Turkey's BOTAS may use legal clause to lower Russian import price

ICIS, *02.07.2015*

Turkey's natural gas incumbent, BOTAS, could now use its right to take Gazprom to arbitration as its import price for Russian gas remains one of the highest in Europe.

The state company has been asking for a 15% markdown to align its costs with those paid by European customers, but Gazprom had stood by its offer of 10.25% made earlier this year. The BOTAS price without the discount hovered around $330.00/thousand standard cubic metres (kcm) throughout the second quarter of 2015. Ukraine, for example, had been paying $247.18/kcm in Q2 '15 because of a $100.00/kcm discount offered by Russia on that quarter's price.

BOTAS' oil-indexed price is expected to fall anyway below $300.00/kcm in Q3 '15 to capture a drop in crude values. According to the terms of the import contract, if no agreement had been reached between the two parties by 28 June 2015, BOTAS can use its right to take Gazprom to arbitration. Turkish sources close to discussions said the two companies had not reached an agreement yet, noting that BOTAS may use its right to start arbitration proceedings. "The BOTAS [Russian import] price is calculated in line with those given to European buyers," the source said. "In this case, if BOTAS wanted to, it could use the arbitration card and win," a first source close to discussions said. However, he conceded that the resolution of the price dispute through arbitration would be frustrating because such court cases take a long time to reach a conclusion. Alan Riley, professor of law at the London-based City University said there were several factors that would play out in BOTAS' favour, such as the discrepancy between the European prices and that paid by BOTAS and the number of precedents established by European customers who took Gazprom to arbitration and won. "Can you think of a single arbitration where they [Gazprom] have won?" he said.

The Turkish source said Gazprom had conditioned the granting of the 15% discount on Turkey signing an Intergovernmental Agreement (IGA) for the construction of the 63 billion cubic metre Turkish Stream. He said that if the IGA were to follow the template of the agreement signed for Blue Stream, a 16bcm/year pipeline carrying Russian gas to Turkey, then Gazprom would be exempt from paying corporate tax on Turkish Stream. A Russian source said Gazprom and BOTAS had agreed on prices, saying there were no new requests. However, the source declined to comment whether the agreement referred to the 15% discount requested by BOTAS. He added that negotiations had been held up by the absence of a new government in Turkey following its parliamentary elections in early June. "The principal agreements have been reached, but their formalisation is held up by this fact," the source said.However, a second Turkish source close to discussions raised doubts about the would-be agreements. "If we still don't know the government and who will be the new energy minister, then how come they [Gazprom] are so sure about reaching an agreement?" BOTAS did not comment by publication time.

Turkey-Russia gas pipeline deal said to stall on price clash

Bloomberg, *30.06.2015*

Russia’s plan to build a new $15 billion pipeline to Turkey is at risk of delay because of a fight over gas prices, according to people with knowledge of the matter.

Gazprom and its Turkish counterpart Botas had a six-month period to agree on prices for gas supplies between the two countries, which expired. The Ankara-based company now has the right to take the matter to international arbitration, three of the people said, asking not to be named because the information is private.The dispute over prices means there’s no immediate prospect of signing a binding pact for the new pipeline, the second between Russia and Turkey.

An agreement could now be delayed until at least October, two more people said, also asking not to be identified. The delay is a blow to President Vladimir Putin’s plan to use the new link to ship gas to Turkey and onto Europe, bypassing existing pipelines in Ukraine. He proposed the project last year after the European Union, which gets about 30 percent of its gas from Russia, blocked a similar link through Bulgaria. Gazprom doesn’t plan to extend a gas-transit contract with Ukraine after 2019 and the EU would have to accept the new route, Russian Energy Minister Alexander Novak said in April. Things changed last week, however, suggesting uncertainty about the Turkey pipeline. Gazprom Chief Executive Officer Alexey Miller said Putin ordered the company to discuss transit with Ukraine before the contract expires.

Gazprom’s press office and Turkey’s Energy Ministry declined to comment. Turkey is Russia’s second largest gas-export market with about $10 billion in revenue last year and two-thirds of volumes are bought by state-run Botas. The deal also stalled because the ruling party in Ankara lost its parliamentary majority in a June 7 election, one of the people said. Officials from Gazprom and Turkey had previously said they had agreed on pricing. If a price accord is reached, a binding deal on the pipeline is possible later this year, two people said. Gazprom declines to comment on the possible cost of the link. The sub-sea section of the scrapped South Stream pipeline under the Black Sea was estimated at 13 billion euros ($14.5 billion) to 14 billion euros. Five years ago, the Moscow-based gas exporter faced massive claims from EU clients that its prices were too high after gas demand collapsed amid the global economic crisis. Now Germany’s EON SE, one of Gazprom’s key clients, and Poland’s dominant natural-gas distributor are also seeking price cuts through international arbitration.

Experts: EU needs Turkey for full Southern Gas Corridor

Natural Gas Europe, *03.07.2015*

There is room for cooperation between Turkey and the European Union, but opportunities might easily fade away in the event of a sustained low-trust environment, where a weak engagement strategy and slow decision processes might reduce the scope for the Southern Gas Corridor (SGC). If Ankara was treated as the less-fortunate son, Brussels would not simply lose a partner.

This was one of the views from a conference organised by Bruegel, where the difference in mentality between knee-jerk reactions made-in-Turkey and European decisions based on platforms and roundtables was clearly underlined.

Against this backdrop, European energy diplomacy is called to embark on a hard mission to mend ties with Ankara, while safeguarding its interests. “The EU and Turkey should cooperate to lay the foundations for the expansion of the Southern Gas Corridor” Simone Tagliapietra, Visiting Fellow, Bruegel, said during the conference, reiterating the position stated in a report he wrote with Georg Zachman. According to the analysis, the EU should support new cooperation with Turkey and each potential supplier in the region (Azerbaijan, Turkmenistan, Iran, Kurdistan Region of Iraq). ‘This would allow the two players to fully make use of their complementary political leverages in the region to overcome barriers to regional gas trade’ the two authors wrote in their work, adding that Brussels should get closer to Ankara, by launching a dedicated financing mechanism with Turkey to facilitate gas infrastructure investments. According to Tagliapietra and Zachman, the primary focus should be on upgrading the Turkish gas grid.

In this sense, this nexus of Turkish-European ties, where political divergences coexist with potential convergences in the energy field despite the recent nuclear deal between Moscow and Teheran, shows that the future of the Southern Gas Corridor depends on the ability of Brussels to strike the right balance, and avoid repeating old mistakes. The point here is that the trust between Turkey and the European Union eroded as a consequence of Nabucco’s failure. ‘The failure of Nabucco had significant implications not only for the evolution of the SGC but also for the evolution of the overall EU-Turkey energy relationship’ Tagliapietra and Zachman wrote in their 13-page document, adding that Ankara’s primary aim is to increase its own energy security. The two researchers said that all the gas producing countries in the region are potential game changers, but difficulties remain.

While the TANAP-TAP project is considered a win-win case of collaboration with Azerbaijan, cooperation with other countries might be harder. Turkmenistan’s geopolitical situation - characterised by Russian and Iranian interests - makes the riches of the Central Asian country more likely to flow to China; international sanctions and the country’s legal framework in relation to petroleum are the main hurdles slowing down progresses on Iran’s 34 tcm of natural gas reserves (the largest in the world according to BP); tensions between Erbil and Baghdad, along with complexities stemming from ISIS’s presence in the region, could impede a full development of the natural gas resources in the Kurdistan Region of Iraq (estimated range of 3-6 tcm). According to the researchers, a way for Europe to overcome the difficulties with these countries would be to work with Turkey. ‘The four taskforces (EU-Turkey-Azerbaijan; EU- Turkey-Turkmenistan; EU-Turkey-Iran; EU-Turkey- Kurdistan) should be the key pillars of a new EU-Turkey strategic energy partnership. These taskforces might be implemented within the common framework of the EU-Turkey Strategic High Level Energy Dialogue that was started in March 2015 by Commission Vice-President for Energy Union Maros Šefcovic and Turkish Minister for Energy and Natural Resources Taner Yildiz’ they wrote.

“This initiative by its own would not lead anywhere. It should be part of the larger EU-Turkey relations” Mehmet Öğütçü, chairman of Global Resources Partnership, said. He basically explained that Europe’s carrot-and-stick approach will be a failure if sticks are many, and carrots are few and not enticing enough. “Unless you don’t bring more carrots to the table, sticks will not work” he explained, adding that Ankara knows perfectly what it wants. He argued that Turkey would hardly accept preconditions that do not fit its needs, especially in a moment in which global developments are increasing in pace. Öğütçü mainly referred to China’s One belt-One road, and US’ shale gas. “Here we are speaking about initiatives, but if you look East, they are doing it” he said, triggering a thunderous laughter among the public. According to the chairman of Global Resources Partnership, the failure of Nabucco had to do with European inability to bring together key stakeholders, preferring a more centralised slow approach that did not pay off. “Unfortunately I don’t have high hopes about European Union’s ability to be flexible and fast in its reactions… It might easily lose opportunities” he added, before speaking about Turkey.

Ankara will allegedly find itself in a preferential position, as it will capitalise on the energy glut that will emerge from 2018, where producers will increase competition, giving buyers more bargaining powers. The next step for Turkey will then be to build up soft powers, refraining from flexing muscles. In other words, Ankara should remain assertive, but should not threaten to use force. In his view, this process will lead Turkey to become a major energy hub. “We are looking for a new interlocutor, possibly with a renewed impetus” Patrick Paquet, acting Head of Turkey Unit at the DG NEAR, said in relation to the Turkish elections and the coming government. Apparently, European institutions agree with Ankara on the need of a more equal relation. “One of our main tasks is to build or rebuild trust between Europe and Turkey… We want to restore this trust. The main ingredient is to put the discussion on the same level, between partners” he explained.

