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The reality behind Russia's Turkish Stream

Natural Gas Europe, *04.05.2015*

Last December Moscow took Europe by surprise with an announcement that South Stream, a 63 billion cubic metre (bcm) pipeline designed to bring Russian natural gas to southern Europe across the Black Sea would be scrapped and replaced with a pipeline of similar capacity that would cross Turkey and stop at its border with Greece.

Some energy analysts hailed the new project as a geopolitical asset for Turkey, allowing it not only to source more natural gas at a time when its energy consumption is growing, but also to secure a position of influence in the region, as it would become a key transit route.

Others suggested that Turkey's partnership in the project that will bring 15.75bcm/year to its domestic market and earmark the remaining 47bcm for European customers would give Ankara a leverage position in its negotiations with Russia. The reality behind this project disproves the solidity of these arguments and raises serious questions with regards to Turkey's energy security and that of the surrounding region. It is assumed that Turkey's decision to participate in Turkish Stream tallies with its ambition to become an energy hub that would be at the heart of multiple transit routes starting in the hydrocarbon-rich countries of the East and heading to the energy markets of the West. Very few, however, are familiar with the events that preceded the launch of Turkish Stream on 1 December 2015 during the visit of the Russian President Vladimir Putin to Ankara.

At the end of September 2014, Russia's Gazprom began to decrease its gas exports to Turkey until critical volumes entering the country through the north-western border point, and feeding the heavily populated Istanbul region, were reduced by half. Under normal circumstances Turkey receives an average 42 million cubic metres of Russian gas via the Trans-Balkan Pipeline, which transits eastern Ukraine and heads south via Romania and Bulgaria. However, by the last day of November, imports had dropped to 20.3mcm/day, having induced confusion and panic among Turkey's government and private natural gas companies who feared extensive blackouts this winter. These fears were entirely justified. Although nearly two-thirds of Turkey's energy consumption is concentrated in the north-western Marmara region, the area is heavily dependent on Russian gas shipped via the Trans-Balkan pipeline. Additional sources come from Turkey's sole storage facility located in this area and two receiving terminals for liquefied natural gas (LNG). These sources complement the Russian pipeline volumes, but are not sufficient to replace them in case of Russian curtailments.

On the other hand, Turkey's additional gas imports from Iran and Azerbaijan, as well as from Russia via the Blue Stream pipeline, which crosses the Black Sea and lands in central Anatolia, cannot move easily from east to west because of technical constraints in the transmission system. In a nutshell, without Russian gas via the Trans-Balkan pipeline to the north-western region, Turkey's energy security and, implicitly, its economy are at risk. When Russian volumes started to drop dramatically in October and November, the Turkish government and private energy companies feared that Turkey was heading towards a crisis, particularly as winter was approaching and there were not enough supplies to cover peak demand. Despite indications that the government had gone to great lengths to devise backup plans - including purchasing more LNG than last year, ramping up hydro production to compensate for expected drops in thermal generation, storing more gas – they could only do as much as the technical limits of the system allowed. By the 1st December 2015 when Vladimir Putin arrived in Ankara, Turkey's private and public gas companies were already on high alert.

However, within less than two days of Mr Putin's visit to Turkey and Ankara's decision to partner up in the Turkish Stream project, Russian exports to the Marmara region increased by 13mcm/day and by mid-December they reached their normal daily average of 42mcm/day. The Turkish transmission system operator BOTAS does not publish entry and exit points for gas imports, but relevant data related to the Russian gas flows via the Trans-Balkan pipeline entering Turkey at the Bulgarian-Turkish Malkoclar point are available on the website of the Bulgarian TSO Bulgartransgaz as illustrated in the graph below. Russia and Gazprom, the company exporting the gas, never gave any official explanations for the two-month gas curtailment to Turkey or for the return to normal flows following the Turkish Stream announcement. Turks themselves had feared that the reduction in exports was caused by the ongoing conflict in eastern Ukraine, which the Russian gas transits before reaching Turkey.

However, with the benefit of hindsight there are reasons to believe that the Turkish government may have been under pressure to sign up to Turkish Stream. This is because they were confronted with a tough dilemma: either reject the project and face major energy shutdowns this winter, or accept it and thus avoid a crisis in an electoral year. The question is pertinent especially if considering that the method used by Russia in this case is similar to methods used against other European countries and which are 'choreographed to surprise, confuse and wear down the opponent". Now that Ankara has been won over and Turkish Stream is publicly described as a solution to Turkey's growing energy demand and a boost to its regional power ambitions, there are new concerns looming on the horizon. Firstly, the project aims to completely redesign the energy supply landscape in Turkey and Eastern Europe. The Russian volumes that are currently transported via the Trans-Balkan Pipeline through Ukraine to Romania, Bulgaria and Turkey will be re-routed so that Turkey will become the first rather than the last recipient of gas in the supply chain. This in itself would be beneficial to Turkey as its security of supply would no longer be vulnerable to Russia's political stand-offs with Ukraine or other eastern European countries along the route. Or so the theory goes. However, the experience of the two months at the end of last year when Russia halved its supplies of gas to Turkey proves that a country's position along the supply route is irrelevant as long as Moscow wishes to extract concessions from various partners.

Secondly, Turkish Stream, which will be made up of four threads is expected to bring 15.75bcm/year to Turkey as part of a first thread to be completed by the end of December 2016. This will be only 1.75bcm/year more than what Turkey currently gets via the existing Trans-Balkan Pipeline. In that form the new project will hardly bring any additional value to Turkey. Thirdly, Russia has reserved the right to build the 660km offshore section across the Black Sea and said it would partner up with the Turkish incumbent BOTAS in building the 180km onshore section inside Turkey up to the Greek border. Such a proposal should raise alarm bells inside the Turkish government, as Russia may gain access to a critical piece of infrastructure in Turkey's most populous area. Gazprom has already expressed an intention to buy Istanbul's gas distribution network, IGDAS, which serves five million customers and has a 5bcm/year capacity.

Fourthly, by placing 47bcm/year of natural gas at Turkey's Greek border, Russia might render Turkey's own energy hub ambitions meaningless. These volumes will be more than double the quantities Turkey could transit to Europe from the Middle East and the Caspian region by the end of the decade. Furthermore, there are significant questions regarding the future of the Southern Gas Corridor, an EU-backed project designed to diversify away from Russian supplies. A total of 16bcm/year are planned to be shipped from Azerbaijan's offshore Shah Deniz II to Turkey and further west to Greece, Albania and Italy. The 10bcm/year that are earmarked for southern Europe will also be placed at the Turkish-Greek border at the same exit point chosen for Turkish Stream. This will create significant bottlenecks inside the Turkish and Greek system that will require proportionate investments. Who will pay for these?

Commercial concerns aside, however, the biggest fears relate to Turkey's growing dependence on Russia and its implications for its national and regional security. The argument that Turkish Stream will give Ankara greater leverage in its negotiations with Moscow is being refuted just as we speak. Turkey's public and private gas companies discuss their price of natural gas imports with Gazprom on a regular basis. Negotiations are typically conducted in the first weeks of each year and counterparties agree on a new price by the end of January. This year, Gazprom and its Turkish counterparts have failed to reach an agreement and any further delays could wipe out Turkey's budding private gas sector. The complications are related to the indexation of Turkey's imported gas prices to the price of oil. Since the price of Brent crude has dropped more than 50% within less than a year, Russia argues that the gas price will go down anyway in line with cheaper oil prices and therefore there is no reason to grant a discount higher than 10.25% on offer. On the other hand, Gazprom has been delaying granting a discount to the private sector, which sources its gas mostly from Russia and holds 25% of Turkey's total gas imports. Last year, Gazprom agreed to a fixed price that included a 10% discount for the 2014 offtakes that would be offset by a 10% increase in the 2015 price.

Negotiations with BOTAS and the private sector are linked and any decision affecting one will affect the other. Securing a discount for Turkey's private sector is absolutely vital because the price that Gazprom insists on for this year would be around $70.00/1000 cubic metres (tcm) higher than the regulated tariff that private companies normally negotiate their prices to customers. There is an absolute need for Turkey to ensure cheaper energy prices so that its economy can compete with European countries which pay much less for their raw energy.

However the examples just quoted show that despite arguments that Turkey's partnership in Turkish Stream should give it greater leverage over Russia, Moscow refuses to grant concessions. Sources active in the Turkish gas market say Russia fears any possible losses incurred as a result of discounts to Turkey because it expects the price of oil to increase in the upcoming months. The information cannot be substantiated with Gazprom, but it is logical to assume that Russia will do everything in its power to tighten its grip on Turkey, its second largest market after Germany. Moscow is losing ground in most Europe countries which have to a certain extent implemented a number of policies designed to reduce Russia's monopoly on imports and infrastructure and to diversify its sources of supply. With its European customer base dwindling and confronted with plummeting oil prices, Russia may seek to squeeze as much profit from Turkey as possible.

Turkey, which has neither imposed sanctions against Russia in the aftermath of the Ukraine conflict, nor introduced policies to rein in Russia's influence, will be a natural magnet to Moscow. Russia is already building Turkey's first 4.8GW nuclear power plant. Gazprom is the majority shareholder in one of its largest private gas importers and now plans to buy out the shares of another large private gas importer. It has expressed an intention to snap up the largest gas distribution network of the country and could, in the future, purchase more gas-fired electricity generation. Such extensive asset purchases will give it a significant position in Turkey as well as allow it to take advantage of Turkey's crucial geostrategic position, using it as a springboard to the Middle East, the Caspian region and Eastern Europe.

Yildiz: TANAP to hold talks with foreign companies on partnerships

Reuters, *04.05.2015*

Turkey and its partners in the TANAP will hold talks with "one or two" foreign companies for possible partnerships, Turkey's Energy Minister said.

Energy Minister Taner Yildiz said he could not name the companies involved, as they were publicly traded. BP that it expected to become a stakeholder in the multi-billion dollar TANAP project within two months, having previously said in 2013 it wanted a 12 percent stake in the venture. SOCAR currently holds a 58 percent stake in TANAP which aims to reduce Europe's reliance on Russian gas while BOTAS raised its stake to 30 percent from 20 percent in 2014.

Bulgartransgaz to Open Bids for Interconnector Turkey –Bulgaria

Novinite, *04.05.2015*

Bids for the public procurement procedure for the feasibility study for the Interconnector Turkey –Bulgaria (ITB) will be opened, according to the Public Procurement Agency.

Bulgaria's state-owned gas transmission operator Bulgartransgaz, which is the Bulgarian contractor (the Turkish one is state-owned energy company Botas) in the project, received EU funding of EUR 190 000 for the feasibility study in early April, according to Capital Daily. The EU grant was provided under the Connecting Europe Facility (CEF) - CEF-Energy. A public procurement procedure for a contractor of the feasibility study was announced shortly after that.

