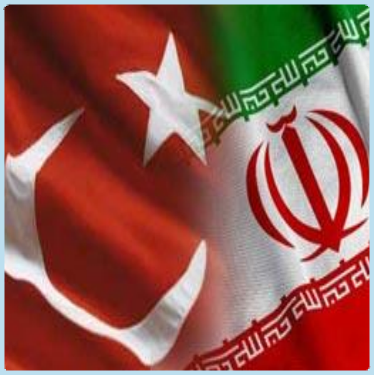
Oil & Gas Bulletin
▶ *17.04.2015*

Why Turkey rejects doubling Iranian gas imports

Natural Gas Europe, *16.04.2015*



Iranian Oil Minister Bijan Namdar Zanganeh announced that Tehran offered Ankara a doubling of Iranian natural gas imports for getting a discount in gas prices however Ankara rejected the offer.

The National Iranian Gas Company announced on Tuesday that the country's gas export to Turkey increased by 1 billion cubic meters (bcm) to 9.69 bcm during last fiscal year. Iran's fiscal year ended. According to this report, Turkey should have imported 10 bcm of Iranian gas, but "Turkey's state company Botas didn't have enough capacity for importing this volume of gas."

Stanislav Pritchin, research fellow of the Center for Central Asian, Caucasian and Volga-Urals Studies of the Institute of Oriental Studies (Moscow) explained to Natural Gas Europe that "there is not any ready infrastructure neither in Iran nor in Turkey's territory for a significant gas delivery increase. On the other hand, the existing gas hub in the eastern Anatolian city of Erzurum doesn't have the capacity to receive 20 bcm of gas in annum from Iran." The 9th cross-country gas pipeline is projected to transfer 100 mcm/d of gas towards the north-western borders with Turkey. The 1,863-km long pipeline would have 17 pressure booster stations.The cost of this pipeline is estimated to reach $6 billion.

Pritchin added that Iran has an approximate 20 percent share in Turkey's gas imports and there is no room for significant discounts to compete with Azeri or Russian gas prices. "On the other hand, Azerbaijan has an agreement to deliver more 6 bcm/a of gas to Turkey through TANAP by 2018," he said. Turkey's current gas consumption stood at approximately 49 bcm/a last year, however this figure is expected to reach 50.8 in 2015. According to the International Energy Agency's estimations, Turkey's gas consumption in 2018 would reach 59 bcm/a. This figure also would stand at about 70 bcm/a in 2030. Therefore, there is no room to double Iranian gas imports. Power generation sector shares about 48 percent of Turkey's total gas consumption, but Ankara aimed to increase power generation via new hydro and nuclear power plants. Turkey planned to reduce dependency on imported fossil fuels through gradual commissioning of nuclear power into Turkish energy mix. The country intends to establish a nuclear capacity of more than 10.000 MW by 2030. Turkey is also Iran's second biggest power client, importing about 2500 million KWh electricity from Iran.

Repercussions of Turkish Stream for the Southern Gas Corridor: Russia's new gas strategy

Natural Gas Europe, *16.04.2015*

Vladimir Putin announced the suspension of South Stream, blaming the EU for its "unconstructive" position. In fact, the realization of pipeline had become untenable as a result of various legal, political and financial issues.

BOTAŞ and Gazprom signed a Memorandum of Understanding for construction of a new offshore gas pipeline with 63 bcm/a capacity, to run under the Black Sea to the Turkey-Greece border. Some 16 bcm of this amount will be supplied to Turkey in the first phase in December 2016. The remaining 47 bcm will be delivered to the planned gas hub near the Turkish-Greek border on the Turkish side.

The key question is whether the Turkish Stream will be a competitor for the Trans-Anatolian or Trans-Adriatic Pipelines, which envisage the delivery of 16 bcm of Azerbaijani gas to Turkey and Europe by 2018 and 2020 respectively. There had been similar tensions between the South Stream and Nabucco projects; while previously Nabucco offered an alternative to South Stream, now Turkish Stream presents an alternative to TANAP/TAP. However, Nabucco failed due to political and financial uncertainties, and was subsequently redesigned as Nabucco-West, after Azerbaijan and Turkey initiated TANAP in 2012. When Azerbaijan opted for TAP over Nabucco-West in June 2013, Baku's choice was interpreted a positive development for Russia's South Stream; Azerbaijan refrained from angering Russia as a pipeline competitor.

One of the main factors in Moscow's shift from South Stream to Turkish Stream was the EU's Third Energy Package (TEP). Under these rules, a single company cannot own the pipeline through which it also supplies gas. Neither Russia nor Turkey is an EU member, and so neither are bound by the TEP, which makes the construction of Turkish Stream much easier. However, the construction of Turkish Stream is not the only issue at stake. The pipeline will have to stop at the Turkey- Greece border because of the TEP rules, given that Greece is an EU member state.

Thus Russia will need its customers to buy its gas right at the border from the planned natural gas hub in Turkish territories. Meanwhile, the new government in Athens has expressed interest in the extension of the Turkish Stream into Greece. In order to transport its gas to Greece and onwards, Gazprom needs to use existing interconnectors – either TAP or Interconnector-Turkey-Greece-Italy, including the DESFA-operated Greek National Gas Transmission System (NGTS). Turkish Stream is intended to end in the Ipsala district of Turkey (near the Greek border), where TANAP is also planned to end and connect with TAP.

This raises another question, namely whether the termination of both pipelines at the same location will create competition in terms of market share, given the possible expansion capacity of both TAP (from 10 to 20 bcm/a) and TANAP (from 16 bcm/a to 23/31 bcm/a). In fact, Russia has the opportunity to export its gas via TAP from the Turkish Stream toward Europe, without Gazprom's presence in the TAP Consortium and without breaching the TEP rules.

First of all, Russia has no stake in TAP. Second, in the first stage, TAP is supposed to use 50% of its total capacity for 10 bcm/a. It can expand its capacity up to 20 bcm/a (100% of total capacity) in the second stage. Third, the EU Commission's regulation left 50% of TAP's total capacity open for Third Party Access (TPA) for the Expansion Capacity (second stage). Fourth, the EU regulation also states that upon request of a third party, TAP is obligated to construct additional entry/exit points in Greece to receive gas from non-Shah Deniz sources.

In this context, Russia may reserve space in the TAP by requesting TPA to transport its gas (as a supplier, not an owner) at the second stage of gas delivery, or request the construction of additional entry/exit point for additional compressors at the expansion capacity of TAP. If Russia does not own the infrastructure, but simply sells its gas from the Turkey-Greece border, its actions are not in contravention of the TEP rules. However, the Shah Deniz Consortium has already secured 10 bcm of Azerbaijani gas with a 25-year-contract for the first stage of gas delivery via TAP. Under this contract, the Consortium has already secured 100% of its initial capacity (50% of final capacity). Meanwhile, the Consortium has been already granted a TPA exemption by the EU Commission for 100% of initial capacity (for 10 bcm) of the pipeline for 25 years. This means that Russian gas cannot be transported via TAP for at least the next 25 years, unless there are either significant market or geopolitical changes, or sufficient gas demand to drive expansion. The long-term contracts of Shah Deniz Consortium together with the relevant provisions of EU law make this option unlikely, as Gazprom plans to pump its gas as earlier as possible.

Allowing Russian gas to enter TAP could put both Russian and Azerbaijani gas in competition in terms of price and volume. Beyond the 10 bcm, Azerbaijan is expected to increase its gas flow from the Azeri-Chirag-Guneshli, Umid, Absheron fields and possibly Shah Deniz Phase III. It can deliv- er this via the Interconnector-Greece-Bulgaria to Bulgaria, and the Ionian-Adriatic Pipeline (from Albania) to Montenegro, Bosnia-Herzegovina and Croatia in the second stage of gas delivery. More-over, the amount that Turkey is supposed to receive via Turkish Stream is close to the volume currently transported by the Trans-Balkan pipeline (TBP) to Turkey via Ukraine, Moldova, Romania and Bulgaria. However, the expiration of a transit agreement on Russian gas supply through Ukraine in 2019 along with the completion of Turkish Stream mean that TBP will likely be suspended. Thus, Turkish Stream will enable Russia to change the route of its current gas export to Turkey, without affecting the current volumes, and without competing with TANAP in terms of capacity.

Furthermore, Greece also wants to see Russian gas transported via the Interconnector-Turkey-Greece-Italy (ITGI) as an extension of the Turkish Stream from Greece to Europe. This could pave the way for Russian gas through the Interconnector-Greece-Bulgaria (which also considers transportation of Azerbaijani gas) as an additional branch from ITGI. Back in June 2007, President Putin suggested to Athens that Greece join South Stream, because Russia was planning to construct an alternative route for South Stream towards Greece in case the northwestern route to Bulgaria did not come to fruition. However, both the Turkey-Greece (ITG) part of ITGI and the Greek part of IGB will be operated by DESFA as part of the NGTS. Given that SOCAR hopes to purchase 66% of DEFSA, it is possible that SOCAR can control Russian gas delivery if Gazprom decides to transport its gas through ITGI (or ITG).

Surprisingly, on March 4 ,2015, following his meeting with Azerbaijani President Ilham Aliyev, Bulgarian PM Boyko Borisov called for the revival of Nabucco pipeline as a part of the Southern Gas Corridor (SGC). After the failure of both Nabucco and South Stream, Borisov's stance is understandable, as Bulgaria has been sidelined twice. President Ilham Aliyev states that, "Bulgaria has already become a part of the Southern Gas Corridor via IGB pipeline, [but] we can merge TAP and Nabucco by virtue of the huge gas reserves of Shah Deniz, Absheron and Umid fields." The issue is not the revival of Nabucco; the intent is to transport Azeri gas through existing interconnectors to Nabucco-West countries – namely Bulgaria, Romania and Hungary, which Russia is also targeting. Russia plans either to revive South Stream's onshore section as an extension of Turkish Stream from Bulgaria to Serbia, Hungary and Austria, or to set a reverse flow via Trans-Balkan pipeline to Bulgaria, Romania through to Greece. Russia also supports the construction of a new pipeline from Greece through FYROM, Serbia and to Hungary, once gas volumes have entered Greece through the Turkish Stream. However, it is not yet clear from where in Greece this new pipeline will pump Russian gas toward Hungary, nor which pipeline with which it will be merged – TAP or ITGI.

Ultimately, the move from South Stream to Turkish Stream will not change Russia's energy market, as the latter might be extended into Greece or Bulgaria via different pipelines. Thus, Russia is seeking either to target potential markets (Central and Eastern Europe) for Azerbaijani gas, or to use the additional capacity of Azerbaijan's gas export routes. At first glance, it might seem that the timeline and capacity of Turkish Stream will hamper Azerbaijan's gas strategy in Southeast Europe, given that Azerbaijani gas will reach Turkey in 2018 and Europe by 2020. However, the 16 bcm of gas from Shah Deniz's Phase II that TANAP/TAP will carry to Europe has already been sold based on 25-year contract with European companies, and the initial capacity of TAP has been secured via a TPA exemption under EU Regulations. These long-term agreements protect SOCAR from the risk of competition from other gas suppliers. Consequently, Russia is seeking additional routes for gas exports, such as onshore sections of South Stream and reverse flow via Trans-Balkan Pipeline. Meanwhile, the transportation of Russian gas via ITGI is matter of time and financing, while a new pipeline via FYROM, Serbia to Hungary might encounter new problems with TEP rules.