Despite Italian, British, and Spanish support, Brussels and Ankara know perfectly well that Turkey's EU membership is further down the road. Energy could be the right ground to test stronger cooperation, but this should come with a stronger commitment on the European side. EU's vagueness about opening the Energy Chapter for Turkey is and will remain an important indication of Brussels' reactivity. European institutions and European countries have also to keep in mind that Turkey remains reluctant to enter the EU Energy Community, as it would decrease its leeway on its energy policies. European laws can suit some other neighbours, but Turkey is a completely different case. Its importance for Europe, in the energy sector or in relation to migration issues, should not be underestimated. Öğütçü is probably right when he says that Brussels is too slow. China keeps rising and it could become the first economy in the world in less than a decade, also capitalising on its One belt-One road project. If Europe wants to maintain its "centrality", slow decision-making processes would not maintain the status-quo, but endanger Europe's future. Cooperation is indeed important, but timing even more so. In the end, also the defunct Roman sophisticated civilisation perfectly knew that "carpe diem" is not just a saying.

BTC pipeline ships 2.8 million tons oil in June 2015

Anadolu Agency, *02.07.2015*

The Baku-Tbilisi-Ceyhan, BTC pipeline delivered around 2.8 million tons of oil during June, SOCAR anounced.

In the first half of 2015, more than 14.5 million tons of oil was exported to the international markets from the Ceyhan port in Turkey, located in the south of the country, according to the company's statement. The Ceyhan terminal port, on Turkey's Mediterranean coast, serves as an outlet for oil exports from northern Iraq and for both oil and natural gas exports from Azerbaijan. The BTC pipeline, built by the Baku-Tbilisi-Ceyhan pipeline company, BTC Company, became operational in June 2006.

Currently, the company's main shareholders are BP at 30.1 percent, SOCAR with 25 percent, Chevron with 8.9 percent, Statoil at 8.71 percent and TP with 6.53 percent. The pipeline has a capacity of 1.2 million barrels per day and delivers Azeri light crude - mainly from the Azeri-Chirag-Guneshli field - through Georgia to Turkey's Mediterranean port of Ceyhan for further export via tankers. Since 2008, Kazakh crude oil has also been shipped through the BTC pipeline and since June 2006, the pipeline has loaded more than 2,700 tankers for global markets, according to the company. From the beginning of its operation until May 2015, the total exports of Azeri oil have climbed up to nearly 276.5 million tons, the company stated.

Oil Ministry: Iraqi oil exports, revenues rise in June

Anadolu Agency, *02.07.2015*

Iraq's oil exports rose to 3.2 million barrels in June, while revenues from oil sales increased to $5.3 billion, Iraq's Oil Ministry announced. This level of oil exports in June has not been achieved during the past decades.

In the month of June, oil exports totaled more than 95.6 million barrels, according to Iraqi Oil Marketing Company SOMO. While 90.7 million barrels of the total were exported from Basra province in Iraq's southern Iraq, reaching global markets via the Persian Gulf, a total of 4.9 million barrels of oil were exported in June from northern Iraq via Turkey's southern port of Ceyhan to international markets.

"The ministry has made a special effort to increase its exports of crude oil to achieve additional revenues of the federal budget," Jihad noted. Iraq increased its crude oil production to 3.8 million barrels a day in May, from three million barrels per day in 2013, according to OPEC's Monthly Oil Market report published on June 10.

Iran gas exports to Iraq delayed

Anadolu Agency, *27.06.2015*

Iran's planned natural gas exports to Iraq have been delayed again due to the security concerns over Daesh insurgency, an Iranian official said.

"Iran is prepared to export gas to Iraq but insecurity in Iraq and the presence of Daesh have held up the exports," Ali-Reza Kameli, managing-director of National Iranian Gas Exports Company, was quoted as saying Iran's Shana news agency. The two countries have not been able to start the exports since a 2013 agreement, which is aimed to provide gas for Iraq to meet up in the embattled country's electricity needs.

“If Iraq manages to remove the risks in the regions, where Iran’s gas is to be delivered, Iran will start pumping gas to Iraq,” Kameli added. Some 5 million cubic meters of Iranian gas per day will be delivered to Baghdad and Basra cities of Iraq for six years due to the deal, Shana reported. Iran had to postpone the agreed exports a few times before as the delivery was expected to begin in May this year lastly. Iran is negotiating with the world powers to curb its nuclear program aiming to see the sanctions over the energy-rich country to be lifted, while Iraq, another oil producing country, struggles to ensure internal security.

Energy giants race to Tehran

Politico, *30.06.2015*

Iran’s energy sector is an enormous prize for European energy giants, who are lining up in anticipation that a hoped-for nuclear proliferation accord by Tuesday’s deadline opens up one of the world’s largest oil and gas markets.

In meetings with Iranian policy makers in May and June, companies such as Italy’s Eni, France’s Total and Anglo-Dutch Shell have underscored that the industry stands ready to re-enter the country should decade-old sanctions be lifted. “If you look at the list of companies that seem to be pushing it hard they’re the ones that have had the legacy position in Iran,” said Tom Ellacott, an analyst at Wood Mackenzie.

And, given their business track record in Iran before sanctions, European energy firms are seen as having a head start over their competitors, particularly Russia and China. “In recent months, there was a massive increase in the number of Western businessmen flying to Tehran,” said David Ramin Jalilvand, a research fellow at the Freie Universität Berlin. “It seems there is increasing political support for this in European capitals.” “Companies are smelling a comeback in Iran, and Iran is going all out to convince European bankers to invest” In Rome, the government is advising Eni and other companies to get ready without infringing sanctions, a diplomatic source in Brussels said, adding the government tells them there could be a deal in place by July. “Companies are smelling a comeback in Iran, and Iran is going all out to convince European bankers to invest,” the source said. “Certainly, when they come to us in Berlin, Paris and Rome, governments have been saying ‘go out there’.”

Brussels is also keeping its eye on Iran as part of its longer-term strategy to strengthen the EU’s energy security, especially in Southeastern Europe. For the European Commission’s climate action and energy chief Miguel Arias Cañete, Iran offers the prospect of new, alternative gas supplies as the bloc looks to diversify away from Russia. But Brussels shouldn’t get too excited just yet. Connecting Iran to EU pipeline projects such as the Southern Corridor, meant to ship Caspian gas through Turkey and Greece and into Italy, is still “wishful thinking at the moment,” one EU source said. The source added that the investment needed to upgrade Iran’s decrepit gas infrastructure is huge and the regulatory framework is challenging.

Oil and gas production has sagged since the sanctions were imposed, hampering modernization and the import of new technologies, said Oliver Rolofs, a spokesman for the Munich Security Conference, a global forum that hosted the Iranian Oil Minister Bijan Namdar Zanganeh for an energy security summit in May. “Most of the oilfields were discovered in the 1950s and 1960s, and their state is still the same,” he said. Still, Iran has “incredible potential for Europe” in the mid-term. Iran has the largest gas reserves and fourth-largest oil reserves in the world. Its production peaked in the 1970s, before the Islamic Revolution, and has steadily fallen since 2010, as EU and U.S. companies retreated in response to sanctions, Jalilvand wrote in a recent brief for the European Policy Center.

Companies have held back from openly lobbying during complex negotiations between Iran and the E3+3 countries, the U.K., France, Germany, U.S., China and Russia. But they are sending governments the signal they’re ready and willing to jump back in. Countries negotiate a deal on Iran’s use of nuclear power, in Vienna (EPA) “If sanctions were lifted, major players that have been involved in the past like Shell, Total or even BP are in a very good position to take big projects,” said Siamak Adibi of FGE, an energy consultancy. “I believe there’ll be a rush.” Ellie Geranmayeh, an Iran specialist with the European Council on Foreign Relations, agreed. “Over the past year, there’s been different delegations going in, especially on energy but with a larger trade angle too,” she said. She added that the “fear is that competitors go in before you,” and that Europeans in particular have already lost market share in Iran. Back in 2008, the EU was Iran’s leading trade partner. European imports amounted to €11.3 billion, while exports to Iran totaled €14.1 billion. But by 2012, it had slipped to fourth place. Still, “one of the biggest advantages for the Europeans is the transfer of know-how and technology, in the energy sector in particular, which is something the Russians and Chinese haven’t been able to deliver on,” said Geranmayeh. And Iran needs technology to rebuild its energy sector. Iran “would prefer European companies, because the history of Chinese and Russian companies is not shiny, they delayed projects for a number of years and had to be dismissed,” Adibi said. European firms may also have a head start over their U.S. peers, thanks to lesser regulatory constraints in the wake of any agreement with Iran, analysts said.

Still, European companies will face some post-agreement hurdles, especially in banking and energy, if a deal does happen. “It’s going to take them at least two years to have the insurance they need to make the large scale investments that are needed in the energy sector,” Geranmayeh said. Among the risks for companies entering Iran is a snap-back provision that would allow sanctions to be re-introduced in Iran revives its nuclear ambitions. This adds considerable uncertainty. “For the first one, two years, there’ll be a wait-and-see mode by European energy companies,” said Geranmayeh. “Many of them were penalized so heavily before that no one wants to be a first mover.” It also remains to be seen what kind of contract terms the Iranian government will unveil later this year; that will help companies assess if it makes sense to invest in the country’s oil and gas sector, analysts said. Tehran is expected to present the terms at a conference in London in September. For now, unpopular and rigid buyback contracts, under which foreign firms are compensated in oil and gas without gaining an equity stake, are putting a damper on companies’ enthusiasm in Iran. According to an industry insider familiar with the situation, if Iran changes its contract framework, then “companies will be knocking on Iran’s door.”

With negotiators working hard in Vienna to agree to a deal, European diplomats are being careful not to let commercial concerns overwhelm security, according to Geranmayeh. “They want to show that there’s a prospect of economic relief, but they also don’t want to overdo it; if they give too much away now, there’s no leverage later on.” Any energy bonanza is going to have to wait until a deal is struck.

Bulgaria to rely on Azerbaijan for achieving greater energy diversification

Novinite, *29.06.2015*

Bulgarian President Rosen Plevneliev stated that the country will rely on Azerbaijan for achieving a greater diversification of its energy supplies.

Plevneliev said this after meeting his Azerbaijani counterpart Ilham Aliyev in Baku. The Head of State added that Bulgaria expects to purchase natural gas from Azerbaijan and pointed to Baku as being a strategic partner in helping Sofia attain its diversification goals. Plevneliev added that Bulgaria’s strategic goal was to have different sources of gas supplies and a market-oriented price, so that the country is not dependent on the monopoly of a single supplier.

According to him, it was not a secret that Bulgaria was still paying the highest pricec on its gas supplies. In his words, Bulgarian citizens and industry did not deserve such a fate and commented that lower gas prices would lead to the creation of more jobs and greater incomes for the Bulgarian industry. Plevneliev reminded that Bulgaria declared its strategic partnership with Azerbaijan last year and highlighted that there was potential for the development of bilateral trade and the exchange of goods.

