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Turkey prioritizes energy security in 64th Government Program

AA Energy Terminal, *25.11.2015*

Turkey will attach greater importance to the security of energy supplies and make use of domestic and renewable resources as much as possible in accordance with the 64th Government Program announced.

Prime Minister Ahmet Davutoglu launched the 64th Government Program at the Grand National Assembly of Turkey. According to the program, the new government will work more on the use of local and renewable resources to reduce the country's import dependency. Security of energy supplies will be in line with that aim so consumers can have access to cheaper, more sustainable and quality energy.

There will be more emphasis on the use of coal, geothermal energy, iron ore, marble, boron and chromium resources while the Primary Program of Return to Energy Production Based on Indigenous Resources will be the priority in the government's new term.

After the construction of Turkey's first and second nuclear power plants, the project for the country's third nuclear power plant will progress in the new term for electricity production. Nuclear energy will contribute more to the security of energy supplies along with the reduction of Turkey's import dependency in the longer term. The new government will also work to complete the delivery of natural gas to households in all cities in the country while increasing the capacity of natural gas storage.

Russia unlikely to stop natural gas flow to Turkey

AA Energy Terminal, *25.11.2015*

Russia is unlikely to disregard its international agreements and stop natural gas flow to Turkey, after the Russian warplane was shot down by Turkey Tuesday, according to director of Economics at the Ankara-based SETA.

Two Turkish F-16 fighter jets on an aerial patrol intercepted a Russian warplane within engagement rules when it intruded into Turkish airspace on the Turkey-Syria border. The intruding aircraft was warned about 10 times within five minutes before it was shot down. Russian Defense Ministry confirmed its Russian SU-24 fighter jet, which crashed in Syrian region of Bayirbucak close to Hatay province.

NATO confirmed the accuracy of the information that Turkey shared with it about the violation of the Russian warplane. This was not the first time Russian fighter jets had violated Turkish airspace. In early October, Russian warplanes had breached Turkish airspace for which Russian officials apologized and pledged that no such incident would be repeated; Turkey had also renewed its warning to implement engagement rules, including military response against violations of Turkish airspace.

Erdal Tanas Karagol, director of Economics at SETA, said that Russia is not expected to cut natural gas flow to Turkey despite this event and claimed that it would be ‘hara-kiri’ for Russia to do so. Russia is unlikely to want another problem with a natural gas importing country similar to the various gas-related issues it had previously with Ukraine in which Russia halted gas supplies to the country in 2006 and in 2014.

“I don’t think mega projects or large scale energy infrastructure projects will be halted or paused,” he added and said that this possibility is not beneficial for Russia’s long-term energy policy. “Russia’s next step after Tuesday’s incident, when the warplane was shot by Turkey, will have a very important role in terms of Turkey’s relation,” Karagol emphasized.

Karagol discussed mega projects between Turkey and Russia, and said that the Akkuyu nuclear power plant project which is currently under construction would go ahead. He also affirmed that the proposed Turkish Stream natural gas project still needs to be discussed and agreed by both parties.

Turkey’s first nuclear power plant at Akkuyu will be built in the country’s southern province of Mersin on the Mediterranean coast by the Russian state atomic energy corporation Rosatom at a cost of $22 billion.

It will have a life cycle of 60 years to produce about 35 billion kilowatt-hours per year. The Russian-proposed Turkish Stream project was initially planned to carry 63 billion cubic meters (bcm) of natural gas from Russia under the Black Sea to Turkey's Thrace region to reach Greeceand further deliver gas to Europe. However, Russia's Gazprom announced that the capacity would be decreased to almost half the original amount to 32 billion cubic meters per year.

Turkish Petroleum to take part in Afghanistan oil search

AA Energy Terminal, *24.11.2015*

Afghanistan petroleum minister announced a deal between the ministry and a consortium including Turkey's oil company to search for hydrocarbons in the north of country.

The Afghan Mines and Petroleum Minister, Daud Saba, said that the consortium committed a $90 million investment in the country and the work will start in the beginning of 2016. The official agreement with the consortium of Turkish Petroleum, Calik Energy from Turkey and Bayat Energy from Afghanistan, will be signed in Kabul. "Afghanistan has a rich potential for oil and gas. It will benefit from the exploration phase, by creating jobs, hope and stability," Saba said.

Totimaidan block in the Amu Darya basin, near Turkmenistan border of the country, is one of the most promising blocks in the country, he explained. Turkish Petroleum's head Besim Sisman said the company has been in the country for four years already and it will be the third block that the company is operating.

"I believe that we will find something in Afghanistan. We have the potential," Sisman said. A 2,500 meters deep seismic search and drilling of one well will be first part of the operation. "After that, we will see how we can improve the project," he added.

Demchyshyn: Ukraine considers LNG option through Turkey

AA Energy Terminal, *20.11.2015*

The use of Turkey's LNG terminal would seriously be considered an option as part of Ukraine's strategy to diversify energy sources, Volodymyr Demchyshyn, Ukrainian minister of energy and coal mining said.

Demchyshyn told Anadolu Agency in an exclusive interview that Ukraine would be ready to consider LNG from Turkey, however, the issue of transferring it to the Bosporus would have to be overcome. According to the Montreux Convention regarding the regime of the Straits, it is not easy for Turkey to have a say on the trade ships, but Turkey can influence the control of traffic on the Bosporus.

In March, Turkish experts told Anadolu Agency that Turkey would not allow LNG ships to transit through the Bosporus due to possible environmental damage and deterioration on its historical heritage. The minister asserted that 2016 will be the year of LNG, as the product is becoming more competitive. He suggested that LNG could be transported through Turkey to Ukraine through the country's two terminals, one which is currently underutilized.

Turkey's two LNG terminals - in Marmara Ereglisi located to the west of Istanbul, which is not running at full capacity, and in Aliaga located in Izmir, the western extremity of Anatolia which is fully operational. Turkey imports 4 billion cubic meters of LNG from Algeria per year and 1.2 billion cubic meters of LNG from Nigeria via its LNG terminals.

The minister stressed that Ukraine will become independent of Russian gas by 2020 due to the rate of domestic production which last year covered 50 percent of Ukraine's gas consumption and its ability to store 50 percent of its gas needs in its gas storage system which currently has 16.7 bcm of natural gas.

"We produced 50 percent of our gas needs internally last year, and 50 percent was required from the market - 20 bcm required and 20 bcm produced. But that was last year, and this year we have already reduced our consumption by additional 5 bcm. So we need to import less. By 2020 our dependence on Russian gas will be zero," he noted.

The gas storage system's capacity is 32 bcm while Ukraine is using only 17 bcm, the minister said and suggested that 15 bcm could be stored for a gas seller to Europe or to Turkey. "Turkey also can store gas there too to handle peak consumption in winter," the minister suggested. "We are able to get 60 million cubic meters of gas per day from the European Union, this is 1.8 bcm per month and that is enough for us. But if Russia is ready to sell cheaply, we are ready to buy. We are not forced to buy and that flexibility is the key," he said.