The total value of the public procurement is EUR 380 000, VAT excluded, with the remainder of the funding to be provided by Bulgartransgaz. The feasibility study for the gas pipeline includes a technical study of the route options, an assessment of the cost of the different options, and an identification of the market needs. The contractor will also have to conduct preliminary activities related to the Environmental Impact Assessment (EIA) and the Social Impact assessment (SIA). The feasibility study should also say whether the project is economically viable and provide a schedule for its development. The deadline set by Bulgartransgaz for all of the activities is January 31, 2016. The award criterion will be the lowest price.

The candidates should have at least five years of experience in the preparation of pre-investment studies and should have completed at least one project similar to the subject-matter of the contract. The construction of the gas pipeline connecting the gas grids of Turkey and Bulgaria will cost around EUR 100 M, according to estimates of Bulgartransgaz. The ITB is expected to be completed in 2018. The pipeline route which is currently being discussed is 200km long and connects the Lozenets compressor station to Malkoclar, Turkey. The capacity of the gas pipeline will be 3 billion cubic meters of gas a year. The ITB is one of the opportunities for Bulgaria to get Azeri gas from the Trans-Anatolian Natural Gas Pipeline (TANAP) or raw material via LNG terminals in Turkey.

Russians propose new name for "Turkish Stream"

Anadolu Agency, *06.05.2015*

Changing the name of the proposed natural gas pipeline project, the "Turkish Stream" to the "Greek Stream" will support Greece economically, said Evren Altinkas, a professor from Girne American University in the Turkish Republic of Northern Cyprus.

"Russia's Turkish Stream gas pipeline may become a strong stimulus for closer relations between Turkey and Greece. Its route from the Turkish territory to Greece should be rather called the Greek Stream," Vladimir Chizhov, Russia's ambassador to the EU, quoted as saying by Russian state news agency TASS.

"Greece's finances are in bad condition and they seek financial support. Lately, they demanded reparation from Germany. Taking that into consideration, if the pipeline project takes Greece as the main hub country in the project, we can consider it as compensation and as Russia's support for Greece," Altinkas said. According to Altinkas, Russia may aim to keep Greece in the global market and support them economically. Greece demanded $300 billion in cash from Germany in compensation for crimes carried out in World War II. This amount is more than Greece's current bail-out figure.

Hasan Selim Ozertem, energy security center coordinator of the International Strategic Research Organization in Turkey warned that entering into a dialogue about changing the name of the project from "Turkish Stream" to "Greek Stream" may harm the project and "put a damper on it." Ozertem stressed the name of the project should not be the main issue and noted that the projects financing and the EU-Russia relations should be the focal points of the project. "Already there are questions about the realization of the project. Talking about the name may only pave the way for other questions," Ozertem added.

Greek Pm Alexis Tsipras during a press conference with Russia's President Vladimir Putin on April 8 in Moscow said that, Greece will not accept the 'Turkish Stream' name. "But we consider that the project would improve our relations with Turkey," he said. The Turkish Stream project is intended to replace the previously planned South Stream pipeline, which was to carry natural gas to Europe via the Balkans. The Turkish Stream is planned to have a capacity of 63 billion cubic meters of natural gas per year. From this project, Turkey would be allocated around 14 billion cubic meters annually for its domestic use and the remaining gas would be exported to Europe. According to Ozertem, if the construction of Turkish Stream will be completed, volume of gas that Turkey will receive may be more than 14 bcm.

"Best option for transporting gas is Turkey, but not only"

Anadolu Agency, *04.05.2015*

Turkey is the best option to carry Mediterranean natural gas to international markets, but its not the only option, according to an expert from Israel.

The problem with transporting the hydrocarbon sources would likely be solved if countries see it as a "win-win" situation for all those involved, said Micha'el Tacnhum, a researcher from Asia and Middle East Units of Truman Institute, during his speech in the conference titled "Turkey and Israel: Shifting Alliances in the Eastern Mediterranean." Additionally, commenting on the recent anti-trust issue in Israel, he said that the anti-trust issue would be solved.

"I talked to many people from different industries in natural gas business and Israeli government. There are basically two ways to solve it," he said. He said that one is to go arbitration while the other is to create a modified deal. "The anti-trust issue will be solved. One solution is that you go to arbitration, which takes a lot time, but at the end, you have a result. On the other hand the delay is not good for natural gas." The other option he said is that the companies and the government work out some modified deal to the anti-trust commissioners, which seems quite likely. Additionally he said that nothing could be done until the national elections in Israel.

Israel discovered the Leviathan natural gas field six years ago near Haifa off the coast of Israel, with almost 600 billion cubic meters of resources. The field is due to start operating in 2016 or 2017. The Israeli Antitrust Authority has not authorized the activities of U.S.-based Noble Energy and its Israeli partner Delek Group - a merger of Delek Drilling and Avner Oil Exploration in the Leviathan gas field, prompting doubts over the project. For the last six years, the project awaits the approval from the authority. Sohbet Karbuz, director of Hydrocarbons division in the Mediterranean Observatory for Energy said in his speech that Europe should see Israeli gas as a target. Pointing out that Europe wants to decrease its natural gas dependence on Russian gas, Karbuz said the amount of gas that could come from Israel and Cyprus would be equivalent of what Europe could get from Azerbaijan, but cheaper. He said that the question is how to bring the natural gas from Israel or Cyprus since there is no infrastructure.

Commenting on Liquefied natural gas, LNG, plants located in Egypt, Karbuz said that to use those facilities, the best and economic way to bring natural gas to LNG plants in Egypt since there is no gas and those plants are empty. "It would be easier to market the LNG in Egypt to Turkey, which is a very important market in the region," he added. The conference will focus on the foreign policies of Turkey and Israel in the Middle East as two important powers of the Eastern Mediterranean that have come to face dramatic transformations over the past few years.

Yildiz: Turkish Stream depends on EU and Russia

Anadolu Agency, *02.05.2015*

The decision for the 'Turkish Stream' will be made by European Union member countries and Russia, said Turkey's Energy and Natural Resources Minister."We said what we needed to say about the Turkish Stream. There are ongoing talks about the project," said Taner Yildiz, during a breakfast organized for the economy journalists in Kayseri, a province in the Central Anatolia of Turkey.

"The project is beyond borders. The project's total capacity will be 63 billion cubic meters," Yildiz said, "Turkey's portion is 15 billion cubic meters of natural gas European Union will receive 48 billion cubic meters of natural gas." he added.

According to Yildiz, natural gas supply and demand issues will be resolved by Russia and EU but Turkey also follows the events closely. Yildiz also talked about the rise of dollars value agains Turkish Lira. He said since country depends on energy imports, the rise of dollar affects Turkey's energy costs directly. "Turkey buys natural gas with dollar and sells it with Turkish Liras in domestic markets. The weakening Turkish Lira against dollar affected us by 7-8 percent. But, we arrange our energy strategy for the benefit of the consumers." he said.

N. Iraqi oil to Turkey at 17 mln barrels in April

Anadolu Agency, *07.05.2015*

Oil exports from northern Iraq to Turkey's Ceyhan port reached 16.9 million barrels in April, the Ministry of Natural Resources of the Kurdish Regional Government announced. According to a statement on the ministry's website, 563,000 barrels of crude oil were exported to Turkey per day during the month of April.

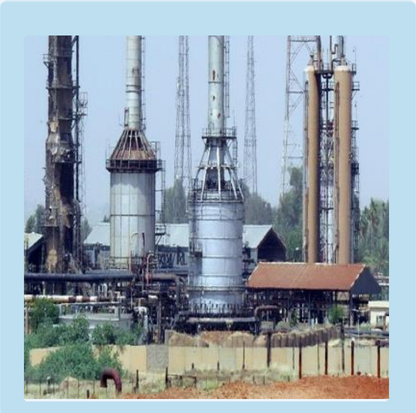
"Of that amount 416,000 barrels were supplied from the Kurdish region, while 147,000 barrels of oil came from Kirkuk," said the statement, adding the oil exports were conducted under the supervision of SOMO, State Organization for Marketing of Oil.

Nechirvan Barzani, the prime minister of the Kurdish Regional Government, KRG, stated they upheld their part of the oil agreement with Iraq. “In return, we are expecting the federal government in Baghdad to implement the budget legislation,” he said. “Baghdad has to send us $1 billion every month, according to the agreement,” he added. The federal government had sent $400 million to the KRG as part of its share from the national budget, claiming that it is short of financial resources. The KRG in Erbil and the government in Baghdad reached an agreement on Dec. 2 regarding the amount of oil exports and budget share.

According to the agreement, the KRG was to export 250,000 barrels of oil per day with the Kirkuk province providing 300,000 barrels per day under the supervision of SOMO. In return, Baghdad was to provide 17 percent of the national budget. There have been numerous disputes between the two sides due to the amount of crude oil being exported and also with the lack of full payments from the budget. While Erbil accuses the federal government of failing to provide its full share from the national budget, Baghdad claims the KRG has not delivered the promised amount of crude oil from Kirkuk. The KRG exports its crude to Turkey’s southern port in Ceyhan at eastern Mediterranean, where oil is then sent to international markets.

Promoting sound management: The Lebanese oil and gas initiative

Natural Gas Europe, *06.05.2015*



The Lebanese Oil and Gas Initiative (LOGI) is a newly established that promotes the transparent and sound management of the country’s hydrocarbon resources.

Beyond offering decision-makers academic and expert support to ensure Lebanon maximises the benefits of its future oil and gas riches, LOGI is determined to provide the public with information on Lebanon’s oil and gas potential, and equip the people of Lebanon with the necessary tools to question the representatives, demand solid answers, suggest solutions and participate in Lebanon’s path towards energy production - and export.

Lebanon’s pre-qualification round in spring 2013 attracted some of the world’s biggest players in the energy scene including TOTAL, ENI, Shell, Statoil, Chevron, and ExxonMobil. Despite the success achieved at the pre-qualification round, and the country’s high energy appeal in comparison to its neighbours, the country has failed to launch its first licensing round delayed by its inability to issue two decrees that are essential for tendering Lebanon’s acreage, one delimitating the blocks open for bidding and the second laying out a model for future Exploration and Production Agreements (EPA). Lebanon’s complex political make-up generally delays effective decision-making and the efficiency of public institutions. Whilst regional agreements are being shaped by other Eastern Mediterranean countries ahead in the game, a late entry in the gas market could jeopordize Lebanon’s chances of securing gas deals.