Hahn: Interconnection between Serbia, Bulgaria main priority

Natural Gas Europe, *02.07.2015*

European institutions launched a new file on energy connectivity in Western Balkans to increase physical interconnection.

“Today we are opening a new file on energy connectivity. This not only covers the physical connectivity between energy systems, but also the connectivity between energy markets” Johannnes Hahn, Commissioner for European Neighbourhood Policy and Enlargement Negotiations, said. According to Hahn, Brussels can be of great help for “particular sections” of the gas network, supporting the development of cross-border links.

“The most immediate priority is the interconnection between Serbia and Bulgaria. Other projects (to bringing gas from Croatia into the region) are being discussed in the Central and South-Eastern Europe Gas Connectivity (CESEC) context. Many of you will be signing a Memorandum of Understanding on this in Dubrovnik next week” he said during the Western Balkans 6 Ministerial meeting. The focus here is on energy and politics. According to Hahn, investments in gas interconnections and renewables can mitigate political and economic risks. He also stressed the need of cooperation and the importance of third party access. “In the energy sector, this means operating under EU-compatible rules with independent and strong regulatory authorities. For example, the EU could not support a gas pipeline if you do not allow third party access.” He also gave some timeframes, saying that European institutions will present a list of investment priorities on energy in August. Since January, Bulgaria’s Prime Minister Boyko Borissov asked Commissioner for Energy Union Maroš Šefčovič to pay more attention to energy security issues in the Balkan country, underlining that Sofia wants to build its gas networks on the basis of European legislation despite some tangible discontent for previous developments.

Turkish Stream for Greece: Helpful but not savior

Anadolu Agency, *29.06.2015*

The proposed natural gas pipeline project, the Turkish Stream, may offer some significant benefits for Greece however; it is not a way out of the debt crisis for the country, said Richard Connolly, a senior lecturer in political economy at the University of Birmingham.

Russia and Greece signed a Memorandum of Understanding (MoU) protocol on June 19 in St. Petersburg to extend the Turkish Stream natural gas pipeline project to Greece. The proposed project plans to carry Russian natural gas under the Black Sea through Turkey's northwestern Thrace region to reach Greece.

"The project will have benefits for Greece but those benefits are dwarfed by the magnitude of the economic crisis," Connolly said. According to Connolly, Russia is prepared to lend money to Greece to build the pipeline but it will not lend money to pay the International Monetary Fund (IMF). Greece has until the end of the month to repay $1.7 billion in loan installments to the IMF. It is not clear whether the government can make the payments. Greek Prime Minister Alexis Tsipras will run a referendum to determine whether the Greek government should accept or reject a bailout deal from its international creditors. Tsipras late on June 26 was offered a five-month, €12 billion ($13.4 billion) extension of the country's current bailout program, on condition that some of the reform proposals the creditors demand get implemented.

Parliament approved the referendum proposal on Saturday and it will be held on July 5. "Greece will not be an ally of Russia if it leaves the Eurozone. It will still be a member of the EU and that will be more important than any alliance with Russia," he said. According to Connolly, Russia does not represent an alternative to the EU while Greece may attempt to forge closer relations in certain areas such as energy. But, but he maintains the EU will remain by far the most important partner for Greece. On the other hand Gareth Jenkins, senior fellow with the central Asia-Caucasus Institute and Silk Road Studies Program, said that Greece needs money immediately and the Turkish Stream would certainly help Greece in the medium to long-term. "Russia has economic problems of its own and there are limits to how much assistance it can provide to Greece," he said. "The pipeline hasn't been built yet. So it isn't going to help with the recent crisis of Greece," Jenkins said, adding that the hope is that eventually not only will the Turkish Stream be built and carry Russian gas to Europe, but that natural gas from the eastern Mediterranean will also be transported across Turkey to Europe. "This would benefit everyone economically – including Greece and Turkey – but there are political issues that need to be resolved first," Jenkins stressed.

Jenkins said that financing the Turkish Stream is difficult for Greece, Russia and Turkey, particularly given that Turkey has other major infrastructure projects. "If it is going to happen, all segments of the Turkish Stream are probably going to need some international financing, not just those parts in Greece. And, of course, for this to happen, there also needs to be a market for the gas, which means a political agreement between the suppliers and the market in Europe," Jenkins said. With the Turkish Stream, the construction of a natural gas hub is also planned at the border of Greece and Turkey, from where gas will further be distributed to eastern and central European countries. The Turkish Stream plans to have a capacity to carry 63 billion cubic meters of natural gas per year. It will deliver 47 billion cubic meters of gas to Europe, while the remaining amount will be allocated for Turkey's domestic use. Greece made a deal with Russia for the Turkish Stream project and other countries such as Macedonia also wish to participate. "Turkish Stream only makes sense as a supply route for sales of gas to Europe. If it is going to be successful then both Russia and Greece need relatively good relations with the EU," Jenkins added.

Ukraine must reform to free itself from dependence on Russian gas

Financial Times, *29.06.2015*

Germany deserve credit for the continuation of the EU's sanctions regime against Russia. But Germany happens also to be home to E.ON, which recently signed a memorandum, together with Gazprom, OMV, and Shell and the Netherlands, agreeing to the extension of the Nord Stream pipeline, which brings Russian gas into the European Union (EU).

The extension, to be completed by 2020, would double the transit capacity of the pipeline, currently at 55 bcm per year. Together with Turkish Stream, it would make gas transit through Ukraine redundant by the time the country's current contract with Gazprom expires in 2019.

That is hardly a thrilling prospect for the cash-strapped government in Kiev. But the problem extends beyond transit fees, which have fallen dramatically since the beginning of the conflict. If Gazprom can bypass Ukraine, it will be in a much stronger position in its negotiations over the supply of natural gas to Ukraine proper – including its large energy-intensive industries in eastern and southern Ukraine. The extension of Nord Stream is bad news for the EU as well. It would cement the dependence of many of its members on Russian gas, instead of encouraging them to diversify. In fact, it appears that the European authorities were caught off guard by the deal. The EU commissioner for energy union, Maros Sefcovic, looked more than a little flustered when quizzed about the memorandum at the Globsec security conference in Bratislava. It is, however, vitally important that the Commission scrutinise the deal carefully, particularly on competition policy grounds, and stop it if necessary – even if doing that would mean going against powerful business interests.

While Russia depends on its gas exports to Europe, the frantic efforts to build alternative gas routes to Europe have little to do with economics or energy security. For the Kremlin, the enhancement of Nord Stream and the possibility of constructing Turkish Stream, leading from Russia through the Black Sea to Turkey and Greece, play the role of a bargaining chip in its dealings with Ukraine. What is more, as the EU Observer noted, it is possible that the multitude of different plans for alternative gas routes from Russia, including South Stream, which was cancelled last year, are being presented to the west with the conscious purpose of confusing Europeans, creating divisions between member states, and identifying the ‘weakest links’ on the continent, which can be used to exercise further leverage. Throughout the post-Soviet era, the Russian regime has used gas prices as a means of exercising leverage over Ukrainian politics and maintaining instability. Gazprom cut supplies in January 2006, following a year of threats in the aftermath of the Orange Revolution, and again in January 2009, a year before the election of Viktor Yanukovych. There is little reason to think that Vladimir Putin would hesitate to use the same tools again, if given a chance.

However, for Ukraine, there is a way out – no matter what Gazprom or the EU may do. The country needs a deep programme of structural reforms. The energy-intensive sectors in the country’s south-east are hardly the industries of the future. They need to be exposed to market-based energy prices and eventually restructured. While the current government is progressively reducing energy subsidies, it still has a long way to go to eliminate them altogether and to make sure they will not be reintroduced by populist policymakers later on. This can be achieved by privatising the energy sector, setting up an independent regulatory agency, credibly insulated from political pressures, and diversifying the country’s energy sources. More importantly, instead of trying to sustain an economy organised around cheap Russian energy, Ukraine needs to be aggressive in attracting foreign investment. That can only be done through a far-reaching programme of economic and institutional reforms. The country needs to strengthen the rule of law, fight corruption more effectively, cut unnecessary red tape, and make itself attractive both to foreign and domestic businesses. Eighteen months since the Maidan, Ukraine is staring into an economic, political, and social abyss.

Ukraine suspends gas purchases from Russia

Anadolu Agency, *01.07.2015*

Ukraine’s state-owned natural gas company Naftogaz announced that it suspended buying Russian natural gas.

“Naftogaz suspends purchases of natural gas from Gazprom starting from July 1, given the expiration of the second quarter term package and the absence of agreed supply conditions for the upcoming periods,” the company said in a written statement on its website. The European Union, Russia and Ukraine began trilateral gas talks on Tuesday in Vienna as the current gas trade agreement between Russia and Ukraine ends as of July 1. Russia offered a $40 discount to Ukraine for every thousand cubic meters of gas.

However Ukraine refused to agree on the discount. “Naftogaz hopes that with the assistance of the European Commission, Russia and Ukraine will agree on a solution acceptable to all sides,” Naftogaz said in its statement. Russia provides a third of Europe’s gas needs, half of it supplied via pipelines through Ukraine.

Ukraine says can survive without Russian gas, no threat to EU supplies

Reuters, *02.07.2015*

Ukraine expects to store enough natural gas for next winter despite cutting off imports from Russia and Russian flows crossing the country destined for Europe will not be disrupted, Energy Minister Volodymyr Demchyshyn said.

State energy firm Naftogaz stopped buying gas from Russia’s Gazprom after energy ministers from Kiev and Moscow failed to agree on quarterly prices. “The suspension of deliveries will not affect the safety or transportation of gas (to Europe) ... or preparation for the new heating season,” Demchyshyn said. “Everything depends not on the presence of Russian flows, but on the availability of money (to buy gas),” he said.