Europe imports around 30 percent, 150 billion cubic meters 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.

"On the one hand, we are increasing production, lowering taxes, and letting new players into the Ukrainian gas and oil market. New investors come and drill and increase production. On the other hand, we are saving our consumption. Households are offered subsidy loans because the costs have increased 2-3 times compared to previous years," he said.

Demchyshyn admitted that Ukrainians are not happy with current gas prices; however, he said that those who cannot afford their bills obtain subsidies from the Ukrainian state. "Those who can afford to pay have to pay market prices because Ukraine cannot subsidize gas for rich people. When the military needs financing because of war, when social directions like education or medicine require significant financing, we have to distribute the budget," he said.

Demchyshyn said Ukraine recently adopted a new law in the gas market from Oct. 1 to invite new players into Ukraine's gas market. "We have received many importers and the market is opening up. The state energy company Naftogaz is losing its market share as other traders are coming to Ukraine. They are buying gas from everywhere and I am sure that soon they will buy gas from Gazprom at the Russian border and transit it to Ukraine, store it in the Ukrainian storage system, and then when they need it, they can export it to Europe. That is the way it goes," he said.

The Ukrainian Minister confirmed that Kiev is definitely against the Nord Stream II project, which plans to run from Russia to Germany across the Baltic Sea with a 55 billion cubic meter capacity. He explained that Ukraine has been transiting 60 bcm of gas from Russia to Europe and their system can allow for up to 180-bcm transits.

"So we can do much more, what is the point of building the Nord Stream II? These companies which are investing in it are wasting their money," he said. 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 would add two additional pipelines to the original Nord Stream project.

According to Demchyshyn, the project only makes sense politically for Russia but not economically. 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.

"For Ukraine definitely it doesn't make sense. Not just for us, for Slovaks, for other countries that are transiting gas into Europe. At this point in time, transit fees were not an issue and the ability to transit that volume was not an issue," he said. "We have 25 percent of the entire storage of the EU. We have 30 bcm of storage capacity, which is really important at peak times in winter when we have to balance the volume. Pipelines cannot balance this," he added.

Will Putin use the energy weapon against Turkey?

Foreign Policy, *24.11.2015*

Just one year ago, Russian President Putin flew to Ankara to talk up prospects of a “strategic partnership”. Now, furious over Turkey’s downing of a Russian jet, Putin has a different message: There are going to be “significant consequences.”

Tough talk aside, though, the two countries seem condemned to keep working together, even if grandiose dreams of a broader partnership may have been shot down. Turkey gets about 60 percent of its natural gas from Russia, but Moscow can’t easily forsake the one European market where demand for natural gas is growing, especially at a time when low oil prices have hammered its export-dependent economy.

The demise last December of Putin’s $40 billion pipeline project, meanwhile, means that the Russian president will not likely want to jettison its successor, a $12 billion project designed to ship gas across the Black Sea to Turkey and eventually onward to Europe.

“The only place other than China that Russia says it is pivoting toward is Turkey,” said Sijbren de Jong, a Russia expert at the Hague Center for Strategic Studies. “Do they really want to throw that overboard? I sincerely doubt it. Energy has become a really hollowed-out weapon.”

And for Turkey — which itself threatened to break off the bilateral energy relationship last month after Russia started bombing rebels in Syria and violating Turkish airspace — there simply aren’t many appealing options other than continuing to do business with Moscow. Turkey’s demand for natural gas is growing, and Russia is one of the few genuine options Ankara has to deliver that fuel, at least in the short term.

What’s more, Russia is helping to finance and build a $20 billion nuclear power plant in Turkey that’s needed to meet rising demand for electricity. New Turkish Energy Minister Berat Albayrak — son-in-law of President Recep Tayyip Erdogan — said Tuesday that the energy ties between the two countries would not be threatened.

The Russian-Turkish rapprochement that Putin and Erdogan broached last year was dogged from the start by centuries of animosity and rivalry, and particularly by sharp divides over the ongoing civil war in Syria. Erdogan is a staunch opponent of Syrian strongman Bashar al-Assad and repeatedly called for his ouster; Putin indirectly backed Assad for years before diving headfirst into the conflict in September by sending warplanes to Syria to bomb U.S.-allied rebel groups working to unseat the Syrian dictator.

Those tensions dramatically came to the fore on Tuesday. For almost two months, Turkish officials had repeatedly told Russia that they would not tolerate violations of Turkish airspace and had threatened to shoot down any Russian planes crossing the Turkish border. On Tuesday, Turkey told the United Nations that it warned the two bombers 10 times over a five-minute period; one turned back, and the other was shot down. The two pilots were reportedly killed by Turkmen rebels in northern Syria where they landed after ejecting from the stricken plane.

After the incident, Putin immediately lashed out at what he called Turkey's complicit attitude toward the Islamic State, also known as ISIS. Russian Foreign Minister Sergei Lavrov followed by quickly canceling a planned trip to Turkey and urging Russian tourists to avoid traveling there; Russia's state tourism agency recommended ending package tours to Turkey. Meanwhile, some Russian lawmakers suggested banning all flights between the two countries.

"We have long been recording the movement of a large amount of oil and petroleum products to Turkey from ISIS-occupied territories. This explains the significant funding the terrorists are receiving," Putin said after a meeting in the Black Sea resort of Sochi with King Hussein of Jordan. "Now they are stabbing us in the back by hitting our planes that are fighting terrorism."

The Islamic State earns anywhere from $250,000 to $1.5 million a day from selling oil and refined products like diesel and gasoline, both inside Syria and across the border in Turkey. That's one reason why oil assets, especially mobile refineries, have been a major target of airstrikes launched by both the U.S.-led coalition and Russia.

Putin's allegations that Turkey is essentially underwriting the Islamic State will land like a gut punch in Ankara, said Emre Tuncalp, a senior advisor at Sidar Global Advisors, a risk consultancy. "He didn't mince his words and hit Turkey where it really hurts," Tuncalp said.

That could further complicate the Turkish Stream pipeline project, which has already faced setbacks due to disputes over gas pricing and the formation of a new Turkish government in the wake of November elections. Jump-starting that stalled project was to have been at the center of Lavrov's visit. "Any significant progress on Turkish Stream now seems unlikely, at least in the short term," Tuncalp said.