Energy Official: Turkish Stream, South Stream costs comparable

Novinite, *13.04.2015*

The cost of the future Turkish Stream gas pipeline project is comparable to the cost of the abandoned South Stream project, according to Gurkan Kumbaroglu, President-Elect of the International Association for Energy Economics (IAEE). "We have not yet finished all the calculations. I think the cost is comparable to the cost of the South Stream project," Kumbaroglu said at the Valdai Club conference on European energy security in Berlin.

The cost of the South Stream project, designed to carry Russian natural gas under the Black Sea to Bulgaria and further west to Europe, was estimated at EUR 15.5 B.

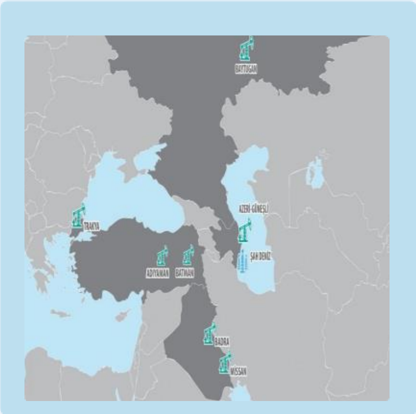
Announcing the project's suspension in December 2014, Russian gas giant Gazprom said it would build a pipeline from Russia under the Black Sea to Turkey instead that will be able to deliver gas to Europe via a distribution centre at Turkey's border with Greece. According to Kumbaroglu, the Turkish Stream is a more practical project compared to the concept of the South Stream project from an economic point of view. "Turkish Stream is beneficial for all parties - the EU, Turkey, and Russia," Kumbaroglu said. The so-called Valdai Club, named for the lake on the shores of which its first meeting was held, is a gathering of Western and Russian analysts, journalists and officials, some of whom are critical of the Kremlin. IAEE is a United States-based worldwide non-profit professional organization.

Meanwhile, Russia's Ambassador to the EU, Vladimir Chizhov, said on the sidelines of the conference that the European Commission should have no formal reasons to object to the construction of Turkish Stream but is interested in maintaining the transit of Russian gas via Ukraine's territory for political reasons. "I hope the European Commission won't politicize this subject and we could be able to cooperate on the project," Chizhov said.

Speaking at the conference, Gazprom CEO Alexey Miller said the Russian company with work in compliance with the EU's so-called Third Energy Package in building the infrastructure of Turkish Stream. The regulation bans gas suppliers from owning the pipeline infrastructure, aiming to increase competitiveness. The European Commission cited Gazprom's failure to comply with the regulation as a reason to object to the construction of South Stream on the territory of EU member Bulgaria. "We'll launch the [Turkish Stream] construction once we receive all permissions," Miller said, according to TASS. He also said Gazprom has no need to discuss Turkish Stream's leg under the Black Sea with its European partners. Miller added the European infrastructure for accepting deliveries of Russian gas through Turkish Stream should be in place by 2019.

Turkish Petroleum experiences 2nd ‘Golden Year’

Anadolu Agency, *14.04.2015*



TP experiences its second “Golden Year” in its history by increasing its daily oil and natural gas production to over 100,000 barrels, according to the company.

The company names the years when it produces over 100,000 barrels of oil and natural gas per day as a “Golden Year.” Its first “Golden Year” was in 2007, and 2015 sees its success a second time round. TP names the year when it hits 100,000 barrels mark as a Golden Year even it happens in a single day. In April the company produced 33,085 barrels of oil in Turkey while its foreign production was 36, 928 barrels of oil per day.

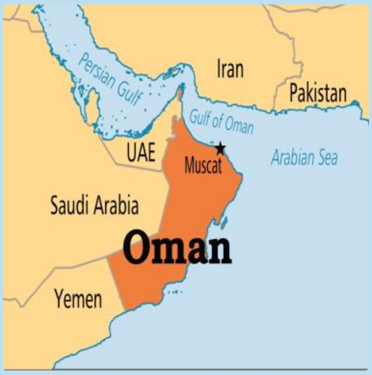
Likewise, TP produced 552,701 cubic meters of natural gas daily in Turkey and 4.4 million cubic meters abroad. Thus, the total natural gas production became 30,317 barrels of oil equivalent. Together with oil and natural gas production in total, TP produced 100,330 barrels per day.

TP’s 63,992 barrels of daily oil equivalent production in April came from foreign fields like Russia, Iran and Azerbaijan which contributed much to the company’s growing production capacity while 36,338 barrels were from domestic fields like Batman, Adıyaman, Trakya, Azeri-Cirali-Gunesli, Missan-Iraq, Badrah-Iraq.

Turkish Petroleum invested $11.2 billion within the last 10 years in Turkey and abroad. The company’s reserves doubled through this investment. TP plans to increase its production to 150,000 barrels per day by 2020 when new investments will take place and oil production will start in the Shah-Deniz project in Azerbaijan in 2017.

Oman, Iran to further talks on gas pipeline next week

Natural Gas Asia, *14.04.2015*



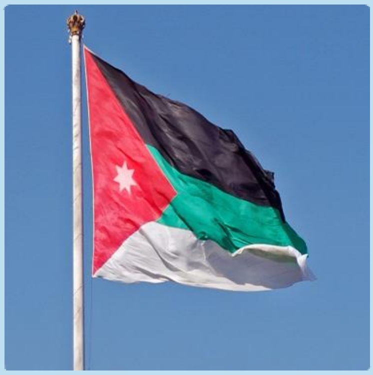
A delegation from Oman will be in Tehran next week to discuss gas pipeline from Iran, Shana News reported Wednesday. Head of National Iranian Gas Exports Company (NIGEC) Ali-Reza Kameli said engineering studies and offshore issues will be discussed.

He said that a 200-kilometer pipeline is to be laid out from Mountain Mobarak to Sahar Port in Oman. In 2013, Iran agreed to supply 28 mcm/d of gas to Oman through a subsea pipeline for a period of 15 years. However, recent media reports have suggested that talks pertaining to the pipeline have been stuck due to issues related to price and the route.

Oman wants Iran's gas to satisfy the needs of its domestic industries. It also said a part of the Iranian gas will turned into liquefied natural gas (LNG) for exports to other markets including Japan, South Korea and India.

Jordan declines S. Korea, UK request for oil exploration

Anadolu Agency, *14.04.2015*



Jordan's House of Representatives declined the oil exploration request of South Korea and U.K. companies in Wadi Araba Block and the Dead Sea. The Cabinet had approved co-production agreement between U.K.'s Enegi Oil and Korea Global Energy Corporation for oil exploration in the Dead Sea and Wadi Araba Block areas.

The agreement was refused and was sent to the parliamentary committee for further discussions. Cemal Kamva, energy and mine committee head spoke during the meeting and expressed belief that the South Korean and U.K. consortium wasn't qualified enough to explore for oil.

The consortium had won the right to the exploration in a tender, Ibrahim Saif, minister of energy and mineral resources, reminded the parliament. The consortium didn't receive a proposal from the government, Saif added. Jordan imports about $6.5 billion worth of energy a year. As of January 2014, the Oil & Gas Journal estimated Jordan's proved oil reserves at just 1 million barrels and its proved natural gas reserves at slightly more than 200 billion cubic feet , according to the EIA.

Iranian Official: Iran-Pakistan pipeline to 'go ahead'

Anadolu Agency, *14.04.2015*

The pipeline project between Iran and Pakistan to carry Iranian gas to Pakistan will be constructed as planned, an Iranian official confirmed.

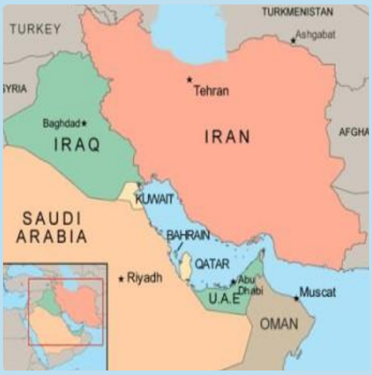
"The petroleum minister said the implementation of the gas exports contract with Pakistan has no problem and this country should honor its obligations under the contract," Bahmaei said. Iran, who sits atop of the largest gas reserves globally, aims to speed up its energy exports following an interim deal with world powers over its highly-disputed nuclear program that drew sanctions crippling the country's economy.

With the Iranian supply, Pakistan could secure enough natural gas to meet its increasingly demanding electricity needs. The one-thousand-kilometer-long Iranian section of the pipeline has been complete. This will carry gas from the South Pars gas fields on the Persian Gulf to Pakistan's Nawabshah in the Sindh province. The Pakistani side was unable to proceed so far with the construction due to U.S. objections aimed at cornering Iran economically.

Last week, a Wall Street Journal report said the Chinese state-run oil company would start building the pipeline, quoting Pakistani officials. Pakistani ambassador to Iran, Noor Muhammad Jadmani, had said the framework agreement between Iran and major global nations would help to move forward with the gas pipeline, according to Iranian official news agency, IRNA.

Iran could export gas to Kuwait via Iraq

Natural Gas Asia, *15.04.2015*



Iran is open to exporting natural gas to Kuwait via Iraq, according to a senior energy official. "It is possible for Iran to export natural gas to Kuwait through Iraq and this can take place if a contract for gas exports is signed between Iran and Kuwait,"managing director of the National Iranian Gas Company (NIGC) Hamid Reza Araqi was quoted.

Iranian gas could be transported to Kuwait via the pipeline which is being built to export gas to Iraq. On Friday, managing director of the National Iranian Gas Export Company (NIGEC) Ali Reza Kameli told reporters that Iran is ready to start exporting natural gas to Iraq within a month.

Gas exports to Baghdad will start at 4 million cubic meters per day and can be increased to 35 cubic meters per day in future. Iran is also expected to sign a second export deal with Iraq under which Iranian gas will be supplied to the city of Basra. Initially gas exports to Basra will start from 5 million cubic meters per day and will reach 30 million cubic meters, a year after an agreement is finalized.

Iran says stands ready to satisfy Europe's gas needs

Press TV, *13.04.2015*

Iran says it has what it takes to become a supplier of natural gas to Europe. Foreign Minister Mohammad-Javad Zarif said that Iran has the same potentials that Russia enjoys to satisfy Europe's gas needs. However, Zarif emphasized, Tehran has no intention to take up rivalry with Moscow on this front.

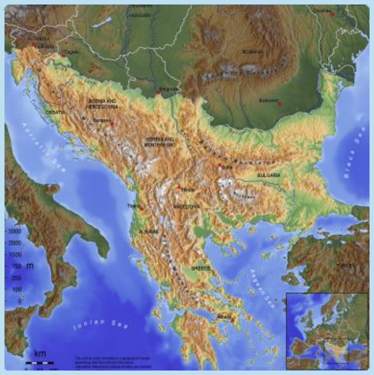
"Tehran is a reliable partner," Iran's top diplomat told reporters in Kazakhstan's capital Astana where he is on a mission to discuss regional as well as mutual issues. He emphasized that countries like Turkey that have natural gas cooperation deals with Iran have clearly realized that the country is a reliable energy partner.