Furthermore, the uncertainty around future gas prices makes it difficult to predict the commercial viability of energy endeavours and is an additional reason why Lebanon must accelerate its efforts. The potential hydrocarbon wealth under Lebanon's seabed constitutes a one-time opportunity for Lebanon. The Lebanese government's struggle to move this process forward amid political complications was the main catalyst to create LOGI. LOGI believes a successful oil and gas sector requires informed citizens and an informed government. Lebanon has not yet commenced exploration activities; it is therefore impossible to predict in advance if Lebanon holds any hydrocarbon reserves in its waters. Managing people's expectation via a clear, straight-forward and easy to grasp communication strategy is essential to LOGI. Coordination across various stakeholders including civil society, businesses, government and international organizations is also key. LOGI sees itself as a facilitator between citizens, public and private sectors.

LOGI's objective is to develop a network of Lebanese experts in the global energy industry and provide them with a platform to inform Lebanese policymakers as well as Lebanese citizens on various issues facing the oil and gas industry. If properly financed, governed and connected together these concerned Lebanese citizens, regardless of their location, could have a tangible and real impact on Lebanon. LOGI will focus on public awareness, policy development and advocacy, capacity building and technical assistance to help Lebanon maximize the economic and social benefits of its oil and gas wealth – and avoid the resource curse.

Iran eyes resuming huge LNG project with Germany

Natural Gas Europe, *07.05.2015*

Iran has its sights set on resuming economic ties, especially in energy sector, with his number one European partner Germany after an increase in good imports. Iran's Oil Minister Bijan Namdar Zanganeh will visit Germany after a large German economic delegation of more than 100 businessmen arrived in Tehran in late April to spur bilateral ties.

Germany has increased good exports to Iran by 30 percent in 2014 to $2.4 billion due to easing sanctions since Novermber 2013, when Iran and P5+1 (US, UK, France, Russia, China+German) reached an interim nucelar deal. But, Iran-Germany trade is still below pre-sanction levels.

However, in the light of current nuclear negotiations aimed to reach a comprehensive deal by 30 June and pave the way for elimination of the sanctions, Iran and Germany want to take the lead in resuming economic ties. According to the Mehr News Agency, Zanganeh will discuss the 'Iran LNG' project with Germany's Linde AG during his visit. Talks are aimed at finding a way to supply the project with equipment, which had been banned after EU imposed sanctions against the Iranian oil industry. Linde refused to supply needed equipment for Iran's giant LNG project in 2010.

Iran's Oil Minister also will talk oil and gas projects with Siemens and Lurgi, two companies that were active in Iran before the sanctions. In the fourth 5-Year National Develop Plan (2005-2009), Iran had aimed to produce 70 million tons of liquefied natural gas (LNG) from the South Pars, North Pars, Ferdosi and Golshan gas fields by launching six LNG production facilities. After cancelling Iran's LNG project contracts with French Total, Spanish Repsol, Dutch-British Shell and Malaysian Petronas until 2008, Iran practically lost almost all opportunities in LNG industry. After that in 2008, Iran signed a contract worth $25 billion to develop its gas fields and produce LNG with the Chinese SINOPEC group, Chinese CEPA, Polish state-owned gas company (PGNiG) and Malaysian Petrofield LNG Co. The value of Iran's contracts with PGNiG and Petrofield were respectively about $2 billion and $14-16 billion. Iran also had a contract with Linde AG to build a giant LNG plant, but Linde refused to supply needed equipments due to sanctions. All of projects were canceled until 2012, even those which Iran signed with Chinese companies.

Mehr News Agency reported that Linde AG had received funds to manufacture the equipment however international sanctions have hindered the company's ability to deliver equipment to Iran. The capital investment needed for the Iran LNG plant was estimated at $5 billion and the facility would start its early production if half that sum were provided. This plant's capacity is projected to be 10.5 million metric tons per year of LNG production, earning the country more than $7 billion annually, according to the report. Iran LNG Company (ILC) filed a lawsuit with an international tribunal against EU in March 2014 for its ban on selling LNG plant equipments to Iran.

Zangeneh: Iran to raise oil exports once sanctions removed

Anadolu Agency, *06.05.2015*

Iran is to increase its oil exports once the sanctions on the country are removed, the country's oil minister said.

Stating that the sanctions on oil caused Iran a 60 percent loss in its OPEC quota, Zangeneh said his country will increase its oil exports by lifting the sanctions and restore its traditional share in the global oil market. Iran produces three million barrels of crude oil per day, but can only export a little over one million barrels of it every day. However, the country reportedly has close to 30 million barrels of crude oil stored offshore, which is ready to be supplied to the global oil market if sanctions on the country are removed.

Iran has also announced to replace replace its buy-back deals with a new oil contract model to attract more foreign investment into its energy industry. Preparing to attend an energy conference in Germany, Zangeneh also said that he would hold talks with German officials and companies that are planning to return to Iran's energy industry. In addition, Iran's First Vice President Ishaq Jahangiri said Wednesday that his country can cooperate with western nations if a final nuclear agreement is reached to remove the sanctions on Iran.

The ground for mutual cooperation with the western governments will be available, Jahangri said, if the nuclear talks reach a final agreement and sanctions are terminated, according to Iran's news agency IRNA. Speaking at the 20th Oil, Gas, Refinery and Petrochemical Exhibition, the vice president stated that removal of the sanctions on the oil sector will be more effective to develop international cooperation in the world energy supply. Iran's oil sector is severely hit by sanctions due to its nuclear program as the country is holding negotiations with the P5+1 countries to agree on curbing its nuclear activities to remove the sanctions in return. Meanwhile, EU foreign policy chief Federica Mogherini said representatives from Iran and the P5+1 countries are drafting the text of the final nuclear agreement. Speaking to a group of students in Beijing University, she said she is hoping the parties would reach a comprehensive agreement in the course of their negotiations, according to IRNA. The foreign policy chief also said Russia is having a constructive role in the negotiations, and serving as an effective partner of the EU during the nuclear talks.

DESFA continues investment pace while waiting for SOCAR

Natural Gas Europe, *07.05.2015*

DESFA plays a crucial role in the status of the country vi-a-vis all major pipeline projects including the TAP, IGB and the newly proposed Turkish/Turk Stream.

There have been considerable delays in the privatization of DESFA and investments from SOCAR, who agreed to pay €400 million to buy 66% in the summer of 2013. European Commission objections based on the interpretation of the Third Energy Package have effectively stalled the process in which the Azeri entity has already paid a €40 million down payment and had concluded the drafting of several investment projects with the Greek side.

Nevertheless, despite the situation that can best described as "in limbo", regarding DESFA's status, the corporation is getting ahead with an overall investment plan that will boost, in the mid and long-term, the usage of gas in the country. By the end of 2016, the upgrade of the Revythousa LNG terminal close to Athens would have been completed, achieving a 40% increase in yearly capacity. The project being developed costs €180 million and once completed it will boost the energy security of the country and increase the period of time for which the terminal could supply the local market by several weeks in the event of a supply disruption, depending on other secondary measures put up by the respective authorities.

Concurrently, DESFA is seeking investment proposals for the proposed Kavala underground storage facility that would be able to hold 750 million cubic meters of gas and be connected with the national transmission system via TAP and IGB. As such, the project has a regional impact and has gained theoretical approval by the EU for future funding. The Greek side has also put forward this as a plan to be integrated in the vertical corridor, a new axis that includes Bulgaria, Romania and Hungary. DESFA management is drafting long-term plans to construct a new domestic pipeline route from the Greek -Turkish border on the Evros River to the Ionian Sea in the Igoumenitsa area that will be connected with other trunks traversing both vertically and horizontally to the rest of the mainland. This will be coupled by new compressor stations, with a total cost estimated to exceed €900 million. This particular plan is subject to numerous parameters, including the total volumes to be secured from the ongoing pipeline plans.

Other ongoing investments include the linkage of the main system with several notable industrial complexes, such as the Nickel, in Southern Greece and the ELPE oil refinery unit close to Athens, along with smaller zones of economic and domestic activity with budgets exceeding €250 million. New metering systems, automated control, safety installations, software upgrades, and utility equipment is scheduled to be acquired and constructed with a cost of €100 million. Between 2015-2025 DESFA has put forward a plans that will require more than €2.2 billion concerning domestic projects both planned and ongoing. The obstacles for the entrance of SOCAR as aforementioned will nevertheless have a negative impact on DESFA's investment plans. The latest information out of Brussels is signalling an eventual decision that not be taken before September 2015, whilst the officials of the Baku-based company have started to relay that they have become much less interested in pursuing the privatization after such a long delay.

Should SOCAR indeed drop its bid, DESFA will need to search for another suitor that would be able to guarantee its investment plans, since it will require importing capital from the international markets as the Greek economy is in dire straits. Despite the fact that other suitors have indirectly appeared, such as the Belgium Fluxys, the situation is still in flux.

SOCAR takes over Shah Deniz gas sales

Natural Gas Europe, *03.05.2015*

State energy company of Azerbaijan SOCAR has taken over as operator of Azerbaijan Gas Supply company (AGSC), assuming the role of selling gas from Shah Deniz field in Caspian to customers.

ACGS currently sells gas from Shah Deniz – 1 to Azerbaijan, Georgia and Turkey and will handle future gas sales from Shah Deniz-2 to European Union through the Southern Gas Corridor. The replacement was finalized on Friday after Norway's Statoil, a former commercial operator for Shah Deniz, completed its earlier announced transaction with Malaysia's Petronas.

The sale involved the transfer of Statoil's 15.5% participating interest in the Shah Deniz PSA and similar share in the South Caucasus Pipeline Company (SCPC) and in the SCPC holding company as well as 12.4% share in AGSC. The realization of the transaction took three years of talks with Shah Deniz partners, according to those close to negotiations. "There were a lot of doubts of SOCAR capabilities to become Shah Deniz commercial operator and manage sales operations, " the sources said. SOCAR's president Rovnag Abdullayev said the transfer of operatorship of AGSC and commercial operatorship of SCPC to SOCAR is "a very important milestone and s a clear recognition by global leading energy companies of its tremendous achievements." He expressed his gratitude to Statoil for making this transfer as smooth as possible at the final document signing ceremony in the company headquarter in Baku. AGSC is a company incorporated in the Cayman Islands, as a limited liability company, and head office in Azerbaijan capital.

A new position as head of gas sales entity from Shah Deniz will not affect SOCAR's future plans in Europe gas market, the company vice-president Elshad Nasirov said. "There will not be any conflicts or violation with the terms of the Third Energy Package. SOCAR will sell Shah Deniz's gas on behalf of the partners," commented Nasirov. Issues around compliance with the Third Energy Package have already stalled SOCAR's deal with Greece for acquisition of a 66 percent interest in the Greek gas transmission operator DESFA. As SOCAR head Abdullayev said earlier, the decision delayed from November 2014, is now pushed backed further to the end of this year. "The approval of the transaction for DESFA by European Commission has been extended till the end of the year," - Abdullayev said, adding that SOCAR's representative is working closely with appropriate EU authorities.

