to buy LNG cargoes from the US.

“The more options we have, the better price we will be able to offer to our customers,” said Masiulis said. The parts are negotiating terms and conditions of US LNG. “Through the Klaipėda LNG terminal gas exporters will be able to supply gas not only to Lithuanian customers but also to the Latvian and Estonian markets” Lithuania’s Masiulis commented.

The EU’s plan for an energy union would call Vladimir Putin’s bluff

The Guardian, *27.02.2015*

Europe’s energy dilemmas go back to the 1970s and 80s, when decisions were made to build huge gas infrastructure networks connecting the west of the continent to the Soviet Union’s gas fields.

At the time, US presidents Jimmy Carter and then Ronald Reagan expressed worries that such plans would place European allies under Moscow’s sway. Fast forward to 2015 and the Ukrainian crisis: the latest message on Europe’s need to find smart ways to use energy and wean itself off its dependency on Russia’s Gazprom has just come from the European commission.

One of the reasons Europe has been so ineffective in dealing with Vladimir Putin is that it never quite anticipated to what degree he would use the energy card to further Russia's nationalist goals. The question is: can Europe get it right now? It's easy to understand why the proponents of an EU energy union would use slightly grandiose language to sell their ideas. They have cast this plan as the "most ambitious European energy project since the Coal and Steel Community" of the 1950s. After all, energy solidarity is what Europe was all about at the start. Having France and Germany share their coal and steel was seen, in the words of Robert Schuman, one of the founders of the European project, as the best way to "make war not only unthinkable but materially impossible". Peace and prosperity were to flow from regional integration.

Last year, war broke out in the country (Ukraine) through which most of Russia's energy exports transit on their way to many of our homes. A key feature of Putin's Ukraine strategy has been to make sure this country of transit would never quite escape Moscow's domination – and that Gazprom would never lose the possibility of directly controlling Ukraine's gas pipelines to Europe. The Brussels commission is right to push for a new union. Energy should be, along with freedom of movement for people, goods and services, a key dimension of the EU. It would help in dealing with Russia's behaviour as well as in tackling climate change. It is of huge strategic importance. Yet it has not happened – so far – because it is so difficult to build politically, and it will be expensive.

Energy is run nationally – not at EU level – at present. Key countries, especially the UK, France and Germany, have their own views on how energy policy should be run, and they are all different. The UK has a deregulated market, many private players, and no dependency on Gazprom. France is highly centralised, with a handful of , state-controlled big players and 75% of electricity generated by nuclear power (which is anathema to the Germans). Germany dislikes nuclear energy and wants to get rid of it, preferring to burn coal if they run out of gas or renewables. And they have had historically good relations with Gazprom. Poland burns a lot of coal (it prefers that to Russian gas), but Poles also want to look for shale gas. They don't worry that much about greenhouse gases. The list goes on.

There is a disorderly patchwork of energy policies across Europe. But questions that have been important for years need to be re-addressed. It is too late to settle scores over who wrecked Europe's previous chances of setting up a common energy policy. But Germany does have a special responsibility here. Its large and powerful energy companies, E.ON and RWE, were the first in the early 2000s to carve out long-term contracts with Gazprom without much consultation with European partners. Later, Germany unilaterally signed up to Russia's North Stream pipeline which the Baltic states and Poland could only perceive as an attempt to pressure them geopolitically. The new EU plan doesn't aim to dismantle such realities but is pragmatic enough to try to deal with some of Europe's obvious weaknesses. Because energy has been mostly a domestic issue there are very few, interconnecting pipelines and grids. The plan is to build more. This would allow compensation for energy cut offs – such as the ones that Russia created in 2006 and 2009, causing thousands of eastern European homes to be left without heating for weeks.

Another idea is to diversify energy supplies by working on a southern gas corridor linking Europe to Turkey and Central Asia, or by setting up liquified natural gas hubs in northern Europe that could act as back-up in case of another gas crisis with Russia. The complexities are numerous. Some energy business insiders point out that negotiating with a Central Asian country such as Turkmenistan is like landing on another planet. One told me about a meeting with 30 Turkmen government officials sitting immobile behind long tables in the Hall of the Peoples of Turkmenistan's capital, who didn't say a word but just stared. Turkmenistan is a big gas producer whose operatives have been known to sell the same quantity of gas several times over to various buyers (Russians, Chinese, etc).