He said Ukraine had been pumping about 60 million cubic metres of gas a day into storage before it stopped buying from Russia and was likely to store about 18 billion cubic metres (bcm) by mid-autumn from its own supply and from Europe. Ukraine currently has about 12 bcm of gas in reserve, Demchyshyn said. Russian energy officials have said Ukraine needs to have at least 19 bcm of gas in storage to ensure stable gas transit to Europe in the winter, but Demchyshyn said that 16.6 bcm, the volume which Ukraine had last year, would be enough. The European Union depends on Russia for around one third of its gas and about half of that is piped via Ukraine. Demchyshyn said that Ukraine did not plan to supply gas to eastern rebel areas this year and that Ukrainian gas consumption had decreased by 20 percent compared with last year. Last year, Ukraine exhausted its reserves after supplying about 2 bcm of gas to separatist parts of the Donetsk and Luhansk regions which did not pay for the deliveries.

Gazprom's call for proposals: How many new gas pipelines to Europe?

Natural Gas Europe, *30.06.2015*

On 18-19 June, during the annual St. Petersburg International Economic Forum, a protocol was signed on the construction of a new gas pipeline from Russia via the Baltic Sea to Germany; an Agreement of Strategic Cooperation between Gazprom and Shell; and a memorandum between Russia and Greece on the construction on Greek territory a gas pipeline which is intended to be an extension of the Turkish Stream.

These documents will help Russia to carry out the current objectives of its foreign gas policy: they will put negotiation pressure on Turkey in the absence of any progress on the Turkish Stream project.

They make the announcement that gas transit will be suspended through Ukraine more credible; and they will deepen internal EU discussions and divisions regarding new infrastructure projects. They also suggest that, contrary to previous announcements about reducing its presence in Europe, Gazprom has not altered its strategy, and still treats Europe as its key market. Moreover, in the context of the political tensions in EU-Russian relations (including the recently extended EU sanctions), as well as the EC's policy of diversifying gas supplies, the signing of these memoranda and the discussions being held represent a success for Moscow. At the same time, the declarations concerning new projects and the documents signed show that European companies are interested in reactivating gas cooperation with Russia, which would both improve the situation on the EU gas market and strengthen the position of individual companies on that market. The agreements are general and preliminary in nature, and it is not certain that they will come to fruition. The eventual success of any of these projects will depend largely on political decisions taken in Brussels and the most important EU capital cities.

The protocol signed by Gazprom and the European energy companies (Shell, E.On, OMV), envisages the construction of a pipeline from Russia via the Baltic Sea to Germany (two branches with a total capacity of 55 bcm, costing around €11 billion), which would mean the de facto reactivation of the plan to construct the third and fourth branches of the Nord Stream gas pipeline. Gazprom also signed a strategic cooperation agreement with Shell, and a memorandum on the construction of a third production line for the Sakhalin-2 LNG terminal. In addition, on 18-19 June, Gazprom also held talks with ENGIE (formerly GDF-Suez), EDF, Fluxys and Total on Russian gas supplies to Europe, and with VNG on gas storage.

In turn, the Russian-Greek intergovernmental memorandum provides for the construction of a new pipeline on Greece's territory, which is intended to function as an extension of the Turkish Stream gas pipeline (the proposal to build a pipeline from Russia across the Black Sea to the Turkish-Greek border was announced by Vladimir Putin in December 2014, after Russia abandoned the South Stream project). The pipeline is intended to allow the transit of 47 bcm of gas annually via Greek territory. Its construction, which is planned for the period 2016-19, is to be managed by a Russian-Greek joint venture, and funded by Russia's Vneshekonombank.

Although the agreements signed are preliminary and very general (non-binding declarations of intent), they are an important instrument of Russia's energy policy towards the European Union and Turkey. The Russian plans to build new pipelines in Europe testify to the fact that – contrary to Moscow's declared reorientation eastwards, its ambitious plans for gas expansion onto the Chinese market and numerous statements from Gazprom's CEO about limiting his company's presence on the EU market – the European market is and will remain a priority for Russia. These new plans also confirm that Russia's continuing strategic goal is to diversify its gas transit routes to European customers. The memoranda described above confirm Russian plans to completely cease gas transit via Ukraine as of January 2020. In this way, Moscow is sending a signal to Brussels and Kyiv that it is serious about excluding Ukraine as a transit country, and intends to go through with the plan. Russia hopes that this will intensify internal discussion in the EU on the development of the gas infrastructure via which Russian gas could reach EU markets after being diverted from the Ukrainian transit route. This effect has already been partially achieved by the mere announcement of the Turkish Stream project; proof of this includes the nature of the discussion about the possible connection to Turkish Stream of the planned Eastring pipeline (a project announced by Slovakia to build a pipeline linking it with Bulgaria, Romania and Hungary), as well as the reports in the Western press about a possible reactivation of the Nabucco project (which was originally supposed to be an alternative to Russian supplies; the new route would operate as a route for importing Russian gas to the EU, from Turkey via Bulgaria, Romania and Hungary to Austria). By creating the impression of a kind of 'rivalry' between European projects, Russia can continue its traditional policy of undermining the fragile energy solidarity within the EU.

It is also possible that the reactivation of the project to expand Nord Stream is related to the European Commission's ongoing anti-monopoly proceedings against Gazprom. In a written statement of objections issued on 22 April, the European Commission accused Gazprom of making gas supplies to Bulgaria and Poland conditional on obtaining unrelated commitments from wholesalers concerning gas transport infrastructure; it is therefore possible that Gazprom will be forced to give up its shares in EuRoPol Gaz, which owns the Polish section of the Yamal-Europe pipeline. This in turn could mean a falling-off in Gazprom's interest in gas transit to Germany via Polish territory, and a willingness to redirect some of its supplies to the new Nord Stream branches. Russia will use both the memoranda signed in St. Petersburg in forcing through the Turkish Stream project. On one hand, the announcement of the construction of the third and fourth branches of Nord Stream can be seen as a way of putting pressure on Turkey (Ankara has not yet signed any agreements with Moscow on Turkish Stream, as it is still haggling over the size of the gas discounts which Gazprom promised, and probably over other conditions concerning the project); Gazprom is thus sending the signal that Turkish Stream is not the only important project in Russia's European gas strategy, and is hoping to wear down their Turkish partner's negotiating position. On the other hand, meanwhile, the Russian-Greek memorandum indicates the progress of the Turkish Stream project, despite the intensifying concerns of the media on this matter.

The agreements on cooperation which Gazprom signed in St. Petersburg, on both the global and specific levels, involve some of the biggest Western European companies: Shell, E.On and OMV. Interest in expanding Nord Stream has also been expressed by Germany's Wintershall, and VNG has confirmed the continuation of its cooperation with Gazprom on expanding gas storage facilities in Germany. French and Belgian companies have also held talks on gas supplies from Russia. This demonstrates that – regardless of what really happens with the expansion of Nord Stream and the other detailed plans – a large part of European gas business not only sees a need to normalise gas relations with Russia, which have been difficult for more than a year now, but is also trying to revive and strengthen these ties by supporting new joint strategic projects. This readiness to cooperate and draw up concrete plans to construct direct supply routes, in particular, may be a European-Russian attempt to strengthen the role of gas on the European market. Gas consumption in the EU has been declining since 2008, and this negative trend deepened in 2014, for reasons including the exceptionally warm winter and the deteriorating public image of gas: not least because of the continued risk to the stability of supplies from the largest external gas supplier to the EU – Russia. According to data from BP, gas consumption fell by a record 12% last year, to levels not seen since the mid-1990s. This has had a negative impact on the financial results of both European gas companies and Gazprom.

At the same time, each of the EU companies involved has its individual interest in cooperating with Gazprom. Shell may wish to further strengthen its leading position on the gas market (after its acquisition at the beginning of this year of US$70 billion of British Gas's shares, and the significant strengthening of its position on the global LNG market); the German companies are working to strengthen the role of Germany in the European trade and transit of gas (a role which has increased significantly since the worsening of the Russian-Ukrainian gas conflict in the middle of last year); while OMV wants to counterbalance challenges to its position on the Central European gas market and the future of the Central European Gas Hub, such as the collapse of the Nabucco project and the fall in export of Russian gas via Ukraine. Moreover, the Greek government is seeking cooperation with Russia, as a way to strengthen its role on the regional gas market in South-East Europe (including a negotiating position in its pipeline talks with alternative gas suppliers on the one hand and the EU on the other), and also in hope of gaining financial benefits from the gas transit.

So far, there have been no clear official statements from the German or Austrian governments on the participation of their countries' companies in the planned joint strategic investments with Gazprom. However, it is very likely that in the current unfavourable political context (as confirmed by the recent extension of the EU sanctions), these decisions were discussed in Berlin, Vienna, etc. At the same time, the memoranda signed by the European companies and Gazprom and the declarations contained therein contradict the EU's policy over the last year on the diversifying gas supplies, increasing energy security in Central and South-East Europe, and gas cooperation with Ukraine – including the provisions made in a series of strategic European Commission documents, such as the document on the Energy Union and the European Strategy for Energy Security (one of whose objectives was to reduce the EU's dependence on Russian gas). Both Maroš Šefčovič, the European Commission's Vice-President for the Energy Union, and Miguel Arias Cañete, the energy commissioner, have approached the plans to expand Nord Stream, limit Ukraine's transit role and increase gas imports from Russia to the EU with obvious reservations.

The preliminary and general nature of the agreements signed, the multiplicity of projects which Russia has promoted recently (Turkish Stream, the third and fourth branches of Nord Stream, the Power of Siberia and Altai pipelines, Baltic-LNG, Vladivostok LNG), and finally the difficult political context for implementing joint Russian-EU projects of strategic importance do not yet allow us to precisely predict the future of the planned pipelines. It is unlikely that all the currently planned projects will be completed at their planned capacities. It is likely, however, that Gazprom will seek to simultaneously implement a more limited version of the Turkish Stream gas pipeline (up to two lines with a total capacity of 32 bcm) and at least one new branch of Nord Stream, which would allow it to maintain its supply levels onto the key European market, and to circumvent the problems connected with the implementation of the so-called Third Energy Package. At the same time it is still possible that the Russian side, despite its declarations, will not push for the complete cessation of gas transit via Ukraine by 2020, but will rather use the alternative routes it has promoted and implemented as a tool for putting more pressure on Ukraine.

The key to the implementation of these new projects, including in particular the new Nord Stream branches – considering Gazprom's current financial situation and the problems Russian companies are having with acquiring foreign capital thanks to the international sanctions – would be obtaining binding commitments, especially financial, from the European companies. However, at the present time such obligations are largely dependent on political decisions; they would not be contrary to the sanctions regime, although they would violate its spirit. The presence of representatives from major European energy companies in St. Petersburg and the documents they signed show that, from their perspective, cooperation with Gazprom and Russia is crucial for the future of both the European gas market and the specific companies operating on it.