Aliyev: Azerbaijan changed energy map for the first time

APA, *04.05.2015*

Ilham Aliyev made the remarks at the 48th Annual Meeting of the Board of Governors of the Asian Development Bank in Baku. The head of state said that Azerbaijan protected the international law and justice within the UN Security Council.

"Azerbaijan's pursued successful energy policy thanks to our friends and partners. Though we had huge resources, we were in need of capital and infrastructure. Azerbaijan had no access to the open sea, so we had to build pipelines. We connected the Caspian Sea to the Mediterranean and Black Sea for the first time in history and Azerbaijan changed the energy map," President Aliyev noted.

President said that energy security is today related with natural gas resources and Azerbaijan is a leading country in this process. “We have initiated the projects of TANAP and TAP. The Southern Gas Corridor is the biggest infrastructure project that worth $45 billion. After the construction of the Southern Gas Corridor is completed, it will be energy supplier of Europe and our neighbors for 100 years. Our policy is aimed at promoting regional cooperation. We prefer to cooperate within mutually beneficial principles. We have never used our energy resources as means of pressure and always supported transit and consumer countries,” stressed the head of state.

Šefčovič: Ukraine to remain key transit country for Russian gas to Europe

Natural Gas Europe, 05.05.*2015*

Ukraine will continue playing a key role for Europe Maroš Šefčovič, in charge of Energy Union, said adding that, he saw how Ukrainian authorities are committed to fulfil their obligations and the necessary reforms to modernise the country, pushing it closer to European standards.

Saying he wants to replicate last winter’s unproblematic flows of Russian gas to Europe and adding that he wants to conclude a deal with Ukraine and Russia valid till the arbitration in Stockholm by the end of the summer, he is basically explaining that Brussels does not want to drift away from Moscow, while strengthening its ties with Kiev.

The only problem is that he did not clarify how Brussels could change Moscow’s mind, and force Russia to maintain Ukraine as a transit country for its gas to Europe. He simply said that, in economic terms, it is impossible to skip Ukraine and solely ship gas to Turkey. “If we will be working with Ukraine on the essential modernisation of Ukraine’s energy infrastructures, this will be the best answer to all those who are skeptical about the future of Ukraine as an important transit country of Russian gas to Europe” Šefčovič said, arguing that the infrastructure used for decades should be used in the future as well.

According to him, Europe stayed put in Ukraine - Brussels will continue supporting the modernisation of Ukraine’s energy infrastructures, backing banks’ investments in the country. He reminded how the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD) “signed the first set of loan agreements of 300 million of euros each to support rehabilitation of main east-west pipelines.” He also praised Kiev for the government’s efforts, despite the difficulties the country is going through. “We have to give a lot of credit to the Ukrainian government” Šefčovič said, speaking about Kiev’s push for reforms, ranging from campaigns against corruption to reforms of the judicial system. Šefčovič also threw his political weight to back the liberalisation of key energy assets in Ukraine. “I know that these new managers in charge of these companies are fully aware of the importance of these steps…

Therefore, I am glad that Naftogaz is preparing this process” he explained, saying that the European supports depend on Kiev’s reforms. Ukraine’s President Petro Poroshenko signed the gas law adopted by Verkhovna Rada on April 9. Law № 329-VIII states that the natural gas market is based on the principles of free competition, proper protection of consumers’ rights and security of natural gas supply. Finally, during the conference in Brussels, Šefčovič commented on the trilateral talks between Russia, Ukraine and the European Union. “I hope to have the chance to conclude these talks before summer” Šefčovič concluded, extending the so-called Winter Package till the Stockholm arbitration court will rule on the contracts between Gazprom and Naftogaz, which is expected by the end of 2016. According to Reuters, Russian natural gas to Ukraine doubled on a daily basis at the start of this month with respect to April. Despite this temporary achievement, Šefčovič said that there is not yet a date for the next political meeting of Russian, Ukrainian and European authorities. Last month, gas supply talks with Russian Energy Minister to secure supplies to Ukraine until the end of the next heating season have been cancelled. Šefčovič then said he expected the talks to take place by the end of April. The talks did not take place yet.

At the beginning of his speech, the European Commission Vice President presented possibilities to diversify gas supplies. According to Sefčovič, the Southern Gas Corridor is progressing on time, and Caspian gas will arrive in Europe by 2019-2020. He also reported that Azerbaijan, Turkey, and Turkmenistan asked Brussels to take a more active role in the construction of the Trans-Caspian pipeline. “They have been asking the European Commission to play the role of the moderator, to make sure that the Southern Gas Corridor is built on time, that we create good conducive conditions for building the Trans-Caspian pipeline, which will bring these almost unlimited reserves of gas from that region” Šefčovič commented during the Energy Security Conference 2015. Earlier this week, the European politician said that Turkmen gas could reach Europe as soon as in 2019.

During the conference, he said that the executive body of the European Union is paying special attention to South Eastern Member States, which are more dependent on Russian gas. Šefčovič stated that those countries will benefit of the European financial support to have access to at least three different sources of gas as soon as possible. He also mentioned that Miguel Arias Cañete, Commissioner for Climate Action and Energy, is discussing with Algerian authorities instruments to consolidate Brussels’ ties with Algeria, as part of Europe’s effort to diversify gas sources.

Russia doubles gas flows to Ukraine, ramps up Europe deliveries in May

Reuters, *28.04.2015*

Russian natural gas deliveries to Ukraine doubled at the start of this month after the countries extended a temporary agreement over pricing.

Naftogaz began importing 19.5 mcm from Gazprom a spokesman for Ukraine's gas grid operator Ukrtransgaz said. In response Ukraine nearly halved gas imports from countries such as Slovakia, Poland and Hungary, to 21 mcm from 38 mcm. These flows were introduced as part of a package of European Commission-led measures to keep Ukraine supplied after a protracted row over unpaid bills and pricing led Russia to cut flows to its neighbour last year.

A Naftogaz spokesman told Reuters that Ukraine imported 1.5 billion cubic metres (Bcm) in April, with 1.2 Bcm coming from Europe and 0.3 Bcm from Russia. But Ukraine and Russia agreed in early April a new gas price for the second-quarter of around $247 per 1,000 cubic metres, making it likely that Ukraine would at some point in this quarter boost Russian intake, especially because the new deal made Russian gas cheaper than European imports. The Commission has said it wants to broker further talks between Russia and Ukraine to try to get a more permanent solution, but no date has been agreed yet, a Commission official said. The European Union for its part has also seen Russian gas deliveries increase since the start of May and will now be able retain even more supply as export commitments to Ukraine ease, potentially weighing on wholesale prices of the fuel at trading hubs.

Russian flows to Europe rose to 345 million cubic metres/day by May 2 compared with around 318 mcm/day on April 29, pipeline flow data on Reuters Eikon showed. The rise in Europe-bound flows may also reflect structural shifts feeding through into the gas market following a collapse in oil prices earlier this year. European utilities had earlier deferred taking delivery of large Russian gas volumes until at least the second quarter when weaker oil prices will have fully worked through into gas contracts, making the supply cheaper. Russian long-term gas supply contracts reflect the price of oil with a time delay of three to six months. As a stop-gap measure, utilities chose to raid inventories to compensate for taking less Russian gas. Inventories which are now just 28 percent full, according to data from Gas Storage Europe, can be refilled using the cheap Russian supply that was missing earlier in the year.

Gazprom supports amicable pretrial settlement of EC antimonopoly probe

TASS, *05.05.2015*

Gazprom supports a mutually acceptable pretrial settlement within the framework of the antimonopoly probe instituted by the European Commission (EC), Russian Ambassador to the EU Vladimir Chizhov said.

"Gazprom speaks in favor of the mutually acceptable pretrial settlement within the scope of the European Commission's antimonopoly probe. Meanwhile, it is involved in direct talks with the European Commission," Chizhov added. Deputy Chief Executive Officer of Gazprom Alexander Medvedev will lead negotiations to settle the dispute between the EC and the Russian company under the antimonopoly probe.

The European Commission sent the official list of claims within the European antitrust probe to Gazprom. Gazprom has 12 weeks to respond to official list of claims by the EC, the European Union competition commissioner Margrethe Vestager said. EC suspects Gazprom of abusing its leading position in the European gas market, and also has questions to its system of long-term contracts and pricing system. The official antimonopoly probe was initiated on the basis of complaints of Lithuanian authorities to the EC on September 4, 2012. The investigation is carried out in the Baltic States, Poland, Czech Republic, Slovakia, Hungary and Bulgaria. Under the European law, the penalty for violation of the antimonopoly regulations may reach 10% of the annual turnover of the company on the market.

The decline of the Gazprom era in Europe

The Hill, *04.05.2015*

Last month's European antitrust charges against Gazprom, seem to signal that the heyday of Russian gas in Europe may be coming to an end.

Europe has been Gazprom's largest market for decades, but dependence on Russian energy and Moscow's resulting influence has increasingly bedeviled European policymakers. The EU's antitrust case is only one among the many factors over the last decade that point to a turning point in Gazprom's role in Europe, but neither Russian energy influence nor the importance of ongoing EU energy reforms should be discounted too fast.

The European Commission’s recent charges against Gazprom’s monopolistic practices in Central and Eastern Europe include setting “unfair prices”; seeking to partition European gas markets; and bullying states into Gazprom-led pipeline infrastructure projects. The targets were Bulgaria, Estonia, Latvia, Lithuania and Poland, which are all almost completely dependent on Russia for natural gas supplies. In many regards, the investigation launched in 2012 continued the commission’s regulatory efforts vis-à-vis Gazprom of the last decade. EU regulators already forced Gazprom to remove destination clauses from its contracts with Western European companies ENI (2003), OMV and EON Ruhrgas (2005). While it is yet uncertain what fines or remedies the commission will propose in 2015, it is certain that going forward, Gazprom’s operations in Central and Eastern Europe will need to fully conform with EU regulation.

During the 2000s, until the global financial downturn, Gazprom had a successful spree riding the wave of rising oil and natural gas prices and growing global demand for energy resources. Russia was persistently the largest supplier of Europe’s gas imports while Gazprom sought to acquire European downstream energy assets and launched the Nord Stream and Blue Stream pipelines. At the same time, Moscow was increasingly free-handed in its use of the energy weapon for political leverage over vulnerable European states. Russia’s energy influence was arguably best exemplified by the “gas wars” with Ukraine of 2006 and especially 2009, when Gazprom cut gas to a pipeline supplying Ukraine and more than a dozen EU member states in the dead of winter. The cut had significant humanitarian consequences that included fatalities in southeast Europe. This was a wake-up call for Europe. I remember the cold days in Prague, where I arrived with the Lithuanian delegation to the unveiling of the Czech Republic’s European presidency. In the background of the ceremonial pomp, most European foreign ministers were worried about Kremlin’s evident upper hand in gas relations. And rightfully so.