Iran had for years pursued plans to export natural gas to Europe. A tentative scheme that was developed in cooperation with Nabucco - a consortium led by Austria's OMV – envisaged piping Iranian natural gas from the southern energy hub of Assaluyeh to Turkey and thereon to Europe. However, Nabucco eventually abandoned Iran after complications emerged the most important of which were US-engineered sanctions against the Iranian energy sector.

This past Friday, stakeholders in the Trans Adriatic Pipeline (TAP) project – an alternative scheme for exporting gas to Europe – announced that it will be willing to pave the way for Iran's investment in the project when international sanctions against the country are removed. Part of the Southern Gas Corridor, TAP aims to transport gas from Azerbaijan's Shah Deniz II field in the Caspian Sea by the end of the decade. The 870 kilometer (545 mile) pipeline will connect to the Trans Anatolian Pipeline (TANAP) near the Turkish-Greek border at Kipoi, and cross Greece, Albania, and the Adriatic, before reaching southern Italy. The pipeline project is currently co-owned by the British Petroleum (BP) (20%), Azerbaijan's state oil company, SOCAR (20%), Norway's Statoil (20%), Belgium's Fluxys (19%), Spain's Enagás (16%), and Swiss-based Axpo (5%).

The EU's Energy Union: An opportunity for the Western Balkans

Natural Gas Europe, *16.04.2015*



Policymakers and pundits in the Western Balkans should take note as energy has once more come into the spotlight in Brussels. On February 25th the European Commission unveiled its blueprint for an Energy Union, an instrument intended to both deepen integration and bolster EU's bargaining power vis-à-vis external suppliers.

While the final version falls short of the ambitious proposals tabled back in spring 2014, by the then Donald, it hopes to advance interconnectivity of gas and electricity grids across national borders, roll back vested interests, bring down prices and improve security of supply.

Why should the non-members in the Western Balkans care? The non-member states should care because their geographical location is of particular importance. Any meaningful effort to complete the single market in energy cannot bypass the enclave of ex-Yugoslav countries and Albania tucked inside the EU. Secondly, the Western Balkans are an integral part of the EU-sponsored Energy Community; a regional institution headquartered in Vienna which also involves Moldova and Ukraine. Its core purpose is to speed up the harmonisation with the EU rules in the area of energy, even in advance of formal membership talks. In other words, whatever new legislation comes through in response to the Commission's proposals it will, sooner or later, reach Belgrade, Podgorica and Tirana.

Yet the most serious reason to pay attention to the Energy Union is that it highlights cooperation at the regional level. If implemented it will bind the area closer together, help modernise its energy sector and contribute to economic development. The Commission takes an inclusive approach as to what is meant by the term “region” – the Western Balkans are flanked by neighbours already inside the EU, e.g. Greece, Croatia, Hungary, Bulgaria, Romania etc. “Given its particular vulnerability, there is a need to improve cooperation, solidarity and trust in the Central and South-Eastern part of Europe. Dedicated cooperation arrangements would help to accelerate the better integration of these markets into the wider European energy market which would improve the liquidity and resilience of the energy system and would allow full use of the region’s energy efficiency and renewable energy potential. The Commission will take concrete initiatives in this regard as an urgent priority.”

The Western Balkans, as well as the wider South East Europe, have considerable potential in areas such as renewable energy. In Albania hydropower alone accounts for 20% of gross domestic consumption and close to 100% of electricity production. Montenegro, which is also expanding biofuels, comes second with 17%. But to tap the full potential in renewables, including geothermal, solar and wind energy, it is essential to establish better cross-border infrastructure through investing in high-tech grids and developing storage capacity. As underscored by my friend and colleague Julian Popov, the former environment minister of Bulgaria who is now based at the European Climate Foundation, “The daily and seasonal variability of renewable electricity generation is best balanced within a power grid spread over larger territory, linking a wider variety of power generation and storage facilities.” If energy efficiency measures are adopted, the Western Balkans can make huge strides towards becoming self-sufficient – and gradually decrease their dependence on hard fuels such as lignite.

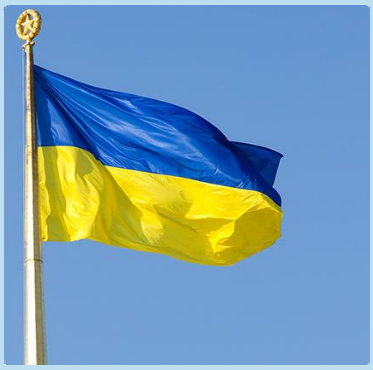
Furthermore, there has been much hype in the region with regards to gas. Coupled with disappointment over Vladimir Putin’s announcement last December that the South Stream pipeline was off the table and was to be replaced by the “Turkish Stream”. In Serbia and even Macedonia, which was hoping for an offshoot to its territory, the pipeline was seen as an excellent business proposition. Moreover, international media are full of stories about the Balkans’ almost complete dependence on Russian gas supplies and the freeze during the 2009 standoff between Moscow and Kyiv is well remembered. While Macedonia and Bosnia and Herzegovina are reportedly paying Gazprom the highest prices in Europe. However, in reality the picture is more nuanced. The relative share of gas in the overall consumption is low. In the Western Balkans, Serbia comes on top No 1 with 11% or 2.5 bn cubic meters (bcm) a year while by comparison Croatia consumes 3 bcm of which two-thirds is extracted from its own deposits in the Adriatic. Put differently, the dependence on Russia is not as overwhelming as it looks at first glance.

The Energy Union offers the region an opportunity to obtain access to alternative suppliers – and therefore bring prices down while gradually expanding the share of gas in electricity production, heating and, hopefully, industry. One of the priorities of the Energy Union is to advance the so-called Southern Gas Corridor. This Corridor will kick off towards the end of this decade once 10 bcm of gas from Azerbaijan starts flowing via Greece and Albania through the Transadriatic Pipeline (TAP). The projected Liquefied Natural Gas (LNG) terminal on Croatia’s island of Krk will bring new volumes to consumers across South East Europe as well.

This will result in increased competition – especially in light of the expectation that LNG prices on are to go down on the world market. The high interest by business in the recent tenders for offshore oil and gas exploration in Croatia is an encouraging sign while Petromanas Energy and Royal Dutch Shell are also drilling in Albanian waters. As always, there are a host of caveats. Firstly, the countries of the region will need to mobilise both private investment and EU funds into developing badly needed infrastructure. Secondly, comprehensive reform in the sector is needed to ensure greater efficiency as well as transparency. Due to the fact that liberalisation measures, e.g. phasing out subsidies, might hit vulnerable social groups across the region it will be essential to come up with compensatory policies to cushion the negative effects. In summary, the EU's focus on energy policy offers opportunities for the Western Balkan to reap economic benefits as well as contribute to the Union's energy security. It is imperative for decision-makers in Brussels, EU capitals and the region to seize those opportunities and ensure the proposed Energy Union works also for countries that are still on the accession track

Ukraine faces unprecedented energy crisis

Natural Gas Europe, *15.04.2015*



Ukraine faces an unprecedented energy crisis after the loss of coal mines and shale gas fields in war-torn regions, and Russia's push to bypass it as a transit country for natural gas to Europe, the International Energy Agency (IEA) has warned.

Russia's annexation of Crimea further hit domestic energy production in Ukraine, according to an IEA reportas a Gazprom boss cautioned against any European Union attempts to block new pipelines. Also, Russia's energy minister said his country would not renew transit contracts with Ukraine, and there were reports of fresh fighting in separatist-held territory.

"Ukraine is confronted with unprecedented challenges as it faces geopolitical, economic, financial, humanitarian and energy crises at the same time," the IEA report on Eastern Europe, the Caucasus and Central Asia said. Since it erupted last year, the Ukraine crisis has hit energy imports and denied Ukraine revenue from transit costs, according to the IEA. It warned that new pipelines bypassing Ukraine, such as the mooted Turkish Stream through Turkey and Greece, could ultimately strand "severely ageing" Ukrainian gas infrastructure. That infrastructure will need huge investment to handle future lower volumes of gas transit, the IEA said.

Ukraine is currently the largest transit country for natural gas in the world. About 40% of Russian gas supplies to Europe go through Ukraine, which has needed two international bailouts since 2008, most recently last year. Ukraine's stability was important for the EU's energy security, the IEA said. In 2014, as relations worsened after the ousting of Kremlin-backed Ukranian President Viktor Yanukovych, Russia turned off the taps. The resulting shortages in the EU gave political impetus to the Energy Union project, which aims to bolster the bloc's resilience to such shocks.

Alexei Miller, the head of Russia's top gas producer Gazprom, warned the EU against moves to block Moscow's plans to transit gas to Europe through other routes. Russia and Ukraine signed a gas contract in 2009, which expires in 2019. Russia does not plan to extend its gas transit contract with Ukraine after the existing deal expires, Russian Energy Minister Alexander Novak said. Ukraine currently transits between 75-85 billion cubic metres (bcm) of Russian gas to European markets every year. There was a record low of 60 bcm in 2014, from about 120 bcm in the mid 2000s. This was because of state monopoly Gazprom's strategy to diversify export routes, the IEA report said. Gazprom has reduced Ukraine's transit from over 65% of total Russian gas exports to Europe by 2007, to below 50% in 2014. Supplies to Germany, France and Belgium are being routed away from Ukraine via Nord Stream. The Belorussian Yamal, or Northern Lights routes, could also offer lower transportation costs in the future.

Ukraine has large coal resources, but most of its 300 mines are located in the war-torn Donbass region. "Damage caused by military action to the coal mining and energy-intensive industries in this region is immense," the report said. More than 6,000 have been killed since the conflict erupted a year ago, when rebels declared independence from Kyiv. Ukraine and the West say they have evidence that Russia has sent men and weapons to support the rebels, a charge Moscow denies. Coal supplies from the Donbass to power plants and central Ukraine stopped almost entirely in the middle of 2014 because of destroyed transport links. This poses a "major level of irreversible damage for the coal and industry sectors". In 2014, according to preliminary data from the Ukrainian Ministry of Energy, there was a 22.4% decline in the production of raw coal to 64.9 million tonnes (Mt). Coking coal output fell by 32.1% in the same year to 16.1 Mt, while production of power-generating coal declined by 18.5%, to 48.8 Mt. Ironically, coal and electricity imports from Russia are among the options the Ukrainian government is looking at to mitigate the problem.

Ukraine has scope to develop its domestic gas production. Estimates for natural gas production are 27-30 bcm by 2025, the IEA said. But the price of domestically produced gas will need to increase to raise the investment needed. Household gas bills are subsidised by the state in Ukraine. The price for consumers is set to increase by nearly four times to 1,590 Ukrainian hryvnia (about €64) per thousand cubic metres (kcm) from UAH 419/kcm. Ukraine has considerable unconventional gas potential, the IEA said, but future shale gas developments led by Shell in the east, and Chevron in the west, were now uncertain. The projects were halted in 2014 because some of the shale concessions were close to the conflict zones. The Minsk ceasefire between separatist and government forces, struck in February, remains in place. But yesterday, military sources in Kyiv told Reuters that one Ukrainian serviceman was killed and six were wounded in separatist territories. It accused rebels of using heavy weapons that were meant to have been withdrawn under the ceasefire deal. The truce, brokered in the Belarussian capital, is still technically in force, though both sides accuse each other of intensifying attacks in the past few days. The foreign ministers of Ukraine, Russia, France and Germany met in Berlin later on Monday (13 April) to discuss the next steps in implementing the ceasefire agreement.