The story that gets less attention than Ukraine's military plight – or how Russia is yet again trying to strong arm it over gas payments – is that Gazprom is now clearly viewed as a security threat by just about everyone in Europe, including the Germans. For a few years now Gazprom has been getting a hard time from the EU, with antitrust proceedings on contracts and pricing clauses, dawn raids on their European offices and permits for some of their projects refused. A special anti-Gazprom clause was even included in a 2009 EU regulatory package that requires "unbundling" for the electricity and natural gas industry. Gazprom, say some experts (perhaps optimistically), has few friends left in Europe – except maybe in Viktor Orban's Hungary, but they won't count much in the big picture. If it negotiates as one bloc, Europe will not only be strategically stronger, but also in a better position to set an example on fulfilling its climate goals. The best way, for example, to encourage Poland to cut down on its use of coal is to ensure that its gas needs will not be subjected to external blackmailing. After all the criticism that has been aimed at EU institutions, the latest plan from Brussels deserves support.

Atlantic gas swings leave LNG tankers torn over where to turn

Reuters, *26.02.2015*

Atlantic natural gas markets are seeing some of the biggest price swings in years as volatile European trade, freezing U.S. weather and Brazilian demand leave tankers torn over where to sail.

The region's gas markets, each taking turns as top payer before being outbid again, have boosted consumption of shipped liquefied natural gas (LNG), triggering multiple diversions as vessels chase the best price. Two weeks ago Europe became the world's premium gas market after a year-long demand slump in Asia, thrusting Atlantic trade into the spotlight.

A mix of Dutch production caps, supply outages and technical trading has driven European gas prices towards fresh multi-month highs as Asian prices show only meager gains, widening premiums. In the United States a burst of Arctic cold and grid bottlenecks drove gas prices at Algonquin in New England to $25 per million British thermal units (mmBtu) on Wednesday, dwarfing European levels at $8.31 per mmBtu and Asia at $6.90.

The hefty premium has prompted London-based oil and gas major BP to divert three vessels - the British Merchant, British Innovator and British Sapphire - back towards the United States after circling the Atlantic. The Sapphire's tortuous course shows how low shipping rates have freed up traders to pursue prices. From Trinidad where it loaded, the vessel sailed into the south Atlantic, then backtracked thousands of kilometres attracted by surging British gas prices before making another U-turn to head for the United States. "With charter rates at 5-year lows of around $50,000 per day, BP can afford to pick and choose the best economic destination, and despite some LNG boiling off, and being laden on the water for a few weeks, it won't suffer substantial costs as a result of low charter rates," an LNG analyst at a European utility said. A ship broker told Reuters that more diversions to the United States are being planned.

Low hydroelectric reserves are pushing Brazil's Petrobras back into the spot LNG market for supply, making it another potential destination for diversions. The company recently bought a cargo from Swiss trader Trafigura. The focus is on Europe, however, where the widest premium to top buyer Asia in at least five years is renewing demand for import options at Britain's Dragon terminal, in particular. Talks for import slots spanning two years with 6-12 import slots per year at Dragon are a hedge against souring Asian demand, a source at a company conducting the deals said. Similar discussions are taking place at France's Dunkirk and Netherlands' Gate terminals, the source said.

UK halts unconventional licence awards in Scotland

Natural Gas Europe, *26.02.2015*

The UK government has "agreed in principle" not to award licences for unconventional oil and gas exploration in Scotland as part of the 14th licensing round.

The Scottish government announced in January that it was imposing a moratorium shale gas and coalbed methane developments in while further research and a public consultation was carried out, however power powers for the licensing of oil and gas have not yet been devolved from Westminster. However, the UK government said that it would consult with companies which have already applied for licences "before making a final decision."

Scottish energy secretary Fergus Ewing said: “We argued that the decisions over fracking should be decisions for Scotland. Mr Ewing said the move “means that policy over unconventionals in Scotland will be discussed, debated and then decided in Scotland.” Ineos, which is pursuing shale gas development for its Grangemouth petrochemical plant issued a statement questioning whether the change in policy.

It said: “Ineos understands the commitment to devolve powers to Scotland including the development of exploration licences in Scotland. However, it is not in fact necessary to delay awarding of the 14th Round exploration licences in Scotland as the Scottish Government already has effective control over any physical activity on the licences through the planning system. “Ineos remains committed to engage with local communities in Scotland to provide information on the economic and environmental impact of unconventional oil and gas. “We believe the best way to assure security of supply and the long term success of the Scottish economy and its manufacturing sector is to develop an indigenous shale gas resource.”