Since that cold winter of 2009, EU policymakers reinvigorated their efforts to diversify Europe’s energy sources, improve its energy infrastructure, build up gas storage and try to reduce its reliance on Russian gas. The Third Energy Package, or regulation to increase competition in EU’s internal gas and electricity market via “unbundling,” was adopted in 2009. Unbundling seeks to ban the same company from owning both the pipeline and the gas that is transmitted by that pipeline and has direct consequences for Gazprom. By 2014, Lithuania was the first among EU members to force a sale of Gazprom’s transmission assets in that country. Ukraine, despite not being a EU member, also looks to follow the Third Energy Package regulation. Furthermore, last year, due to EU regulations, Gazprom abandoned its plans to build the South Stream pipeline, which would have supplied southern Europe. In 2015, as Russia’s war in Ukraine rocked the European continent with its implications for energy supply, the EU announced its plan to create a European Energy Union to bolster its energy security and reduce reliance on hydrocarbons.

Possibly more worrying than EU regulations for Gazprom, long-term, is the unfolding American energy boom. Over the last five years, the U.S. has emerged as the world’s largest producer of natural gas. Enabled by new liquefied natural gas (LNG) delivery technologies and driven by the growing preference of spot markets over long-term contracts with Gazprom, many European countries like Lithuania are increasingly looking to diversify their gas imports with LNG deliveries (including from the U.S.). The U.S. government has authorized LNG exports to countries without free-trade agreements of over 100 billion cubic meters a year, which is roughly two-thirds of current Russian gas sales to Europe. Azerbaijan and Iran both also look to export gas to Europe.

In stark contrast to the developments in the global gas sector, Gazprom has questionable potential for growth due to its ineffective management and uncompetitive practices common among nontransparent state monopolies. Furthermore, Gazprom's dominant position is also challenged by other Russian energy companies such as state-owned Rosneft and publicly traded Novatek. Already in 2014, Gazprom's exports to Europe fell by 9 percent from the previous year, which was largely attributed to the warmer winter but also to reduced consumption, energy efficiency and renewables policies. These challenges have impacted Gazprom's bottom line: The company's net profits plunged 86 percent in 2014 in comparison to 2013.

Nonetheless, Gazprom's present leverage over Europe cannot be discounted. Currently, EU members Estonia, Latvia, Finland and Bulgaria are still nearly 100 percent dependent on Russian gas. Thirteen EU members receive Russian gas via the Gazprom-owned pipeline through Ukraine. The setback on South Stream notwithstanding, Gazprom is now pressuring Turkey to host the Turkish Stream pipeline — a project that would replace South Stream and compete with Europe's planned Southern Gas Corridor and TANAP (Trans-Anatolian Natural Gas Pipeline) pipelines bringing Caspian gas to Europe via Turkey. Meanwhile, Russian President Vladimir Putin is promising Russian gas deals to Greece and Hungary — just a few of the European states whose friendship Moscow is courting with energy supplies. Among Moscow's other countermoves, it is also possible that Gazprom could try to defend its market share in Europe from American, Azeri and Iranian gas imports by cutting its prices.

The European antitrust case is just the latest in a series of developments that have challenged Gazprom's role on the European continent. Moscow's increasingly unpredictable and aggressive foreign policy and a history of using oil and gas as a geopolitical weapon has strengthened the resolve of most European nations to diversify away from Gazprom's gas. This long-term strategy of diversification and new energy infrastructure will matter most to the EU's most energy-vulnerable states of Central and Eastern Europe.

Will Greece–Russia gas deal threaten EU energy security?

Natural Gas Europe, *04.05.2015*

Russian President Vladimir Putin promised Greek Prime Minister Alexis Tsipras that Greece would get "hundreds of millions of Euros every year" for bringing Russian gas into the EU. Gazprom's goal is to establish a new entry point to Europe bypassing the traditional route through Ukraine.

Panagiotis Lafazanis, the Greek energy minister, announced last week that Athens may repay the advance provided by Moscow once the "Turkish Stream" extension becomes operational in 2019. Based on a statement by Alexey Miller, Gazprom's CEO, the Greek portion of the pipeline project is expected to cost approximately €2 billion.

During Tsipras's visit to Moscow, the two countries agreed to create a working group, which will draw up "road map" for energy cooperation between Moscow and Athens. The 50 bcm pipeline could help the dire economic situation in Greece, but it has yet to be approved by the EU. It is likely to face significant political and regulatory difficulties in Brussels, which has become increasingly combative vis-à-vis Gazprom. On Wednesday, April 22, Anna-Kaisa Itkonen, the spokesperson on energy matters for the European Commission said: "we are ready to offer our assessment on any such agreement, any such deal, and its implications, when we have something to base our assessment on." There is little doubt that the EU will apply its anti-monopoly laws and unbundling regulations of the Third Energy Package strictly, as it did against South Stream.

Moscow is desperate to advance its Turkey Stream project, which is planned to replace the ill-fated South Stream project, "killed" by Putin in December of 2014. On April 7, 2015, the foreign ministers of Greece, Hungary, Serbia, Macedonia, and Turkey came together to express their support for the Turkish Stream. The ministers signed a declaration confirming "support to create a commercially viable option of route and source diversification for delivering natural gas from the Republic of Turkey through the territories of our countries to the countries of Central and South Eastern Europe." It is clear that Russia is wooing these current and potential EU members in an effort to secure an alternative route for its gas. Moscow is also courting allies, including Greece, Hungary and the Czech Republic, before the sanctions extension vote scheduled for the fall of 2015.

Russia is itself to blame for the current difficulties in protecting its gas market share in Europe. Before the annexation of Crimea and the war in Eastern Ukraine, the smart money was on South Stream – including this author. However, with tensions high, the future of Turkey Stream is in question. EU's recent antitrust charges against Gazprom, accusing the Russian gas giant of abusing its dominant market position in Europe, are likely to escalate tensions between Moscow and Brussels. "All companies that operate in the European market – no matter if they are European or not – have to play by our EU rules," said Margrethe Vestager, the Competition Commissioner, who is playing a key role in bending Gazprom – and Russia – to Brussel's regulatory and political will. The Southern Gas Corridor - the system of pipelines running from the Caspian region through Turkey to Southern Europe - is one of the most complex amd strategic elements to ensure Europe's energy supply for decades to come.

The implementation of this initiative will significantly affect the political climate in Eurasia. Turkey is a winner: it would serve as a transit country while satisfying domestic demand and gaining significant political good will with the EU. Maros Sefcovic, EC's Vice-President for Energy Union just last week said, "The European Union will increase support to Turkey in realization of the project for building the Trans Anatolian Natural Gas Pipeline (TANAP)." The EU realizes that TANAP/TAP plans to involve several potential suppliers from Europe's neighborhood, therefore increasing the energy security and delivery dependability. The projected capacity of the entire corridor is 16 expandable to 30 bcm per year. However, other sources of gas for TANAP could potentially be countries like Turkmenistan, Northern Iraq (Kurdistan) and eventually Iran. The maximum existing gas export capacity from Turkmenistan is now close to 100 bcm per year, most of which goes to China.

The foreign ministers of Turkey, Turkmenistan and Azerbaijan met in Ashgabat in January 2015, and invited Turkmenistan to join the TANAP project. The Turkish President, Recep Tayyip Erdogan, noted that the three countries share a same vision of transporting Turkmenistan's natural gas to Europe through Turkey. Turkmenistan holds the world's fourth-largest reserves of natural gas. It seems like the proud owner of the second largest gas reserves, Iran, also wants to get in on the TANAP/TAP actions. Earlier this month, the Turkish Energy Minister TanerYıldızsaid, "It will be possible for Iran to take a stake in the TANAP project as long as certain commercial conditions are fulfilled."

Nevertheless, the Russian opposition to the Trans-Caspian Pipeline is strong. Putin and Erdoğan became so close, that Putin chose Turkey to replace the politically troubled South Stream. Erdoğan is in a difficult position, as Turkey is forced to decide between its major energy and trade partner Russia and its long time ally Azerbaijan. The opaque relationship between Erdogan and Putin goes beyond the field of energy, as Turkish construction firms make billions of dollars in Russian projects, and millions of Russian tourists vacation in Turkey – no visas needed. Ankara did the minimum to protect the Crimean Tatars, whose ancerstors used to be Ottoman citizens and are Turkic Sunnis, unlike the Shia, mostly secular Azeris. Even though adding Russian gas transit routes and becoming a regional energy hub may be attractive for Turkey with a domestic consumption of about 50 bcm annually and growing, many gas executives ask whether Turkish Stream and TANAP can coexist.

Several energy experts have expressed concern over economic and political risks at stake. Yet, for the TAP/TANAP consortium members, Turkey Stream should not immeditatly affect project implementation in any way. The EU leadership is frustrated with the Greek government trying to dance on all weddings, and with the pro-Moscow factions in Serbia, Bulgaria, and Hungary. The EU political and law enforcement institutions are on track to decrease Russian lobbying capacity in Southern Europe in order to establish solid cooperation framework among the member states.

Potential routes for delivering Turkmen gas to EU

Natural Gas Europe, *04.05.2015*

Azerbaijani, Turkish energy ministers, as well as European Commission Vice President Maros Sefcovic have discussed the gas delivery options with Turkmenistan in Ashgabat. They signed an energy declaration.

During last two days, two options for transiting Turkmen gas towards EU were announced by Sefcovic: Transferring through Iran, and building underwater Trans Caspian pipeline. Sefcovic said that he has discussed the possibility of transiting Turkmenistan's gas via Iran. "We discussed all aspects referring to the trans-Caspian pipeline… We made a big step in the strategic direction". he added.

Iran is ready to ensure transit for transporting Turkmen energy resources, particularly, oil and gas to the third countries, Iranian President Hassan Rouhani said during his official visit to Turkmenistan in March 2015. However, during a discussion held with Natural Gas Europe with Iranian ambassador to Turkmenistan, Mohammad Musa Hashemi Golpayegani on April 12th, he said that "Iran has technical opportunities, including a gas network for transporting in any direction, but, Iran and Turkmenistan have not yet discussed in what direction the transit of gas will be carried out, however, they supported the idea of transit itself". Iran has an agreement with Turkmenistan to import 14 billion cubic meters of gas per annum (bcm/a), however Ashgabat. delivered only 50 percent of this volume to Iran during last year. The capacity of Turkmen gas delivery to Iran via two pipelines is a little more than 18 bcm/a, while the capacity of cross-country pipeline from Iran-Turkmenistan borders to Tehran is a little more than 21 bcm/a.