Before 2012, Ukraine got all of its natural gas imports from Russia. All energy imports to Ukraine decreased in 2014, the IEA report said. Natural gas imports represent 57.2% of all energy imports to Ukraine. Last year, natural gas imports dropped 15% compared to 2012 to 27.5 bcm. They were 37.6% lower than the 44 bcm imported in 2011. About 92% of gas imports were from Russia, with the remainder coming mainly from Germany, Hungary, Austria and Poland. Since April 2014, Ukraine has ramped up reverse flow gas imports from the EU. They reached 0.9 bcm per month by the end of the year. Reverse gas flows is when customers of Russian gas in the EU sell the gas to Ukraine. “2014 marked a fundamental turning point in Ukraine’s foreign gas trade,” the report said, “For the first time ever, the share of imports in total gas consumption was below 50%.”

Ukraine’s government needs to substantially revise its 2030 energy strategy to bring it up to date, the IEA said. It was written before the crisis escalated and makes no mention of measures to boost energy supply security and efficiency. Efficiency had multiple advantages, including job creation and health benefits, said IEA executive director Maria van der Hoeven at the launch of the report in Brussels. The new strategy would need to promote a substantial increase in domestic gas production and other domestic energy sources, and improve conditions to attract private investment, the report said. More suppliers would also need to be found. Ukraine brought in emergency measures to manage shortfalls during the 2014-2015 winter. “But more robust policies and measures will be required to address possible gas, coal and electricity supply disruption risks in the short to medium term,” the report said, before calling on Ukraine to fundamentally reform its energy sector to encourage competiton and investment. The European Commission was asked to comment specifically on Ukraine but did not want to add to those below, made in the press release accompanying the report.

Shell Begins Gas Supplies to Ukraine

Natural Gas Europe, *15.04.2015*

Ukraine’s Royal Dutch Shell has begun exporting gas to Ukraine, expecting supplies at 120-130 million cubic metres in April, Ukrainian news agency Liga reported. The commercial details of the agreement haven’t been disclosed.

The Ukrainian government took active steps to decrease gas consumption in the country. During a Government meeting Prime Minister Arseniy Yatsenyuk called on the Ministry of Energy and the National Commission for State Regulation in Energy and Public Utilities (NERC) to put pressure on the district heating companies that did not turn off heating.

“It is impossible with 20 degrees above zero outside to make people open the windows as the heating enterprises continue to intentionally burn gas to increase people’s bills… But not a single copeck of this fine should be included in the bills for the population” Yatsenyuk said in a note, explaining that Ukrainian authorities will define fines for heating companies.

During the same meeting the Ukrainian Prime Minister said that Kiev remains committed to the Minsk agreement. “Ukraine remains committed to the peaceful settlement, unlike Russia and Russian terrorists” he argued in a separate note.

Gazprom’s tactical concessions to Ukraine

OSW, *15.04.2015*

Russia and Ukraine extended the so-called winter package the agreement on Russian gas supplies to Ukraine from November 2014 to March 2015, which was agreed last autumn as a result of the EU-Russian-Ukrainian gas negotiations until the period of April-June 2015.

This deal must be seen as favouring Ukraine. It offers an attractive price for gas from Russia, and the agreed purchase conditions do not weaken Ukraine’s position in its dispute with Gazprom. In the next quarter, Kyiv’s main problem will not be a shortage of gas, but rather a lack of funds to purchase it.

Therefore, the deadline to start filling the underground gas storages and the final level they reach will depend on Ukraine’s financial capabilities. Moscow’s consent to extend the winter package represents a concession to Ukraine. The decision is primarily due to Gazprom’s difficult economic situation and the failure over recent months of Moscow’s gas policy towards Ukraine, which imports a significant amount of gas through the so-called reverse from Western Europe, and has reduced its consumption due to the recession and the introduction of energy-saving programmes. As a result, Moscow faces a strategic dilemma on how to proceed with its energy policy towards Kyiv.

The European Commission proposed an extension to the winter package in March. The agreement signed on 1 April by Gazprom and Naftohaz is a further technical addendum to the Russian-Ukrainian gas contract of 2009. It assumes that the price of Russian gas for Ukraine in the second quarter of 2015 will not exceed US$248 per 1000 m^3; this value is derived from the application of the pricing formula provided for in the 2009 contract with regard to the US$100 discount granted by the Russian government (which issued a decision in this case on 31 March). Gazprom also agreed to extend the decision, taken as part of the winter package, to suspend the implementation of the take-or-pay formula (which requires the recipient to buy an appropriate amount of gas) in the second quarter of 2015.

The signing of the agreement should be considered a success for Kyiv, as it does not demand any additional concessions from Ukraine; excludes the application of the take-or-pay clause, which Kyiv has repeatedly criticised; and allows it to purchase as much Russian gas as it wants. Another benefit for Ukraine is the price agreed upon for the gas, which on average is US$30 per 1000 m^3 less than the price of gas imported via reverses from Slovakia, Poland and Hungary. Although Kyiv has repeatedly criticised the mechanism for discounts (an administrative decision by the Russian government to amend the duty rate), it seems that negotiating a change to the mechanism was impossible. Because of the attractive April prices, Ukraine has returned to buying Russian gas, importing 60 million m^3 in the first ten days of the month. The highest, stable level of gas transit via Slovakia (38 million m^3 per day) has also been maintained, although deliveries via Poland and Hungary are characterised by high daily volatility in the quantity of gas transmitted. Kyiv also remains ready to import yet more supplies from the West, including the so-called large reverse from Slovakia (up to 30 bcm annually, via the Brotherhood gas pipeline); it has also started talking about deliveries via Romania. Kyiv has taken advantage of the decreased current demand for gas, connected with the end of the heating season, to fill up the underground storages. According to data from Ukrtranshaz, from 1 to 10 April 100 million m^3 of gas was pumped into them; in the coming days, the daily filling rate is planned at 40 million m^3. At the same time, the signing of the agreement means that in the light of the current decreasing levels of gas consumption in Ukraine (due to the economic recession, austerity and drastic price increases for individual customers) and increasing opportunities to purchase gas from Europe, the main problem for Ukraine is not a shortage of gas, but rather a lack of funds to purchase it.

The agreement does not resolve the question of Russia's 'voluntary' supplies of gas to the separatist-occupied territories in the Donbas. There is no data which would confirm either the declared Russian supplies to these territories (which are carried out via transfer points unsupervised by Ukrainian officials) or supplies from Ukraine. The Ukrainian side maintains that it will not pay for gas whose supply has not been agreed on. It is therefore expected that this issue will reappear in the Ukrainian-Russian gas negotiations, and will be raised by both parties in order to achieve their own ends. Russia's agreement to extend the validity of the winter package to the second quarter of 2015 (in particular the renewal of the gas discount) represents a concession to Ukraine.

Firstly, Moscow's decision is a consequence of the rapidly deteriorating economic indicators of Gazprom, whose financial health depends heavily on the export of gas (in 2014 Gazprom's net profit decreased by about 70% compared to the previous year, from 628.3 bn to 189 bn roubles). The company suffered losses not only as a result of a drastic reduction in its supplies to Ukraine (in 2013 Naftohaz brought around 25 bcm of gas from Russia, but in 2014 the figure was only 14.5 bcm, which reduced Gazprom's income by around US$4-5 billion, based on a price in the range of US$378-485 per 1000 m^3), but above all in connection with lower deliveries to EU customers compared to previously reported nominations (the shortfall in deliveries reached around 16.5 bcm). This reduction of gas supplies to Europe was aimed at limiting reverse gas supplies from the EU to Ukraine, and Gazprom's costs due to its failure to meet its contractual obligations to European customers are estimated at US$5-6 billion.

Secondly, the concession is a result of the ineffectiveness of Moscow's gas policy towards Ukraine in recent months. Contrary to Russian calculations (during the period November 2014–March 2015, representatives of the Russian authorities and Gazprom repeatedly emphasised Ukraine's financial problems and the security risk of sending Russian gas to the EU via Ukraine), Kyiv succeeded in complying with all the provisions of the so-called winter package. Ukraine's attitude was not affected by Gazprom's launch in February of direct gas supplies to the Donbas. Russia has failed to block Western reverse gas supplies to Ukraine, despite a significant reduction in supplies to European customers. Most probably the Russians decided that if they opposed the EU's proposal to temporarily extend the winter package, this would harm their negotiating position within the trilateral Russia-Ukraine-EU talks on a new gas agreement.

Thirdly, it is possible that Moscow's conciliatory attitude is aimed at ensuring that Gazprom can strengthen its position in talks with the European Commission on obtaining the right to use 100% of the OPAL pipeline (a land extension of the Nord Stream pipeline, of which Russia currently uses about 50% due to the limitations of EU energy law). On 13 April, the Russian energy minister Aleksandr Novak said that the Russian side has initiated a new procedure in this matter. Fourthly, the agreement concluded emphasises the binding provisions of the 2009 contract, which for Moscow is particularly important in the context of the dispute between Naftohaz and Gazprom before the Arbitration Tribunal in Stockholm, which has been ongoing since last June (and includes a request by Ukraine for a comprehensive amendment to the provisions of the 2009 gas contract).

This latest agreement is only temporary in nature. Kyiv will therefore work to continue the talks in the trilateral formula (Ukraine-Russia-EU), because the Ukrainian government's aim is to extend the validity of the current, favourable rules at least until the end of the next heating period (April 2016), and at most until the International Court of Arbitration in Stockholm hands down its judgement, which is expected in autumn 2016. Any decision to start large purchases of gas from Russia in order to fill up the underground storages (5-6 bcm, in order to reach the declared target level of 18-20 bcm by October) will depend on Ukraine's financial abilities. The issue of aid from Western creditors was discussed during the trilateral gas talks in Brussels on 20 March; last week Andriy Kobolev, the head of Naftohaz, once again asked for appropriate aid to the tune of US$1.5 billion. The Ukrainian government is hoping that oil prices will continue to fall; that the price of gas will be lower than it is now in the third quarter of this year; and that the granting of loans for the purchase will be considered favourably, so Ukraine can sign a deal to obtain significant gas supplies from Russia. Although Kyiv's calculations on the future price of Russian gas are not unfounded, according to the provisions of the Ukrainian-Russian contract a discount of US$100 per 1000 m³ can only be granted if the market price of gas exceeds US$333 per 1000 m³. If the price of gas falls below this level, as is likely, the discount for Ukraine may be lower, which would pose a threat to the resumption of negotiations on prices. There are many indications that the failure of Russia's gas policy towards Ukraine in recent months has raised a conceptual dilemma among Russian policymakers on what further action to take (on 10 April, Moscow withdrew from the trilateral Russia-Ukraine-EU talks scheduled for 14 April in Berlin, and Vladimir Chizhov, the Permanent Representative of the Russian Federation to the European Union, suggested that they would only be resumed in June).