Beyond economic reprisals, Moscow could have one other option to make life difficult for Ankara: ramping up support for the Kurdish militants that for decades have bedeviled Turkey's government. For nearly two centuries, Russia has maintained close ties to Kurdish tribes and in Soviet times established links with the Kurdistan Workers' Party, or PKK, which is again doing battle with Turkish security forces. Turkey, the European Union, and the United States list the PKK as a terrorist group.
"Putin has spoken publicly — and I think pointedly — in noting the Kurds as allies in the fight against ISIS. So backing the PKK and its subsidiaries would be an easy way for Russia to retaliate against Turkey," said Michael Reynolds, a professor of Near Eastern studies at Princeton University.

But such a move would be highly inflammatory, especially as Erdogan has used the fight against the PKK as a domestic foil to entrench his party's electoral victory this month. It could be especially dangerous at a time when U.S. President Barack Obama said his "top priority" after the downing of the Russian jet was to ensure the situation doesn't escalate. "That's really a no-go. That's as if the Turks were funding the Chechens," said de Jong. "That's a bit of a red line."

Eurogas President: Turkish Stream gas pipeline welcomed

AA Energy Terminal, *24.11.2015*

The Turkish Stream offers a viable option for much needed natural gas diversification for Europe, Eurogas President Gertjan Lankhorst told Anadolu Agency.

“I welcome personally all infrastructure that can bring gas to Europe either liquefied natural gas or pipelines and from either side,” Lankhorst said. According to Russian President Putin, Russia canceled the South Stream project under pressure from EU, and proposed a new natural gas pipeline route through Turkey commonly referred to as the ‘Turkish Stream.’ In addition to the pipeline, a natural gas hub was planned for construction at the border of Greece and Turkey.

The European Union’s antitrust laws governing the EU’s energy market forbid energy firms like Russia’s Gazprom, from both supplying and owning gas transmission networks -- which was one of the major bottlenecks for the axed South Stream project. “I don’t think we should have regulations in Europe that favors one private initiative over another. The most important solution is to support all infrastructure plans,” he added.

The Russian-proposed Turkish Stream project was initially planned to carry 63 billion cubic meters (bcm) of natural gas from Russia under the Black Sea to Turkey’s Thrace region to reach Greece and further deliver gas to Europe. However, Russia’s Gazprom announced that the capacity would be decreased to almost half the original amount to 32 billion cubic meters per year.

Commenting on critics of Europe’s Russian gas dependency, he added that the key to weaning away from Russia’s gas dependency is to ensure that sufficient amount of infrastructure is in place to generate competition between different suppliers while making full use of the Liquefied Natural Gas (LNG) terminals in Europe.

It is expected that different gas resources going through Turkey will bring competition, and gas prices will be determined in a competitive environment. This is a win-win scenario for the countries in the region. According to data from Gas Infrastructure Europe, Europe has 92 LNG terminals, some either at a planning stage or under construction, while only 29 are currently operational.

Eurogas is a non-profit organization representing the interests of the gas industry of European and global stakeholders. The organization has 44 members consisting of companies, national associations and international organizations all engaged in the wholesale, retail and distribution of gas in Europe. The association aims to strengthen the role of gas in the energy mix by establishing an ongoing dialogue with European industry players, global producers of gas and relevant institutions such as the European Commission.

Zanganeh: Iran gas delivery to Europe depends on Turkey

AA Energy Terminal, *21.11.2015*

Iranian natural gas deliveries to Europe depend on Turkey, Iranian Oil Minister Zangeneh told during the third summit of Gas Exporting Countries Forum in Tehran. "Delivering Iranian natural gas to Europe via pipeline through Turkish soil depends on decision that Ankara will take," he said.

"How does Ankara approach this subject? Will it buy Iranian gas to export this by itself, or will Iran export its own gas and pay transit fee? And what will be the price that Turkey will determine to transit the gas?" he told. Zangeneh stated LNG to Europe is an option and "We cannot wait for Turkey to decide whether it will allow us to export gas to Europe.

We have to increase our [gas] export alternatives." Turkey's former Minister of Energy and Natural Resources Taner Yildiz said on April 10 that Iran will be welcomed to export its gas to Europe by saying "Turkey would not close its door to Iran if it wants to join TANAP."

Turkey's Trans Anatolian Natural Gas Pipeline (TANAP) is an integral part of the larger Southern Gas Corridor, which plans to carry 16 billion cubic meters of gas from Azerbaijan to Europe via Turkey, beginning from 2018. Since the project's capacity is planned to reach 23 bcm by 2023 and 31 bcm by 2026, it could have more than enough space to carry Iranian gas to Europe with its safe infrastructure and reliable partners.

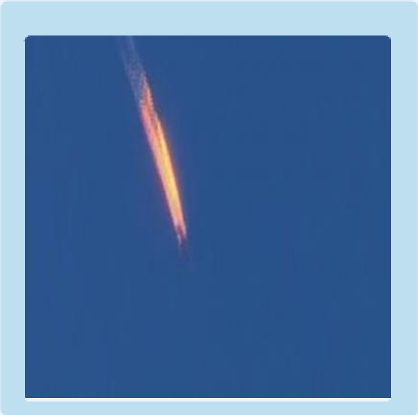
Meanwhile, Iran's deputy oil minister for international affairs and trade, Amir Hossein Zamaninia, said Iran would have enough gas to sell it to Europe in the next five to six years. "Right now, we are not producing enough gas to send it to Europe via pipelines or LNG. Our domestic consumption is very high. I think, this will be possible after five or six years," he told Anadolu Agency during the GECF summit.

GECF, which is also dubbed as 'the OPEC of gas', aims to strengthen ties between natural gas producing countries in the global gas industry. Algeria, Bolivia, Egypt, Equatorial Guinea, Iran, Libya, Nigeria, Qatar, Russia, Trinidad and Tobago, the United Arab Emirates and Venezuela are the 12 main members of GECF, while the six observers are Iraq, Kazakhstan, the Netherlands, Norway, Oman and Peru.

GECF countries hold 67 percent of the world's proved natural gas reserves, produce 42 percent of the global gas output, and engage in 85 percent of total gas trade around the world, and deliver 38 percent of global gas supply via pipelines. The third summit of GECF, which began in Tehran, will continue until Monday. Previous summits were held in Moscow in 2013 and in Qatar in 2011.

Russia & Turkey - aerial combat and energy security

Natural Gas Europe, *25.11.2015*



The aftermath of Turkey's shooting down of a Russian warplane close to the Turkish-Syrian border on Tuesday morning could well have profound consequences for one of Europe's most strategic energy relationships.

If Russia's immediate anger at the downing of its Sukhoi-24 bomber by two Turkish F-16s in the skies over the Syria-Turkey borderlands is anything to go by, Moscow will likely seek to take some kind of retaliatory action against Turkey. Assuming Russia does not make any direct military response, it has two main options: restrict trade or take indirect military action.