There is not a pipeline in place in a east-west direction starting from Tehran however, with building a 200-km pipeline from Tehran to Esfahan city, it seems the Turkmen gas could be transited towards Iran-Turkey border, as a pipeline delivering gas from Isfahan towards Turkey borders is already existent. However, there is potentially another option, which can also provide opportunity for Iran to economize $4 billion in building the 11th cross-country pipeline from South Pars gas field towards northeastern regions in bordering with Turkmenistan. Iran is preparing the 11th cross-country pipeline, aimed to make northeastern regions self-sufficient instead of relying on Turkmen gas imports. The 11th cross-country gas pipeline project is 1,100 kilometers long with the capacity to transfer 100 mcm/d of gas. Iran has another project, a 1860-km length 9th cross-country pipeline, projected to cost $6 billion and transfer 110 mcm/d of gas from South Pars gas field towards Iran-Turkey borders. Therefore, Iran potentially could sign a gas swap deal with Turkmenistan and Turkey, eliminate the 11th cross-country pipeline and accelerate the building of 9th cross-country pipeline instead.

Turkmenistan has tight principles in gas deals. It is neither involved in external pipeline projects nor obliges any potential gas disruptions abroad. Therefore, the possibility of Ashkhabad's participating in building Trans Caspian pipeline is very weak, while Iran and Russia are strongly against this project. Last year, Turkmenistan and Turkey signed a framework agreement to supply gas to the proposed Trans-Anatolian natural gas pipeline project (TANAP), which will take gas from Azerbaijan's Shah Deniz II field in the Caspian Sea. To connect to TANAP, Turkmenistan needs to build its own, 300-km link under the Caspian Sea, a disputed area between Russia, Kazakhstan, Turkmenistan, Iran and Azerbaijan. However Sefcovic says that a working group will be established in one month to further work on the trans-Caspian project. Iran and Russia say this could harm the fragile ecology of the shallow sea. Sefcovic argued that EU had financed an ecological expertise of the project jointly with the World Bank. "There are technologies which are reliable from the point of view of ecology," he said.

In case the pipeline become operational by 2019, and Iran's 11th cross-country pipeline be built, then TANAP can be supplied by both Turkmen and Iranian gas from different routes, enabling an expansion of the Trans Adriatic pipeline capacity from the current 20 bcm/a to 30 bcm/a or even more and expand the importer countries list by reviving Nabucco project. Iran planned to increase gas production level from the current 660 mcm/d to 1.1 bcm/d by 2020, while Turkmenistan is to increase gas production level from the current 200 mcm/d to above 680 mcm/d in 2030. For now, Turkmenistan has two potential gas export projects, doubling gas delivery to China to 65 bcm/a based on agreements and delivering 30 bcm/a of gas to Afghanistan, Pakistan and India through TAPI project.

Lithuania mulls all-affecting "LNG terminal security tax"

Natural Gas Europe, *05.05.2015*

The head of Lithuania's heat producers calls the country's much-lauded LNG facility in the seaport of Klaipeda "an expensive posh store where shopping is mandatory." To bring 'fairness' to the situation, Vytautas Stasiunas, President of the heat providers association insists a single LNG facility maintenance tax should be imposed.

The necessity for an egalitarian tax has become particularly urgent after the country's Constitutional Court ruled in favor of the state recently, reaffirming the country's gas and power suppliers' mandatory obligation to purchase gas from the facility, where the price is still higher than that of Gazprom.

Though nearly all in the Baltic country agree that the LNG terminal and the Korean-assembled FSRU have served as tangible leverage in talks with Russia over gas price. After the launch and Gazprom gas price cuts on European markets, Lithuania has been struggling ever since with whom to foist costlier Norwegian gas and its costly LNG repositories. "As of now, the residents depending on centralized heating mostly support the LNG facilities, but this needs to be changed: if we deem them objects of national importance and guarantors of our energy security, to population has to take over the burden of costs," Stasiunas told Natural Gas Europe.

The Lithuanian Energy Minister, though as always showering the LNG facility with praise, says the idea is worthy of "discussion." "It is really possible to discuss the most suitable model of the maintenance. Now we have such model as it is (through mandatory gas purchases), and it functions well, but if anyone suggests a better model, it is worth looking for a best solution. I am open for discussions (in that regard)," Minister Rokas Masiulis explained to Lithuanian media. He agreed that the terminal gas price is "insignificantly" higher against the Gazprom price, but insisted that the Klaipeda LNG terminal has pushed the price for Lithuania down "generally."

After the Constitutional Court ruling mandatory LNG purchases in the country are thought to rise from roughly 35 to 65 percent. If not for its nodding to the interest of state, experts say the Lithuanian authorities would have issues with the roughly €600 million price tag for the LNG vessel's 10-year lease. "That now Vilniaus Energija (a heat company serving the Lithuanian capital Vilnius) will have to buy from the terminal 65 percent of its demand for fuel – up 30 percent from the previous level- looks pretty weird to me. It is akin to obligating someone to lavish 65 percent of the wage in a posh store," Stasiunas spoke illustratively to Respublika, a Lithuanian weekly known for its hard take on the LNG facility.

Largest gas consumer mulls opting out of mandatory LNG purchases. The so-called "gas price security component" at Klaipeda LNG terminal is said to be €22.3 for 1,000 cubic meters of Statoil gas supplies. In other words, that is how much is needed to come up with on top of the commercial price in order to secure the wellbeing of the strategic energy objects. A component of the terminal operational costs is indirectly also included in Lithuanians' power bill through public service obligation payments, arising from state power companies' obligation to purchase local generation. The $128 million offshore liquefied natural-gas vessel converts LNG into natural gas and pumps it to the mainland, able to replace all of Russia's annual 2.7 billion cubic meters of gas supplies if operated at full-capacity - almost 4 billion cubic meters per year.

At that level, the terminal could cover 80 percent of the entire Baltic region's demand, but Latvia and Estonia have their own schedule: the latter has been advancing its own LNG project, while the former mulls starting one. With the far less than projected demand, Lithuania's LNG terminal is being run at just over 10 percent of its capacity and the Baltic state still struggles to sell the minimum base, ca 500 million cubic meters of gas per year. With the constitutional obligation to buy the Norwegian gas, the uncertainty over the LNG terminal's maintenance budget is not going anywhere. The Baltics' largest sole commercial gas user, fertilizer producer Achema, which will likely be forced by the constitutional ruling to pay roughly €25 million for the terminal infrastructure support without getting a single drop from it as its buys cheaper Gazprom gas, mulls opting out of the obligation with imports of nitrogen, which can be used by the plant for the fertilizer output. Achema is not only one to not bode well for the Klaipeda facility. The expected prevalence of bio-fuels in the country's heating sector looms menacing to the LNG terminal. "Already in a couple years the majority of heat providers in Lithuania will use cheaper bio-fuels, not natural gas, so imposing a new national tax to be paid by all and each for the energy security guarantor (LNG facility) is not an option, but rather a necessity," insisted Stasiunas.

Meanwhile, Arturas Skardzius, the chairman of a former interim parliamentary commission, set out to investigate Lithuania's strategic energy projects during the Conservatives' years in power through 2008-2012, notes that with bankruptcy of Achema, or in case it decides to start importing liquefied nitrogen and manufacture fertilizers from it, the burden of the LNG objects for all would be "hardly bearable." "Already in 2016 Lithuania is expected to start dealing with the glut of gas, a result of the increased use of bio-fuels. But closing eyes to the reality, the Conservatives pledged to buy 540 million cubic meters of (Norwegian) gas suppliers for five years…The gas distribution and transmission at the LNG terminal has gone from 231 litas ($95) to 401 litas ($163) for 1,000 cubic meters of gas…The way they blew up the terminal expenditures is nowhere else to be found. It is a crime. The energy security could have been reached at whole less cheap costs," the Lithuanian lawmaker argues.

Getting all to pay the “energy security” tax, experts point out, might be not an easy task. Pijus Ralys, an energy expert at Lithuania’s Industrialists Confederation (LIC), believes the European Commission, the European Union’s executive body, will likely bristle against the idea. “Imposing such a tax would be kind of a new thing in the Union. Alternative option would be to cover the costs from the Lithuanian budget, but since it significant share (around 30 percent) consists of the EU allocations, the state of Lithuania would certainly run into a collision with the Commission (over the use of funds). Especially that the majority of Lithuanian citizens do not use natural gas in their households,” the LIC expert told Natural Gas Europe. Such a legislative initiative would also require a thorough overhaul of Lithuania’s laws, and drawing up a new one for the LNG terminal maintenance, which might be impossible with the Baltic country nearing to a new general election.

“Talking of the European Commission, one should remember that it had already ruled against the state of Lithuania in Achema’s complaint against the state on the mandatory LNG terminal infrastructure development support (Lithuanian authorities had initially sought major natural gas consumers in the country, including Achema, chipped in with their money for the construction beforehand, but after the EC ruling Lithuania has swiftly passed law obligating country’s heat and power companies, and Achema, too, to buy gas from the LNG terminal),” Ralys reminded. Arturas Racas, an analyst and editor of faktai.lt, a news site, noted that the LNG facilities’ costs are already “visibly” reflected in heat and power bills every month. “Let’s make it clear: the residents are already substantially chipping in to the financial stability of the LNG terminal and vessel. That the Government came up with the idea of a direct natural gas terminal tax shows that things at the facilities are not way they were supposed to be according to the authorities. Those in power had to think of how to make the terminal profitable when the project was under the way and way earlier than that, but logic was not there obviously,” Racas criticized. Not surprisingly, he says, with the economy bypassed, Lithuania deals now with a slew of issues regarding the terminal’s viability.

“Let’s admit: Klaipeda LNG Terminal is not viable economically. Trying to put the bulk of the terminal costs on Achema, a private company, is a stupid thing, likely to be happening in Russia or Belarus, for example, not in a EU country. The LNG terminal is not an economic project, but a political one, a very expensive one, obviously. It may have been useful in the negotiations with Gazprom, but altogether the cost-effectiveness of the facility will likely plague us all in the country for years to come,” the analyst emphasized to Natural Gas Europe. Meanwhile, Lithuanian Prime Minister Algirdas Butkevicius insisted this week the LNG terminal in Klaipeda works effectively and the LNG price at it in April plummeted 12 percent in comparison to the year’s first quarter. “After the first months of the year it is visible that the LNG facility is run effectively and there is exertion to adjust the working regimes to the changes that Lithuania deals in natural gas consumption and seasonality, too. As the certain ceiling has been put for the Gazprom gas prices, they will not be able to exceed those on international markets,” the PM told Lithuanian media.