On the one hand, Moscow has sent signals indicating a willingness to de-politicise bilateral energy relations, as evidenced by both its consent to extend the winter package, and recent statements by Russian government representatives; on 8 April, at a meeting with the CEO of Gazprom Aleksei Miller, President Putin spoke in favour of purely business gas cooperation with Ukraine, based on the marketisation of the price mechanism; and also conceded the possibility of suspending the operation of the take-or pay-clause until the end of 2015. Russia has also declared its readiness to conclude an interim agreement resolving the issue of Russian gas supplies to Ukraine until the Arbitration Tribunal issues the award. The initial proposals formulated before the new round of gas talks indicate that Russia will try to force Ukraine to purchase the appropriate amount of gas to fill its storages; this is intended to ensure the secure transit of Russian gas to the EU during the next heating season. It is very likely that Moscow will seek to ensure that the European Union is the political and financial guarantor of such a solution, as indicated by the joint communiqué adopted after the trilateral Russia-Ukraine-EU talks held in Brussels on 20 March (in which Ukraine agreed to consider buying the required amount of gas, and the EU agreed in turn to undertake its best efforts to help Ukraine in finding the adequate financial support to purchase gas).

On the other hand, Moscow has consistently rejected the possibility of revising the Russian-Ukrainian contract by means of negotiation (a common practice accepted by Gazprom in its relations with other trading partners, in particular the EU). It is also continuing its campaign to discredit Ukraine as a transit country (during a speech in Berlin on 13 April, Gazprom's CEO called Ukraine the weakest link in the EU-Russian energy relations, with unimaginable potential for conflict), and has announced that Russian gas transit via Ukraine will cease completely in 2019. Although prospects for resolving the strategic dilemma are currently unclear, it is very likely that internal and external factors will force Moscow to further moderate its energy policy towards Kyiv.

Russia using Iran nuclear deal to expand sphere of influence

Natural Gas Europe, *15.04.2015*

The nuclear deal could lead to a flood of new oil hitting global markets. That could result in a significant drop in oil prices. While that would be damaging to Russia already reeling from low prices the Kremlin apparently believes an expanding presence in the Middle East outweighs the potential crude price collapse.

The EIA projects that a successful conclusion of negotiations in June that would result in a removal of sanctions on Iran could lead to a $5 to $15 per barrel price decline for oil in 2016. That would mean, its forecast of $75 for Brent in 2016 could conceivably drop back down to $60.

Russia already forecasts a budget deficit of $46 billion this year and a contraction in its GDP of 3.7 percent. Lower than expected prices for 2016 would prolong and deepen the pain. On its face, that would suggest Russia would not see a whole lot to gain from allowing a competing oil exporter to return to the fold. Iran could ramp up oil exports by 1 million barrels per day, which Russia's central bank forecasts could result in a $27 billion fall in Russian revenues. But the Russian government seems to think the loss of revenues from a potential fall in oil prices will be made up for by increased trade with Iran and other strategic gains in the Middle East.

Russia has had an active relationship in Iran in the past. Gazprom Neft, the state-owned oil firm, signed a memorandum of understanding with the National Iranian Oil Company in 2009 to develop oil fields in Iran. The relationship fell apart after delays, in part due to Gazprom's fear of sanctions. Prior to the sanctions, Gazprom's CEO Alexei Miller had worked towards building a long-term energy relationship with Iran, meeting with former Iranian President Mahmoud Ahmadinejad. Gazprom helped develop parts of Iran's giant South Pars gas field, and even considered Iranian gas as a potential source of supply for Russia's now-defunct Nabucco pipeline. International sanctions put the relationship on hold. Russia backtracked on a plan to sell S-300 surface-to-air missiles in 2010, banning sales to Iran after international pressure. However, that issue roared back to life on April 13, 2015 when Russia lifted its ban on S-300 sales to Iran, to the howls of the United States and Israel. Although the move will only give ammo to U.S. hardliners opposed to any nuclear deal with Iran, Russia's Foreign Minister Sergei Lavrov said the move was in the “spirit of goodwill,” citing progress in negotiations. He emphasized that its ban was self-imposed and did not fall under any United Nations' action. But Russia is merely trying to get a leg up on new business with Iran, eyeing a final deal in June. A top Iranian official said that he believes Russia will deliver the missiles sometime this year.

Russia's move to sell missiles to Iran comes after news in February that Rostec, a Russian state-owned defense company, offered to sell Iran Antey-2500 anti-ballistic missile systems. Russia has also agreed to swap oil for goods with Iran, another piece of evidence suggesting Russia is prioritizing business ties with Iran ahead of the nuclear deal. And of course, Iran has long used Russian nuclear technologies at its nuclear facilities, and if the international community greenlights some nuclear activity in Iran, Russia would also seize on the economic opportunities. A stronger trade relationship with Iran will build on Russia's other overtures in the region. Gazprom recently agreed to ship 35 cargoes of LNG to Egypt over the course of five years. Egypt is suffering under an acute and growing energy crisis, and expects to pay $3.55 billion for LNG imports between 2015 and 2016. Russia is capitalizing on this, expanding its relationship with Egypt through the energy deal. Gazprom Neft is also surveying oil fields in the Kurdish region of northern Iraq, where most of the company's Iraqi projects are located. Fellow Russian oil firm Lukoil operates in southern Iraq near the giant oil fields of West Qurna-2 near Basra. In both Iraq and Iran, Russian oil firms have picked up the pieces that western companies left behind when they were forced to leave after war and sanctions. With Russia's neighbors in Europe becoming increasingly inhospitable, the Kremlin is looking to the Middle East and China to expand its trade and influence. While the West may not like it, Russia is not waiting for the nuclear deal with Iran to be finished before it expands its economic presence in the region.

Russia's Novatek, Gazprom Neft jv launches third field, increases by 1/3 production capacity

Natural Gas Europe, *15.04.2015*

Novatek announced that Arcticgas its joint venture with GazpromNeft has launched its third field into commercial production. The Yaro-Yakhinskoye field is expected to produce 7.7 billion cubic meters of natural gas per annum from 2016.The field in the Yamal-Nenets Autonomous Region will increase by over 30% the production capacity of the joint venture.

'Thirty-seven (37) gas condensate wells have been drilled and the field's infrastructure also includes a gas gathering network, a gas treatment unit, and a gas condensate de-ethanization unit' reads a note released.

According to Novatek, Arctigas produces over 25% of total Russia's gas condensate and 4% of natural gas production."Arcticgas is an important driver for Novatek's production growth in 2015, and the three fields of this joint venture contribute significantly to fulfilling our vertically-integrated gas condensate value chain" Chairman of the Management Board of Novatek, Leonid V. Mikhelson, commented. Arcticgas holds the development and production licenses for the Samburgskiy, Yevo-Yakhinskiy, Yaro-Yakhinskiy and North-Chaselskiy license areas. As at 31 December 2014 the proved reserves of Arcticgas according to PRMS standards were estimated at 695 bcm of natural gas and 127 million tons of liquids. According to a story published by Bloomberg on Tuesday, Novatek plans to accelerate the sale of a stake in Yamal LNG, explaining that the reason has to do with U.S. sanctions, which would limit the project's financial options.

Gazprom warns Europe over price of natural gas

Natural Gas Europe, *13.04.2015*

The head of Gazprom warned European customers that if their countries angled for a single price for natural gas, it would most likely be at the higher end of the range they now pay.

Gazprom's chief, Aleksei B. Miller, issued the warning as he laid out a new marketplace dynamic one in which Russia is also looking east, particularly to China, for natural gas customers and not merely to Europe. Russia's new marketing outlook and the European Union's search for alternative energy supplies have been accelerated by the Western sanctions imposed on Russia over its actions in Ukraine.

China and Russia have announced plans for vast new natural gas deliveries from Siberia to Chinaalthough they have yet to agree on a price. While a shift of Gazprom's focus from Europe to Eurasia would very likely be many years in the making, some Europeans fear it could end up reducing vital energy supplies to the Continent. In Europe, where Russian gas supplies have been vital to countries like Germany since the 1970s, the European Commission has tried not only to diversify supplies but to ensure that separate entities are in charge of extracting, transporting and selling natural gas. An Energy Union established in February is aimed at encouraging the 28 European Union members to cooperate more to ensure energy security, including diverse and reasonably priced supplies.

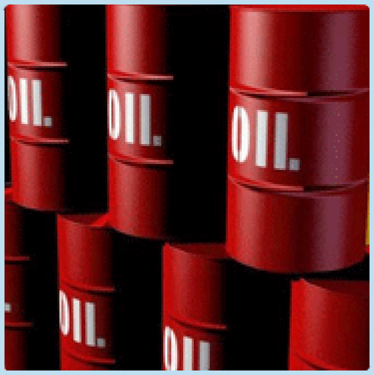
The effort has not sat well with Gazprom, which traditionally has controlled everything from exploration for natural gas to sales — at varying prices that fluctuate according to history, geography and other, often unclear criteria. "If the European Commission will insist on equal prices," Mr. Miller said, "then of course, as you understand, a base price is not the lowest price. It will be the highest price." According to Gazprom's website, the average cost of gas for the first nine months of 2014 — the latest period for which figures are available — was 12,509 rubles per thousand cubic meters. That was for sales outside the former Soviet Union, and is about $315 per thousand cubic meters at the exchange rate at the end of the reporting period, Sept. 30. Mr. Miller rarely speaks in public or talks to foreign journalists. He delivered his remarks to a conference in Berlin organized by the German Council on Foreign Relations in Berlin and the Valdai Club, a nongovernmental group that brings together Western specialists in Russian affairs with Russian academics and public figures. He was also scheduled to meet with government officials in Germany, which is a major customer of Gazprom's supplies.

Currently, about a quarter of European Union gas comes from Russia, and at least half of that supply flows through Ukraine. Alexander Novak, Russia's energy minister, indicated in remarks to journalists at the conference that Russia would prefer to avoid Ukraine once the current contract on transit through the country expires in 2019. That is the starting date the Russians envisage for Turkish Stream, a gas pipeline that would go from Russia under the Black Sea to Turkish territory near borders with Bulgaria and Greece, both European Union members. President Vladimir V. Putin of Russia made a surprise announcement last fall that the South Stream project, another Black Sea pipeline that was designed to run from Russia to Bulgaria, was being scrapped. Russia has indicated that South Stream became commercially precarious after Bulgaria failed to give the necessary permission for underwater construction to start.

The episode magnified the mistrust between the European Union and Russia over energy, particularly since a deep chill descended on relations in general over Russia's annexation of Crimea last spring and its support for rebels battling the Kiev government in eastern Ukraine. Despite a long-running dispute between Brussels and Moscow over Gazprom's pricing, and the frost in relations over the past year, Mr. Miller expressed willingness to work with the European Union. "Trust has been damaged, but we hope it will be restored," he said. "Gazprom is quite certain that nothing can happen to prevent Gazprom and the European Union to continue being important and necessary partners in the gas market."

100 billion barrels of oil below gatwick? Maybe not

Oil Price, *16.04.2015*



UKOG announced that it had discovered an oilfield in the Weald Basin near London's Gatwick Airport holding as much as 100 billion barrels of oil.

Stephen Sanderson, UKOG's CEO, says he's not certain how much oil is in the field. The value of his company's stocks immediately plunged by 18 percent, but managed to rally and level off to record a modest loss. But Sanderson appeared certain when he announced the discovery, declaring. "Based on what we've found here, we're looking at between 50 and 100 billion barrels of oil in place in the ground. We believe we can recover between 5 percent and 15 percent of the oil."