Russia's conventional trade with Turkey essentially involves the sale of Russian gas and investment in Turkish nuclear facilities. Limiting either of these would hurt Russia as much as Turkey. Turkey buys close to 30 bcm of gas from Russia each year, and this year Gazprom can expect to secure around $9 billion from its sales to Turkey. As for Russia's involvement in developing Turkey's first nuclear power station at Akkuyu, it would set back Turkey's hopes for alternative energy development significantly if Russia were to pull out. But it should be noted that Russia's Ros-Atom has already spent some $3bn on developing the $22 bn project.

Moreover, any termination of gas supplies to Turkey, or any withdrawal from Akkuyu, would send very bad signals to Russia's other trading partners in Europe. If gas supplies were to be reduced or halted, it would not just be Turkey that would consider Russia to be an unreliable supplier.

The European Commission is already sufficiently worried about European reliance on Russian gas imports that it wants to ensure that alternative supplies can be made available to Europe in an emergency and that Europe possesses the internal gas infrastructure to distribute such alternative supplies throughout the continent, particularly to those countries in central and southern Europe that are now largely or wholly dependent on imports from Russia for their gas supplies.

A more likely development were Russia to respond actively rather than verbally to the Sukhoi-24 incident -- and it should be stated that at this stage there really is no way of knowing for sure how Russia will respond once it has voiced its initial indignation -- would be to halt current negotiations concerning the development of a new gasline to Turkey, the planned 31.5 bcm/y Turkish Stream project, and on the price of gas currently being supplied to Turkey.

If it chose to cancel Turkish Stream outright, Moscow would, in effect be writing off at least $2bn spent or committed on physical pipe for the project, much of which has already been delivered to the Bulgarian port of Varna since it was originally ordered for the South Stream project that Turkish Stream replaced.

But it would be saving itself perhaps $8-10 bn in further expenditure on delivering the 900-km pipe and its 180-km onward extension to Turkey's border with Greece, a potentially useful gain at a time of relatively low gas prices and uncertainties as to how Turkish Stream would actually be able to deliver gas to mainstream European customers beyond Turkey.

If Gazprom decided to play tough in price negotiations for the bulk of the gas it supplies to Turkey's state enterprise, Botas, the logical result would be for Turkey to intensify its efforts to expand import of gas from alternative suppliers. In this regard, statements made last week by Ashti Hawrami, Minister of Energy in the Kurdish Regional Government in northern Iraq, and Tony Hayward, the Chairman of the Anglo-Turkish Genel Energy company, that Kurdistan-Iraq expects to be in a position to start delivering up to 10 bcm a year to Turkey in three or four years' time, and double that amount in the early 2020s, assume considerable significance.

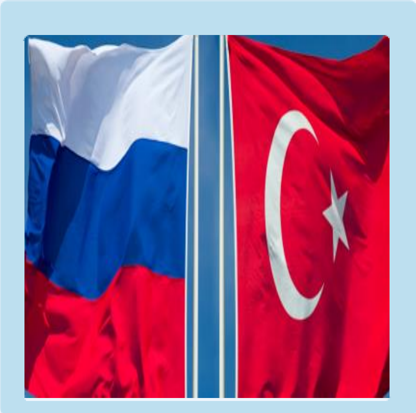
Just as Russia's President Vladimir Putin has used fierce rhetoric against Turkey for, as he put it, siding with terrorists in shooting down a Russian warplane, so too has Turkish President Recep Tayyip Erdogan used equally fierce language. Speaking on 8 October, after previous reports that Russian warplanes had overflown Turkey, Erdogan warned that Russian incursions into Turkish airspace could cost Moscow its massive gas export and nuclear construction contracts. "We are Russia's number one natural gas consumer. Losing Turkey would be a serious loss for Russia. If necessary, Turkey can get its natural gas from many different places," Erdogan said.

In the aftermath of the Sukhoi-24 downing, both Turkish and Russian thoughts will naturally turn to energy relations and their importance for both countries. But at the back of their minds may lurk some far more worrisome thoughts. Moscow once gave covert support to the PKK militants who waged a brutal insurgency against the Turkish state from 1984 until 1999 and again from 2004 to 2012. Until July, a ceasefire seemed to be holding, with serious peace negotiations under way. But the PKK and the Turkish state are once again at war and, in the first weeks of this renewed war in July and August, PKK guerrillas attacked Turkish oil and gas pipelines on at least four occasions and a freight train carrying pipes for a new gasline from Azerbaijan on a fifth occasion.

In addition, while the PKK claimed responsibility for a major attack on the giant Baku-Tbilisi-Ceyhan oil pipeline on 5/6 August 2008, subsequent information has revealed that it was a highly sophisticated cyber attack, conducted by computer rather than explosives, and, most worrisome of all, carried out just 36 hours before Russia and Turkey's neighbour, Georgia, found themselves in a war preceded by a massive Russian cyber assault on Georgia.

Russian-Turkish energy relations: Compromise unlikely

Natural Gas Europe, *24.11.2015*



It's too early to tell what the fallout will be on Turkish-Russian energy diplomacy from the shooting down of the Russian fighter jet, according to Aaron Stein, Nonresident Senior Fellow at the Atlantic Council's, but the incident could very well influence whether or not the the two countries further pursue the building of Turk Stream.

He notes: "The very initial statements you seen from Gazprom is that on the Russian side this will not affect their natural gas supplied to Turkey. Turkey is dependent on upwards of 60% of its natural gas, so it has very little flexibility in terms of how it can play the energy card itself."

Turkey reported that two if its F-16s had shot down a Russian fighter that had allegedly entered Turkish airspace near the border with Syria. Russian President Vladimir Putin called the incident a "stab in the back by the terrorists' accomplices." He told the Associated Press that there would be "significant consequences."

Despite the tensions, Mr. Stein maintains that both sides have an incentive to deescalate the present crisis. He says the tensions are likely to play out via sub state actors inside Syria. "Tangential things have been largely shielded from the Turkish-Russian tensions towards Syria, things like energy, economic cooperation, but they may now be affected by this," he says.

More should be known about the Turkish stance, says Mr. Stein, following a security meeting being chaired by President Erdogan sometime this evening. And what of plans for the natural gas pipeline project the two countries had planned together, Turk Stream? Analysts had earlier surmised that Turkish President Recep Tayip Erdogan and President Putin might discuss Turk Stream soon at a scheduled meeting, as little has been heard of the project since summer.

Aaron Stein believes today's military incident does have connotations for the natural gas pipeline project. "At the Atlantic Council Energy & Economics Summit last week in Istanbul I, too, was surprised not to hear President Erdogan talk about Turkish Stream in the energy component of his speech," he remarks.

"The two sides have been at odds with each other since August over Turkish demands for a larger price cut from the Russian side, and I don't think there was any indication that Moscow was prepared to give that before this latest incident, and now, with tensions where they are, one repercussion is that you'll have a Kremlin that is far less willing to compromise with Turkey, particularly over something it wasn't willing to compromise on before – the price of natural gas."