ExxonMobil shows how technology could reduce upstream costs

Natural Gas Europe, *04.05.2015*

ExxonMobil Research Qatar awarded a global commercial license for Immersive 3D Operator Training Simulator technology to co-developer EON Reality, providing an example of how to use technology to cut costs.

'The technology enables effective training to take place in a safe and controlled environment' reads a note released by ExxonMobil. The simulator will be used to train workers on how to prevent incidents. "The Immersive 3D Operator Training Simulator will change how operators and plant crews train on existing facilities and even before a facility is operational," Mats W. Johansson commented.

EON Reality, with offices in 10 different countries, is one of the main companies in Virtual Reality based knowledge transfer.

European Commission passes network code, engages in political debates

Natural Gas Europe, *04.05.2015*

European authorities are showing some signs of vitality through a combination of political speeches in Brussels and legislative activities. the European Commission adopted new rules for cross-border cooperation between gas network operators, as part of its series of network codes.

'These new rules, known as the 4th binding EU Network Code for the gas sector were developed in cooperation with national energy regulators and network operators. They align the complex technical procedures used by network operators within the EU, the Energy Community and other countries neighbouring the EU' reads a note released by Commission.

The regulation sets out rules for interoperability, data exchange, and harmonised rules for the operation of gas transmission systems at interconnection points, and points where the gas quality is measured. The regulation also comprises a derogation for interconnection points between two Member States in which at least one is covered by the Article 49 of Directive 2009/73/EC. Article 49 applies to emergent and isolated markets. The new law covers seven different aspects of the interconnection points: i. flow control, ii. measurement principles for gas quantities and qualities, iii. matching process, iv. allocation of gas quantities, v. communication procedures in case of exceptional events, vi. settlement of disputes arising from interconnection agreements, vii. amendment process for the interconnection agreement.

The next step will be represented by a document to be published by ENTSOG by 30 June 2015, which will present a draft interconnection agreement template covering the default terms and conditions set out in the articles about i. flow control, ii. measurement principles for gas quantity and quality, iii. rules for matching progress, iv. rules for allocation of gas quantities, v. communication procedures in case of exceptional events. Over the last hours, two commissioners intervened in European debates too. Commission Vice Presiden Maroš Šefčovič took part in a conference in Brussels, saying that the Energy Union will take shape in the coming 7 months. Once more, he also presented his two main strengths, he played his best two cards: LNG, and additional suppliers. “When it comes to gas, we will develop an EU-wide strategy for LNG and storage; establish partnerships with additional suppliers; and build the infrastructure to bring the gas from those suppliers” Šefčovič said. The European Commission Vice President said that the Energy Union will trigger a transparent governance mechanism in the remaining months of 2015, explaining that European authorities are working to understand the implications of the Energy Union on Member States. He also renewed its commitment to engaging with countries to better design the European energy strategy.

A few days before, Miguel Arias Cañete, European Commissioner for Climate Action and Energy, told the Polish newspaper Ekonomia that he understands Polish reliance on coal, explaining that Brussels supports the development of technologies compatible with coal-fired power plants like CCS. He also underlined the importance of energy efficiency, and the on-going negotiations to modify the Emissions Trading System. Judging the approach of the European Commission in the last hours, it seems that European politicians (finally) understood that declarations are stronger when they add flesh to the bones, when statements go hand in hand with laws, directives and tangible steps ahead. It is probably just a matter of communication, but political strategies, especially in Brussels, are and will remain key for any development.

The U.S. cannot compete with Russia in Europe's natural gas market

Forbes, *05.05.2015*

Will the U.S. be able to compete with Russian natural gas in the lucrative European gas market? For those who think that Washington's support of Ukraine is about energy, this may warrant another look.

I used to think that the U.S. was positioning itself to be a big supplier of liquefied natural gas to the European Union. And with that came the lobbying against Russia's Gazprom in its core market. The notion was that the Washington could use the budding anti-Russia sentiment that was kick-started by the year-long Ukraine crisis to position the U.S. as an alternative energy source for Europe.

The truth is that the only way the U.S. will be a big supplier is if a U.S. company, based in Europe or Eurasia, is using hydrocarbons it has rights to abroad. In other words, the U.S. natural gas market will be — not surprisingly — hyper local. U.S. companies may become players in Europe, but if it wants to rival Gazprom then it will have to source that gas from someplace else. Gazprom will naturally lose some of its market share in Europe over time. Such is the ebb and flow of a free market. But it won't be at the expense of Washington policy makers, or the Gulf of Mexico. There is only one way domestically produced gas can get to Europe and of course that is by LNG tanker. The U.S. is building up LNG port terminals. There are currently four LNG export terminals under construction, with an additional one scheduled to start shortly.

The bulk of them are in the energy rich Gulf Coast. One is in Washington's backyard — in Maryland. Most of the capacity for these five terminals has been contracted to identified buyers already, some of which is not dedicated and will likely sell on the open market to the highest bidder. Others have destination specific contracts. The contract holders are a matter of public record, and most of the export facilities have their "sales and purchase agreements" on their project websites. Of the five terminals under construction, only Corpus Christi has signed contracts targeted for Europe. According to the U.S. Energy Information Administration, that terminal will ship the equivalent of around 700 million cubic feet per day to Europe. Bigger contracts have been signed with India (1.8 billion cubic feet daily) and Japan (2.2 bcf/d). Even though U.S. energy firms are building for future exports, Europe does not appear high on the list. More than 30 projects totaling 40 bcf/d in export capacity have been proposed in the U.S. but have not yet been approved, so for now these are pipe dreams. If they became reality, they would account for more than the current global liquefaction capacity, which was 39 bcf/d in 2013, according to data from IHS Energy. Global LNG trade amounted to 32 bcf/d. Washington is more interested in lowering U.S. dependence on foreign fuels than it is interested in helping the E.U. diversify away from its main foreign source of fuel, which happens to be Russia. Russia, the U.S. and the E.U. have been butting heads over Ukraine since the March 2014 annexation of Crimea, a peninsula in the Black Sea.

The Kyiv government has been moving westward ever since and pro-Russia separatists in the east have been moving, well…eastward, towards Moscow. The dispute has led to sanctions against Russian energy firms like Gazprom, Rosneft and Lukoil. It has also led to a cooling-off of U.S.-Russia relations. When President Barack Obama was elected, the idea was for Washington to “reset” relations with Russia. They have been reset alright, all the way back to the 1980s, at least in politics. One of the sticking points is energy. Russia proposed including Greece in its Turkish Stream pipeline deal. Greece accepted the offer. It will turn Greece into a key transit hub for Russian natural gas flowing through Turkey and into southern Europe via cash-strapped Greece. But last week, the Greek government said it was being courted by Washington in a counter offer. Most of this is just political posturing and noise. The U.S. is not now and nor will it be in the near future a key resource for Europe’s energy needs. According to EIAs Annual Energy Outlook, published in April, the United States remains a net importer of fuels through 2040 in a low oil price scenario. In a high oil and gas price scenario, the United States becomes a net exporter of liquid fuels due to increased production by 2021. A lot can happen in seven years. By then, Exxon will likely be back to its deal with Rosneft in Russia’s Arctic Circle. American natural gas will be for Americans. Gazprom, meanwhile, might go from 30% of the European Union’s current foreign supply to 25% or even 20%. Some of that might be replaced by the U.S. But the real competitors are the European Arctic Circle producers who, for the most part, have good relations with the Russians. For those of us who like to think that wars in foreign lands are due to oil and gas dealings…if Washington plans on kicking Russia to the curb in its own backyard, it has a lot of work to do. And a long way to go to achieve it.

European Commission urges southeastern Europe to build more LNG terminals

Novinite, *05.05.2015*

The European Commission has recommended that Southeastern European countries strive to build LNG terminals to avoid gas supply disruptions and to boost energy security. European Commission Vice-President Maros Sefcovic announced a comprehensive plan for SEE countries aimed at guaranteeing access to at least three sources of gas, according to reports of the Bulgarian Telegraph Agency.

Sefcovic made clear that the plan was to be presented in July.The EC Vice-President noted that the falling prices of liquefied natural gas supplies had caused the EU to start preparing a new strategy for more LNG terminals.

Giant shale gas field discovered in Southern Sweden

Sputnik, *05.05.2015*

Colossal reserves of shale gas have been discovered in Sweden. According to a team of researchers, the gas field located in southern Sweden formed under the process of glacier melting and complex biosphere reactions only 12,000 years ago.

As a result, the new Swedish gas field is considered "one of the youngest" in the world. According to the researches, the field can produce gas at a depth of 100 meters. In late-2014 scientists said companies profit from shale gas production in the US until 2020 only because oil fields in the country are not as rich as they were believed to be.

EU Energy Ministers to sign declaration on Energy Cooperation in June

Sputnik, *06.05.2015*

Germany and 12 EU energy ministers plan to sign a joint declaration on energy cooperation, in early June, State Secretary of the German Ministry for Economic Affairs and Energy Rainer Baake said.

Baake pointed that the EU ministers agreed to follow common principles, including cancellation of price caps or interference in energy trading. "This draft says clearly that we may have different national policies but we agreed on some principles and one of them is no price caps. No direct or indirect price caps. And no interference in energy trading," Baake said.

The Wednesday meeting's keynote speech is centered around an ambitious goal of creating an EU Energy Union, its potential benefits and the biggest challenges. The two-day energy security summit aims to look into the current political and strategic challenges, focusing on ways to diversify energy supplies using green technologies, as well as the "new order of energy policies and markets." The event comes amid deteriorating relations between Russia and the West, which prompted EU members to look for alternative energy sources.

UK oil, gas companies chose North America for expansion

Anadolu Agency, *05.05.2015*

U.K. oil and gas companies see potential for growth in the energy sector in 2015, with the largest interest in North America.

The survey involving 101 oil and gas companies shows that 92 percent of companies intend to grow in 2015; up by 23 percent from the previous year. The positive outlook on growth, despite low oil prices, is towards international expansion. In 2014, 36 percent of companies were not interested in international expansion; however more companies have shown an interest in overseas expansion in 2015 and this figure has dropped to 9 percent.

North America is the most popular destination due to "familiarity and the expanding opportunity to sell equipment and services to conventional and unconventional producers alike," according to the report. The report also reveals that companies are also positive about investing in the Middle East and South America. Growth is expected to be through mergers and acquisitions with "a quarter of firms hoping to merge or acquire compared to only a tenth in 2014," the report highlights.

The report indicates the number of companies which are looking to diversify to onshore shale to produce oil and gas have more than doubled while figures show a tripling in renewable energy interest which has become an even more attractive choice. The report states that "seeking more flexible oil production and less exposure to price uncertainties" are the main reasons for the hike in interest in shale oil and renewables. Meanwhile the main concern of companies in the U.K. seems to be in reducing the cost of production to deal with the challenge posed by the fall in oil prices. Among the surveyed companies, 39 percent said the fall in oil prices has delayed investment growth. The report predicts oil prices to be around $55 in 12 months' time.

