Oil & Gas Bulletin

▸13.11.2015

Russia ready to progress Turkish Stream gas pipeline talks

AA Energy Terminal, *12.11.2015*

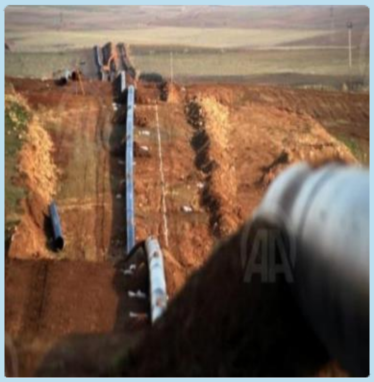
Russia is ready at any time to continue talks on the Turkish Stream natural gas pipeline, Alexander Novak, Russia's minister of energy said.

"To continue the negotiations on the Turkish Stream, we are waiting for the new team of officials to be determined by the Turkish government after the November elections," Novak was quoted as saying by Russia's RIA Novosti news agency. Stressing that a project calendar has not yet been realized due to the lack of intergovernmental agreement between Turkey and Russia on the project, Novak said "We are ready, when the Turkish side is ready."

The "Turkish Stream" natural gas project involves the construction of a pipeline consisting of two parallel lines from Russia to Turkey via the Black Sea. Turkey will build the 265-kilometer part of the pipeline going through in its borders, while the section beneath the Black Sea will be constructed by Russia. The gas from the first line is completely designed for the Turkish market, while the remaining capacity is set to be carried to the Turkish-Greek border, where the creation of a gas hub is planned. Construction of the project was planned to begin in June 2015, but the project is still under discussion.

KRG oil exports via Turkey falls 4% in October

AA Energy Terminal, *11.10.2015*



The Kurdish Regional Government's (KRG) daily average of oil exports through Turkey fell by 4 percent in October, compared to the previous month, the KRG's Ministry of Natural Resources said.

The KRG in Erbil exported an average of 595,528 barrels per day (bpd) in the month of October through its pipeline to the Ceyhan port in southern Turkey. This amount was recorded as an average of 620,478 bpd in September. The ministry noted that while there were three days of downtime for the pipeline in October, due to sabotage and theft, there were two days of downtime in September.

"In October, the KRG continued to increase its direct oil sales in Ceyhan to compensate the region for the budget shortfalls from the federal government in Baghdad," the ministry said in a statement. The issues between the KRG and the central government in Baghdad remain unresolved over oil sales and shares from the federal budget.

According to a deal between the two sides reached on Dec. 2, 2014, Baghdad was to send Erbil a 17 percent share, around $17 billion a year from the federal budget. In return, Erbil agreed to export 300,000 barrels of oil per day from Kirkuk, and 250,000 barrels of oil per day from northern Iraq, under the supervision of Baghdad's oil marketing company, SOMO.

However, both sides claimed that the other side had not fulfilled the conditions of the agreement. In July, Erbil ceased to export oil through SOMO, and began selling its crude oil independently. Shortly after, Baghdad announced that the KRG could be excluded from the federal budget next year. A meeting between the KRG and Iraqi officials is expected be held later this month in Baghdad to address the ongoing disputes about crude oil sales and budget shares.

"The KRG will continue to work with its counterparts in the federal government to reach a resolution on all the outstanding issues of oil and gas, and in this regard, it sees an opportunity for solid progress in the forthcoming discussions over the 2016 federal budget," Erbil said in the statement.

Turkey to gain leverage as Iran emerges in energy

AA Energy Terminal, *04.11.2015*

Turkey's bargaining power in energy prices will rise following Iran's entrance to the energy market in the post sanctions era, the head of International Energy Agency, IEA, said.

"Iran's emergence in the energy market is a development that will make Turkey's hand stronger," Fatih Birol, the executive director of IEA, told Anadolu Agency following its release of the World Energy Outlook 2015. Iran, which holds the second largest natural gas reserves and the fourth largest oil resources globally, aims to boost its energy market following a July-deal with world powers to remove sanctions in return for curbing its nuclear activities.

"I strongly believe Turkey's bargaining power in energy supply on prices will grow," Birol said, pointing to Iran's expected rise as a major supplier both in oil and gas. Birol also predicted that low oil prices, which fell by more than 40 percent since last year, will not remain at its current levels over the next 10 to 15 years. "We think oil prices will start to rise in the upcoming years," Birol said, but they could remain low for a while. Birol said it is the right time for the Turkish government to take necessary action without delay to avail of low oil prices to diminish its current account deficit, and to develop Turkey's energy industry mainly in renewables, nuclear energy and energy efficiency.

"I believe the Turkish government will take important steps with serious energy policies," Birol said. The director also said Turkey should benefit from nuclear energy as much as possible both for the country's energy security and in tackling climate change.

Turkish Petroleum, Petronas to search for oil in Gabon

AA Energy Terminal, *09.11.2015*

Turkish Petroleum is planning to search for oil in the sub-Saharan country of Gabon, with Malaysian oil company Petronas, the head of Turkey's state-owned oil company said.

The state-owned oil company plans to expand its operations further abroad, Sisman explained and has chosen the West African country of Gabon as it is one of the top ten oil producers in Africa. Clarifying that the project will be a first for Turkish Petroleum in Sub-Saharan Africa, Turkish Petroleum head, Besim Sisman, told Anadolu Agency "we are waiting for a few procedural acts from the Gabonese government to proceed."

Gabon's economy is mainly dependent on oil revenue, which makes up more than half of the government's total revenue. The country's GDP was $17.2 billion in 2014, according to the World Bank. Sisman said a signature ceremony, in which the project will be announced, will be held soon in Istanbul.

Turkish Petroleum has also partnered with Royal Dutch Shell for offshore exploration of oil and gas, 100 kilometers from Istanbul which has proved positive, but not yet at sufficient levels to further the project at present. "We will get clearer results towards the end of 2016," Sisman said.

Turkey guarantees to win gas price case against Russia

AA Energy Terminal, *08.11.2015*

Turkey is confident to win the natural gas price dispute with Russia in the arbitration court, Turkey's acting Energy Minister Ali Riza Alaboyun told Anadolu Agency.

Alaboyun had announced on Oct. 27 that gas price dispute between Turkey and Russia is taken to the International Court of Arbitration when Russian gas company Gazprom failed to respond to Turkey's request to raise the gas discount rate more than 10.25 percent. The same day, Russian media reported Gazprom's representative Sergey Kupriyanov saying that the two countries can solve the dispute before the arbitration court makes a ruling on the case.

"We find this Gazprom statement positive," Alaboyun told, and added "However we have not received any official request from Gazprom about such a statement." "We already have a 10.25 percent discount from Russia. But, we applied to the court in order to get a higher gas discount rate, and we are sure that we will win the case," he stressed.

The energy minister noted that Turkey's discount demand from the court is higher than the 10.25 percent rate Russia had previously proposed. On Dec. 2014, Gazprom announced a six percent discount for Turkey's gas purchases from Russia. When Turkey demanded a higher disccount rate, Gazprom raised it to 10.25 percent, but this was never realized between Turkish state-owned pipeline company BOTAS and Gazprom.

Since there was no action taken on the implementation of the discount after December last year, Turkey practiced its right to take the case to the arbitration court after this June, based on a clause in the gas trade agreement with Gazprom. In October, Alaboyun had said Russia ignored Turkey's calls for the price settlement since June, which led Ankara to take the dispute to the court. He had also reminded that both countries had taken cases to arbitration court before, but those were settled before the court processes had begun.

Alaboyun told that despite Turkey had called for Russia to ink the 10.25 percent discount agreement, the deal could not be signed. "The arbitration process will take some time. We determined our arbitrator, and informed Russia about it. Now, they will also determine their arbitrator," he said. Turkey, which is the second biggest consumer of Russian gas after Germany, imports around 30 billion cubic meters of gas from Russia annually via two pipelines, the Blue Stream and Western Line.

On Dec. 2014, Moscow had proposed to build a third gas pipeline to Turkey, dubbed as Turkish Stream, that would run under the Black Sea. However, the negotiations about the project were put on pause until after Turkey's national re-elections on Nov. 1 and a new government is formed.

On Nov. 1, Turkey's Justice and Development Party (AK Party) clinched victory to form a single-party government. "The results of the election will resolve the uncertainties about Turkish Stream," Alaboyun told, and stated that some of the decisions about the project will depend on the intergovernmental agreement between the two countries.

Reminding that Turkish Stream is planned to carry 15.75 bcm of Russian gas to Turkey, and 14 bcm of Russian gas already comes from Western Line, the energy minister said an intergovernmental deal about the capacity difference between the two pipelines must first be ratified by the parliament.

Turkey: Oil refinery TUPRAS sees 39 pct jump in profit

AA Energy Terminal, *06.11.2015*

The oil refinery Turkish Petroleum Refineries (TUPRAS) has seen an increase in its net profit by 39 percent in the first nine months of this year, compared with the same period last year, the company said in a statement.

TUPRAS said company's net profit had reached 1.735 billion Turkish lira in the period, up from 1.246 billion Turkish lira in 2014."In first nine months our domestic sales increased by 27.4 percent year-on-year due to high demand as oil prices are low," the company said. Net sales decreased to 28 billion liras between January and September of this year from 30.6 billion TL in the same period of 2014, company said.