Regarding the country's energy security, he says Turkey's been looking to diversify for a very long time, arguing that it's too dependent on a single supplier, but this has resulted in incentivizing coal-fired power plants. "It's also begun to expand its nuclear field, and where this becomes more problematic is, because of Turkey's financing terms for its reactor. The only company that was willing to accept these financing terms was (Russia's) Rosatom, so you have this very awkward situation now, where that company is going to build, operate and own in perpetuity essentially a Russian reactor inside Turkish territory," he explains.

While the building of Turkey's first reactor is scheduled for 2019, Mr. Stein says the Turks will be lucky if that happens by 2021. Still, Rosatom also needs the project, he points out, underlining that the two countries' energy relationship goes well beyond natural gas.

As for how the two sides can normalize their relations, Mr. Stein says that Turkey and Russia have a history of navigating these types of crises, especially when it comes to economic issues. During the Crimea crisis, he recalls, Ankara had expressed close cultural ties with the Crimean Tatars for the Turkish/Ottoman heritage. "But the Turkish government just turned around and also began negotiations with Russia for Turkish Stream. "Ankara is always looking to deepen it's bottom line," he explains, "and on the energy side, it's very committed to turning itself into this energy hub, but doesn't let much else stand in its way."

KRG plans 10 bcm in natural gas exports to Turkey in two years

Hurriyet Daily News, *20.11.2015*

Iraq's Kurdistan Regional Government (KRG) plans to export 10 billion cubic meters (bcm) of natural gas to Turkey over the next two years, KRG Natural Resources Minister Ashti Hawrami has stated.

"Over the next two years, we plan to export around 10 bcm gas to Turkey, but this target may be extended to 2019," Hawrami said, as quoted by Reuters. Speaking at the Atlantic Council Energy & Economic Summit in Istanbul, he also said he did not have any concerns about how this gas will be imported by Turkey, as the country has the required infrastructure, state-run Anadolu Agency reported.

Meanwhile, Genel Energy, a major oil producer in the KRG, plans to establish a joint company with the KRG government to develop gas fields, its chairman Tony Hayward said at the same conference. Pointing out that General Energy has two natural gas fields in the KRG, Miran and Bina Bawi, which have gas reserves of around 300-400 bcm, Hayward said these fields would become fully operative by the end of 2016 and exports to Turkey were planned to start within the next two to three years.

"We'll start our gas projects before 2016 ends and we will have the opportunity to start the gas flow in two to three years. By increasing production to 10 bcm, we'll realize the first phase of a deal with Turkey," Hayward said, as quoted by Reuters. Estimated 5 trillion cubic meters of gas

The KRG has an estimated 5 trillion cubic meters of gas in its territory, the Genel Energy chair said, adding that the region could reach gas exports of up to 20 bcm to Turkey and to Europe through Turkey with the entrance of other companies to the KRG market before the end of the 2020s. Long-running disagreements between the KRG government in Arbil and the Iraqi government in Baghdad persist over the distribution of the region's oil revenues.

KRG officials say they have opted to directly sell their oil to customers, rather than through the Iraqi state's oil company, SOMO, because Baghdad continues to delay agreed upon payments to Arbil. A separate oil agreement between Arbil and Ankara was inked in 2013. "We faced huge budget deficits in the first half of this year because we only received around $2 billion of the expected $7 billion of oil income. We therefore needed to sell our oil by ourselves," Hawrami said, as quoted by Anadolu Agency.

He also added that they had been unable to pay many of the KRG's peshmerga forces that are currently fighting against the Islamic State of Iraq and the Levant (ISIL) due to financial problems.

"We couldn't make payments to around 1.4 million public servants for three to four months in the first half of this year. But by selling our oil by ourselves we earned twice as much as we could have earned from the oil deal with Baghdad. We have therefore at least been able to resume monthly civil servant salaries, although some months still remain unpaid. We are in a better condition now," Hawrami said. He also noted that the KRG planned to increase its crude oil export capacity to 1 million barrels per day (bpd) by the end of 2016, up from around 700,000 bpd today.

Turkey-Russia relations sour

Argus, *24.11.2015*

Turkish energy supply security may be at risk in the run up to winter amid escalating geopolitical tension, after Turkey shot down a Russian jet near the Syrian border.

Russia supplied 58.5pc of Turkish gas imports in 2006-14, although its dependency has fallen from a peak of 66pc 2006. Russia provided 56.5pc of Turkey's gas imports in January-September. Its second-largest supplier is Iran, which provided 17pc of 2006-14 imports, followed by Azerbaijan meeting 7.9pc of imports. Gas importers acquired licences in 2012 to import from Russia through the western line, while Botas has a contract for 20bn m³/yr of Russian gas.

But Botas is locked in a price dispute with Gazprom over a 10.25pc discount to its imports. The reduction was agreed in March, but never finalised, and has become tied up with discussions over Gazprom's planned 31.5bn m³/yr Turkish Stream pipeline beneath the Black Sea. And with the souring of political relations between the countries, this pending price discount may be further postponed.

As a result of the escalating tension, some market participants have raised concerns over energy supply security in Turkey the run up to winter. Gas-fired generation has accounted for 38pc of electricity supply in the country this year, although its utilisation has fallen — to about 52pc of installed capacity at the end of October, compared with 63pc in 2014, based on installed gas-fired capacity at the end of last year.

Even efficient gas-fired plants have struggled to enter the generation merit order this year, amid a rise in renewable capacity and increased utilisation of coal-fired plants burning cheap imports — coal's share in the Turkish power mix has averaged 15pc this year compared with 13.7pc in 2014.

The Turkish gas market has been largely oversupplied this year because of lower-than-expected demand. And mild weather has suppressed heating demand so far this month, while the outlook for average temperatures in Istanbul is above the long-term average for the next two weeks.

And Turkish energy authorities have increased their focused on supply security preparations this year, despite limited tools at their disposal. At the beginning of the gas day on 20 November, state-owned TPAO's Silivri gas storage site was 91pc full at 2.3bn m³, compared with a three-year average of 86pc for the end of November.

Turkey delayed the beginning of the storage injection season this year, but has also delayed gas withdrawals given milder-than-expected weather and lower power sector demand. The maximum withdrawal rate is 20mn m³/d, although this averaged 12.3mn m³/d in November last year and only 11mn m³/d over the past three years. Two-year average December gas demand of 173mn m³/d would mean maximum storage withdrawals would provide only 11.5pc of demand next month.

Turkey has been keen to maximise utilisation of its two LNG terminals this winter and has benefited from a drop in global LNG prices. The early arrival and planned arrival of five spot cargoes on 2-25 November, despite lower-than-expected heating demand, may push Botas to seek further spot LNG cargoes for later this winter.