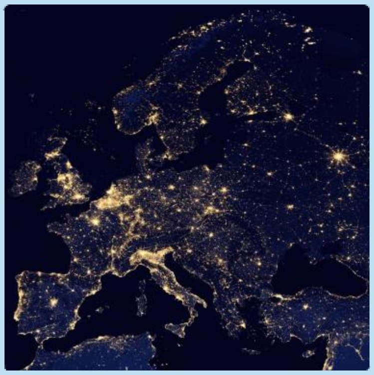
The upshot was that UKOG drilling in the Weald Basin could produce between 10 percent and 30 percent of Britain's demand. That was encouraging news to investors and Britons eager for their nation to become energy independent, but it also generated some skepticism. After all, 100 billion barrels of oil was about the same as the proven oil reserves of Kuwait, and would be more than twice as much oil as Britain has produced from the North Sea in the past 40 years.

The Weald Basin discovery seemed at first to be a savior for Britain's oil industry as the nation's North Sea operations are becoming less productive and more expensive. Costs for drilling there have risen by 8 percent while the global drop in oil prices has dramatically cut energy companies' revenues to lows not seen in 17 years. But now the Weald Basin appears not to be such a savior. UKOG's statement of clarification said the figure of 100 billion barrels of oil is merely an estimate of the entire area and not the plots where the company has licenses to drill, called Horse Hill. These plots take up about 5 percent of the entire Weald Basin. "The company has not undertaken work outside of its license areas sufficient to comment on the possible oil in place in either the approximate 1,100 square miles or the whole of the Weald Basin," the company's clarification said. This statement supported critical comments by Matthew Jurecky, director of oil and gas research at the consulting firm GlobalData. "Estimates for 100 billion barrels of oil are very misleading," he said shortly after UKOG's initial announcement. "Rarely are formations that homologous [similar in structure] where a single discovery can be extrapolated over a very wide area."

The discovery, however big or small it may be, also has piqued the ire of British environmentalists. In its initial announcement, UKOG said the oil is held in shale, but that the underground rock is naturally fractured, meaning there would be no need for controversial hydraulic fracturing, or fracking, but only conventional methods to release the oil. "UKOG has backtracked on the wild claims it made last week and admitted that it has no idea how much oil is under the Sussex Weald," said Brenda Pollack, Friends of the Earth's South East campaigner. "This is yet another example of the potential for shale oil and gas being overhyped by an industry desperate to starting pumping profits with little concern for residents or the climate."

Energy Union is about opportunities, not sanctions

Anadolu Agency, *16.04.2015*



The first step in developing an Energy Union is to implement existing EU legislation and any case of non-compliance could receive penalties, said Commissioner for Climate Action and Energy .

The Energy Union aims at creating an internal, common, sustainable and single energy market among member countries as well as monitoring bilateral energy relations of the countries while ensuring security and diversity of supplies. "The Energy Union is about opportunities, not about sanctions." Miguel Arias Canete, EC Commissioner for Climate Action and Energy, told The Anadolu Agency.

He said last month all EU leaders agreed that the project is beneficial for each and every one of the member states, and he agreed to support it. "I will personally take an active and forceful implementing approach. This means that I will enforce EU legislation, including cases of non-compliance which might have penalties linked to them," he asserted.

The commissioner stated the Energy Union is not formed on the basis of being in opposition to any country but aims at securing energy for all member states. “One of the most direct threats to the security of our member states is their energy dependence. The EU has to rely on external suppliers to satisfy 53 percent of its energy demand and five EU states depend on only one supplier for their gas imports,” Canete emphasized. He added that a step in the right direction would be through the diversification of suppliers and sources as much as possible. Canete said the Energy Union is not an inward-looking project; but goes beyond EU borders. “The EU has the firm intention of establishing a strategic energy partnership with Turkey given its increasingly important role for energy transit,” he said. “I will be representing the Commission in our first EU-Turkey high-level energy dialogue, focusing on a range of energy issues: not only on gas, but also on electricity, nuclear and renewables. The opportunities for energy cooperation between the EU and Turkey are significant, and I will work with the Turkish government to make these possible,” he underlined.

The representatives of the European Commission are expected to visit Turkey later in June or at the beginning of July, 2015. Canete also explained that the variety of energy resources which countries use is not a disadvantage for establishing the Energy Union. “Having different energy sources is not contradictory. It is the result of each country’s choices and strengths.” he said. According to Canete, what is important is not to use a sole source of energy, but to ensure that energy comes from very different sources to flow freely throughout the European Union. He added to achieve this aim; he is determined to build a single market where, after capital, people, goods and services, energy flows as the “fifth freedom” of the European Union. “This will not only make our energy more reliable, but also more affordable for our citizens and companies,” he concluded.

German government to tighten fracking rules, UK public voices support

Natural Gas Europe, *12.04.2015*

While Angela Merkel’s cabinet reportedly signed a draft law that tighten rules on fracking till 2019, the UK continues on its way towards shale gas exploration. A survey commissioned by Greenpeace found that 42% of the 2,035 people interviewed in March would support fracking.

‘The British public is broadly divided about the prospect of companies fracking in Britain, with 42% supporting the idea and slightly fewer (35%) opposing it’ reads the note presenting the survey carried out by ComRes. INEOS welcomed the results, saying that it indicates that British population is increasingly in favour of shale gas exploration.

“We welcome the Com Res survey results. It clearly shows that more and more people are seeing the potentially huge benefits of UK produced shale gas” INEOS Director, Tom Crotty, commented. A few hours later, Merkel’s cabinet signed a law that, after parliament’s approval, would basically ban shale gas fracking till 2019. After that, drilling would be conditional to the green light of a special committee. “Protecting health and drinking water are top priorities. For this reason, we want to restrict fracking as far as possible,” Environment Minister Barbara Hendricks said during a news conference, as reported by Reuters. Germany’s draft law bans the use of hydraulic fracturing technology for drilling operations shallower than 3,000 meters. It blocks any fracking operations in nature reserves and national parks.

More collaborative thinking needed on European gas markets

Hurriyet Daily News, *13.04.2015*

There is a Chinese character that equates crisis with opportunity. We face such a situation as the energy market turbulence, created by the oil price collapse, declining investments and geopolitical tensions, is in full swing. The process of adjustment in the energy market is far from over.

EU’s political leaders and mandarins have grasped the opportunity to move forward with a series of new initiatives including the Energy Union. Some observers have described these as merely a consolidation of existing initiatives under a new umbrella. Others see in them a bold new effort to adapt Europe to the changing dynamics of world.

The Energy Union, despite the focus on security of gas supply, reflects to some extent the approach of the German Energiewende, with its commitment to move away from “outdated business models” toward community-based energy supply. That model has been largely bad news for gas. The commission’s plans do not come in a vacuum. They respond to the dynamics in world gas markets, which have seen profound changes over the past decade, with the rise of shale gas in North America, problems with Gazprom’s supply and politicization, new technologies, growth in the LNG supply, trading, falls in demand and a decline of available investment finance.

Remarkably, in early 2015, Europe was the most attractive destination for LNG shippers. Additional gas volumes continue to appear in the global market in the form of new Australian LNG, and there is the prospect of U.S. and East African LNG to come. There are also many new gas projects around Europe – in the North Sea, the Black Sea, the Caspian and the eastern Mediterranean, including offshore Israel – but some may struggle to be economic with the current price and squeeze on capital expenditure budgets, in addition to geological and geopolitical challenges.

For Europe, developing Algeria's onshore shale gas – believed to hold a massive 700 trillion cubic feet of recoverable reserves – as well as constructing the $45 billion Southern Gas Corridor, the first part of which is slated to supply 10 billion cubic meters (bcm) of Azeri gas to Europe via TAP by 2020, need high levels of capex. Both Algeria and the Southern Gas Corridor feature prominently in the Energy Union strategy, in addition to LNG and Norway supplies.

After the dramatic halving of the oil price since June 2014, there is now every chance that natural gas will follow suit. Indeed the fall has already begun. Gas demand will also fall. The commission believes 1 trillion euros will need to be invested in the EU energy sector over the next five years alone. Whether such a colossal sum can be mobilized by energy companies, particularly in the absence of robust gas demand signals from the commission, is another question.

Between 2011 and 2014, gas lost 30 percent of its share in the EU power generation mix to coal. Gas demand declined to around 420 bcm last year. And in the absence of policy reforms European demand is likely to stay weak for almost two decades. That matters for investors because demand security is a key determinant of their decisions. The ambition of becoming "the world leader in renewable energy" is of prime importance to Brussels – with 27 percent of the EU's energy planned from renewables by 2030. Also, gas projects in the Caspian, North Africa, eastern Mediterranean and Norway can count on a much higher level of political support compared to the last commission.

Turkey is a critical partner in the new gas equation for all the key players: the EU, other gas producers in its neighborhood and Russia. It remains to be seen how the EU will respond to the proposed 63 bcm "Turkish Stream" pipeline opening a new line via Turkey to European markets and whether it will adversely affect the future of the Southern Gas Corridor. Ankara also aims for a 30 percent share of renewables in its energy mix. Any nuclear "renaissance" will further complicate the gas supply and demand picture.

Wintershall bets on North Sea synergies to "increase" Europe energy security

Natural Gas Europe, *15.04.2015*

BASF's subsidiary Wintershall said it intends to speed up works at its oil and gas discoveries in the southern North Sea, explaining it will continue its 2015 drilling campaign in the Netherlands the UK and Denmark.

"We believe in the ongoing potential of the southern North Sea and are hereby making our contribution to securing Europe's energy supply by efficiently developing the assets we have close to home," Robert Frimpong, Managing Director of Wintershall Noordzee, said. Reminding that Wintershall operates 24 offshore platforms in Dutch, German and UK waters of the North Sea.

“Wintershall has a key advantage here: by being present in the whole region and across national borders, we realize synergies that are of critical benefit to our complex developments. We will continue to harness this advantage and invest in the future” Frimpong added.

Gazprom CEO: Serious risks evident in EU’s new energy security model

Sputnik, *13.04.2015*

German Russian energy giant Gazprom sees serious risks in the European Union’s new model of energy security, based on the diversification of gas suppliers, CEO Alexei Miller said. “Life will show if [the model] is good or bad, but, undoubtedly, we see serious risks inherent in this model,” he said during an energy conference in Berlin.

Earlier in the day, Miller said state-owned Gazprom was ready to work with all models of energy security on the European market. The safe transit of Russian gas has been a concern for Europe in light of the instability in Ukraine which is a transfer territory for Russia’s gas supplies to EU consumers.

In December 2014, Moscow decided to cancel construction of the South Stream pipeline for delivery of Russian gas to Europe through the Black Sea. Russian President Vladimir Putin cited Brussels’ counteraction as the reason behind the move. The European Union receives about 30 percent of its oil and gas imports from Russia, according to European Commission data. Other large gas suppliers for Europe include Norway and Algeria.

Russia’s gas giant Gazprom may redirect surplus gas supplies to the Asian market if Europe does not require the current volume, Gazprom CEO said. “Europe needs to give a concise and clear answer of whether it needs additional volume, if it needs a resource base or not,” Miller said during a conference in Berlin. The Turkish Stream gas pipeline will be built on the principle of diversifying routes that will decrease the risk of gas transit, Alexei Miller said. “The Turkish Stream model, which is being realized today, is built on different principles. This is not a model of interdependency; this is a model of diversifying transport routes,” Miller said at a conference in Berlin. Miller said that Ukraine’s gas transit system is the “weakest link” in gas relations between Russia and the European Union.