Chevron relinquishes shale gas exploration in Romania

Anadolu Agency, *24.02.2015*

Chevron has relinquished its interests in shale gas concessions in Romania as a strategy of 2015, the company said. Chevron analyzed the data gathered during its drilling and seismic operations in Romania to further understand the resource potential of natural gas from shale, Chevron announced in November.

Chevron stated via email to The Anadolu Agency that “in 2014, drilling of the first exploration well in the Barlad Shale concession in northeast Romania was completed, as was a 2-D seismic survey across two of the three concessions in southeast Romania.”

“This is a business decision which is a result of Chevron’s overall assessment that this project in Romania does not currently compete favorably with other investment opportunities in our global portfolio,” the company underlined. According to a 2013 report by U.S. Energy Information Administration, a study on the technically-recoverable shale oil and shale gas resources reveled that Romania holds 1,400 billion cubic meters of technically-recoverable shale gas resources and ranks third in Europe in terms of potential shale gas after France and Poland - both who rank first followed by Norway in second place.

It is estimated that the potential shale gas could meet the country's domestic demand for about a century, according to the energy agency. Chevron had earlier pulled out of its shale gas explorations in shale gas-rich Poland citing the same reasons. In first half of 2014, Chevron completed a 3-D seismic survey on the Grabowiec concession of Poland and had also entered into a joint exploration agreement covering Chevron's Grabowiec and Zwierzyniec licenses along with the two adjacent licenses in early 2014. “In fourth quarter of 2014, Chevron relinquished two shale concessions - Frampol and Krasnik, in southeastern Poland. In early 2015, Chevron announced the discontinuation of exploration activities in Poland,” the company said.

Repsol's 2014 adjusted net income rises

Anadolu Agency, *26.02.2015*

Repsol's adjusted net income rose by 27 percent to 1.707 billion euros in 2014 the company announced. Repsol proclaimed that start of production in strategic projects in Peru and Brazil and successful result of the downstream activities such as refining, chemicals, marketing, trading, LPG raised 1.012 billion euros for the company.

In the upstream side, Repsol declared its adjusted net income was 589 million euros. Falling global oil prices and the interruption of company's activity's in Libya resulted a 606 million-euro negative effect on earnings for the financial year, the press release said.

Repsol increased its average oil production during 2014 by 2.5 percent to 354,500 barrels of oil equivalent a day, according to the press release. Repsol announced that it will acquire Canadian oil company Talisman Energy, for $8.3 billion plus debt in December 2014. The deal was approved unanimously by Repsol and Talisman's boards, and shareholders approved the purchasing. According to Repsol's announcement, North America will become a key region after obtaining the necessary permits and regulatory authorizations to close the transaction in the second quarter of 2015. Repsol is an integrated and global energy company with upstream and downstream operations around the world. Company carries out its activities in more than 50 countries.

Morocco in talks to import gas

Natural Gas Asia, *27.02.2015*

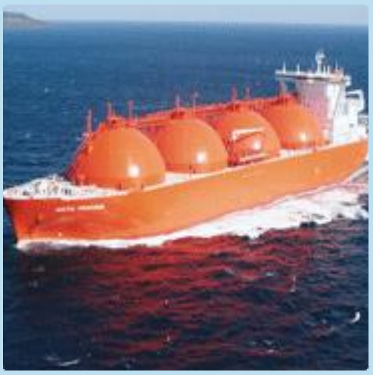
Morocco is in talks to import up to 7 billion cubic meters of gas by 2021, news agency Reuters reported country's energy minister as saying.

With an aim to diversify its supply source and reduce reliance on oil and coal, Minister Abdelkader Amara has made contact with gas- exporting countries. Reuters added that private companies have also show interest. "I have made contacts with Qatar, now I am waiting to hear from them. I am also planning a roadshow to Russia and United States," Amara told Reuters adding that two offers have been received from private international companies.

According to the news agency, Morocco currently consumers 1 bcm of gas, including around 70 million produced locally, but that is still only 5 percent of its energy bill. In December, Amara had said Morocco would also look to build an LNG terminal at Jorf Lasfar near the western port city of El Jadida within five years to facilitate imports of LNG.