Its sales by volume totaled 20.9 million tons, an increase of 4.7 million tons from the same period of last year. Turkey's largest industrial enterprise, owned by Koc Holding, has an annual processing capacity of 28.1 million tons of crude oil. Tupras Director General Yavuz Erkut will retire by the end of the year, and Ibrahim Yelmenoglu, assistant general manager of the company, will replace Erkut, the statement said. Sales have improved for oil refineries as the low cost of oil has allowed them to reduce prices.

Head of pipeline Co: Botas needs to have more autonomy

AA Energy Terminal, *05.11.2015*

The head of Turkey's state-owned pipeline company, BOTAS, said that it should have more autonomy so the country can become an energy hub and realize international projects.

"The regulation for granting autonomy to BOTAS is at parliament," Mehmet Konuk said, speaking at the 8th International Energy Congress in Ankara, but did not elaborate on the extent of autonomy that BOTAS should have. It is unclear when such a decision will be taken for BOTAS, since Turkey has just held a snap election last Sunday after five months, which passed under the administration of an interim government.

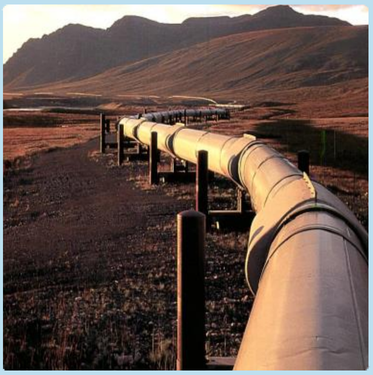
The process of forming the new government under the winning majority AK Party is expected to be completed towards the end of this month. Upstream projects and the production of natural gas are other key areas in which BOTAS will require independence to make significant contributions, Konuk added.

He drew attention to Turkey's geopolitical location between Eurasia and the Middle East, where most of the world's oil and gas are produced and close to Europe where there is high energy demand. Furthermore, he said Turkey's plan to either become an energy hub or transit country for energy routes must be decided and relevant policies should consequently be implemented.

Azerbaijani and Iraq's oil is currently delivered through Turkey's southern Ceyhan port through pipelines. Additionally, the 1,850 kilometer-long Trans Anatolian Natural Gas Pipeline is currently being built as part of the Southern Gas Corridor project that will carry natural gas from Azerbaijan's Shah Deniz II field on the Caspian Sea, passing through Turkish territory, and entering Greece. From there, the gas will be delivered to Europe by the Trans Adriatic Pipeline (TAP) Caspian gas to Europe. Russia also proposed the Turkish Stream natural gas pipeline project to reach Turkish and European markets beneath the Black Sea while bypassing Ukraine.

Southern Gas Corridor in focus at upcoming energy summit in Istanbul

Trend News Agency, *13.11.2015*



The Southern Gas Corridor will be one of the topics of discussions during the Atlantic Council Energy & Economic Summit, to be held in Istanbul on November 18-20, 2015.

The Summit is aimed at fostering and strengthening transatlantic engagement on energy, economic, political challenges. President of Turkey Recep Tayyip Erdoğan, EC for Climate Action and Energy Miguel Cañete, President of Croatia Kolinda Grabar-Kitarović, Executive Director of International Energy Agency Fatih Birol, PM of Albania Edi Rama, US Special Envoy and Coordinator International Energy Amos Hochstein are among the keynote speakers.

Representatives of SOCAR, Trans Adriatic Pipelien (TAP), Dentos, BP Turkey, as well as the US Ambassador to Azerbaijan will be the participants of the Session dedicated to the Southern Gas Corridor on November 20. The Southern Gas Corridor is one of the priority energy projects for the EU. It envisages the transportation of gas from the Caspian Sea region to the European countries through Georgia and Turkey.

At the initial stage, the gas to be produced as part of the Stage 2 of development of Azerbaijan's Shah Deniz field is considered as the main source for the Southern Gas Corridor projects. Other sources can also connect to this project at a later stage. As part of the Stage 2 of the Shah Deniz development, the gas will be exported to Turkey and European markets by expanding the South Caucasus Pipeline and the construction of Trans-Anatolian Natural Gas Pipeline and Trans-Adriatic Pipeline.

Iran, Iraq sign second gas deal

Trend News Agency, *12.11.2015*

Tehran and Baghdad signed an 6-year agreement, aimed at exporting 25 mcm per day of Iranian gas to Iraq's Basra.The contract can be extended after 6 years. During this period Iraq is committed to intake 40 billion cubic meters of Iranian gas to be supplied to Basra, Shaha reported.

Iran and Iraq have already signed an agreement on delivering 25 mcm/d of Iranian gas to Iraq's capital, Baghdad.Then Iraq will import 50 mcm/d of Iranian gas in total. Iran Oil Ministry's information website Shana reported that the two sides are currently in negotiations to increase Iran's gas export volume to Baghdad by 10 mcm/d in future.

In September, Azizollah Ramezani, the director for international affairs department for the National Iranian Gas Company (NIGC), said that as per an annexation to the gas export deal, the volume of gas expected to be supplied to Baghdad City would increase to 35 mcm per day from 25 mcm. The two sides have held talks about the Iranian side offering technical, financial, and executive training to Iraqi personnel.

In 2013, the two countries signed an agreement for the export of natural gas from Iran's South Pars gas field to Baghdad. The project has been long in the offing but had been delayed over security concerns in Iraq.

Azerbaijan ready to resume energy talks with Russia, Iran

Trend News Agency, *12.11.2015*

Azerbaijan confirms the interest and readiness for the resumption of meetings as part of the trilateral working group on uniting the energy systems of Azerbaijan, Iran and Russia, Natig Abbasov, Azerbaijani Deputy Energy Minister, said in an exclusive interview with Trend .

Abbasov was commenting on Russian Energy Minister Alexander Novak's statement on the need to resume the tripartite talks on the issue. He said that the issue of creating the "North-South" energy corridor has always been on the agenda. "In this regard, a trilateral meeting was held in Baku in 2014," Abbasov said.

“Both Iran and Russia have always shown interest in the project. As a transit country, Azerbaijan is also very interested in this project.” He said that Azerbaijan is technically ready for the project implementation in the north and in the south.

“The country has the necessary infrastructure that allows receiving and transmitting electricity,” Abbasov said. “There is necessary capacity at the Derbent-Yashma transmission line and the Imishli-Parsabad transmission line. We have the parallel operation of energy systems with Russia because there has been a single system since the Soviet period. There is also a contract signed between Azerenergy with Russian Inter RAO. It is still impossible to create a parallel mode of operation with Iran due to the difference in frequencies. Iran’s investments will be required to create such a regime. We have all technical opportunities to transfer energy from Russia to Iran and vice versa.”

Earlier, Russian Energy Minister Alexander Novak confirmed the interest in uniting the energy systems with Azerbaijan and Iran. Novak made this statement at the 12th meeting of the permanent Russian-Iranian commission on trade and economic cooperation.

“We also confirm our interest in further consideration of the issue of uniting the energy systems of Russia, Iran and Azerbaijan,” he said. “We consider the resumption of the tripartite working group as expedient.”

Israeli expert: Additional giant gas fields offshore Israel not likely

Natural Gas Europe, *10.11.2015*

Tamar and Leviathan gas fields are probably the two first and last giant natural gas discoveries offshore Israel. This is the opinion of Yossi Langotsky, a prominent Israeli oil geologist who is regarded as the ‘Father of deep water natural gas discoveries offshore Israel’. In an interview, Mr. Langotsky (81) said: “The prospects of discovering another either Tamar or Leviathan in the Israeli waters is unfortunately very low.

Future gas discoveries in the Israeli Mediterranean will be mainly in stratigraphic traps, whose potential rewards will be much smaller than the reserves which were found in Tamar and Leviathan Structural traps.

The possible future stratigraphic traps capacity might be 100-400 bcm altogether and their discovery will be quite risky.” The Tamar gas field, the first giant gas discovery offshore Israel is named after his granddaughter, and with a bit more luck Mr. Langotski would have been worth today about hundred million dollars. Following on the heels of Tamar giant discovery, in early 2009, Leviathan super giant field was discovered in 2010.

Although Mr. Langotsky wasn't involved in that discovery, his pioneering works and breakthrough ideas led to Tamar's discovery and to all other Structural Traps discoveries (1000 bcm). However Mr Langotsky doesn't foresee additional giant discoveries in the Israeli waters.

According to Mr. Langotsky, who for decades was trying to lure international oil exploration companies to participate in oil and gas exploration in Israel, those companies avoided Israel, mainly because of geopolitical reasons. The only company that he was successful in bringing to Israel's offshore waters was British Gas, which successfully applied for the first time various sophisticated subsurface techniques (Basin analysis, 3-D etc.) which led to the breakthrough discovery of the Tamar giant gas field.

Nowadays Mr. Langotsky is a critic of Israel's government policy regarding the future of the offshore gas discoveries. His main concern is regarding the decision to keep only 50% of Israel's proven gas reserves for domestic purposes, which will assure only but twenty years of Israel future gas consumption. All other reserves will be allowed, according to the Israeli government decision, to be exported out of the country. "This is a very irresponsible decision," says Mr. Langotsky.

Mr. Langotsky fully supports John Hofemiester, the former President of Royal Dutch Shell, who has recommended the Israeli government "to prevent totally any gas export," in order to assure a 50 year period of energy security to the state of Israel. "Energy security is much more important than making money, especially to Israel whose future unknown risks should be taken seriously."