EU traders betting on Ukraine deal as winter gas at record low

Bloomberg, *29.06.2015*

European Union traders are betting Ukraine will reach a deal to keep natural gas supplies flowing from Russia when the nations meet EU representatives.

Gas for delivery this winter in the U.K., fell to the lowest on record on the ICE Futures Europe exchange, signaling traders aren't worried about supplies when the heating season starts in October. Russia approved a new deal for Ukraine that will leave the price it pays OAO Gazprom unchanged in the third quarter, said Alexey Miller. Maros Sefcovic, Novak and Vladimir Demchyshyn will meet in Vienna to seek the extension of a winter package first signed.

More than 10 percent of Europe's gas needs travel through Ukraine from Russia and price disputes between Gazprom and NAK Naftogaz Ukrainy disrupted supplies to the continent in 2006 and 2009. "If they get that deal done, it creates stability and less price volatility, which is positive for the European market that's still looking to rebuild storage," Emily Stromquist, a London-based analyst at Eurasia Group, said by phone Monday. "Ukraine will be able to buy gas for fairly cheap." U.K. gas for delivery in the six months starting in October fell as much as 0.7 percent to 47.15 pence a therm ($7.42 a million British thermal units) on ICE, the lowest since the contract started trading in 2010. It traded down 0.4 percent at 47.3 pence a therm by 2:48 p.m. London time.

Ukraine had 11.9 billion cubic meters (420 billion cubic feet) of gas in storage as of Sunday, compared with 14.4 billion a year earlier, according to data from Brussels-based lobby group Gas Infrastructure Europe. An extended deal would help Ukrainian storage sites reach the 19 to 20 billion cubic meters needed to last through the winter, according to Stromquist. Europe usually stockpiles gas in the summer, when demand is low, and withdraws during the winter. The Russian government approved a discount of $40 per 1,000 cubic meters to the price Ukraine has under its disputed supply contract with Gazprom, Russian Prime Minister Dmitry Medvedev said in Moscow Monday. While that's smaller than the previous discount of $100, it leaves the rate unchanged at about $247.20 for the third quarter, according to Gazprom's Miller. "There are some unresolved issues, but certainly if this is true and this gets rolled over and decided tomorrow, that creates a pretty stable market for Europe moving into the third quarter," Stromquist said. "They are still holding the meetings tomorrow so I wouldn't take the statement as definitive."

EC encourages Russia and Ukraine natural gas talks

Anadolu Agency, *02.07.2015*

The Commission will encourage further talks between Russia and Ukraine on natural gas routes after a final framework agreement was agreed during trilateral talks.

Maros Sefcovic, Alexander Novak, Vladimir Demchyshyn and Naftogaz CEO Andriy Kobolev met in Vienna to trilaterally agree on a follow-up agreement to the current winter package. The Commission is acting as a mediator in the latest round of trilateral talks that started in March 2015. The commission consolidated a draft protocol with the Russian and Ukrainian sides following several meetings at expert level in order to find a compromise between Russia and Ukraine.

According to the European Commission's announcement, Sefcovic said that the parties jointly agreed a final framework which requires further work. "Trilateral gas talks in Vienna on June 30 has shown that the parties are still far apart to agree on stable and smooth Russian gas deliveries to Ukraine and transit to the EU," Sefcovic said. "Trilateral consultation has again shown that all parties agree on the principles needed to ensure stable and smooth gas deliveries to Ukraine and transit to the EU," he said, and added that participants will use the summer to start preparing for talks during the next winter season.

Arbitration court hears Lithuania government vs. Gazprom case

Anadolu Agency, *01.07.2015*

International Court of Arbitration in Stockholm began hearing the Lithuanian government's lawsuit on charges of unfair natural gas prices against Russia's Gazprom.

The hearing is taking place in Paris between July 1 and July 10. The Lithuanian government filed a claim against Russian giant in October 2012. Lithuania's government seeks around 4.5 billion Lithuanian litas ($1.5 billion) from Gazprom for gas supply overcharges between 2004 and 2012. A final decision is expected in early 2016. According to Baltic media, Lithuania's Energy Minister, Rokas Masiulis, and ministry officials are participating in the hearing.

In May 2014, Gazprom cut the price of natural gas supplies by more than 20 percent until the end of 2015 to Lithuanian gas utility company, Lietuvos Dujos. The company sells gas both to household users throughout Lithuania and to the gas transmissions operator, Amber Grid. Up until December 2014, Gazprom was Lithuania's only gas supplier. However, Lithuania launched its LNG terminal in December and started to buy natural gas from Norway's Statoil. Since then, Statoil has met 20 percent of the country's gas demand.

Litgas, Statoil agree on small scale LNG

Anadolu Agency, *02.07.2015*

Statoil and Litgas signed a memorandum of understanding for a joint venture to supply LNG to ships in the Baltic Sea, Litgas announced.

The companies plan to develop a small scale LNG bunkering service by the end of 2015 and it is expected that the joint venture will begin supply in the last quarter of 2017. The Baltic Sea small scale LNG market will increase to 0.5-1 billion cubic meters per year. “This marks an important milestone in Lithuania’s energy industry and will enable Litgas to diversify its activities internationally”, Dominykas Tuckus, the general manager of Litgas said.

“Increased usage of the Klaipeda terminal will help to reduce infrastructure and maintenance costs incurred by the Lithuanian and Baltic gas consumers and position Klaipeda as an important hub in the Baltic LNG market,” he added. Lithuania, which is almost fully dependent on Russia for its natural gas needs, aims at freeing itself through its LNG terminal from its dependence on Russian natural gas. The Baltic country imports 0.54 billion cubic meters of natural gas per year from Statoil via its LNG terminal, which covers around 18 percent of Lithuania’s total consumption. Lithuania’s annual natural gas consumption in 2014 was around three billion cubic meters.

Belgian Exmar and Norway’s Geveran join forces for LNG

Anadolu Agency, *02.07.2015*

Exmar and Generan will form a joint venture named Flex LNG to expand its LNG portfolio. The aim of the joint venture is to pursue further growth within the LNG value chain by tapping opportunities in the fast growing LNG market.

‘The company will be known as Exmar LNG Ltd. following the transaction. It will be subject to the completion of certain conditions, including satisfactory due diligence, agreement on definitive transaction documents, shareholder approvals, receipt of all stakeholders approvals and receipt of all regulatory and financial institutions approval,” according to the press release.

The parties - Exmar and Fredriksen's Geveran - will transfer liquefied natural gas assets to Flex LNG. According to Exmar, Flex LNG will have an estimated enterprise value of approximately $2.3 billion and an equity value of approximately $823.3 million. The company intends to "become one of the largest independent floating LNG infrastructure players in the market." After the transaction, EXMAR will own the majority of the shares in the company and will then make a mandatory offer for the remaining shares in the company within four weeks of the completion of the transaction.

Estonia approves LNG bunkering terminal

Anadolu Agency, *01.07.2015*

Estonia's state-owned port operator, the Port of Tallinn Council, approved the construction of a LNG bunkering terminal at Muuga port, located on the southern coast of the Gulf of Finland, it announced.

The Elering and Vopak companies, who will own the terminal, expect construction to be completed in 2017. The cost of terminal will be around 20 million euros. Elering, who has a 100 percent share in Estonia's gas network, and Vopak, signed a letter for cooperation in 2012 in which this project arose from. In the first stage of the project, an LNG receiving and distribution terminal with around 4 tcm will be built.

Through the new LNG regasification terminal, distribution companies will be able to increase the LNG capacity in the natural gas grid.

UK rejects vital shale project for 2nd time

Anadolu Agency, *29.06.2015*

The U.K. has rejected the second shale gas exploration project by Cuadrilla Resources which had the potential of being one of the U.K.'s first shale gas production sites.

The rejection for exploration at Preston New Road in Lancashire, in the northwest of England came just four days after local authorities refused the company's previous application for shale gas exploration. "We are surprised and disappointed that Lancashire County Council's Development Control Committee has denied planning consent for our application to explore for shale gas at Preston New Road," the company's statement read.

A negative decision was returned despite the company's claims that it completed "the most comprehensive Environmental Impact Assessments ever carried out for operations of this kind." The officers went through the 4,000 page Environmental Statement that accompanied the company's application and conducted widespread public consultation, which led to their positive recommendation, the company said. The company announced their intention to consider all options regarding an appeal for the two rejected applications, the recent project at Preston New Road and at Roseacre Wood which was rejected on June 25, Cuadrilla said. "It is regrettable that the County Council has decided not to support this application in the face of positive recommendation from all regulators and their own officers," Cuadrilla concluded.

British Petroleum agrees to pay $18.7B for 2010 oil spill

Anadolu Agency, *02.07.2015*

British Petroleum has reached a settlement with the U.S. government and five Gulf Coast states to pay $18.7 billion for the oil spill in Gulf of Mexico in 2010, the global energy giant announced.

The British company said that it had reached agreements in principle to settle all claims of the U.S. federal government and the U.S. Gulf Coast states of Alabama, Florida, Louisiana, Mississippi and Texas, and would pay the amount over the next 18 years. The agreement also includes settlement of claims made by more than 400 local government entities, BP said in an official statement on its website.

BP will pay the U.S. a civil penalty of $5.5 billion under the Clean Water Act over 15 years; $7.1 billion to the U.S. and the five Gulf states over 15 years for natural resource damages; a total of $4.9 billion will be paid to settle economic and other claims made by the five Gulf Coast states over 18 years; and up to $1 billion to resolve claims made by more than 400 local government entities. According to local media in the U.S., the settlement "brings BP's total tab for the spill to $53.8 billion, more than its combined profits since 2012". "For BP, this agreement will resolve the largest liabilities remaining from the tragic accident and enable BP to focus on safely delivering the energy the world needs," Bob Dudley, BP's group chief executive, said in the statement. "For the U.S. and the Gulf in particular, this agreement will deliver a significant income stream over many years for further restoration of natural resources and for losses related to the spill," he added.