“Ukraine’s gas transport system is a weak link, the weakest link that we have today in our mutual relations. Ukraine’s gas transport system is hiding within itself an incredibly high confrontational likelihood,” Miller said. Currently, Ukraine is a transit country for about 40 percent of Russian gas delivered to European consumers, but Moscow has repeatedly voiced concerns over the reliability of safe gas transit via Ukrainian territory.

On December 1, 2014, Russia announced the start of construction of an offshore gas pipeline across the Black Sea to Turkey. The Turkish Stream pipeline will deliver Russian gas to South Europe through a transit hub on the Turkish-Greek border. The announcement came after Russian President Vladimir Putin said that Russia was not willing to construct the South Stream gas pipeline, intended to go under the Black Sea from Russia to Europe, in light of European Commission's "non-constructive" stance on the matter. Russian energy giant Gazprom is ready to work with all existing and new models of energy security on the European market, Alexei Miller said.

"We will work with the models and rules of [European energy security] that exist and will emerge on the European market," he said during an energy conference in Berlin. The price for gas in the European Union will not be low if the European Commission insists on a single price for all EU consumers, Miller said. "If we adhere to the fact that the European Commission wants the price [of gas] to be the same [across the board for all EU countries], then, as you may understand, it won't be the lowest price of those that we deliver gas to the countries of the European Union. This will probably be a price near the highest," Miller said at a conference in Berlin.

The Asian gas market will soon become the determining factor in pricing policy for the European market, Miller said. "Undoubtedly, it must be understood that in the near future, the pricing policy for the European market will be the Asian market," Miller added. The main reason why the South Stream gas pipeline project was to retain the gas route through Ukraine, Gazprom CEO said. "The only aim was to preserve the status quo, the transit via the territory of Ukraine. In reality, there was no other reason to block the South Stream," he said. Miller also dismissed "false reports" that the reason behind suspension of South Stream was Gazprom's unwillingness to observe the rules of the third energy package and European laws. Russia's gas giant Gazprom is capable of doubling gas export volumes to Europe at "the flip of a switch," Alexei Miller said Monday. "Gazprom's extraction capabilities today are at 617 billion cubic meters. The company's extraction volume for 2014 was only at 444 billion [cubic meters].

Statoil makes minor gas discovery near Aasta Hansteen

Natural Gas Europe, *13.04.2015*

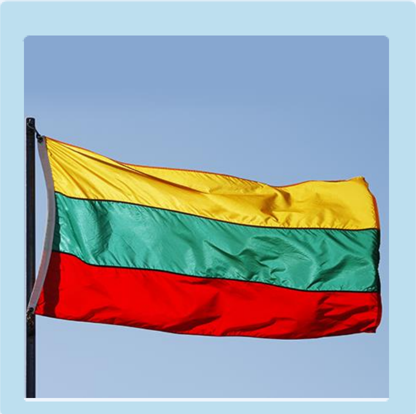
Statoil made a gas discovery in the Roald Rygg prospect at the PL602 in the Norwegian sea, arguing that this is the second discovery in the Aasta Hansteen area in spring 2015. The first exploration well in production licence 602, which was awarded in 2011, proved a 'a minor gas discovery near the Aasta Hansteen field,' wrote the Norwegian Petroleum Directorate.

"Statoil has completed a targeted two-well exploration programme around Aasta Hansteen which aimed to test additional potential in the area and make the Aasta Hansteen project more robust.

Both wells, Snefrid Nord and Roald Rygg, have resulted in interesting discoveries, which will now be further evaluated for future tie-in to the Aasta Hansteen infrastructure," Irene Rummelhoff, senior vice president exploration Norway in Statoil, commented in a note released on Monday. According to the Norwegian company, the well proved a 38-metre gas column with very good reservoir quality. Statoil estimates the volumes in the range 12-44 million boe. 'Roald Rygg is located less than 7 kilometres west of the Snefrid Nord discovery. The estimated total volumes in the two discoveries correspond to about 25% of the Aasta Hansteen recoverable volumes' Statoil wrote. Statoil Petroleum AS is the operator of the production licence, and holds a 42.5% working interest. Petoro AS (20%), Centrica Resources (Norge) AS (20%), Wintershall Norge AS (10%) and Atlantic Petroleum Norge AS (7.5%).

Lithuania considers re-exporting LNG as Russian gas gets cheaper

Reuters, *13.04.2015*



Lithuania is considering allowing its liquefied natural gas import terminal to re-export LNG to global markets during summer when local demand declines, the facility's operator said. The Independence terminal, which opened last year, was built to reduce Lithuania's total reliance on pipeline supplies from Russia's Gazprom, by giving it access to global LNG supplies.

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Since the terminal opened, Gazprom has cut the price of gas supplies to Lithuania by 20 percent to maintain market share, while Lithuania has signed a deal to buy LNG from Norway's Statoil.

Mantas Bartuska, CEO of Klaipedos Nafta, which operates the terminal, told Reuters that Russia's price cut has prompted the industry and the government to consider amending Lithuanian regulations that prohibit the re-export of imported LNG. "This means that (unlike previously) LNG is no longer slightly more expensive than the Russian pipeline gas, which creates an opportunity to reload some cargoes in summer," Bartuska said. Litgas, the state-run gas trading arm of Lithuanian energy holding company Lietuvos Energija, signed a five-year LNG supply deal with Statoil late last year for 540 million cubic meters of gas annually. If the regulations are changed, the terminal could reload Norwegian LNG cargoes and re-sell them for profit to other buyers, Bartuska said.

RMT: UK Budget ‘failed Scottish oil and gas industry’

National, *15.04.2015*

The government has “fundamentally failed” North Sea workers, with the tax measures in the Budget for the oil and gas industry not saving a “single job”, a leading union official has said. Jake Molloy, RMT’s oil industry regional organizer for Aberdeen, said the government have “abandoned any concept of a clear energy policy” and are instead “milking the sacrificial cow dry”.

Molloy’s comments came as a new survey showed nearly three quarters of oil and gas workers are thinking about looking for work abroad since the North Sea oil industry has started to stagnate.

Industry website Rigzone has found that 71 per cent of workers across Scotland and the rest of the UK are considering looking for work overseas. Almost half of the Scottish-based workers do not believe that the tax cuts set out by Tory Chancellor George Osborne will actually stimulate investment in the North Sea industry. The main reason given in the survey for looking to work abroad was a lack of job security, with 52 per cent saying they don’t have confidence in their career prospects over the next five years. Molloy said the North Sea industry was “being dismantled as we speak”, highlighting the fact that dozens of oil workers are losing their jobs every day.

The Union Official said: “This survey doesn’t surprise me in the slightest, given the way that workers in the industry have been treated. “You cannot push to improve efficiency and productivity by adopting the slash and burn approach we are seeing across the sector. We should be managing our operations through the current crisis so when the industry does pick up we are able to start running again rather than learning to walk.” Molloy described the current situation in the sector as “carnage” with pay-offs happening “every single day”. “You are getting this trickle of workers losing their jobs, 50 here, 40 there, happening across the board every single day,” he said. “It’s not so much an exodus of workers than a displacement by the industry, which will cost them dear. It’s quite obvious, if there is no work here people will go elsewhere,” he added. The new North Sea tax measures announced by the Chancellor in his Budget last month included a reduction of the supplementary charge on industry profits from 30 per cent to 20 per cent, as well as cutting petroleum revenue tax from 50 per cent to 35 per cent next year, measures which

Molloy believes have not helped North Sea workers. “The government have fundamentally failed. The budget has done nothing, not one single job has been saved as a consequence of the tax changes. It was just a giveaway to shareholders.” Molloy claimed that although the government promised taxes incentivised around finding new oil and said it would ensure infrastructure is in place for when the oil picks up, they have not managed either. “It is a reflection of what we have seen for 40 years or more. They have abandoned any concept of a clear, concise energy policy and set their heart on milking the sacrificial cow dry. “We are literally watching the industry being dismantled as we speak,” he said.

The survey results also showed that while more than three quarters of the workers support following Norway’s lead, nearly half of workers feel it is now too late to try and implement an oil fund system. Mark Guest, Rigzone’s international managing director, described oil and gas workers as “highly mobile”, saying he is not surprised many are looking for work abroad. Guest said: “If assurances cannot be given by the industry about the mid to long-term career opportunities in the UK’s off-shore market, our survey indicates that many professionals may simply look for work elsewhere. “This could exacerbate recruitment issues in the sector at a time when the industry has already highlighted a shortage of engineering students graduating from British universities.” The squeeze in Aberdeen’s oil and gas industry is also being reflected in the city’s housing market.

A survey earlier this week showed that rental costs in the city have fallen, despite growth throughout the rest of Scotland. While still considerably above Scotland’s average monthly rent of £654, the cost of a two-bedroom rental property in Aberdeen fell 1.2 per cent to £972 last year. In that time the Scottish average has risen 6.8 per cent, with the average cost in Edinburgh and Glasgow rising 5.3 per cent and 6.5 per cent respectively. The report by Lettingstats said: “All eyes have been on the Aberdeen economy since the dramatic collapse in oil prices and it is fair to say that the rental market does seem to have adjusted accordingly. “Time will tell if these [changes] are temporary or part of a more significant readjustment of the Aberdeen housing market.”

Africa to pip US in meeting global LNG trade growth

Natural Gas Asia, *15.04.2015*

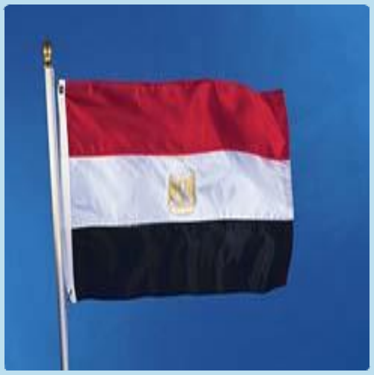
Seaborne gas exports from Africa will play a bigger role in catering to global LNG trade growth that US, according to International Energy Agency (IEA). Africa’s LNG exporters in Nigeria, Algeria and Equatorial Guinea are set for a new supply wave coming from major new discoveries off the coasts of Mozambique and Tanzania, news agency Reuters quoted Laszlo Varro, head of gas and power at the IEA as saying.

Varro said that the US will fall behind as abundant gas supply muscles coal out of the domestic energy mix, creating huge demand for cheaper gas-fired power generation.

“Africa will play a bigger role supplying the global trade growth than the US,” Varro said. “Coal is in serious trouble in the United States, from (U.S. President Barack) Obama’s administration climate policies to U.S. environmental regulations limiting emissions, we see a very large U.S. coal fleet being decommissioned in the next several years and almost no new coal plants being built,” he added, according to Reuters. However, Varro stressed that meaningful quantities of US LNG will still be exported and gas production driven by shale-gas drilling will see a “glorious decade” in the 2020s, but output will roughly come back to 2014 levels by 2040.

Egypt to import LNG worth $3.5 bn in 2015-2016

Natural Gas Asia, *14.04.2015*



Egypt’s LNG imports during 2015-2016 financial year will be worth around $3.5 billion, according to an energy official. “The cost of the LNG that will be imported during 2015-2016 will be around $3.55 billion,” an EGPC official told Reuters. Egypt has signed multiple LNG purchase deals in recent months to cater to the domestic gas demand.