But LNG terminals provide limited flexibility. Maximum send-out from private-sector operator Egegaz's Aliaga terminal is 16.4mn m³/d, while Botas-operated Marmara Ereglisi can send out 22mn m³/d. One option to counter gas supply constraints would be to reduce demand from gas-fired power plants — for which there is a set order in terms of industrial, state-owned and privately operated facilities. Such demand management methods were deployed last winter and provide flexibility if peak gas demand rises above supply capacity.

Turkey can draw on hydropower reservoirs that are much better stocked than last year, although a quick draw on storage would leave the system at risk should a cold snap occur further into winter. And state-owned generator Euas has less room for manoeuvre than in previous years because of privatisation of its thermal power plants and its obligation to supply to state-owned power trader Tetas.

Meanwhile, the Turkish lira lost further ground against the dollar today, as a result of rising tension with Russia and following the announcement of the new Turkish government's cabinet. The lira has fallen by 24pc against the dollar since the beginning of this year.

Turkey's new energy minster, Berat Albayrak — the president's son-in-law — would not comment directly on the shooting down of the Russian jet, but said: "On the issue of natural gas supply, our citizens should be unconcerned… We have a long, well-established friendship and economic ties with Russia. We have had significant co-operation in many sectors for a long time. I am not a pessimist about the Russian issue, especially in energy."

A Russian consortium is building Turkey's first nuclear power plant, the 4.8GW facility at Akkuyu on the southern coast. And Turkey and Russia have close trade relations aside from energy. Turkish food exports increased after Russia banned imports from EU countries last year, while Turkey's tourism sector benefits from a constant flow of Russians.

The EU, which depends on Russia for a large part of its gas imports, aims to avoid the politicisation of gas trade, despite the breakdown in political relations over several crisis issues.

Turkish coal-fired power ramps up

Argus, *24.11.2015*

Turkish utilisation of power capacity burning imported coal rose to 90pc on 23 November, leaving little room to offset a drop in gas-fired generation if rising geopolitical tension with Russia affects gas deliveries.

A gas supply cut is considered unlikely by the gas, power and coal-importing sectors, but market participants are evaluating the risk of curtailments in the run up to the peak winter heating season. Turkey shot down a Russian jet yesterday, prompting a fracture in bilateral relations. Russia is one of Turkey's most important energy partners, providing 56.5pc of the country's gas imports in January-September.

Turkish power generation utilising imported coal reached a high of 131GWh on 23 November — representing 90pc of the country's imported-coal fired capacity of 6.06GW at the end of October. Capacity utilisation averaged 73pc between 1 January and 24 November this year, similar to the second half of 2014.

This implies that just under 600MW of this coal-fired capacity was not utilised on 23 November — possibly reflecting maintenance at the 1.2GW Icdas plant. The unit had been expected to return to the grid around the end of November or December following a prolonged shutdown, but this could not be confirmed with the plant. And a 615MW unit at Eren's Zonguldak coal-fired plant tripped for brief periods of earlier in the week, but reported no shutdowns to the market operator.

Coal-fired generation capacity has represented 17pc of the Turkish power mix in November, compared with gas' 39pc share. While coal-fired power has taken a 15pc market compared with the 38pc held by gas-fired generation in the year so far. Power generation with cheap imported coal, as well as rising renewable capacity amid a slowdown in Turkish power demand growth has made it more difficult for even high-efficiency gas-fired plants to enter the generation merit order this year.

There are eight power plants in Turkey burning imported coal, three of these, with a combined capacity of 2.15GW, came on line last year. Some of the new units have been unable to operate for as many hours as initially hoped because of technical problems, although many of these have been resolved, allowing plants to ramp up production.

But with coal-fired capacity utilisation of 90pc on 23 November — the highest since at least June 2013, according to Argus records — there is little room for a further boost in the event of an interruption to gas supply. And lower renewable generation would require hydropower to meet peak-shaving needs. Hydropower has represented 22pc of total generation in November and 27pc since the beginning of this year. Hydro represented just 12pc of generation at the same time last year and around 15pc in January–November, although 2014 was a much drier year.

But running down hydro stocks would leave the power system at risk further into winter if gas supply issues are prolonged, while coal-fired plants are unable to step up further. Gas remains the marginal fuel.

Capacity utilisation by plants burning lignite or locally produced hard coal has been just 42pc this year, representing 13pc of the power mix. But many lignite-fired plants are suffering technical problems that would prevent them ramping up production in the short term.

Greek, Israeli prime ministers in energy talks

Natural Gas Europe, *24.11.2015*

Israeli Prime Minister Benjamin Netanyahu and Greek Prime Minister Alexis Tsipras met in Jerusalem to discuss a number of bilateral issues, including energy. The meeting took place on the heels of Mr. Netanyahu's meeting 10 days ago with the Greek Cypriot president, Nicos Anastasiades

In their remarks, released by the Office of the Israeli Prime Minister, both leaders mentioned a desire to cooperate on energy issues. According to that press release, Mr. Tsipras said that development in the energy sector will enable cooperation in "research, drilling and natural gas transmission from Israel to Greece".

The two leaders also discussed the need to stabilize the region and stop the spread of Jihadism. Mr. Tsipras will on Thursday visit the Palestinian Authority for a meeting with president Mahmoud Abbas. Although Mr. Tsipras's visit to Israel was planned in advance it came at a delicate moment in Middle East politics, just one day after Turkey downed a Russian jet fighter in a controversial incident that highlighted the conflicting interests of the various players in the region. The two leaders were very likely to have discussed the situation in the middle east following Tuesday's incident.

In the last few months, Israel, Greek Cyprus, Greece, Egypt and Russia have created an axis while Turkey remained isolated on the sidelines, a phenomenon that has been highlighted in the incident over either northern Syria, if the Russian version of events are accurate, or over southern Turkey, if the Turkish version is. Israel, Greece and Greek Cyprus are scheduled to hold talks in Nicosia, Greek Cyprus, in mid-January next year.

Analysis: Why has cash starved Noble Energy sold off Aphrodite and kept Leviathan and Tamar?

Natural Gas Europe, *26.11.2015*

BG Group's decision to enter into a farm-out agreement for 50% of Noble Energy's stake in Aphrodite gas field, offshore Greek Cyprus, is an interesting development may shed some light on Noble Energy's financial situation. Additionally, it has implications for both Delek Group and the Israeli natural gas industry.

The deal appears to be a very clear signal of Noble Energy's increasing financial pressure from mounting losses in its shale oil operations. The once profitable U.S. shale oil enterprise has come crashing down dramatically; Noble Energy posted a $283-million loss in the third quarter of 2015.