BP's chief financial officer, Brian Gilvary, said that the negotiations were carried out with the goal of reaching a collective solution that would be acceptable for all parties. The Gulf of Mexico oil spill, also referred to as "Deepwater Horizon blowout" and the Macondo oil disaster, began in April 20, 2010 after the Transocean-owned and BP-operated Deepwater Horizon rig in the Gulf of Mexico blew out and took the lives of 11 workers, marking it the biggest offshore oil spill in U.S. history.

Egdon farms-out pedl143 to UK oil & gas

Natural Gas Europe, *29.06.2015*

Egdon reached a deal to farm-out the Weald Basin to UK Oil & Gas Investments. 'PEDL143 contains the Holmwood Prospect, which the PEDL143 partnership plan to test with the Holmwood-1 exploration well. Regulatory consent to drill the well is currently awaiting the outcome of a planning inquiry held by the Planning Inspectorate following appeal.

The operator of PEDL143 is Europa Oil & Gas Limited (Europa)' reads a note released, referring to the licence in the United Kingdom. Under the terms of the agreement, UKOG will pay a 40% share of the Holmwood-1 drilling costs in order to acquire a 20% working interest in PEDL143 from Egdon.

UKOG's share of well costs will be capped at £1.2 million net to UKOG. "We are pleased to have concluded this deal with UKOG within their core business area. The transaction means that should planning consent be granted for the well, Egdon will retain a material interest in the Holmwood Prospect whilst minimising the Company's financial exposure and managing our technical risk while evaluating the prospect's potentially significant prospective resource" Mark Abbott, Managing Director of Egdon Resources, commented. Last week, Egdon Resources announced the commencement of an Extended Well Test at the Wressle-1 oil and gas discovery in licence PEDL180, located to the east of Scunthorpe, where Egdon operates with a 25% interest. Waiting for its shale projects to speed up, the company is focusing on conventional projects.

Grybauskaite: Lithuanian, Croatian energy projects important to the whole EU

The Baltic Course, *30.06.2015*

President of Lithuania Dalia Grybauskaite, on an official visit to Croatia, and Croatian President Kolinda Grabar-Kitarovic opened a bilateral high-level energy forum "Towards the European Energy Union".

The forum focuses on energy security and joint EU actions to ensure it. Taking part in it are energy ministers, top officials of strategic energy companies as well as analysts and experts from both countries. The general manager of the Klaipėda LNG terminal and representatives from Klaipėdos Nafta will introduce the Lithuanian success story of ensuring energy independence to Croatia.

In her opening speech, the President underlined that energy independence was the key element of real national independence and freedom. “Twenty five years ago, Lithuania re-established its independence. Fourteen years later, we joined NATO and the European Union. And just several months ago, we built an LNG terminal to protect our independence against any gas price blackmail or threats to disrupt gas supplies,” the President said. The President underlined that after electricity interconnections with Sweden and Poland were competed at the end of this year, Lithuania would become a full-fledged member of the European energy market. This would safeguard our national security and continued progress. According to the President, secure and transparent supplies represent a major challenge to the development of a sustainable EU energy sector – and in some cases to European unity. In this respect, the EU’s Energy Union that is now being created and strategic energy projects implemented in individual member states are very significant.

The Klaipėda LNG terminal is highly important for the Baltic Sea region, while Croatia’s decision to build an LNG terminal on the island of Krk is of great relevance to the Adriatic Sea region. The terminal is expected to supply gas to southern European countries from the Caspian Sea region. The newly constructed Ionian Adriatic and Trans Adriatic pipelines would be used for this purpose. The Lithuania and Croatian LNG terminals have been listed by the EU as projects of strategic importance for the common energy market and energy security. One third of the crew on the Lithuanian LNG carrier Independence are Croatians. The President described it as a meaningful example of energy cooperation between Lithuania and Croatia.

Statoil suspends rig contract, submits amendment to PDO for Gullfaks License

Natural Gas Europe, *01.07.2015*

Statoil said it suspended the Saipem’s Scarabeo 5 drilling rig, as a consequence of overcapacity in its rig portfolio.

“We regret the need to suspend Scarabeo 5, but we will do our utmost to resume our drilling operations earlier than planned at the time of suspending the rig,” Jon Arnt Jacobsen, senior vice president of Procurement in Statoil, said in a note, explaining that the suspension will last from mid-August to March 2016. Statoil submitted an amendment to the Plan for Development and Operations (PDO) for the Gullfaks licence to the Ministry of Petroleum and Energy for phase 1 of the Shetland/Lista development.

“Targeted efforts are underway to cut costs and increase the profitability of our projects. By utilising the existing infrastructure we manage to recover new resources at a lower cost, thus sustaining profitable production and long-term activities on the Norwegian continental shelf (NCS),” Ivar Aasheim, senior vice president for field development on the NCS, said in a separate press release. The development concept for the Phase 1, which is expected to add 18 million barrels of oil equivalent, does not comprise new wells. ‘It is based on reuse of existing wells (a total of 15) from the Gullfaks platforms, and will not require any new infrastructure. The profitability of the project will thus be very good.’

Europe’s dangerous distraction: Pipelines

Natural Gas Europe, *02.07.2015*

The pipeline games in Europe never end. South Stream is dead, but it was soon resurrected as Turkish Stream, dealing a “heavy blow” to Brussels;the new government in Greece immediately saw an opening, and so Greek Stream was born, a pipeline that seems to have everything going for it except a clear purpose. And just to make sure that Northern Europe is not left behind, Russia is mulling an expansion to Nord Stream, the pipeline that connects Russia to Germany.

Not to be outdone, other dead pipelines are returning: there is talk of resurrecting Nabucco and the Italy-Greece Interconnector.

Pipelines that have been on life-support are also getting a jolt: the Trans-Caspian pipeline with Turkmenistan is getting a few nods recently, and Europe’s focus on North Africa means that Galsi, a proposed pipeline from Algeria to Sardinia and then Italy, might resurface soon. And then there is new stuff. Many Greeks hope to build a pipeline from Cyprus and/or Israel to Southeast Europe, and in doing so, “reshape regional politics.” If sanctions on Iran are lifted, that too will be a “game changer” for Europe since Iran can “challenge Russia’s dominance.” Later, Iraq might play a role as well, since its undeveloped gas resources offer yet another “game changer.” In fact, there are so many “game changes” that one has trouble remembering what game we’re playing any more.

All this would be comical if it were not so serious. So much energy is spent to lobby in favor or against these pipelines, while there is an army of people whose role is to explain how each of these pieces of steel will alter the “geopolitical equation” in Europe. The actual gas business in Europe is vanishing—demand for gas is down 23 percent relative to 2010—but the business of proposing and analyzing pipelines is booming. In fact, that business has never been better, especially if there is a way to get taxpayers to support these projects in name of “strategy,” “energy security” or “solidarity” (take your pick). The problem is that this obsession with pipelines is counterproductive—for four reasons.

First, pipelines do not determine flows: infrastructure is necessary, but flows depend on market realities. Nord Stream, for instance, expanded Russia's export capacity by a third in 2012, yet Russia's exports are still far below their pre-crisis levels. Exports from Algeria have suffered the same fate: in 2011, Algeria inaugurated a new pipeline to Spain, but Algeria's pipeline exports to Europe were 35 percent lower in 2014 than in 2010. By contrast, Norway is not building new pipelines but its exports are steady and its market share is growing (since demand, the denominator, is falling).

Second, gas is fungible. It is not fungible immediately, but in the end, it moves around. Ukraine is proof enough: Nord Stream reduced the amount of Russian gas that transits Ukraine, but it increased the supply of gas in Germany, and this surplus gas found its way into Ukraine from the west. Turkish Stream will do the same: it will allow Russia to deliver gas to Turkey without crossing Ukraine, Moldova, Romania and Bulgaria, as it currently does, thus freeing up the existing infrastructure to be used differently. And TAP, which will carry Azeri gas though to Italy, will also push gas into the Balkans, partly serving the same purpose as Nabucco, which TAP made obsolete. Pipelines are not as sticky as they seem, and when they become operational, other flows adjust to the new reality.

Third, hefty political rhetoric complicates project development. The public sector can help pipelines by streamlining permitting and regulation, by coordinating among various stakeholders, and by offering funds to projects that need a slight push. But when pipelines become symbols of independence or of impending doom, and when their development is seen as a major geopolitical event that will reshape the world for generations to come, then there is trouble. Proposals beget counter proposals, and pipelines act as lightning rods that attract all the political energy that should be directed to more productive uses. Pipelines are no longer about steel and gas molecules but about pride, security and dependence—in short, they become embroiled in intangibles that are often impossible to manage or resolve.

Fourth, pipelines distract us from reality. The casual observer who reads about pipeline wars would have no idea that Europe's gas supply position is far, far more diverse today than ever before; that Russia's market share in Europe has been flat for two decades; that non-incumbent suppliers—meaning not Russia, Norway and Algeria—provided about 10 percent of Europe's gas in 2014, up from almost zero in 2000; that Norway is gaining the most market share in Europe; that gas demand is collapsing, calling in into question the need for all these pipelines; that gas prices, whether or not they are linked to oil, are about as low as they have been in the last eight years; or that the "geopolitical" importance of all these pipelines is premised on half-articulated theories of international politics rather than real hypotheses and hard evidence. Worst of all, at a time when Russia is waging an actual war in Ukraine and can trigger a major change in the status quo in Europe, and at a time when a powerful, ambitious and strategic leader in Russia is being cornered by sanctions, isolation and a weakening economy—at this time, an enormous amount of energy is directed to support or oppose a spaghetti bowl of pipelines whose significance is marginal in the grand scheme of things. Let's put the pipeline wars to rest—please.

Egypt launches efforts to address energy crisis

Natural Gas Europe, *01.07.2015*

Egypt is multiplying efforts in its quest to reduce its dependence on expensive natural gas imports. Once a net natural gas exporter to Israel and Jordan, Egypt is now undergoing a severe energy crisis at home due to a growing demand, a flat production and ongoing export obligations. The country is exploring various options to reduce its spiking energy bill and secure a reliable source of energy.

EGAS is set to launch seismic 2D and 3D surveys that will be conducted by PGS to explore the country's offshore hydrocarbon potential. Egypt is also looking to import natural gas from its Eastern Mediterranean neighbours.