Another security issue that disturbs Mr. Langotsky is that until now the Israeli government was not decisive enough to force Tamar owners to install a second delivering pipeline to Isreali shores as a redundancy to the only existing pipeline.

Iran petroleum contract revealed: The risks and the rewards

Azernews, *05.11.2015*

After months of confidentiality around Iran's new model of oil contract, known as the IPC, the details of the IPC have been finally disclosed. Despite expectations, Iran has kept its sovereignty over its hydrocarbon reserves, but the new contract has some advantages over previous models, namely contract-based and buy-back advantages.

Iran says it needs to invest $185 billion in its oil and gas projects over the next five years. First Vice President Jahangiri has issued on the government's official website relating to the general conditions and requirements of new model of contracts for upstream oil and gas industries.

At present, the government’s approval only outlines generalities of the IPC. Full details will be announced in a conference that is scheduled to be held on November 20. The IPC highlights the need to maximise the utilization of capital and technology of companies. The contracts will be long term and repayments will be conducted over longer periods, which will incentivise foreign investors. The National Iranian Oil Company, or its subsidiaries, is referred to as “the first side”, which is also “employer” in the contract.

The “second side” (party) of the contract, also referred to as “contractor”, is a company or a group of companies, which will implement exploration, development, production, and operation of plans individually or collectively. The National Iranian Oil Company retains ownership of oil and gas fields. Commitment to obligations in the contract will be guaranteed by the Iranian government, the central bank, and state-run banks.

Repayment of all direct and indirect expenses, as well as finance and operation costs, will be dependent on allocating a portion (maximum 50%) of products or revenues based on current day sale prices. The contract also stipulates that all the risks and costs should be borne by the second side if targets of exploration and production for specified fields do not materialise.

In the exploration section, the “Minimum Exploration Obligation” includes geology, gravimetry, seismology, drilling, and assessment of fields with the aim of discovering new fields and making the minimum required investment within the specified period of time, which is undertaken by the second side.

The second side is also obliged to protective production utilizing modern technologies and investing in development and recovery rates, increasing plans in a proportional manner to the complexities of the fields. Meanwhile, foreign companies will be awarded with incentives for protective production.

In addition, all operations by contractors from the start of the contract will be carried out on behalf of the employer. All the properties, including buildings, goods, equipment, wells, ground and underground facilities, will belong to the employer from the same date.

One of the major risks facing foreign companies is the breaching of the nuclear agreement by Iran and the world powers and the possibility of a re-imposition of sanctions on Iran. Those sanctions previously forced the country to decrease it oil production by one million barrels per day. The IPC says if the Oil Ministry decides to reduce or stop production at any oilfield for of any reason, except for technical reasons, priority should be given to oilfields that are not committed to repayment. If such a decision is taken about an oilfield, subject to the contract, it should not affect repayment costs and fees owed by the contractor.

In each contract, domestic companies will be presented as partners for the foreign investor under the employer’s approval and will acquire technical knowledge, engineering, and managerial methods. The second side is obliged to present a plan for transferring technology, as part of its annual financial and operational program. Operation and implementation of projects will be changed alternatively by the domestic and the foreign companies. One of the advantages of Iranian fields is their low production costs. Each barrel of oil is produced at $5-8 on average.

On the other hand, it is not known to what extent the Iranian contract will be able to compete with Iraq's new model of contracts, known as fee per barrel. Production costs in Iran and Iraq are nearly the same. The new models of Iranian and Iraqi oil contracts are also very similar, in the sense that a percentage of oil will be paid to the producer instead of money. Meanwhile, incentives have been taken into account for higher production and protective production. The type and specifications of Iranian and Iraqi crude oils are nearly the same.

In Iraq, the contractor can permanently be the project's operator. But, in Iran a domestic company will sign a partnership contract; operation will be changed alternatively between the two companies. Of course, Iran has some advantages over Iraq, mainly higher security and more oil and gas reserves. Iran holds 158 billion barrels of crude oil and 34 trillion cubic meters of natural gas.

The domestic workforce in both countries receives the same amount of salary. But, Iran has numerous industrial advantages, especially the ability to manufacture a portion of the required equipment domestically at low prices to sell to the foreign contractor.

Iran sells to Europe cheap gas, having no pipeline

Natural Gas Europe, *04.11.2015*

Iran intends to enter an unequal battle for the European gas markets – albeit without pipelines but with an attitude. Europe has promised to buy all the gas available amid falling local production and increasing gas demand.

The EU will attempt to solve the gas supply issue as soon as possible due to the potential rise in consumption since the Union is going to cease the old coal power plants, convert them to gas mode as of 2017. Europe is a huge gas market. I call this 'an unequal battle' as Iran is entering into serious competition, given that the Islamic Republic has a lot of gas but no pipelines to Europe by which to deliver this gas.

The economic sanctions placed on Iran there may soon be lifted and with the largest proven gas reserves in the world amounting to some 1.2 trillion cubic feet; but since Iran has no pipelines enabling it to deliver its gas to the European market, the country by default falls behind in the gas race. But this does not seem to preoccupy Iran.

Deputy Oil Minister for International Affairs Amir Hossein Zamaninia told Iranian media in November that Tehran is ready to sell its gas to Europe even if it will not be viable economically. “That is due to the fact that we want to use economic relations to create some political cohesion,” Zamaninia said. Evidently Iran wants to use its powerful gas reserves as a shield against new possible international sanctions since Zamaninia says “When economic relations grow, political disagreements diminish and that reduces the chances of having the sanctions brought back”.

This is understandable. New sanctions are the last thing Iran needs at this time. The country needs new gas infrastructure and contracts as soon as possible. These kinds of statements are indications that Iran there is attempting to claim its own share of the gas market even though it would be unprofitable at first. Incidentally, Saudi Arabia applies the same approaches but with oil. Fiscal breakeven price of Saudi Arabia is 60 dollars per barrel Brent.

But Saudis are persistently gloomy about the oil production decreasing. In this regard Saudi Arabia has many competitors. If the Saudis decrease oil production to support the prices it is obvious they don't expect the same from neighboring rival countries. Most likely one of the rival countries will quickly hold the Saudis oil market share. For Iran, by the way, the fiscal breakeven price is 78 dollars per barrel Brent.

"I see no economical reason of Iranian gas export to Europe now. If they want to invest, to build pipelines it should be kicked off right now while the oil prices are low. One way or another I see no Iranian gas in the European market within the next 8-10 years", - said a Caspian energy trader who asked to remain anonymous.

Tensions between Russian and Ukraine started last year reminded Europe of Iran's gas possibilities if Europe was to avoid depending on Russian gas exclusively. But a number of issues prevented relying on Iranian gas imports; economic sanctions, Iran's developing nuclear program, lack of understanding how Iran is able to invest to build its pipelines, who in Europe is going to sign the gas contracts with Iran?

It is no secret that Europeans have a keen interest in purchasing gas from Iran, however, it is highly doubtful that Europeans are ready to invest in the pipeline construction project. Most likely they wish to wait while Iran finds a solution on its own.

Construction on the Trans-Anatolian gas pipeline (TANAP) is proceeding at full speed in Turkey which has the 310-mile border with Iran. TANAP pipeline is going to be used to export gas from Azerbaijan to Europe as of 2020. Turkey geographically and economically is the only way for Iran to export gas to the European market. Long before Iran had been working on the idea to build a gas pipeline through Turkey to Europe. But the project was frozen. Building a huge pipeline while facing sanctions is worst even than comparing selling gas to "reduces the chances of having the sanctions brought back" as the deputy oil minister said.

So what is the best way out? Iranians may buy a share in TANAP or they can wait till the end of pipeline construction and link to it when everything is ready. But there remain a lot of unanswered questions. One of them refers to the current TANAP shareholders to SOCAR from Azerbaijan, BP and Botas from Turkey. Would they be willing to sell a share in TANAP to Iran taking into account the different political views on pricing?

One way or another having a share in TANAP doesn't change the game radically for Iran. Tehran has to be linked to TANAP at first, for that it should get an agreement with TANAP and build an interconnectional pipeline. There is a pipeline by the way from Iran to Turkey which is used to sell some 300 billion cubic feet of gas per year to Ankara. Its capacity is some 400 billion cubic feet per year which is far from enough to start any gas operation with Europe. Turkey covers some 20 percent of its yearly gas demand by buying gas from Iran via this pipeline.

Traders in the region said that comparing to the price of gas from Azerbaijan and Russian which Turkey buys as well Ankara pays the most price to Iran. Producing now some six trillion cubic feet of gas per year Iran is going to double this figure within the five years. A good portion of this volume of gas should be exported and sold on the world markets – Europe, India, and China. However no gas pipelines are available from Iran. At least not for now.

The EU's projects of common interest in Greece don't all make sense

Natural Gas Europe, *09.11.2015*

The finalized list of the EU's Projects of Common Interest (PCI) has been fully unravelled in Greece by the general secretariat of strategic investments, an institutional body administered by the ministry of national economy. But the projects face difficulties, either because they do not align with EU's energy stances or their viability is uncertain.

The following projects have been selected: the IGB; an LNG station to be developed by Greece's DEPA Company and GasTrade in Alexandroupolis; a new compressor station for the nationwide transmission system of DESFA Company; TAP; Poseidon pipeline; East Med pipeline; Tesla Pipeline.