Those operations, which up to a year ago were the main profit centres for Noble, are not expected to return to the black any time soon. Noble also suffered a major embarrassment and financial setback when it decided to postpone indefinitely an IPO of its Noble Midstream business, which was set to raise $237.5 million. That sum will now be missing from the development budget of its assets, which in the medium term was supposed to improve Noble's performance in the U.S. market.

The harsh reality of the current market situation seems to be finally settling in for a lot of troubled U.S.-focused explorers. Now, those businessmen and businesswomen in Texas who were in a state of denial are beginning to comprehend and accept the fact that lower oil and gas prices are here to stay for longer.

That changing market means executives in independent E&Ps, like Noble Energy, are finding themselves in desperate situations. The fact that energy companies have to maintain traditionally sacred dividends only adds to those independent E&Ps' aggravation.

Hence Noble's latest fire sales. Noble Energy sold off its stake in Karish and Tanin, two small gas fields offshore Israel, to its partner in the project, Delek Group. (As an aside, Delek Group's net earnings increased dramatically this year, because natural gas prices are unchanged in Israel, and natural gas is Delek Group's main business).

The price tag, $67.1 million, values the two gas fields at about $135 million dollars, about one eighth of its valuation a year ago. Now Noble has also sold 50% of its stake in Aphrodite, which amounts to a 35% stake in the entire project, for just $165 million to BG Group.

BG Group itself is in the process of a takeover. Royal Dutch Shell is scheduled to complete a $70-billion acquisition of BG in the first quarter of next year. The acquisition begs an interesting question about the Noble sale to BG: Why didn't Shell (whose executives have certainly approved the deal, though it was completed under the BG title) try to acquire Noble's stake in the Israeli Leviathan gas field? The Leviathan gas field is over five times bigger than Aphrodite and has huge potential for export into local Eastern-Mediterranean markets as well as for exports. If the Aphrodite sale is any indication, Shell could potentially have acquired Leviathan with a substantial discount. That acquisition would surely have presented a much better deal than the Aphrodite one.

Even more intriguing is the riddle of why Noble hasn't sold off, and Shell hasn't acquired, part of Noble's stake in Tamar. That gas field is already online and is one of the most profitable gas fields on earth. Currently, Tamar serves as a cash cow for Noble and Delek. However in light of its precarious financial situation, Noble might have been convinced to monetize it in order to survive.

If Noble could have sold off one of those assets, or maybe parts of both of them, either to Shell or another major, it would have earned it billions of vital dollars for survival, rather than the comparatively paltry sum it received for Aphrodite. In the case of a Tamar sale to Shell, Noble would still have been in compliance with the stipulations of the Israeli regulatory natural gas framework that requires it to reduce its stake in Tamar to 25%.

The short answer to why BG Group preferred the Cypriot option over the Israeli option could be due to the Arab League boycott of Israel, a phenomenon started almost seven decades ago. Though that practice has now mostly ended, the energy industry in general and the majors in particular largely continue to maintain that boycott in order to promote their business interests in other parts of the world.

Another explanation that some might adopt is that the regulatory chaos in Israel is frightening investors off, though that situation is set to end in a few weeks' time when the country's new regulatory framework is approved. There are also more innocent explanations one could consider: in particular that Noble Energy was never interested in selling parts of its Israeli lucrative assets. Cash flow from Tamar is guaranteed for the next three decades though cash flow from either Leviathan and the expansion of Tamar, which is still at least a few years, maybe even a decade, away. So what might BG (and from next year Shell) do with its new acquisition?

Anything it likes: It can delay development; it can sign export contracts with Egyptian customers; and it might use its Idku LNG plant to export LNG worldwide. No matter what it might decide and implement, the results will bear implications for the Israeli natural gas industry and the State of Israel.

Russian coal supply risks

TASS, *18.11.2015*

The expansion of Turkey’s domestic gas network in recent years has displaced the use of imported coal in household heating to some extent. Imported Russian coal represented 60pc of Turkish imports last year of 8.41mn t.

But market participants predict little risk of Russian coal supply disruption Russian coal is rarely sold directly by producers, which depoliticises supply to some extent. And any disruption to Russian coal supply would not pose a risk to power plants firing imported coal — their supply is booked under long-term deals with Colombia, with South African coal sometimes entering the mix.

Only 9pc of the coal used by Turkish power plants last year was from Russia. Imports from Turkish utilities Isken, Eren, Icdas and Atlas totalled around 8.6mn t in January-October, compared with 68.6mn t delivered from Colombia.

But the result of rising tensions with Russia may be reflected in currency fluctuations against the dollar — the lira has already lost more than 20pc of its value since the beginning of this year. And further lira depreciation would increase the cost of coal imports — although coal plants input costs would have to rise significantly, or gas-fired power plant costs would have to drop for the plants to switch places in the generation merit order.

Dark spreads for a 38pc efficiency plant using Argus’ cif Iskenderun coal assessments average 99 lira/MWh ($35/MWh) in November, compared with TL122/MWh the same time last year, while for January-November so far dark spreads are at TL83/MWh compared with TL93.24/MWh a year earlier.

The next large coal-fired power project to start up in Turkey will be Eren’s 1.4GW plant in Zonguldak, next to the utility’s existing facility. The plant aims to begin operations at the end of next year and will use imported coal. The 2016 calendar base-load power contract was last assessed at TL148.85/MWh (€48.89/MWh).

Gazprom may sell U.K.-Belgium gas pipeline stake after 20 years

Bloomberg, *23.11.2015*

Gazprom PJSC, the supplier of about 30 percent of Europe's natural gas, may sell its stake in one of the two pipelines connecting the U.K. to mainland Europe after more than two decades.

The company's board will consider disposing of its 10 percent stake in the U.K.-Belgium gas link operator, Interconnector UK Ltd., at a meeting on Nov. 30, the Moscow-based producer said in a regulatory filing on Monday. It didn't clarify whether the sale would be to a Gazprom unit and the company's press service declined to comment immediately on the planned deal.

Gazprom purchased its stake in the 235 kilometer pipeline that can switch the direction of gas flows between terminals at Bacton in the U.K. and Zeebrugge in Belgium in December 1994. Russia's state-run exporter has been using the pipe to sell gas in the U.K. through its trading unit Gazprom Marketing & Trading Ltd.

Gazprom rents about 6 billion cubic meters (200 billion cubic feet) a year of the pipeline's capacity to the U.K. and 2 billion cubic meters in the opposite direction, according to its Oct. Eurobond prospectus. The link has an annual capacity to Britain of 25.5 billion cubic meters and to Belgium of 20 billion. Britain used 66.7 billion cubic meters of gas last year and Belgium 14.7 billion, BP Plc data show.

Parity joint ventures of Italy's Snam SpA and Belgium's Fluxys SA own 31.5 percent of the link, according to Interconnector's website. Fluxys has 25 percent more through its own unit while an investment group, Caisse de Depot et Placement du Quebec, also known as CDPQ, owns and controls 33.5 percent in the pipe.