Egypt in talks to buy 21 LNG cargoes from BP

Natural Gas Asia, *23.02.2015*



Egyptian Natural Gas Holding Company (EGAS) is in talks with BP to buy 21 LNG cargoes, Amwal Al Ghad newspaper reported citing an official source from EGAS. Talks concerned the technical and contractual procedures for bringing natural gas cargoes, the source told the newspaper.

In recent months, Egypt has signed numerous deals to import LNG to meet domestic energy demand. This month, Cairo signed a deal with Vitol to buy nine LNG shipments. It also signed LNG supply deal to import seven LNG shipments with Noble Clean Fuels Limited, a part of Hong Kong based Noble Group.

Also, EGAS inked an agreement with Trafigura to import 33 cargoes of LNG between 2015 and 2016.

Egypt court acquits ex-oil minister of corruption charges

Reuters, *21.02.2015*

An Egyptian court acquitted former oil minister Sameh Fahmy of charges of selling cheap gas to Israel and squandering public funds and threw out his 15-year jail sentence.

Prosecutors said former president Mubarak's government sold gas at preferential rates to Israel and other countries, costing Egypt billions of dollars in lost revenue. The ruling is likely to raise fears among human rights activists that the old guard was making a comeback, especially as it came after a court in November dropped charges against Mubarak of conspiring to kill protesters in the 2011 uprising as well as graft changes related to gas exports to Israel.

Fahmy was sentenced in June 2012 and had successfully appealed his sentence in 2013. The Court of Cassation ordered a retrial and Fahmy was released shortly after. The judicial source said the Cairo Criminal Court found Fahmy and five others innocent of the charges. "The verdict is the headline of the truth. The court heard the witnesses' statements and had faith that the defendants did not commit any violations and therefore the court issued the innocence verdict," Fahmy's lawyer, Gameel Saeed, told Reuters. A security source said Fahmy did not appear at Saturday's court session.

Saturday's ruling did not apply to Hussein Salem, a major shareholder in East Mediterranean Gas, which exported the gas to Israel. Salem was given a 15-year prison sentence in absentia by the court in June 2012. He had fled to Spain after the uprising. Many Egyptians who lived through Mubarak's era view it as a period of autocracy and crony capitalism. His overthrow led to Egypt's first free election. But the winner, Islamist president Mohamed Mursi, was ousted last year by then army chief Abdel Fattah al-Sisi after mass protests against his rule.

Sisi, who became president last year, launched a crackdown on Mursi and his Muslim Brotherhood. Authorities have jailed thousands of Brotherhood supporters and sentenced hundreds to death in mass trials that have drawn international criticism. By contrast, Mubarak-era figures are slowly being cleared of charges and a series of laws curtailing political freedoms have raised fears among activists that the old leadership is regaining influence. The government denies allegations that freedoms gained after the 2011 uprising are being rescinded and Sisi has said Egypt faces a tough, prolonged campaign against militants.

China's Sinopec denies merger with China Nat. Oil Corp.

Anadolu Agency, *26.02.2015*

China's national energy giant Sinopec denied the claims of merging with another state energy firm, China National Oil Corporation, CNPC, or CNOOC.

"We have never heard any internal talk about the case and our principle is to make no comment on rumors," said Lv Dapeng. International media reports claimed that China was considering a merger with CNPC, with Sinopec creating a super major which would control the growth of China's onshore oil fields, refineries, pipelines and service stations. The new merger would be almost twice as big as ExxonMobil in terms of revenues.

The merger of the state-owned oil and gas companies to cut costs and streamline operations was on the agenda of the Beijing government, international media reported earlier. "The Chinese government is now working on structural reform of the oil and gas industry in a bid to transform the country's energy sector," an industry insider quoted by Xinhua said. "The reform plan will be released as early as the first half of this year and will have significant impact on the current oil and gas system," the insider told the agency.

Obama vetoes Keystone oil pipeline bill

Anadolu Agency, *25.02.2015*

Once The U.S. President Barack Obama vetoed the Keystone XL oil pipeline bill Tuesday, after months of debate between the U.S. Congress and the White House.

Shortly after arriving at the White House from the Senate, President Obama vetoed the bill of the controversial pipeline, which planned to carry heavy crude oil from Canada's oil sands to the U.S. refineries in the Gulf coast. An official statement from the Office of the Press Secretary of White House quoted Obama pointing out "issues that could bear on our national interest -- including our security, safety, and environment," as a reason for the veto.