The latter project is a proposed extension of the so-called "Greek Stream", from Northern Greece up to Hungary via the ex-Yugoslav states. Greek Stream itself is a proposed extension of the Turkish Stream, which aims to begin from Russia, crossing the Black Sea into the European part of Turkey. Currently EU appears to be cool on the possibility and importance of Turkish Stream; as such, the inclusion of the Tesla Pipeline as a PCI seems contradictory. Further, the construction of an LNG unit in Alexandroupolis to deliver gas into the Balkans could be seen as being at odds with the supply aims of TAP: The local markets cannot absorb higher quantities of gas from both projects, which could motivate the need for fierce pricing competition that will affect the overall viability of both projects.

The East Med pipeline will also contradict both the TAP and the LNG projects and could be a costly route to implement. That's just the beginning of the challenges it faces. More importantly, in order to have a pipeline you need to first of all have a source of gas in place and the willingness of other parties to export the gas. So far only Israel and Egypt have the gas that could supply the East Med pipeline, but they need to secure their own needs as well. At this moment in time, they have not finalized their export schemes, if any. That makes the East Med pipeline a purely theoretical design.

Practically speaking, TAP is the only a mature project included in the PCIs. When finished, it's expected to deliver gas by 2020 in the region. Concurrently the Greek Ministry of Foreign Affairs that play a significant role in shaping the country's natural gas policy, revealed Athens' energy intentions.

In recent weeks, the ministry has said that it welcomes the TAP, LNG, and East Med projects, but also that it is eyeing future imports from Iran and from Northern Iraq plus deliveries from Russia via the Turkish/Greek/Tesla stream. It will also welcomes the possibility of LNG deliveries from both Algeria and Qatar, as well as LNG derived from U.S. shale LNG by 2016.

All of these projects and new gas sources cast doubt on the viability of the announced PCIs. The Balkans cannot absorb all these projects, not even in the long-term, and the ambition of creating a hub of all this different sources is not a realistic one. Europe's major consumers, such as Germany, Italy, France and others, are unlikely to turn to Greece for their energy needs since they have the capacity of securing more direct flow of gas into their markets. Moreover Turkey, which is a major consumer, has its own set of options outside of Greece's proposed PCIs.

Looked at holistically, the PCI listing should not be seen as a list of viable projects for Greece. Instead, it can be perceived as an attempt by Brussels to keep everyone happy. It also ensures that the country has plenty of options for the future, since the wider, ever-changing geopolitical landscape in the East Mediterranean and the Middle East will surely upset many established political balances.

The PCI listing only realistically be assessed once--and if--the geo-economic situation in the region settles down. Until then a safe bet would be for the continuation of the TANAP/TAP project and multiple changes in preference and value for the rest of the proposed projects.

Bulgaria says final investment decision pending on gas link with Greece

Novinite, *10.11.2015*

Shareholders in the project for the construction of a gas transit interconnection between Greece and Bulgaria have agreed on the clauses of the development contract, Bulgaria's Energy Minister has said.

Now, a date is to be set for the signing of the final investment decision on the ICGB project, Petkova has said at the Energy Infrastructure Forum. Klaus-Dieter Borchardt, Director from DG Energy of the Internal Energy Market Directorate, EC, highlighted progress in the implementation of the ICGB project designed to diversify the EU's gas sources and supply routes and increase the energy security of the bloc.

Bulgaria's government has decided to issue guarantees worth BGN 215 M (EUR 109 M) for the ICGB project next year. The pipeline is to be built by a joint venture company comprising the state-owned Bulgarian Energy Holding (BEH) and Grrece's IGI Poseidon. Petkova also said that Bulgaria has a number of advantages that make it suitable for becoming a regional gas hub in southeastern Europe.

“The strategic geographical location of our country, the procedures for prospecting for oil and gas in the Black Sea that we’ve launched, and the stepped-up construction of interconnections with the neighboring countries are excellent prerequisites for the creation of a regional gas distribution centre in Bulgaria,” Petkova said.

“Turning this concept into reality will be yet another guarantee for Europe’s energy security,” she added. Another project of key importance for Bulgaria is the construction of a gas interconnection with EU candidate Serbia.

The interconnector that would link the gas transmission systems of Bulgaria and its western neighbour is an opportunity to boost market integration and increase competition, Petkova said. Petkova also highlighted Bulgaria’s efforts to modernize and expand its own gas transmission system.

Bulgaria has invested more than EUR 100 M into the rehabilitation and upgrade of its gas supply infrastructure, Petkova said. Last month Bulgaria launched a project for the expansion of Chiren underground gas storage facility defined as a project of common interest by the European Commission.

Up to 30 billion cubic meters of gas could be transited via Bulgaria through the interconnections with Greece, Turkey and Macedonia when they are built and the capacity of the gas depot in Chiren is expanded, Bulgaria’s prime Minister Boyko Borisov said last month. The 2015 launch of the Energy Infrastructure Forum in Copenhagen was foreseen by the Energy Union package as a key action to advance the development of European energy infrastructure, which is vital to Europe’s success in building a secure, competitive and sustainable Energy Union.

Nord Stream II: “A realistic project, not a ‘pipeline dream’”

Natural Gas Europe, *11.11.2015*

In contrast to the various European natural gas transit pipelines that have been introduced and later cancelled, Chairman of the Executive Board and CEO of Austria’s OMV Aktiengesellschaft, Mr. Rainer Seele, says the Nord Stream II project, which would expand deliveries of Russian natural gas to Germany, holds promise.

OMV is one of the shareholders in the project, which also includes Gazprom, E.ON, Shell, Wintershall and Engie, who signed a shareholders’ agreement at the beginning of September. Replying to a question on OMV’s rationale for participating in the Nord Stream project, Mr. Seele explained.

“We do have a very special interest that the gas which we currently take under the existing route into our system here in Austria, that the gas from the Nord Stream project will find its way to our hub in Baumgarten. “So what we are doing with that project is safeguarding, more or less, the investment we have done in gas infrastructure here in Austria.”

Secondly, Mr. Seele said OMV would like to improve the security of supply of natural gas, given the fact that the industry had seen interruptions for gas imports from Russia into the Western European markets. “The highest security of transit we can realize with the Nord Stream II project, as this pipeline will directly connect the European gas markets with the Russian gas sources, where the production is high.”

He reported that the sanctions against Russia should have no impact on the project. Regarding the European Commission’s support for the project, he offered, “I think that we should really intensify now the dialogue when we have clearly defined the Nord Stream II project – it’s underway.” He added that the project company would initiate this dialogue.

“Because I’m absolutely convinced that this is a project improving the security of supply for the European markets, and that’s going to be our main argument.” Moreover, he said that Nord Stream is not a “pipeline dream.”

Mr. Seele observed, “There are so many pipelines we dream about; Nord Stream II is a realistic project. Very powerful European investors are behind the project, and these are renowned companies we’re talking about which all have experience in building pipelines to increase security of supply. They see an economic rationale behind the project.” He added that the project hoped to avoid any conflict.

“We would like to convince with the arguments of security of supply with a very safe and reliable transport and import of gas from Russia – that’s the story. But we will also invest for future capacities we do need to supply the European markets. It’s going to be fresh gas for an increasing import demand of gas for Europe.”

Mr. Seele said he would do his best to convince a majority of EU member states to get behind the Nord Stream II project, which would supply Eastern European countries with gas from the West. OMV’s CEO welcomed former German Chancellor Gerhard Schroeder at an event in Vienna, where the two emphasized the importance of good European relations with Russia.

“Russia plays a central role in the question of how we Europeans can secure our energy supply. Norway and Russia are the most secure and reliable energy partners for Europe”, said the former German Chancellor.

“I believe OMV’s strategy of engaging in Russia is correct – both in terms of the planned construction of the Nord Stream II pipeline as well as gas exploration in Siberia,” he said. “This engagement is completely in the spirit of longstanding close AustroRussian cooperation in the energy sector. As Europeans we need to establish deeper economic and political ties with Russia”. Regarding the status of the asset swap negotiations with Gazprom for a stake in the Urengoy field, Mr. Seele said OMV was busy analysing data in a data room set up by Gazprom, a process which will last until the end of the year, when the company should understand the value of the assets.

He added that the two sides had agreed on a short-list, which is confidential until the two sides agree on what to swap. In terms of its results for the Q1 2015, OMV reports that the company's combined "downstream segment" (gas and power merging with refining and marketing) delivered a strong result, with refining margins up and a good utilization rate.

The substantial decrease in the price of oil from a year earlier has weighed the Group's performance down, by 50%, reaching only EUR 333 million compared to Q1/14 results of EUR 668 million. OMV cites security issues in Libya and Yemen also having an effect (but with no definite plans for the company's exit from those markets).

Upstream production stands at 303kboe/day, of which Norwegian production accounts for 37kboe/day. Production in Romania has slightly increased, to 174kboe/day for Q1/15. The company is also busy offshore in the Black Sea. Mr. Seele said OMV is a healthy company, even if it has to live with an oil price that halved compared to the previous three years. Key elements of the "Fit for Fifty" program, he said, include cost cutting and strict discipline regarding capital expenditure.