The country is engaged in talks to import the hydrocarbon from Israel and Cyprus. Major discoveries off the shores of Israel and the island of Cyprus have promised to turn the countries into net natural gas exporters. Geographical proximity would allow the delivery of Israeli and Cypriot gas to Egypt via pipeline. Egypt's neighbours are also exploring the possibility of using Egypt's unused export terminals to reach far-reaching markets.

ENI, Kazmunaygas to jointly explore Kazakh Caspian Sea

Natural Gas Europe, *29.06.2015*

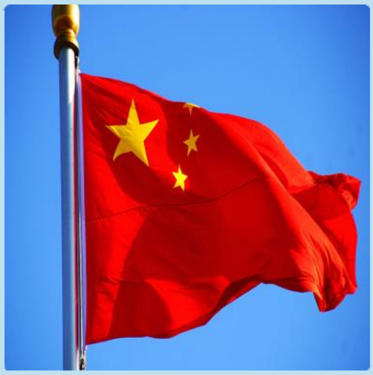
Italy's Eni finalised a deal with KazMunayGas about subsoil use rights in the Isatay block, which paves the way for joint exploration of the Kazakh Caspian Sea.

'The Chairman of KazMunayGas' (KMG) Management Board, Sauat Mynbayev, and Eni's CEO, Claudio Descalzi, finalized today, in the presence of the President of the Republic of Kazakhstan, Nursultan Nazarbayev, and the Italian Prime Minister, Matteo Renzi, an agreement that defines the commercial terms of the transfer to Eni of 50% of the subsoil use rights in the Isatay block located in the Caspian Sea' reads a note released.

According to Eni, the Isatay block is estimated to have significant potential oil resources. The block will be operated by a joint operating company established by KMG and Eni on a 50/50 basis. 'The joint operating company will benefit from Eni's proprietary technology, industry-leading track record in exploration and extensive experience in the environmentally and technically challenging conditions of the Caspian Sea shelf' ENI commented. The terms of Eni's participation in the Isatay block were signed last year in June as part of a strategic agreement between Eni and KMG. The deal signed a year ago also involves the joint development of a shipyard project in Kuryk.

China's "one belt – one road" mega-project will boost Eurasian natural gas opportunities

Natural Gas Europe, *29.06.2015*



The efforts of China to ensure its economic development and preeminence include the creation of the "New Silk Road" - the enormous system of infrastructure mega-projects to stretch from the Pacific to the Atlantic. If completed, it will be the largest infrastructure undertaking ever built. Natural gas features prominently in the plan.

This was the focus of a two-day conference in Beijing, where I chaired the Eurasia energy panel, and I walked away in awe. The conference was organized by the Chinese Academy of Social Sciences and Institute for the Analysis of Global Security in Washington – an energy and security think tank.

The One Belt – One Road dual pathway will stretch from the Chinese coastal production facilities and ports to Europe through Central Asia and Russia, and through the Pacific and the Indian Oceans to the Atlantic. The critics say that the grand vision is a way to unload the excess infrastructure building capacity China has built in 30 years of its unprecedented growth, and to translate the $4 trillion astronomical cash reserves into geopolitical clout. This is why China recently has established a $100 billion Asian Infrastructure Investment Bank, which US attempted to half-heartedly oppose, the $40 billion Eurasia Fund, and other vehicles of investment and infrastructure development.

This is a project bigger than trans-continental railroads of the nineteenth century in North America in Russia. It is bigger than the Suez and Panama Canals combined. If China persist upon its Eurasian Silk Road beyond President Xi's two terms in office, its creation will boost the economy of the transit regions significantly by providing millions of jobs and improving security in "failed" or "failing" states in Central and South Asia: Myanmar, Bangladesh, Pakistan, Afghanistan, Tajikistan, and Kyrgyzstan, to mention a few. The talk in Beijing today is of railways, power stations, power transmission lines, oil and gas fields and pipelines, fiber optic cables, highways, ports and airports.

The “One Belt—One Road” expansive vision for China’s western pursuit is the signature project of President Xi Jinping. The One Belt-One Road will stretch on land: through Mongolia, Kazakhstan and Russia, to Western Europe. There are southern branches to Burma (Myanmar), Pakistan and Iran. A look at the map discloses that China “hugs” India by building the Karakorum highway to the Pakistani port of Gwadar on the Arabian Sea. This makes the leadership in New Delhi nervous, taking into account that in 1962 the two Asian giants have fought a fierce but short war in Tibet, with India losing territory. The Maritime Silk Road, a shipping super-highway stretching from the busy ports of Eastern China via the Straits of Malacca, along Burma, Sri Lanka and into Africa and the Persian/Arab Gulf, will be a conduit for cargo as well as for liquefied natural gas (LNG). “One Belt-One Road” features natural gas projects prominently. First, it’s backbone: the longest pipeline on earth, the Central Asia – China pipeline of 8,000 km, which goes from Turkmenistan via Uzbekistan and Kyrgyzystan, to China. Currently, it supplies 55 billion cubic meters of gas a year to the energy-starved and polluted Chinese cities. CNPC executives, who built this feat of engineering, pat themselves on the back. Deservedly so. The two Russian pipelines: Power of Siberia in the East and Altay in the West, are capable of brining up to 80 bcm of gas a year to China, when fully built. The challenge is the price, the terrain, and reserves for the Altay pipeline – currently those are not confirmed.

However, Chinese appetites do not stop there. Turkmenistan and Iran have the fourth and the second largest reserves on the planet respectively. A much-discussed Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline, and the Iran-Pakistan-India (IPI) pipeline are both on the table. Beijing would like to extend a pipeline from either one of them – to China. However, the Balochi Sunni Moslem rebels who fight both the Shia Islamic Republic of Iran and the Sunni, but mostly secular regime in Islamabad, threaten IPI, while the Taliban in Afghanistan may derail TAPI. The very tough mountainous terrain and syphoning of gas by the local tribes are additional problems the pipelines will face. The security challenge for the Chinese and local operators are going to be huge. However, if the pipelines are delayed, one can envisage the LNG tankers on the maritime Silk Road is going to bring LNG to China from Australia, East and West Africa, and the Gulf.

Speaking of energy security of the region, the implementation of this mega-project will also allow energy resources to flow to new consumers in the developing regions. Moreover, creation of unified energy systems will make the participating countries interdependent in terms of energy consumption, which will serve as a “safety net” for regional security. Having the rules of engagement equitable and transparent will go a long way to attract stake-holders and capital to the infrastructure projects, including ports, oil and gas fields and pipelines, LNG and other port facilities, petrochemical processing, and IT. If it does it right, China can strengthen its own security, interdependence and cooperation with the world by allowing Western, including North American and global firms, to participate in this historic undertaking.

China begins building China-Russia natural gas pipeline

Anadolu Agency, *02.07.2015*

China, the world's largest economy and energy hungry country, started construction on the Chinese leg of the China-Russia East Route natural gas pipeline, the country's Vice Premier Zhang Gaoli announced.

State news agency Xinhua reported that the Chinese side is ready to work with the Russian side to ensure that the pipeline will be completed for its scheduled operations in 2018, Zhang said. The 4,000 kilometer pipeline extends from gas fields in Russia's Far East to Shanghai. It is designed to transport 38 billion cubic meters of natural gas from Russia to China every year.

Construction started on the Russian section of the East Route pipeline, known in Russia as the Power of Siberia pipeline, last September. Despite the announcement of the commencement of the project, Sijbren de Jong, a strategic analyst at The Hague Centre for Strategic Studies, said on Thursday that it is not known how the $55 billion pipeline will be financed. "Russia is still unable to raise capital on western capital markets due to sanctions," De Jong said, adding that "the Kremlin is reluctant to accept Chinese financing for the pipeline, owing to a desire by the Kremlin to keep Chinese strategic leverage to a minimum." Zhang said the East Route gas pipeline is the largest China-Russia cooperative project conducive to diversifying energy strategy and guaranteeing the energy security of both countries. "For the moment it seems that China is getting a good deal on the gas deliveries. It realizes that Russia needs China a lot more than the other way around," De Jong said. "Russia has a lot of competition," said De Jong and explained that China is buying gas from central Asia specifically Turkmenistan. "Most of the liquefied natural gas exporters want to export to China," he argued. In May 2014, China and Russia agreed on a 30-year, $400 billion deal to supply China with natural gas from fields in Eastern Siberia. In addition to this, Russia's top gas producer, Gazprom, and China's National Petroleum Corporation, one of China's largest oil and gas companies, signed an agreement to supply 30 billion cubic meters of gas over the next 30 years during the APEC summit in Beijing.

Argentina, China lead shale outside N. America in 2015

Anadolu Agency, *29.06.2015*

Argentina and China became the only two commercially-viable shale oil and gas producing countries in addition to the U.S. and Canada during the first half of the year, the U.S. Energy Information Administration (EIA) said.

"For the last two years, China has drilled more than 200 wells, and Argentina has drilled more than 275 wells. Each country has the potential to significantly increase production of shale gas and tight oil," the EIA said. National energy company Yacimientos Petroliferos Fiscales (YPF), the largest shale operator in Argentina, reported in April 2015 that it produced 22,900 barrels of oil per day and 67 mcf of natural gas a day.

In Argentina, most of the shale oil and gas production activities are based in the Neuquen Basin's Vaca Muerta shale formation, located in west-central Argentina, where YPF has three joint ventures with global oil giants, Chevron, Petronas and Dow Chemical. In addition, China's national oil company Sinopec and Russia's national oil company Gazprom have recently signed a memorandum of understanding with YPF to jointly develop shale from the same shale formation, EIA said. In China, the Longmaxi formation in the Sichuan Basin, in the south-central part of the country, is the main location for the country's initial shale gas exploration and development activities.

Two of China's national oil companies, Sinopec and China National Petroleum Corporation's (CNPC) PetroChina, are on schedule to reach 600 million cubic feet (18 million cubic meters) per day of shale gas production by the end of 2015, according to China's Ministry of Land and Resources. EIA said CNPC has drilled 125 shale wells so far, while Sinopec completed 75 test wells last year and is planning to drill 253 more wells before the end of 2015. The administration noted that other countries that have begun exploring shale gas and tight oil are Poland, Algeria, Australia, Colombia, Russia and Mexico. However, these have not reached commercial volumes yet.