EU and Algeria agree on energy cooperation

Anadolu Agency, *05.05.2015*

The EU and Algeria launched a political dialogue on energy cooperation, the Commission announced. As a result of the talks, representatives from both sides agreed to cooperate on natural gas, renewable energy, energy efficiency, energy market integration and infrastructure development.

Algeria and the European Union agreed a strategic energy partnership. Both parties agreed to create two groups of experts one on natural gas, and the other on electricity, renewables and energy efficiency. Additionally, the set-up of a business forum was agreed with the first meeting scheduled for 2016.

Algeria is third biggest supplier of gas to the EU, while the EU is the biggest importer of Algerian gas. However, due to a lack of new investment, gas production in the country is declining and large reserves of gas remain unexploited. Enhanced political links on energy could boost investments in Algerian gas with the knock-on effect of improving Europe's energy security. Meanwhile, the EU has agreed to share its renewable energy and energy efficiency expertise in support of Algeria's goal to reach 22 gigawatts of renewable power by 2030 and a 9 percent reduction in energy consumption.

Egypt launches tender to lease second LNG terminal

Natural Gas Europe, *05.05.2015*

Egypt is continuing its efforts to increase energy security, launching a tender to lease a second LNG import terminal and negotiating with regional players to buy more gas.

Noble Energy said that initial sales of gas from its Tamar field to Dolphinus Holdings for Egypt's domestic consumption should commence later in 2015, depending upon full regulatory approvals and finalisation of pipeline transport agreements. The American company also said that the compression project meant to increase peak deliverability at the field is nearing completion. Meanwhile, Egyptian authorities are trying to secure a second LNG terminal.

“We launched a tender to lease a second LNG import terminal for a period of five years. We have sent it to eight international companies and we expect to get a reply within a week,” Khaled Abdel Badie, Chairman of Egyptian Natural Gas Holding Company, told Reuters. According to The Cairo Post, EGAS said that Sonatrach should deliver 3 bcm of LNG by next week. The country is diversifying its gas sources, with LNG cargoes coming from Algeria, the Netherlands, the East Med, and Russia. Espen Barth Eide, UN Secretary General’s Special Adviser, sent conciliatory messages, saying that the two Cypriot leaders - Akinci and Anastasiades - are seriously dedicated and committed to solving the Cyprus problem. He said that both Turkey and the European Union will have a role in the negotiations. Last week, Cyprus, Egypt and Greece agreed to increase economic ties and business relations, while joining forces to tackle terrorism in the Eastern Mediterranean and in the Middle East.

South Africa, Iran talk energy cooperation

Natural Gas Asia, *03.05.2015*

South Africa is willing to work with Iran in the energy sector, according to a senior Iranian official. “South Africa is willing to sign memorandum with Iran in different sectors of energy,” Mohsen Qamsari, director of international affairs at National Iranian Oil Company, said.

The topic was discussed last week when South African Minister of Energy Tina Joemat-Peterson met with Iran’s Oil Minister Bijan Zangeneh in Tehran. Qamsari said the Africa nation has shown interest in buying natural gas, oil and petrochemicals and is also keen on investing in various projects in Iran.

Currently South Africa does not buy ant energy product from Iran. “They (South Africa) want to receive crude oil for Engen refinery in this country, but this country’s port is being controlled by Shell and they cannot take oil there,” he said.

Work on Libyan gas field resumes

Natural Gas Asia, *03.05.2015*

Operations on Irda natural gas field in Libya have resumed after protesters agreed to a deal, state owned Sirte Oil Co said, Reuters reported.

"We have reached an agreement with the protesters to end their strike," the Sirte Oil spokesman said, without giving details of the deal. According to Reuters, protesters had demanded jobs at the oil company and had prevented staff from working at the company's headquarters. Work on nearby Sahel gas field could also have stalled if protests had continued, the company stated. The two fields produce a combined 150 million cubic feet of gas per day.

Libya's oil and gas output has declined sharply since the ouster of Muammar Gaddafi. The industry has been gripped by instability as various armed factions fight for control.

Only 4% of Afghanistan's oil, gas rich territory being exploited

Natural Gas Asia, *06.05.2015*

Only about four percent of Afghanistan's territory rich with oil and natural gas is being exploited, according to Deputy Minister of Mines and Petroleum, Jawed Sadat.

"Afghanistan's natural gas and oil reserves lie over 270,000 square kilometers and so far contracts have been signed for only 10,316 kilometers, which constitutes four percent of the whole," Sadat said. Meanwhile, Minister of Economy Abdul Sattar Murad said there would be monthly meetings, bringing donors and the Afghan government together to ensure better coordination for implementation of new energy projects, Tolo News added.

"This was one of the best meetings ever held between the donors and government of Afghanistan to improve coordination and this could help us in implementing the projects effectively and this will also boost the development process," Minister Murad said. Wednesday's meeting focused on current energy generating projects, the working process of energy projects, the gas project master plan and progress on TAPI.

Moody's: India's LNG imports to more than double to 24 mt by 2020

Natural Gas Asia, *05.05.2015*

India's LNG imports is expected to double to 24 million tonnes per annum by 2020 from 10.7 million tons in the financial year ended 31 March 2014, Moody's said.

Moody's sees the expected surge in imports to benefit country's leading LNG importer, Petronet LNG Limited and dominant gas distributor, GAIL Limited the most, because of the increased usage of their gas infrastructure. "India's LNG imports should more than double to 24 million tonnes per annum by 2020 from 10.7 million tonnes in the financial year ended 31 March 2014, because of low and sustained LNG prices, rising industrial demand," said Abhishek Tyagi.

"The stimulant effect on demand of lower LNG prices would be felt post 2017, because the fuel is mostly imported under long term contracts, which are generally linked to five-year average crude oil prices," says Vikas Halan a Moody's Vice President and Senior Credit Officer for the Corporate Finance Group. Moody's report stated that the demand for LNG in India would be even greater if it were more widely used by the power generation sector, which currently absorbs only 10 percent of bulk imports because of the fuel's persistently high price relative to coal and domestic gas.

Gazprom to produce gas in Bolivia in 2016

Anadolu Agency, *05.05.2015*

Gazprom plans to start natural gas production in Bolivia in the first quarter of 2016, the company announced.

Gazprom said that four exploration wells with an average depth of five kilometers were drilled at the Ipati and Aqulo gas fields. "The construction of the first phase of a complex gas treatment plant with a capacity of 6.5 million cubic meters per day, as well as field gas pipeline, condensate drain line for connecting to the gas-transport system are in progress. Later we plan to increase the number of production wells and to increase the complex gas treatment plant power to 19.5 million cubic meters per day," the company said.

The work is currently in progress at Ipati and Aqulo fields to prepare the wells associated infrastructure for the beginning of commercial production in 2016. Bolivia has the third largest natural gas reserves in Latin America after Venezuela and Trinidad and Tobago. The country has 296 billion cubic meters or proved reserves of natural gas.

US oil stocks fall after 16 weeks, production declines

Anadolu Agency, *07.05.2015*

The U.S. crude oil stocks, domestic production and oil imports decreased for the week ending May 1, the U.S.' Energy Information Administration, EIA, said.

For the week ending May 1, commercial crude oil inventories in the U.S., excluding stocks in the Strategic Petroleum Reserve, fell by 3.9 million barrels from the previous week to reach 487 million barrels. The crude oil stocks were at 490.9 million barrels for the week ending April 24 after increasing by a modest 1.9 million barrels previously. The latest fall in crude inventories marks the end of the 16th consecutive week of a rise in the country's crude inventories.

Domestic oil production in the U.S. also decreased by a modest 4,000 barrels a day to reach 9,369,000 barrels a day for the week ending May 1. In addition, crude oil imports in the U.S. fell by 905,000 barrels a day in the same period, compared to the previous week, averaging just a little over 6.5 million barrels per day. EIA noted that crude oil imports averaged over 7.2 million barrels per day in the last four weeks, which is five percent below the same four-week period last year. U.S. crude oil imports are in steep decline, averaging 7.45 million barrels a day for the week ending April 24, and averaged 7.76 million barrels per day the week before.

US’ vast LNG capacity curbed by slow federal approvals

Anadolu Agency, *06.06.2015*

The U.S. has vast amounts of LNG production capacity under construction; however the federal government’s bureaucratic holdups to approve projects could mean U.S. companies lag behind in global trade.

The country has 50 million tonnes a year of liquefied natural gas, LNG, production capacity under construction, the global research and consulting company Wood Mackenzie said. However, the federal government has not yet approved many projects which remain pending. LNG deliveries in 2014 were around 243 million tonnes worldwide, the BG Group estimated in its Global LNG Market Outlook 2014-15.

So far, nine projects have been approved in the U.S. to export LNG, while four of them have begun construction. The four projects under construction are in the states of Maryland, Texas and Louisiana, while the earliest date for the country to begin exports is late 2015. A senior official of energy giant ExxonMobil said on April 20 that the U.S. may lose its opportunity to realize LNG projects and lose out on market share if the government does not hasten LNG export approvals. “If policymakers don’t revisit and redress some significant legal and regulatory problems, then the U.S. could be left behind in global energy and trade,” said Rob Franklin, president of ExxonMobil Gas and Power Marketing Company, according to a statement on the company website.

The company has undertaken a $10 billion project to convert an LNG regasification terminal at Golden Pass, Texas, into an LNG export terminal, but has not heard any decision about its application from the federal government after more than two years. Permit applications for some two dozen other projects are also in the same state of bureaucratic limbo, ExxonMobil said in the statement. “If we are serious about having a U.S. LNG industry and capturing the tremendous opportunities in front of us, then we need to ensure that the case of LNG exports does not become just another casualty of bureaucracy,” Franklin said. ExxonMobil stressed that global LNG demand is expected to triple between 2010 and 2040. U.S. shale gas production is projected to reach 19.6 trillion cubic feet (392 million tonnes) in 2040, the U.S.’ Energy Information Administration, EIA, said in its Annual Energy Outlook 2015. The country’s natural gas exports are also expected to increase to 13.1 trillion cubic feet (262 million tonnes) by that year, according to the EIA’s outlook.

Announcements & Reports

► *This Week in Petroleum*

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

► *Weekly Natural Gas Storage Report*

Source : EIA
Weblink : http://ir.eia.gov/ngs/ngs.html

► *Energy Regulatory Report: January-February-March 2015*

Source : Boden Law
Weblink : http://boden-law.com/en/wp-content/uploads/new/Energy-Regulatory-Report-for-January-February-March-2015.pdf

Upcoming Events

► *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