He commented: "We still expect the average oil price for 2015 to remain in a range of $50-60/barrel, and our expected annual production will be around 300kboe/day for 2015." OMV, he said, is still committed to dedicating roughly 80% of CAPEX to upstream, with the company's plan still including major investment projects like Schiehallion in the UK as well as in activities in Indonesia and Romania. "Altogether, these projects have a potential of about 80kboe/day in the upcoming years," he said, adding that wells are to be drilled in the Romanian Black Sea and Norway in 2015.

Ukraine, Baltic Leaders slam Russian-German pipeline plan

REFRL, *13.11.2015*

Ukrainian and the Baltic leaders have criticized a planned second Nord Stream pipeline to funnel natural gas from Russia to Germany under the Baltic Sea.

The project would cost Ukraine $2 billion a year in lost revenues as it takes away business from the land-based pipeline that transits Ukraine and Poland, Ukrainian Prime Minister Arseniy Yatsenyuk said at a press conference with Baltic leaders in Riga. Poland and Slovakia would also lose $300 million and $800 million, respectively, in annual pipeline revenues, while it would deprive the European Union of real energy independence, he said.

"We do believe that this project has nothing based on economic issues -- it is more a political one," he said. Yatsenyuk, whose government has been fighting Russian-backed separatists since last year in eastern Ukraine, called on the EU to "seriously" examine the issue. He warned against allowing Moscow to "facilitate a bottleneck and to control the energy market of the EU, too."

Latvian Prime Minister Laimdota Straujuma said she was “highly concerned” about the project and called for a thorough EU review of the proposed seabed pipeline. Estonian Prime Minister Taavi Roivas questioned whether the plan was in compliance with EU rules. “It is quite clear that it would have a very significant negative impact on the gas supply of Ukraine,” Roivas said. Gazprom agreed in June with Western European partners Anglo-Dutch Shell, Germany’s E.ON, and Austria’s OMV to build the Nord Stream-2 pipeline to Germany to bypass conflict-torn Ukraine but also neighboring Poland.

The route under the Baltic Sea from Russia would have a capacity of 55 billion cubic meters per year and would double the flow of the existing Nord Stream pipeline currently linking the two countries. No time frame was given for the deal. For both Germany and Russia, the new pipeline would eliminate the uncertainty about winter gas supplies caused by a constant tug of war between Ukraine and Russia over gas issues, while it would boost Germany as a distribution hub for Russian gas in Western Europe.

Schröder, OMV make case for stronger ties with Russia; Poroshenko goes to Brussels

Bloomberg, *02.11.2015*

While former German Chancellor Schröder was saying that Russia is key for Europe’s energy security, Ukraine’s President Poroshenko met with High Representative of the EU for Foreign Affairs and Security Policy Mogherini.

Mogherini stressed that the anti-corruption reforms are key elements for the implementation of the “trade component of the Association Agreement and fulfilment of the plan of actions on the liberalisation of the visa-free regime.” Reading between the lines, Mogherini’s speech indicates that the Association Agreement, which would enter into force on January 1, 2016, cannot be taken for granted.

Ukraine’s Prime Minister of Ukraine Arseniy Yatsenyuk reminded that the Parliament had recently ‘refused to vote for laws that stipulate for real fight against corruption.’ “All member-countries of the European Union have passed the same path, Ukraine is following now. They were doing it 20 years ago. We should do this immediately” he said in a statement released.

Ukrainian officials are also trying to understand what to do in order to stop the Nord Stream 2 pipeline. “If Nord Stream-2 operates, Ukraine will be dead as a transit land for Russian gas” Andriy Kobolev, CEO of Ukrainian state gas firm Naftogaz, commented. On the other hand, OMV and Germany’s Schröder confirmed their support for the project. “I believe OMV’s strategy of engaging in Russia is correct – both in terms of the planned construction of the Nord Stream II pipeline as well as gas exploration in Siberia.

This engagement is completely in the spirit of longstanding close Austro-Russian cooperation in the energy sector" Schröder, who is currently the chairman of the board of Nord Stream AG, said in a press release.

Turkmenistan: President orders start to work on TAPI Pipeline

Natural Gas Europe, *09.11.2015*

Turkmenistan has fired the starting pistol on the ambitious TAPI natural gas pipeline, a 1,735-kilometer route intended to supply markets in Afghanistan, Pakistan and India.

To the applause of ministers, President Gurbanguly Berdymukhamedov announced he had ordered the beginning to construction on November 6 during the weekly Cabinet meeting. The work on the Turkmen section will be done by state-run gas company Turkmengaz, which was named project consortium leader for TAPI Pipeline Company Limited in August, and energy infrastructure construction division Turkmenneftegazstroi.

The pipeline is designed to transport 33 billion cubic meters of gas annually for a period of three decades. Work is formally due to start in December, according to the government decree signed by Berdymukhamedov, but substantial construction is not expected to get underway until next year. The completion date has been set for December 2018.

Turkmenistan currently exports gas to China, Russia and Iran. But relations between Turkmenistan and Russia, which this year reduced the volume of its gas purchases to 4 billion cubic meters, took a turn for the worse after Ashgabat in July accused Russia's Gazprom of failing to pay for fuel supplied this year.

It was not all good news on the energy front at the Cabinet meeting though. The long-serving minister for oil and gas, Baymurad Khodjamukhamedov, asked Berdymukhamedov if he could step down for reasons of ill-health, in effect a resignation, which was promptly accepted by the president. Khodjamukhamedov, who had occupied his post since 2009, will be replaced by Yagshigeldy Kakayev, who is now the head of the presidential State Agency for the Management and Use of Hydrocarbon Resources. Kakayev will continue to perform his current job on top of taking on ministerial duties.

Kakayev has already served in the ministerial position, from May 2012 to June 2013, when he worked in tandem with Khodjamukhamedov. It is not immediately evident whether Khodjamukhamedov's illness was a diplomatic one, but his resignation followed shortly on the heels of news that German company DEA Deutsche Erdoel AG is set to relinquish its natural gas concession on Turkmenistan's Caspian Sea shelf.

Foreign-based website Alternative News of Turkmenistan reported last month that the Hamburg-based oil and gas company intended to end its exploration commitments at what is known as Block 23 over frustration at excess bureaucracy and corruption. Indeed, a state news agency report on the Cabinet meeting indicates that graft did come up.

“The leader of the nation once again warned all heads of ministries and agencies that he will in accordance with the law strictly prevent all forms of bribery, corruption and false reporting, and that nobody would be forgiven,” the report said.

On this occasion, those remarks appear to have been directed at the head of the statistics agency, Akmyrat Mammedov, who received a rebuke for filing inaccurate data. Reference to Mammedov’s rebuke followed a passage about the woeful state of the agricultural sector in the Lebap Province, where several local leaders could soon be receiving summons from the prosecutor’s office.

Much further up in the report, however, Mammedov is cited as giving an extremely rosy picture for the state of the economy at large. That information provided by Mammedov is presumably not suspect. Industrial output is reportedly on the rise across the board from oil to gas, metals to plastic, and cotton to foodstuffs.

Economic growth for the January-October period has reached 7.5 percent, and that is despite the plummeting global prices for Turkmenistan’s hydrocarbon exports. Only slight hints reveal any anxiety that cash might be a little short. Speaking to the chairman of the Central Bank, Merdan Annadurdyev, the president stressed the need to boost exports of the Made in Turkmenistan brand to ensure the inflow of foreign reserves. Fleeting references made to “measures to maintain the stability of the national currency” indicate that Turkmenistan is also having trouble coping with maintaining its exchange rate, which has officially and on paper remained stable, unlike in neighboring Kazakhstan.

Nord Stream II: Bypassing Ukraine and dividing EU

AA Energy Terminal, *13.11.2015*

EU’s disunity is being exposed once again, as Russia’s Nord Stream II gas pipeline project continues to develop with support from Germany and Austria, while Brussels and some East European countries strongly voice their concerns.

The Nord Stream II project was announced on June 18, when Shell, Russia’s Gazprom, Germany’s E.ON and BASF along with Austrian OMV signed a memorandum of understanding for the construction of the project, which will add two additional pipelines to the original Nord Stream project. Nord Stream II project is planned to have a 55 bcm capacity.

However, East European countries including Poland, Slovakia and Ukraine strongly object to the project, fearing a loss in transit fees from delivering Russian gas to Europe through the current pipelines. Each country receives around $3 billion from Russia annually for delivering its gas to Europe through their pipelines.

“Germany realizes that Gazprom is determined to stretch the new gas pipelines bypassing Ukraine and eventually completing the expansion of the pipeline, then Russian gas should go via Germany,” Ivan Kapitonov, assistant professor of the Russian Presidential Academy of National Economy and Public Administration (RANEPA), told Anadolu Agency.

Noting that Berlin has the opportunity to distribute gas across the EU countries using the European gas transport system if the project is realized, Kapitonov said that it is therefore highly possible that Germany is willing to give Russia a helping hand in the $10 billion project.

The expert also underlined that Russia will now enter spot market gas prices, rather than the gas price linked to oil price index mechanism. Kapitonov said that although the current gas market conditions and the size of the project make the project a difficult investment for Russia, gas prices are expected to increase once again by the end of 2016, which will generate a return on Russia’s investment.

On the other hand, Christian Egenhofer, head of the energy and climate program at the Brussels-based Centre for European Policy Studies, said the project would make Ukraine obsolete as a transit country. “That is not in the EU’s interest and the EU would probably most likely not accept that,” he said.