Before Obama's decision, the White House Press Secretary Josh Earnest told reporters of the president's plans; "The president does intend to veto this piece of legislation and we intend to do it without any drama or fanfare or delay." The U.S. House of Representatives' Speaker John Boehner lashed out at Obama's decision in a statement, saying "The president's veto of the Keystone jobs bill is a national embarrassment." He accused Obama of being "too close to environmental extremists to stand up for America's workers." Boehner and the Senate Majority Leader Mitch McConnell, both Republicans, stressed before Obama's decision early Tuesday that the president is "sadly mistaken" if his veto will end the issue, claiming that they are just getting started. Tuesday's veto is not the end of the Keystone discussion as Obama still may approve the project once regulatory and environmental studies are completed.

Obama threatened to veto the bill on Jan. 6 when he postponed the pipeline for six years citing political and environmental concerns. Republicans advocated that the project would create thousands of jobs and make the U.S. more energy independent. The U.S. Congress approved the construction of the oil pipeline on Feb. 11, while the U.S. Senate, under its new Republican majority, passed a bill to authorize the project on Jan. 29. However the vote fell five votes shy of clearing a presidential veto. Meanwhile, a report by global research group IHS released Tuesday argued that if the pipeline is not approved; Canadian oil sands exports to the U.S. would increase in any case by using other means of transportation, such as rail. The report emphasized that the Canadian heavy crude will not be exported overseas, and "the vast majority of refined products, about 70 percent, derived from it would be consumed in the U.S."

In addition, Wood Mackenzie warned Tuesday that it expects cash flow to Canada's oil sands region to fall by a total of $23 billion, and capital expenditure to decrease by $1.5 billion over 2015 and 2016. Nevertheless, the global consulting company predicted limited impact on production. According to U.S. oil experts, the country needs heavy crude oil, since most of the U.S. refineries were designed for heavy type crude from overseas imports before the U.S. domestic production of light crude spiked after the 2008 shale boom. Some energy analysts argue that the approval of the Keystone pipeline would divorce the U.S. from the uncertainties of overseas sellers who posed risks to the uninterrupted oil supplies due to political instability in their regions, namely the Middle East.

To carry heavy crude oil from Alberta's tar sands through Nebraska and Oklahoma to reach the U.S. refineries on the Gulf coast, the northern extension of the pipeline, Keystone XL, would provide an additional capacity of 500,000 barrels per day, says its operator TransCanada. This would have brought the total capacity of the 2,150 mile-long (3,460 kilometers) pipeline to more than one million barrels a day, with the total investment reaching $12.2 billion, according to TransCanada's website.

Golden scenarios

The Economist, *27.02.2015*

Once upon a time, the International Energy Agency produced a special report heralding a "golden age of gas". That was in 2011. It suggested that fast-rising demand, chiefly from emerging economies and in power generation, could lead gas to displace coal by 2030.

Big energy companies shared that optimism. High prices and rising demand in East Asia, especially China and Japan, encouraged them to pile into huge projects in places such as Australia and Papua New Guinea to produce LNG, either from offshore drilling or, in the case of a $20 billion project in Queensland from gas found in coal beds.

America, awash with gas thanks to the shale boom, began rejigging coastal terminals originally built for importing LNG, so as to begin exporting it. But something unexpected happened. Coal, despised as the dirtiest fossil fuel, underwent an unexpected renaissance, notably in Europe, displacing gas in power generation. This was partly because of plentiful supplies of cheap coal on world markets, and partly because the European Union's regime for trading in permits to emit carbon dioxide was so flawed that coal was not getting taxed out of the market, as had been intended. (This week the European Parliament made moves towards reforming the regime.)

So demand for LNG has been broadly flat for the past three years. The result is a buyers' market, intensified by the recent weakness in the oil price. Natural-gas prices are plunging (see chart 1). This month the American spot-market price, as measured at the giant Henry Hub distribution node in Louisiana, has been around $2.75 per million British thermal units (MMBtu), the lowest since mid-2012. The spot price of LNG in the vital market of Japan fell to $6.65 per MMBtu, the lowest level for five years—and below the European price for the first time in four years. This is indeed a golden age, then, but for gas consumers. Investors in large gas facilities such as liquefaction plants are hurting. As with the oil price, the gas-price slump is the result of weak demand and booming supply (though without the added ingredient of a collapsed cartel). Millions of tonnes of new capacity are coming on-stream, as projects begun when energy prices were high reach completion.