Cairo has signed agreements to import 90 LNG shipments supplied by five foreign companies, 49 of which are going to be delivered in 2015 and 2016, Petroleum Ministry said last month. Egypt has signed deals to buy LNG from Gazprom, Trafigura, Vitol, Noble Group and Sonatrach.

Recently, Egypt received Hoegh Gallant floating storage and regasification unit (FSRU) from Norway’s Hoegh LNG. The Egyptian financial year starts in July.

Sinopec to commission shale gas pipeline in fuling

Natural Gas Asia, *15.04.2015*

China's state owned energy major Sinopec Corp. is expected to commission a shale gas transmission pipeline in Fuling area later this month. According to Xinhua Finance, the 134-km pipeline will be able to transit 6 billion cubic meters of shale gas each year out of the Fuling area in Chongqing municipality.

Earlier this week, Sinopec said that shale gas well 6-2HF in Fuling area of southwest China's Chongqing municipality generated total output of over 150 million cubic meters till April 2. It is estimated that the well has over 300 million cubic meters of recoverable reserves, Xinhua Finance said.

Last year, Sinopec's Fuling field was verified by Chinese government as country's largest shale gas play. The Ministry of Land and Resources verified proven reserves of nearly 107 billion cubic meters (bcm) in the Fuling shale gas field.

Lukoil to construct Uzbek gas processing plant

Natural Gas Asia, *13.04.2015*

Russia's Lukoil and a consortium headed by Hyundai Engineering signed a contract for procurement and construction of the Kandym gas processing plant in Uzbekistan.

The facility will have an annual capacity of 8.1 billion cubic meters of gas and will process sour natural gas from the Kandym group of fields located in the Bukhara region of Uzbekistan to produce treated natural gas and stable gas condensate, as well as solid and granulated sulfur. The construction of the Kandym gas processing plant is Lukoil's largest investment project in Uzbekistan.

The Russian company has been implementing the Kandym project in partnership with Uzbekneftegaz since 2004 as part of the Kandym-Khauzak-Shady-Kungrad PSA. The Kandym group consists of 6 gas condensate fields – Kandym, Kuvachi-Alat, Akkum, Parsankul, Khoji and West Khoji.

Pertamina, Kalla Group agree to build 4 mtpa LNG receiving terminal in Indonesia

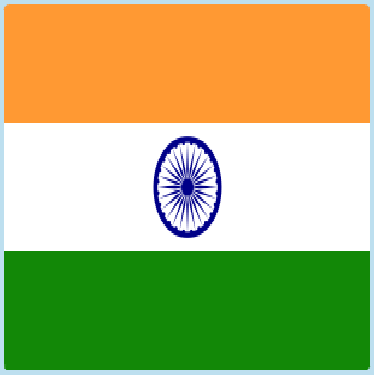
Natural Gas Asia, *13.04.2015*

Pertamina and Bumi Sarana Migas have agreed to build LNG receiving terminal, Reuters reported. Bumi Sarana Migas, a part of Kalla Group, and Pertamina have inked initial agreement to develop the 4 million-tonne-per-year project.

Construction of the Bojonegara receiving terminal in Banten, Java should be complete by 2019, Pertamina CEO Dwi Soetjipto said in a statement. "Infrastructure is the main requirement in utilizing gas fuel, because once infrastructure is installed demand will be created," Soetjipto said, noting that a power plant was expected to be built afterward using gas from the terminal to feed into the western Java grid.

Indian state owned energy firms plan $6 bn investment in Mozambique gas field

Natural Gas Asia, *13.04.2015*



Indian state owned energy companies will invest $6 billion in developing a giant gas field offshore Mozambique.

"We have invested more than $6 billion so far (in the Mozambique field) and another $6 billion will be invested by 2019 to develop Rovuma Area-1 field," Pradhan, who was on a two day trip to Mozambique, told reporters. BPCL, OVL, and Oil India already own significant stake in gas field offshore. OVL along with Oil India bought 10 per cent stake asset from Videocon Industries for $2.48 billion in June last year. OVL acquired another 10 per cent stake in the field from Anadarko Petroleum Corp for $2.64 billion.

BPCL also holds 10 percent stake in an offshore gas asset. Last November, India and Mozambique signed a memorandum of understanding (MoU) to enhance bilateral cooperation in the field of natural gas and oil. “I had a very successful tour to Mozambique... We are getting full cooperation from the Mozambique government for early development and monetization of Rouvma Area 1,” Press Trust quoted the minister as saying. Pradhan said the block consortium is talking to Indian buyers like state gas utility GAIL for selling LNG.

“If it fetches more money (to us) by selling the LNG then and there itself, we will opt for that. But if it is beneficial to bring the gas to India, we will certainly look at that option,” he said. Anadarko is the operator of the block with 26.5% stake. Other partners in Area 1 include Mitsui with 20% stake, ENH (15%) and PTTEP (8.5%). According to Press Trust, so far, seven gas fields have been discovered in the block. Of these, three fields - Lagosta, Windjammer and Barquentine (collectively called the Prosperidade field) - extend into the adjacent Block Area-4 where Italy’s ENI with a 70 per stake is the operator. The others - Atum, Golfinho and a small field Tubarao, are independent fields lying fully in Block Area-1.

US oil stocks saw smallest weekly increase of 2015

Anadolu Agency, *16.04.2015*

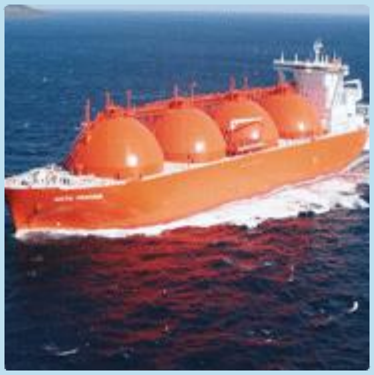
Crude oil stocks in the U.S. had their smallest weekly increase in 2015, the EIA, data revealed. Crude oil inventories in the U.S. rose by 1.3 million barrels in a week, recording its smallest buildup of the year since Jan. 2.

The stocks for crude oil rose to 483.6 million barrels for the week ending April 10, from 482.4 million barrels for the week ending April 3, EIA data showed. U.S. domestic oil production also declined, falling to 9.38 million barrels a day last week, from 9.40 million barrels per day from the previous week. However, falling oil imports came as a consolation for the country.

The U.S.’ crude oil intake declined to 7.15 million barrels a day for the week ending April 10, from 8.22 million barrels a day the week before. This level of crude oil imports is the second-lowest weekly intake for the country in 2015, after it had imported 7.10 per barrels a day for the week ending Feb. 13.

US to become net gas exporter by 2017

Anadolu Agency, *16.04.2015*



The U.S. will become a net exporter of natural gas in 2017 with increasing gas production from shale gas resources. Total production of dry natural gas in the U.S. rose by 35 percent from 2005 to 2013, the EIA noted in its Annual Energy Outlook 2015, while the country's natural gas share among its total energy consumption modestly increased, only from 23 percent to 28 percent.

EIA projects U.S. shale gas production, including gas output from tight oil formations, will rise by 73 percent, from 11.3 trillion cubic feet (320 billion cubic meters) in 2013 to 19.6 trillion cubic feet (555 billion cubic meters) in 2040.

In addition, with large growth from shale gas resources, the U.S. natural gas export is expected to increase from 3 trillion cubic feet (85 billion cubic meters) after 2017 to 13.1 trillion cubic feet (371 billion cubic meters) in 2040. Although the U.S. does not export liqufied natural gas, LNG, at the moment, there are four projects under construction in the U.S. states of Maryland, Texas and Louisiana, while the earliest date for the country to begin exports is late 2015.

"Most of the growth in U.S. net natural gas exports occurs before 2030, when gross LNG exports reach their highest level of 3.4 trillion cubic feet (96 billion cubic meters), where they remain through 2040," EIA said. A net export of natural gas from the country is expected to total 5.6 trillion cubic feet (158 billion cubic meters) in 2040. On the other hand, gross exports of natural gas increase over time, while gross gas imports decline, EIA emphasized, adding net natural gas imports continue to fall through 2040, which has been the case since 2007. "The U.S. becomes a net exporter of natural gas in 2017, driven by LNG exports, increased gas pipeline exports to Mexico, and reduced imports from Canada," the administration stressed.

EIA: US crude oil production projected to peak in 2020

Anadolu Agency, *15.04.2015*

The U.S. crude oil production is expected to rise and peak in 2020 to reach record levels before starting to fall until 2040, the U.S.' Energy Information Administration, EIA, said late Tuesday. Crude oil production in the U.S. is projected to rise from an average of 9.3 million barrels a day in 2015, to 9.5 million barrels a day in 2016, to reach 10.6 million barrels per day in 2020, EIA said in its Annual Energy Outlook 2015.

However, the administration expects crude oil output in the country to decline gradually after 2020, first falling to 10.4 million barrels a day in 2022, and then slowly declining to 9.4 million barrels per day by 2040.

However, with increased domestic crude production, net imports of crude oil and petroleum products in the U.S. are expected to decline. EIA projects net imports of oil to fall from 6.2 million barrels a day in 2013 - 33 percent of the total domestic consumption, to 3.3 million barrels per day in 2040 - 17 percent of domestic consumption. The U.S. administration stated the growth in domestic crude oil production is one of the results of projected increase in oil prices. EIA expects the global benchmark Brent crude oil to average $56 per barrel in 2015, before increasing to $76 per barrel in 2018, and $141 per barrel in 2040. EIA noted the U.S. net imports of energy declined from 30 percent of the total energy consumption in 2005 to 13 percent in 2013, due to high growth in domestic oil and natural gas production, and slow growth of total energy consumption in the country. Moreover, net energy imports are estimated to decline, eventually bringing energy imports and exports into a balance around 2028, EIA underlines. The administration stressed that as oil prices continue to increase over the next decades; this will place a downward pressure on oil imports and consumption, while making domestic production more profitable.

Announcements & Reports

► *Monthly Oil Market Report*

Source : OPEC
Weblink : http://www.opec.org/opec_web/static_files_project/media/downloads/publications/MOMR_April_2015.pdf

► *Gas Pricing Reform in India: Implications for the Indian Gas Landscape*

Source : OIES
Weblink : http://www.oxfordenergy.org/wpcms/wp-content/uploads/2015/04/NG-96.pdf

► *Drilling Productivity Report*

Source : EIA
Weblink : http://www.eia.gov/petroleum/drilling/

► *Natural Gas Weekly Update*

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

► *This Week in Petroleum*

Source : EIA
Weblink : http://www.eia.gov/petroleum/weekly/

Upcoming Events

► *Madrid Forum*

Date : 20 – 21 April 2015
Place : Madrid - Spain
Website : http://ec.europa.eu/energy/en/events/madrid-forum

► *9th Edition Global Procurement and Supply Chain Management for the Oil and Gas Industry*

Date : 22 - 24 April 2015
Place : Amsterdam - Netherlands
Website : http://www.gulfoilandgas.com/WEBPRO1/Events/event_details.asp?id=2023

► *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/

► *Offshore Production Technology Summit*

Date : 01 - 02 June 2015
Place : London – United Kingdom
Website : http://offshore-summit.com/

► *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

► FLNG

Date : 11 - 12 June 2015
Place : London – United Kingdom
Website : http://www.mioge.com/RPGC-Congress/About-the-Conference.aspx

► 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 Inernational 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