For 2015, Russia’s gas transit through Ukraine is expected to drop to around 51 billion cubic meters. “What I understand from the proposal, what was done from the memorandum of understanding and what I hear from people is that basically the Russian side takes all the risks and covers all the costs,” Egenhofer pointed out.

“Therefore, for European companies which are supporting the project, you basically import the gas, a lot of gas. There is no alternative and the exporter pays all of this. That is a good proposition now,” he said.

Agnia Grigas, an independent energy and policy consultant and the author of the book “Beyond Crimea,” also agrees that the EU is increasingly firmer about its energy regulatory policies towards Russia and is enacting the Third Energy Package vis-a-vis external suppliers such as Gazprom. “The Russia-Ukraine gas tensions of 2006, 2009 and the outright conflict between the two countries due to Crimea’s annexation and the Russia-backed separatist in eastern Ukraine since 2014 has further reiterated Moscow’s resolve to eliminate Ukraine out of gas transit,” she said.

In 2006 and 2009, Russia accused Ukraine of illegally importing its gas and cut off its gas flows, which affected many European countries as a consequence. Looking from Russia’s perspective, Jeffrey Michel, an independent energy consultant, said the Ukrainian transit pipelines may constitute an incalculable risk, reversing the political pressure imposed on the country in the past.

Frank Umbach, research director at the European Centre for Energy and Resource Security (EUCERS), said the Nord Stream II would neither decrease Europe's gas dependency on Russia nor offer a viable cheaper option than the gas transit through Ukraine as Gazprom claims. Umbach pointed out that Gazprom spent $43 to supply each 1,000 cubic meter of gas via Nord Stream in 2014 compared with $33 via Ukraine.

"Russia still seeks to build redundant, costly pipelines to circumvent Ukraine, and they may also undermine Ukraine's internal gas reforms. Its efforts are for becoming fully integrated into the EU's common energy and gas market and deprive Kiev of transit revenue," the expert said.

Maros Sefcovic, the vice president of the European Commission, recently said in an interview with Ukrinform, the only national news agency of Ukraine, that the retention of a transit route through Ukraine is an issue of great importance for the European Union. Sefcovic added that the Commission was working closely with the leadership of Ukraine and international institutions regarding the execution of needed reforms to modernize the gas transport system.

Expert: East Europe distrustful of Russia in energy deals

AA Energy Terminal, *12.11.2015*

Eastern Europe, unlike their Western European counterparts, have lost their trust in Russia in the energy field, Associate Director of Energy Policy Forum from University of Cambridge said.

Marc Ozawa, speaking at the 17th CIS Oil and Gas Transportation Congress in Istanbul, said that he researched relations between European countries and Russia in the context of Europe's dependence on Russia for energy resources. Europe imports around 30 percent, 150 bcm of its total gas consumption from Russia every year, while over 40 percent of this amount is transmitted via Ukraine.

On June 29, Russia offered a $40 discount to Ukraine for every thousand cubic meters of natural gas sales. However, Ukraine's state-owned gas company Naftogaz refused to agree on the discount, and suspended the purchase of Russian gas the next day. Disputes between Russia and Ukraine resulted in gas supply disruptions to Europe in 2006 and 2009.

According to Ozawa, Russian actors emphasize relationships and social interaction over contracts whereas the British and Norwegians focus on contracts and on due process while he observed that German actors appear comfortable focusing on both aspects in business deals. Ozawa explained that in the East, trust between parties, based on historical legacies, is institutionalized offering more security than just formal contracts alone.

Trust is based on several factors, including direct experience, historic ties and networks, geopolitics and cultural affinities, according to Ozawa. His research shows that Western Europe is less concerned about Russian energy dependence than Eastern European countries including Czech Republic, Lithuania and Poland with the exception of Bulgaria.

He explained that Eastern Europe’s perception of Russia amongst the public has deteriorated from 2007 to 2014. “They see Russia unfavorably. What is to be done? Building trust requires risk taking. In the absence of direct experience, actors will typically defer to stereotypes and other references in making decisions on trustworthiness,” Ozawa said, and added that “although there are general aspects to building trust, actions are interpreted through culture.”

He noted that when there is more coherence in shared norms and values, trust becomes embedded and more durable over time. “There is no need to think about it or question the country at all. Trust can emerge from discord and often does because parties get to know each other better in the process – the experience is authentic,” he said.

The 17th CIS Oil and Gas Transportation Congress runs from Nov. 11-12, 2015 in Istanbul to provide a platform for energy professionals from from the CIS, Europe and Asia to develop business partnerships within the oil and gas sector.

Naftogaz bets on price liberalisation, direct support to poor households

Natural Gas Europe, *12.11.2015*

Naftogaz presented its development strategy, saying that corruption and the company’s outdated governance model are two of the many hindrances that had stopped the development of Ukrainian gas market. “We had to address a range of systemic and operational problems immediately.

Widespread corruption [and] an outdated corporate governance model originating in Soviet era, distorted pricing dictated by political or corrupt goals are just some of them,” CEO Kobolyev commented. Given the challenges, the annual report of Naftogaz is published with a several-month delay compared to the international practices for major companies.

“Ukraine was almost entirely dependent on Russian gas imports and had to buy gas at inflated prices,” the company reported in a separate statement. “The inability of the previous governments and Naftogaz managers to resolve these issues, as well as the Russian military aggression against Ukraine, resulted in a record loss of UAH 88.4 billion (USD 5.6 billion at the prevailing exchange rate) in 2014.”

The document reported that the company managed to cover its financial obligations and supply sufficient volumes of gas to consumers, adding that the new route of gas imports via Slovakia has been a key development. According to Kobolyev, Naftogaz ensured for the first time ever a real diversification of gas imports to Ukraine.

“As a result, the share of Gazprom supplies to Ukraine fell from 92% in 2013 to 75% in 2014 and 37% in the first half of 2015. Europe is the main gas supplier for us this year” Naftogaz CEO said in the report. Naftogaz said that Kiev’s strategy is to reform the gas market, with price liberalisation and direct subsidies to low-income households being “the only solution”.

“A comprehensive gas market reform has been started,” it said. “This reform will result in the implementation of standard EU business practices and regulations in Ukraine. The ultimate goals of these changes include an unobstructed competition between gas suppliers, the introduction of efficient anti-corruption mechanisms, as well as the establishment of an investor-friendly operating environment enabling [us] to attract FDI in gas production and energy saving in Ukraine.”

Baltics, Poland press for US LNG alternative

Natural Gas Europe, *12.11.2015*

The political convergence between the Baltic States and Poland emerged strong during a conference on Wednesday, when Baltic leaders made the case for closer cooperation on energy matters with the United States.

The message is significantly different than the one delivered by South Eastern European countries over the last days, underlining that various regions of the European Union have different interests and face different complexities with respect to gas security and supply. Lithuania and Poland are spearheading the European project to import LNG from the United States.

“We are going in the same direction” Jerzy Buzek, former Prime Minister of Poland and former President of the European Parliament, said during the conference organised by Natural Gas Europe and Geopolitika. Buzek’s intervention is coherent with the interest expressed by potential American LNG suppliers.

“Europe is a very interesting market at the moment” Helena Wisden, Senior Manager Trading at Cheniere, said at the event hosted by Lithuania’s MEP Antanas Guoga in the European Parliament, adding that stronger regional gas demand would come in handy. In this sense, LNG exporters are interested in new interconnections in Europe, which would allow the creation of larger and liquid markets markets. These developments would then facilitate US LNG cargoes to Europe.

In October, Energy Minister Rokas Masiulis said that Lithuania is in talks with Cheniere for first shipments in the coming months. At the high-level roundtable, Lithuanian representatives confirmed that they see the LNG terminal at Klapeida an opportunity to be on the world market, and to decrease reliance on Russian gas. According to MEP Guoga, the investment in LNG capacity is already paying off. “We had the highest gas and electricity prices in the world” Guoga commented on the scenario prior to Klapeida.

Adding to the recent developments of the gas pipeline project between Lithuania and Poland, the conference at the European Parliament clearly showed that Vilnius and Warsaw are increasingly coordinating their efforts in light of complementary strategies well received by European institutions.

In October, Vice-President of the European Commission Maroš Šefčovič and Paweł Olechnowicz, Chairman of the Board of Directors of Central Europe Energy Partners (CEEP), discussed the North–South Corridor. On November 4, European and American decision-makers and industry representatives prepared the ground for the US–European gas partnership, focusing on the opportunities stemming from Poland’s Świnoujście and Lithuania’s Klaipeda LNG import terminals.

Lithuania’s Guoga underlined that the country does not want to only pay attention to Polish-Lithuanian synergies. Lithuania, which is the biggest Baltic country in terms of population and gas consumption, does indeed want to supply Estonia, and Latvia. Guoga also asked Latvian politicians to speed up the reform of the national gas sector. Jurijs Spiridonovs, Deputy State Secretary at the Ministry of Economics of Latvia, admitted his country’s problems with implementing the Third Energy Package, explaining that Riga is already working to find a way out.

While Spiridonovs pointed out that Latvia is called to deal with Russian pressure in the energy field, which has to do with both Gazprom and Rosneft’s interests, he explained that “gas has no nationality” and that Riga would seek to make its purchases based on pricing. “We don’t have to be afraid. If Russian gas is cheaper, we will buy Russian gas” he said on Wednesday.