Global export capacity is set to rise by a third, from 290m tonnes per year (mtpa) at the end of 2013 to nearly 400 mtpa by 2018. Australia will overtake Qatar to become the largest exporter, tripling its capacity to 86 mtpa by 2020. America starts exporting this year. Two giant LNG projects that tap into gasfields off the coast of Western Australia are due to come on-stream next year: Chevron's $30 billion, onshore Wheatstone complex, and Shell's Prelude plant, based aboard a giant ship (pictured) and costing perhaps $13 billion. In Papua New Guinea, Exxon's $19 billion project began shipping gas last May, ahead of schedule.

Now, in what a report from Sanford C. Bernstein, a research firm, calls an “anxiety attack”, new investment has stalled. No big, new LNG projects have been announced for months. The business is so capital-intensive that long-term contracts, which account for three-quarters of global trade, are essential. Such contracts mean that weak spot prices are less of a problem for gas-producing countries than for oil states. But for energy firms, contracts are no longer providing the comfort cushion needed for big investments. Buyers are taking advantage of the weak market, and driving hard bargains. Last year Japan, for example, signed contracts for gas at around $16 per MMBtu. Now, contract prices are forecast to fall to $11 or lower; and with the spot price below $7, such forecasts do not seem unrealistic. Given the cost of liquefaction and shipping, American exporters could face losses.

The LNG industry’s hopes rest on a surge in demand. Latin America is showing an unexpectedly strong appetite; sales to Britain are up; and Indonesia, once an exporter, is now importing gas. But the short-term picture is sombre. Economic growth is slowing in China and weak in Japan. Even healthy economies are using energy of all kinds more efficiently. Other fuels are competing strongly. Japan is likely to restart some nuclear capacity this year, and can burn cheap oil in some power plants. China is pushing ahead with domestic gas production, as well as clean coal and renewables, all of which displace imported gas in power generation. European customers can use LNG as a bargaining chip against suppliers such as Russia’s Gazprom, but demand in Europe is declining, not rising.

With so many energy consumers looking for cleaner fuels but not yet ready to give up entirely on hydrocarbons, the long-term outlook for gas looks strong. Demand for gas as a transport fuel is set for rapid growth. Some carmakers, such as Fiat Chrysler, are promoting gas-powered versions of their vehicles, whose fuel economy makes them attractive even at a time of cheap petrol. The motor industry is struggling to meet ever tighter emissions standards in America, Europe, Japan and China, and one way to comply with them is to sell more gas-powered vehicles. Sales of ones that run on compressed natural gas (CNG), such as motorised rickshaws, are booming in India and China.

Indian Railways has begun switching its trains to run on CNG. Worries about pollution from the heavy oil used by marine engines have prompted tough new emissions rules in the Baltic Sea and in American coastal waters. This is prompting a switch to vessels that run on LNG. Timo Koponen of Wartsila, a Finnish company that builds gas-powered marine engines, says the main constraint now is refuelling. But America is opening its first LNG bunkering facility, in Port Fourchon, Louisiana. It carried out a trial refuelling earlier this month. A switch towards generating electricity in smaller plants closer to consumers (which cuts distribution costs) is also increasing demand for gas at the expense of other fuels. Richard Kauffman, the head of energy policy for New York state, notes that small-scale, gas-fired “combined heat and power” (CHP) plants are now more economical than ever. Some businesses and apartment blocks are beginning to install their own full-time gas generators, cutting their dependence on mains power. The current freeze on new projects means that demand growth may begin to outstrip supply growth within a few years (see chart 2). Thereafter the current glut may dwindle, allowing producers to recover pricing power. It will take time, but they should enjoy a gilt-edged future, too.

Announcements & Reports

► The Energy Island: Israel Deals with its Natural Gas Discoveries

Source : Brookings
Weblink : http://www.brookings.edu/~/media/Research/Files/Papers/2015/02/eastern-mediterranean-papers/israel-energy-island-natural-gas/Energy-Island-web.pdf?la=en

► A Brief Political Economy of Energy Subsidies in the Middle East and North Africa

Source : Oxford Energy Institute
Weblink : http://www.oxfordenergy.org/wpcms/wp-content/uploads/2015/02/MEP-11.pdf

► Gaza Marine: Natural Gas Extraction in Tumultuous Times?