US state New York bans hydraulic fracturing

Anadolu Agency, *30.06.2015*

The U.S. state of New York announced that it officially banned hydraulic fracturing for exploration and development of tight oil and shale gas. Hydraulic fracturing, or fracking, is known as a method of using pressurized water and chemicals to extract shale oil and gas underground.

It has been the main driving technique behind the U.S.' shale boom and has increased oil and gas production since 2008. New York State's Department of Environmental Conservation (DEC) said it officially prohibited high-volume hydraulic fracturing in the state due to negative impacts on public health and the environment.

The southern part of the state of New York lies on the gas-rich Marcellus basin, which is home to an estimated 500 trillion cubic feet (15 trillion cubic meters) of natural gas. "High-volume hydraulic fracturing poses significant adverse impacts to land, air, water, natural resources and potential significant public health impacts that cannot be adequately mitigated," an official statement on DEC's website read. "This decision is consistent with DEC's mission to conserve, improve and protect our state's natural resources, and to enhance the health, safety and welfare of the people of the state," the statement added. According to DEC's Findings Statement, there are no feasible alternatives to minimize or avoid the negative effects of hydraulic fracturing on water and air resources, ecosystems and wildlife, the community character and public health. "After years of exhaustive research and examination of the science and facts, prohibiting high-volume hydraulic fracturing is the only reasonable alternative," said DEC Commissioner Joe Martens in the statement.

Dry natural gas production in the Marcellus basin increased to over 400 million cubic meters per day in 2014, according to the U.S. Energy Information Administration (EIA). EIA also expects domestic natural gas production in the U.S. to increase to a record level in 2015, with an average production rate of 78.92 billion cubic feet (2.21 billion cubic meters) per day in 2015. On March 20, the U.S.' Secretary of the Interior and Bureau of Land Management (BLM) issued a series of measures against hydraulic fracturing on federal soil for safety and health concerns. However, on the same day, the U.S.' Independent Petroleum Association of America (IPAA) announced on its website, together with the trade association Western Energy Alliance, that they filed a lawsuit against the two government agencies. A federal judge in the U.S. state of Wyoming has temporarily blocked the Obama administration's new regulations restricting hydraulic fracturing on federal lands, just hours before they were to take effect on June 23.

US' Cheniere gets volume, financial boost in LNG exports

Anadolu Agency, *30.06.2015*

U.S.'s Cheniere announced it acquired financial resources, and gained authorization from the U.S. government to export increased volumes of LNG exports overseas.

Cheniere Energy Partners, L.P., also known as Cheniere Partners, announced that its Sabine Pass Liquefaction project in the U.S. state of Louisiana "has engaged with 18 financial institutions which will assist in the structuring and arranging of up to approximately $5.8 billion of debt facilities." "This includes approximately $4.6 billion of credit facilities and approximately a $1.2 billion revolving credit facility," according to an official statement.

As the first volumes of the company's LNG exports are expected to hit the global gas market in late 2015 or early 2016, the project is designed for up to six liquefaction trains, each with a production capacity of 4.5 million tonnes (6.2 billion cubic meters) per annum of LNG. Cheniere said Trains 1 and 2 are 90.8 percent complete while Trains 3 and 4 are 67.7 percent complete. Additionally, the firm got all regulatory approvals to begin construction of Trains 5 and 6. The U.S. Energy Department announced on June 26 that it authorized Cheniere's Sabine Pass project to export additional volumes of LNG, up to the equivalent of 1.38 billion cubic feet (41.4 million cubic meters) per day of natural gas for a period of 20 years.

The project, which was first to acquire an LNG export permit in the U.S., was authorized in 2012 to export LNG up to the equivalent of 2.2 billion cubic feet (66 million cubic meters) per day of natural gas for a period of 20 years. With the latest approval, the project now has authorization to export LNG up to the equivalent of 3.58 billion cubic feet (107.4 million cubic meters) of natural gas per day for a period of 20 years. Currently, there are seven projects that are approved by the U.S. government to export LNG to countries the U.S. does not have a free trade agreement with. According to the U.S.' Energy Information Administration (EIA), the U.S. will become a net gas exporter by 2017. EIA also expects domestic natural gas production in the U.S. to increase to a record level in 2015, with an average production rate of 78.92 billion cubic feet (2.21 billion cubic meters) per day in 2015.

Oil, gas, coal to continue dominate US energy future

Anadolu Agency, *02.07.2015*

The predominance of oil, natural gas and coal energy sources is likely to continue in future for the EIA said.

Reminding that petroleum, natural gas, and coal have made up at least 80 percent of total energy consumption in U.S. for more than 100 years, the EIA said "Recent increases in the domestic production of petroleum liquids and natural gas prompted shifts between the uses of fossil fuels, largely from coal-fired to natural gas-fired power generation. "Coal became the dominant energy source in the late 19th century, but was overtaken by petroleum products in the mid-20th century.

EIA said use of coal increased again, mainly as a primary energy source for electric power generation, since the mid-20th century, when nuclear electric power emerged and began to be used slowly. The use of petroleum and natural gas as energy sources began to rise again after a slight pause in the 1970s. In late 1980s, renewable energy started to be consumed slowly, and increased significantly in the mid-2000s. EIA noted that renewable share of energy consumption in the U.S. reached its highest level in 2014 by climbing to nearly 10 percent of the U.S. energy mix. "Renewable energy is a small but growing piece of the U.S. energy mix," EIA highlighted, adding "the greatest growth in renewables today is in solar and wind power, along with geothermal and biomass." In 2014, petroleum had the greatest share in the country's energy mix with 35 quadrillion British thermal units (Btu). Natural gas contributed to U.S. energy consumption with some 25-20 quadrillion Btu, as coal came in third place with around 15-20 quadrillion Btu. Nuclear power was in fourth place with almost ten quadrillion Btu, while renewables contributed to the country's energy consumption with five quadrillion Btu, and hydroelectric was in sixth place with less than five quadrillion Btu.

US oil stocks rise after eight weeks of decline

Anadolu Agency, *01.07.2015*

Oil stocks in the U.S. rose for the first time after falling for eight consecutive weeks, the U.S. Energy Information Administration (EIA) data revealed.

Commercial crude oil inventories in the country rose by 2.4 million barrels, or 0.5 percent, to reach 465.4 million barrels for the week ending June 26, from 463 million barrels for the week ending June 19, EIA said. Oil inventories in the U.S. had fallen for eight weeks in a row, after the country had experienced 16 consecutive weeks of increases in crude oil stocks.

Meanwhile, strategic petroleum reserves in the country rose slightly, by 0.4 million barrels, or 0.1 percent increase, to reach 693.7 million barrels for the week ending June 26, from 693.3 million barrels the previous week. As U.S. crude oil inventories increase, this may create an expectation in the market that the glut of oil supply may rise in the world, thus putting a downward pressure on oil prices. Domestic oil production in the U.S. remained almost unchanged, falling by a modest 9,000 barrels a day on average for the week ending June 26, EIA data shows. Oil production in the country stood at 9.59 million barrels a day.

Crude oil imports of the world’s biggest oil consumer rose by an average of 748,000 barrels a day to climb to 7.51 million barrels per day for the week ending June 26, from 6.76 million barrels a day the previous week. According to BP’s Statistical Review of World Energy 2015 published on June 10, the U.S. surpassed Saudi Arabia to become the top oil producer in the world, while it kept its position as the biggest oil consumer. However, EIA said on June 9, in its Short-Term Energy Outlook, that U.S. crude oil production is expected to start declining in the second half of the year until the end of third quarter next year. The U.S. administration projects crude oil production in the U.S. to decline from the current average of 9.58 to 9.39 million barrels a day on average in the third quarter, and to 9.33 million barrels per day on average in the fourth quarter of the year. Moreover, EIA expects crude oil output to continue its decline next year by falling to 9.2 million barrels a day on average in the first quarter of 2016, before slightly rising to 9.22 million barrels per day on average in the second quarter of 2016. Production of crude oil is forecast to dive to 9.17 million barrels a day on average in the third quarter of 2016.

A global story: Liquefied natural gas

Natural Gas Europe, *02.07.2015*

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Announcements & Reports

► *Designing A New EU-Turkey Strategic Gas Partnership*

Source : Bruegel
Weblink : http://www.bruegel.org/publications/publication-detail/publication/887-designing-a-new-eu-turkey-strategic-gas-partnership/

► *Economic Impact and Legal Analysis of the Shale Oil and Gas Activities in Mexico*

Source : Wilson Center
Weblink : http://www.wilsoncenter.org/publication/economic-impact-and-legal-analysis-the-shale-oil-and-gas-activities-mexico

► *Monthly Crude Oil and Natural Gas Production*

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

► *U.S. Crude Oil Production to 2025: Updated Projection of Crude Types*

Source : EIA
Weblink : http://www.eia.gov/analysis/petroleum/crudetypes/

Upcoming Events

► *IV ACER Annual Conference*

Date : 09 July 2015
Place : Brdo - Slovenia
Website : http://www.acer.europa.eu/annualconference/registration.htm

► *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

► LNG Global Congress

Date : 23 - 24 September 2015
Place : London - UK
Website : http://www.lnggc.com/?xtssot=0

► 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

► Shale Gas Environmental Summit

Date : 26 - 27 October 2015
Place : London - UK
Website : http://www.smi-online.co.uk/energy/uk/shale-gas-environmental-summit

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► Abu Dhabi International Petroleum Exhibition & Conference

Date : 10 – 13 November 2015
Place : Abu Dhabi - United Arab Emirates
Website : http://www.adipec.com/

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► CIS Oil and Gas Transportation Congress *(in Turkey)*

Date : 11 – 12 November 2015
Place : Istanbul - Turkey
Website : http://www.theenergyexchange.co.uk/event/cis-oil-and-gas-transportation-congress-2014/attend

► 20th Turkmenistan Oil and Gas Conference

Date : 17 - 19 November 2015
Place : Ashgabat – Turkmenistan
Website : http://www.oilgasturkmenistan.com/

► Israel's 2nd Annual International Oil & Gas Conference

Date : 17 - 19 November 2015
Place : Tel Aviv - Israel
Website : http://www.universaloilgas.com/

► European Autumn Gas Conference

Date : 17 - 19 November 2015
Place : Geneva - Switzerland
Website : http://www.theeagc.com/

► Project Financing in Oil and Gas Conference

Date : 23 - 24 November 2015
Place : London - UK
Website : http://www.smi-online.co.uk/