Lithuania is seeking to place the Klapeida LNG terminal the main hinge of the Baltic countries’ energy security strategy. Additional LNG terminals in the region might limit the scope of Lithuanian ambitions. At the event, an Estonian represenative said that the country might not need a LNG terminal, conditional to a new natural gas pipeline between Finland and Estonia. “We don’t see any need to have another LNG terminal if we have the BalticConnector” Kalle Palling, Chairman of the European Union Affairs Committee at the Parliament of Estonia, said, referring to the proposed interconnector aimed at connecting Estonian and Finnish gas grids.

Palling argued that including Finland in the Baltic energy strategy would reinforce the push toward reducing reliance on Russian gas. “It would be beneficial to connect the Baltic States with Finland,” he said, reminding that the gas consumption of the three Baltic States combined is around 5 bcm, which is similar to the Finnish gas needs. In October, Estonian TSO Elering Gaas AS and Finnish state owned company Baltic Connector OY submitted a grant application to European Commission for co-financing the construction of the Estonian-Finnish gas interconnector.

It seems clear that the three Baltic nations have complementary interests and a similar understanding of the opportunities stemming from US LNG. What remains to be done is to find a way to aggregate the three countries' demand in a way that equally takes into consideration their needs and the complexities involved.

It also places emphasis on the prospects that projects to connect European gas supply sources from the Baltic, Adriatic, and Black Sea to the rest of Europe are likely to proceed at different speeds. While the Baltic states and Poland are expected to move with priority in their push toward a more integrated market, South Eastern European countries might face higher hurdles, again highlighting the differing approaches to gas and Russia within the European Union.

UK becomes only G7 country to increase fossil fuel subsidies

The Guardian, *12.11.2015*

The UK is alone among G7 nations in dramatically increasing its fossil fuel subsidies, despite an earlier pledge to phase them out, a new report has found.

The revelation will embarrass ministers who want to take a leading role at a crunch UN climate change summit in Paris in December, but who have been sharply cutting support for green energy at home. The report from the Overseas Development Institute and Oil Change International found that as a whole, G20 nations are responsible for $452bn a year in subsidies for fossil fuel production. The G20 pledged in 2009 to phase out fossil fuel subsidies.

In the UK, production subsidies of £5.9bn have already benefited major fossil fuel companies operating in the country, most foreign-owned, while £3.7bn is used to subsidise fossil fuel production overseas in countries including Russia, Saudi Arabia and China, the new analysis found.

New tax breaks for North Sea oil and gas production announced by the chancellor, George Osborne, earlier in 2015 will cost taxpayers a further £1.7bn by 2020, according to government figures. Shelagh Whitley, an author of the ODI report, said: "The UK has been cutting back support for solar power and energy efficiency, arguing that the burden was too high. Our figures reveal that in spite of supposed budget constraints the government is giving ever increasing handouts to oil and gas majors."

The report, entitled Empty Promises, states: "The UK stands out as a member of the G20 that, despite its pledge to phase out fossil fuel subsidies, has dramatically increased its support to the production of fossil fuels in recent years." Whitley said: "No other G7 country has done this." Earlier UK tax breaks for North Sea exploration from 2009-14 were worth £551m to the French company Total, £131m to the US-based Apache and £267m to Norway's state-owned Statoil, the ODI said.

The International Energy Agency (IEA) revealed on Tuesday a further $490bn a year in subsidies for fossil fuel consumption, mainly cheap fuel. Subsidies for renewable energy are far smaller, with the IEA estimating them at $135bn a year. “Fossil fuel subsidies are public enemy number one for the growth of renewable energy,” said Fatih Birol, head of the IEA, which provides the world’s most influential energy analysis. “I don’t understand some countries – they have renewable energy programmes and at the same time they have subsidies for fossil fuels. This is, in my view, myopic.”

Last December, it was revealed that George Osborne had sparked the biggest boom in UK fossil fuel investment since the North Sea industry was founded in the 1970s, with taxpayers funding seismic exploration for companies, while investment in clean energy had plummeted. On Monday, ministers were forced by the leak of a letter to admit the UK is set to miss a key renewable energy target, while on Wednesday the UK lost its top-ranked energy rating.

A spokesman for the Department of Energy and Climate Change said: “We are committed to meeting our decarbonisation targets – we’ve made record investments in renewables and are focusing on lower-carbon secure energy sources, such as nuclear and shale gas. However this will not happen overnight - oil and gas will continue to play a role so we can ensure hardworking families and businesses have access to secure, affordable energy.”

While the UK is increasing fossil fuel subsidies, the US and China have agreed to prioritise the setting of a deadline for the phase-out of fossil fuel subsidies during China’s G20 presidency in 2016. “They are moving from rhetoric to action on the phase out, which is incredibly encouraging,” said Whitney.

The new report analysed three types of production subsidy, all recognised by the World Trade Organisation, given to fossil fuels by G20 nations. It found $78bn a year in “national subsidies” (direct spending and tax breaks), $88bn of support via public finance and $286bn in support via state-owned companies.

The US provided more than $20bn a year in national subsidies alone and, in Alaska, a key production subsidy is set to pay out $442m more of taxpayers’ money than it will raise in 2015 and 2016. Australia provided $5bn in national subsidies, while Russia provided the most at $23bn a year. Japan gave the most subsidy via public finance among the G20, at $19bn per year and including $2.8bn for coal projects.

Turkey, which currently holds the G20 presidency, is giving tax breaks to support the building of more coal plants than any other Organisation for Economic Cooperation and Development (OECD) country, which could almost double its carbon emissions in the next 15 years. The OECD may heavily scale back export credit financing for coal at a meeting next week, which could make most of the 1,000 planned coal plants ineligible.

Stephen Kretzmann, director of Oil Change International, said: “Continuing to fund the fossil fuel industry today is like accelerating towards a wall that we can clearly see. G20 leaders need to slow down and turn us around before we hit climate disaster.” India has cut its fossil fuel consumption subsidies by $15bn in 2014 and Indonesia by $10bn, according the IEA.

Building a Europe whole, free, and secure

Natural Gas Europe, *12.11.2015*

The progress made in unifying Europe has been one of the greatest successes of this century. The task at hand, however, is far from complete. Political and regulatory integration, fostered by EU membership, has yet to be fully complemented by infrastructural integration, both within Central Europe and of Central Europe into the broader European and transatlantic market space.

Despite significant progress in the last decade, Central European countries are still burdened by insufficient integration and unsatisfactory infrastructural connectivity with Western Europe, as well as weak North-South links.

This is a legacy of the Cold War era, when intraregional infrastructural integration was actively prevented in order to maintain high levels of political and economic dependency on the Soviet Union. The detrimental consequences of this lack of integration are most evident in the energy sector. Central Europe remains a set of inadequately connected national energy markets, isolated from the Western community, and exposed to supply monopolies. Insufficiently diversified energy markets and monopoly pricing constitute a supply-security risk and lead to higher prices.

A meeting of Central European leaders on the sidelines of the UN General Assembly in New York City on Sept. 29 building on a joint report issued last November by the Atlantic Council and Central Europe Energy Partners entitled “Completing Europe – From the North-South Corridor to Energy, Transportation and Telecommunications Union”, provided fresh momentum to this agenda. The assembled heads of state and government representatives sent a clear message that investments in critical infrastructure along the corridor should be prioritized by the European Union and that regional coordination is essential to speed up the implementation of these projects.

Most urgent is the complete Europe’s energy integration to weaken Russia’s stranglehold on the most dependent member states. The Corridor would form the backbone of Central Europe’s energy infrastructure and enhance the region’s energy security. The North-South Corridor aims to integrate the whole of the EU and its neighbors into one coherent internal energy market in which industry can prosper and create new jobs on the continent and consumers can benefit from lower energy bills.

In terms of gas, the Corridor would establish a transmission network of pipelines and interconnectors from the Baltic to the Adriatic Seas. It would also extend existing oil pipelines and establish a new link, enabling the transport of crude oil, via the Baltic and the Adriatic Seas to every country in Central Europe. As for the electricity sector, the Corridor would build and expand high-voltage transmission lines to connect the “energy islands” of the Baltic States with the rest of the EU.

This would make the EU more competitive, strengthen its industrial base, and improve its ability to coordinate policies and politics. While there is no silver bullet to facilitate the Corridor's implementation, tackling political, regulatory, and financial roadblocks through regional coordination can pave the way for such an outcome.

We believe that the North-South Corridor should be the top priority in the effort to build a single European energy market. Corridor projects should be granted preferred access to public funding in order to enable early-stage planning activities, as well as to tip the balance for sections of the Corridor that are not feasible through purely market-based mechanisms. A concentrated push, based on close regional cooperation, needs to be undertaken to obtain the necessary level of financing. This will only be possible when local transmission system operators conduct a dialogue with national regulators and lawmakers.

Market-based development has to be at the heart of the Corridor, which is why the projects should be planned and implemented in line with economic developments in the underlying energy markets. The New York meeting marked an important step toward binding the Baltic, Adriatic, and Black Seas together and creating a new bedrock of European prosperity and security.