Source : Brookings
Weblink : http://www.brookings.edu/~/media/Research/Files/Papers/2015/02/eastern-mediterranean-papers/gaza-marine-natural-gas/Gaza-Marine-web.pdf?la=en

► Prime Supplier Report

Source : EIA
Weblink : http://www.eia.gov/petroleum/marketing/prime/

► Natural Gas Monthly

Source : EIA
Weblink : http://www.eia.gov/naturalgas/monthly/

Upcoming Events

► Ukrainian Energy Forum

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

PETFORM

► *LNGgc Asia Pacific 2015*

Date : 09 – 12 March 2015
Place : Singapore
Website : http://www.lnggc-asia.com/

► *Adriatic Oil&Gas Summit*

Date : 10 – 11 March 2015
Place : Budva - Montenegro
Website : http://www.aogsummit.com/

► *Athens Energy Forum 2015*

Date : 11 – 12 March 2015
Place : Athens - Greece
Website : http://athensenergyforum.com/

Supported by PETFORM

► *TUROGE 2015*

Date : 18 – 19 March 2015
Place : Ankara – Turkey
Website : http://www.turoge.com/Home.aspx

TUROGE

► *Rio Gas & Power Forum*

Date : 25 March 2015
Place : Rio - Brazil
Website : http://www.woodmac.com/public/events/12526327

► *14th Georgian International Oil, Gas, Infrastructure & Energy Conference*

Date : 25 – 26 March 2015
Place : Tbilisi – Georgia
Website : http://www.worldoils.com/showevents.php?id=3945&event_name=14th%20Georgian%20International%20Oil,%20Gas,%20Infrastructure%20&%20Energy%20Conference%20(GIOGIE)

► *LNG Congress Russia 2015*

Date : 31 March – 02 April 2015
Place : Moscow - Russia
Website : http://www.lngrussiacongress.com/

► Flame 2015

Date : 13 – 16 April 2015
Place : Amsterdam - Netherlands
Website : http://www.icbi-flame.com/?xtssot=0

► 9th Atyrau Regional Petroleum Technology Conference

Date : 14 – 15 April 2015
Place : Atyrau – Kazakhstan
Website : http://www.oiltech-atyrau.com/About.aspx

► 14th North Caspian Regional Atyrau Oil & Gas Exhibition

Date : 14 – 16 April 2015
Place : Atyrau – Kazakhstan
Website : http://oil-gas.kz/en/

► International SAP Conference for Oil&Gas

Date : 14 – 16 April 2015
Place : Berlin - Germany
Website : http://uk.tacook.com/sapoilandgas

► FT Energy Strategies Summit

Date : 14 May 2015
Place : New York - USA
Website : https://live.ft.com/Events/2015/FT-Energy-Strategies-Summit

► Wood Mackenzie 11th Annual Exploration Summit

Date : 26 – 29 May 2015
Place : Johannesburg - South Africa
Website : http://www.woodmac.com/public/events/12526247

Supported by PETFORM

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

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

► OGA 2015

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

► 22nd International Caspian Oil & Gas Exhibition and Conference

Date : 02 – 05 June 2015
Place : Baku – Azerbaijan
Website : http://www.caspianoilgas.az/2015/

► World Gas Conference

Date : 01 – 05 June 2015
Place : Paris - France
Website : http://www.wgc2015.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

► 12th Russian Petroleum & Gas Congress

Date : 23 – 25 June 2015
Place : Moscow – Russia
Website : http://www.mioge.com/RPGC-Congress/About-the-Conference.aspx

► 13th Moscow International Oil & Gas Exhibition

Date : 23 – 26 June 2015
Place : Moscow – Russia
Website : http://www.mioge.com/mioge-exhibition/about-the-exhibition.aspx

► 7th South Russia International Oil & Gas Exhibition

Date : 02 – 04 September 2015
Place : Krasnodar – Russia
Website : http://www.oilgas-expo.su/en-GB

► 22nd Annual India Oil & Gas Review Summit and International Exhibition

Date : 09 – 10 September 2015
Place : Mumbai – India
Website : http://www.oilgas-events.com/india-oil-gas

► The Energy Event 15

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

► 3rd East Mediterranean Gas Conference

Date : 22 – 23 September 2015
Place : Paphos – Greek Cyprus
Website : http://www.oilgas-events.com/East-Med-Oil-Gas

► 23rd Kazakhstan International Oil & Gas Exhibition and Conference

Date : 06 – 09 October 2015
Place : Almaty – Kazkhstan
Website : http://www.kioge.kz/en/conference/about-conference