Completing the North-South Corridor offers a unique opportunity to further Europe's integration, enhance its geopolitical influence, increase its competitiveness in the global marketplace, and strengthen its economic resilience; all this while furthering its climate change objectives. We hope that the New York meeting will provide an impetus to initiating the next phase of completing Europe, which is both a European and a transatlantic priority.

U.S. administration wields its influences on gas legislation in Israel

Natural Gas Europe, *12.11.2015*

For quite some time, the American administration has been showing great interest in the Israeli energy industry--in particular Noble Energy's interests. A few years ago, when Noble confronted one of its first obstacles in Israel, it recruited former U.S. president Bill Clinton as a lobbyist.

That hasn't stopped the Israeli Knesset from raising taxes on oil and gas revenues, but it has helped to soften the blow. Before the Israeli parliament was supposed to vote on the transfer of regulatory powers, representatives from the American embassy contacted Arab MPs, whom are part of the opposition, in order to persuade to vote with the coalition.

The parliament's attempt failed and, since the government had no majority in the chamber for its resolution, the vote was cancelled.

The American Embassy renewed its efforts to influence the outcome of the political process concerning the natural gas framework in favor of the monopoly of Noble Energy and Delek Group. According to Calcalist business daily, an energy adviser from the American embassy contacted the office of the chairman of the parliamentary Economic Committee and tried to find out the timetable of the committee’s debates about the natural gas regulatory framework.

The committee must debate the matter before the Economy Minister can sign an article that bypasses the anti-trust authority, though the committee has no power to stop the Economy Minister from signing the article. In the past, embassy’s employees sent text massages to coalition members demanding the approval of the framework.

Israel and Jordan were supposed to sign, in the White House, a $15 billion contract for supply of natural gas from Israel’s Leviathan field to the Jordanian Electric Power Company. However after the U-turn by the Israeli anti-trust chief, Jordan cancelled the negotiations. Currently, the U.S. administration is trying to promote commerce and cooperation between Israel and its neighbors, Jordan and Egypt. It claims that it is an essential geopolitical move that will stabilize relationships between Israel and its neighbors and will create interdependence between the countries that will reduce the risk of confrontations.

On those national security grounds the Israeli government is attempting to bypass the anti-trust authority. However, those arguments became almost irrelevant when Eni S.p.A made its discovery of the huge Zohr natural gas reservoir in Egypt. Before the discovery, the Leviathan consortium was interested in exploiting the shortage of gas in Egypt and exporting gas to the local Egyptian market. Based on this assumption, advisory bodies to the prime minister had long argued in official opinions that helping Egypt to fill the gap with gas from Israel would strengthen the ties between Israel and Egypt by increasing the interdependence between the two states.

The Zohr field discovery radically changed the situation between the two states. After the discovery, the opposition blamed the advisory bodies in issuing opinions that were intended to support and satisfy the prime minister’s attempt to bypass the anti-trust authority, while ignoring the potential gas discoveries in Egyptian waters.

Prime Minister Netanyahu, asked the National Security Council and the Ministry of Foreign Affairs, to adjust their recommendation to suit the new situation, in light of the Zohr find and the new assessment, that Egypt will need no more Israeli gas for local consumption. Despite that, the advisory bodies will likely now argue that the gas is needed for re-export from Egypt; therefore, on national security grounds, the prime minister in his capacity as the Economy Minister, a job he inherited just last week following the resignation of the former Economy Minister, will be able to sign on article 52 to the Israeli anti-trust law and by doing so bypass the anti-trust authority.

Canada ‘disappointed’ by Obama’s Keystone XL decision

AA Energy Terminal, *07.11.2015*

New Canadian PM Justin Trudeau said that he is “disappointed” by the U.S. President Obama’s decision to reject the approval of Keystone XL pipeline that would have carried Canadian crude to U.S. refineries. “The application for a cross-border permit for the Keystone XL pipeline project was turned down by the U.S. government today.

We are disappointed by the decision, but respect the right of the US to make the decision,” Trudeau said. “The Canada-US relationship is much bigger than any one project and I look forward to a fresh start with President Obama to strengthen our remarkable ties in a spirit of co-operation,” he added.

Trudeau had said earlier that he wants to establish better relations with the U.S. and President Obama. The relationship between the two countries was strained under former Canadian Prime Minister Stephen Harper who supported the Keystone XL project, while the Obama administration has been indecisive about construction of the pipeline for seven years.

In his speech at the White House, Obama focused on climate change and renewable energy sources, as he emphasized the importance of transition to a clean energy economy. Trudeau also focused on fighting climate change and promoting clean energy in his statement.

“We know that Canadians want a government that they can trust to protect the environment and grow the economy. The government of Canada will work hand-in-hand with provinces, territories and like-minded countries to combat climate change, adapt to its impacts, and create the clean jobs of tomorrow,” he concluded.

US leaders react Obama's rejection of Keystone XL

AA Energy Terminal, *07.11.2015*

A number of U.S. leaders, from lawmakers to presidential candidates, had mixed reactions against President Obama's decision to reject the construction of Keystone XL pipeline.

Paul Ryan, a Republican and speaker of the US House of Representatives, called the decision "sickening" and said "By rejecting this pipeline, the president is rejecting tens of thousands of good-paying jobs. He is rejecting our largest trading partner and energy supplier." While Canada remains as the principal source of US energy imports, the Keystone XL would have carried additional heavy crude to US refineries in the Gulf of Mexico from Canadian tar sands.

Senate Majority Leader Mitch McConnell stressed the project's importance for U.S. energy, and said "The question still remains not if but when Keystone will be built. Republicans have no intention of giving up on common-sense jobs ideas like Keystone."

Obama said in his speech at the White House that if the U.S. Congress wants to create jobs, it should pass a bipartisan infrastructure plan that "could create more than 30 times as many jobs per year as the pipeline would," and benefit the U.S. economy and workers.

Martin O'Malley, a presidential candidate from the Democratic Party and the former governor of Maryland from 2007 to Jan. 2015, tweeted "Projects like Keystone XL are bad for our country - and that's why I clearly opposed it from the start."

Senator Bernie Sanders from Vermont, who is a presidential candidate from the Democratic Party, applauded Obama's decision. "Climate change is a global environmental crisis of huge magnitude. It is insane for anyone to be supporting the excavation and transportation of some of the dirtiest fuel on earth," Sanders said in a statement.

The U.S. Democratic presidential candidate Hillary Clinton, who was Secretary of State of the Obama administration between 2009-2013, supported the decision, and tweeted Friday "The right call. Now, it's time to make America a clean energy superpower." Clinton announced on September that she opposes the Keystone XL project, stating "it's in the best interest of what we need to do to combat climate change."

While environmentalist groups have been worried about the project's potential impact on land pollution, Obama underlined in his speech the U.S.' transition to a clean energy economy and the fight against climate change.

Meanwhile, presidential candidates from the Republican Party criticized Obama's decision Friday, as they supported the project and emphasized on its potential benefits. Ted Cruz, a Republican presidential candidate and U.S. Senator from Texas, tweeted "As President I'd authorize Keystone XL, and we'd get Americans to work!"

Donald Trump, another presidential candidate from the Republican Party, tweeted "So sad that Obama rejected Keystone Pipeline. Thousands of jobs, good for the environment, no downside!" Ricky Rubio, U.S. Senator from Florida and a Republican presidential candidate, tweeted "When I'm president, Keystone will be approved, and President Obama's backwards energy policies will come to an end."

Jeb Bush, a presidential candidate from Republican Party and the former Governor of Florida between 1999 and 2007, was also critical about Obama's decision as he talked at a U.S. television channel. Arguing that rejecting the project will not change anything about the environment and Canada will now export its crude oil to China or Europe, Bush claimed the decision will raise energy prices in the U.S.

"The Canadians are not going to just shut down their billions of sunk cost in developing tar sands. We're going to have to mend relations with Canada, our closest ally and our strongest trading partner," he said.

In addition, the U.S. Senator Lisa Murkowski, who is also the chairwoman of the Senate Committee on Energy and Resources, said in a statement that Obama's decision "sends a deeply negative signal to all who want to invest in America." She said the project would have ensured "a secure long-term source of energy from one of our closest allies."

Announcements & Reports

► *A Holistic Framework for The Study of Interdependence Between Electricity and Gas Sectors*

Source : OIES
Weblink : http://www.oxfordenergy.org/wpcms/wp-content/uploads/2015/11/EL-16.pdf

► *Natural Gas Weekly Update*

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

► *This Week in Petroleum*

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

► *Monthly Oil Market Report*

Source : OPEC
Weblink : http://www.opec.org/opec_web/en/publications/338.htm

Upcoming Events

► *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/

► *Atlantic Council Energy & Economics Summit*

Date : 19 – 20 November 2015
Place : Istanbul - Turkey
Website : http://www.acsummit.org/

► *Project Financing in Oil and Gas Conference*

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

► *The 9th ICIS European Gas Conference*

Date : 08 - 09 December 2015
Place : Amsterdam - The Netherlands
Website : http://www.icisconference.com/europeangas

► *European Gas Conference 2016*

Date : 19 – 20 – 21 January 2016
Place : Vienna, Austria
Website : http://www.europeangas-conference.com/?utm_source=external%20&utm_medium=banner&utm_campaign=naturalgaseurope

► *Kazakhstan Oil and Gas Summit 2016*

Date : 22 - 23 February 2016
Place : Almaty, Kazakhstan
Website : http://www.kazakhstanogs.com/