"We were contemplating an increase of our shares in Interconnector U.K., with a view to further developing our position as a crossroads for international gas flows in Europe," Fluxys spokesman Laurent Remy said by e-mail. "Preliminary contacts have been held with existing shareholders."

In October 2014, Gazprom Chief Executive Officer Alexey Miller said his company was reviewing its strategy of targeting end-customers in Europe because it wasn't "a buyer's market" and as Russia's energy ties with Europe soured over the conflict in Ukraine. Last month, Miller said the company is again targeting European end-users as it agreed on doubling the capacity of a pipeline under the Baltic Sea from Russia to Germany. Miller met Fluxys CEO Walter Peeraer to discuss Russian gas transit through Belgium and other potential projects, Gazprom company reported at the time without elaborating.

Ukraine – 5 years to energy independence?

Natural Gas Europe, *26.11.2015*

In five years, Ukraine's Minister of Energy and Coal Industry, Volodymyr Demchyshyn, contends that his country will become energy independent--an interesting statement in the context of Russia's halting of natural gas supplies to Ukraine given a reported lack of payment.

Minister Demchyshyn made his remarks in the context of a document entitled "Black Sea Energy Security Report", which was rolled out on 19 November at the Atlantic Council Energy & Economics Summit. One part of the report points out that Ukrainian gas reserves are so significant that Ukraine could become a net exporter of gas to Europe over time.

While energy has been a source of vulnerability for Kiev due to corruption and dependency on Russia, the landscape could change drastically in the future. He stated, "Now, we import 50% of gas that we consume, but because we have resources–we produce 20 BCM/year, and have resources of 1 TCM [trillion cubic metres] that are conventional, accessible, etc. We just need to lower royalties [and] change the investment climate, which is difficult having a war in the country."

Still, Minister Demchyshyn said it is possible to make new rules for issuing approvals for drilling, production and access to the pipeline network. "We are making those easier," he commented, "so newcomers will be pleased with new rules–transparent rules."

He also pointed to the fact that after Ukraine adopted its Gas Market Law very recently, which is compliant with the Third Energy Package, new players had come to the market within one month, capturing 30% of the premium market of gas supplied to industry.

Competition, he said, will change the situation for Ukraine's Naftogaz. "I hope very soon that European traders will buy gas, not at the western border, but at the eastern border of Ukraine, from Russia, and transport this gas through Ukraine, [and] store it in our storage system, which is 30 BCM in size–25% of Europe's entire storage system," he said, which could help cover peak usage.

He continued, "Having large capacity and a short distance to European off-takers, you can use these assets fairly cheaply and, hopefully, transparently. I'm sure that more and more players will come to Ukraine." Minister Demchyshyn reported that more recently Ukraine had initiated talks with various parties interested in managing the gas transportation system. "We are looking for a partner for operating it.

If Eni, E.ON or others would come to Ukraine, there would be confidence in the system, that it works, that it's not a black hole where gas disappears," he opined, adding that this would result in a focus upon available assets instead of trying to build new projects.

Of investment into diversification, he said there should be balance. "Because you can over-invest: every dollar invested into spare capacities that are not utilized is a cost to the gas that you will consume," he commented.

Energy, he pointed out, is diverse. "It's not just gas or oil, at a time when we are switching more to electricity, and hopefully Tesla will prove it right with battery power. The entire structure of the energy sector can change very quickly, where people may reconsider the technology for transportation, etc."

Ukraine, said Minister Demchyshyn, relies heavily on nuclear power. "We have inherited this asset from Soviet times and so now we are utilizing it at only 70%. There is huge incentive to improve capacity utilisation," he reported.

While he noted that everyone knows Ukraine as a gas transporting country, he said that few people know of the country's good electricity distribution system which allows delivery from nuclear plants and allows for export to countries like Poland, Slovakia and others to the tune of 6-700 megawatts of capacity. "We can do more," he added.

Moreover, he recalled that Ukraine used to transport 50 million tons of Russian oil into Slovakia and farther on to other European countries, but that had also gone down, mirroring the case of natural gas. "We transport now only 60 BCM compared to the capacity available of 160-180, so we can do more. The question is, why do we need to invest more when the capacity is there? You may say we were not a reliable partner; 'you were interrupting supplies, always involved in strange stories with Gazprom, stopping supplies, etc.'"

How natural gas pricing reforms have affected Russian Gazprom's trade

AA Energy Terminal, *16.11.2015*

Although Russian President Putin insists on and defends oil-indexed-long-term contracts with a minimum purchase requirement, Russia's Gazprom has come under pressure in recent years to adjust its pricing system with hub prices. During the period of high oil prices, the Russian government enjoyed the benefits of oil-indexed pricing.

Nevertheless, with new sources coming online that are cheaper and more competitive in comparison to Russian gas, Gazprom has been forced to decide either to lose its lucrative market share in the European Union or re-adjust its existing contracts.

The Russian government is aware of the fact that due to high gas prices, it has been losing its market share, particularly in the low-growth European market, and struggling to preserve its increasingly obsolete oil-price-pegged long-term contracts.

In 2014, due to declining spot prices in the EU market and with the desire not to experience a further deterioration of its market share nor dissuade customers from diversifying their gas supply, Gazprom took further steps towards price concessions. Furthermore, it was argued that Russia's price advantage over other LNG cargoes started to weaken when hub pricing was introduced.

Reluctantly, Gazprom has offered rebates to European consumers. They have also agreed to provide, to a certain degree, short-term spot indexation in reaction to the new pricing environment. However, gas-on-gas competition and spot-oriented pricing in the European market has already started to negate these efforts at flexibility, paving the way for various gas suppliers to further compete for a bigger market share.

Norway's Statoil, in particular, has played a constructive role in offering an increasing number of gas contracts at spot prices. In an explanation of Statoil's strategy towards availing of new energy market dynamics, BP's chief economist, Christof Ruhl, notes that "Russia had lost 12 percent of the EU gas market to Norway because Gazprom maintained oil price indexation while Norway adjusted its pricing closer to spot prices."

Until very recently, long-term oil-indexed pricing worked well for Russia, especially given the fact that many customers were bound to Russia with decades-long contracts. Nonetheless, since some of these contracts have begun to expire, and considering the vast expense of transferring natural gas to the EU market through the pipeline system, short-term spot pricing has posed a greater challenge for the giant gas producer.

As Eurasia Group Director Robert Johnston states, "with a number of long-term contracts expiring at the turn of the decade, Gazprom has begun to demonstrate early signs of increased flexibility on some issues in an effort to defend its consumer base." This step could be interpreted to mean that Gazprom has understood the vital nature of the problem and has taken steps to consolidate its position in the EU market before its position deteriorates beyond repair.

In 2013, legislation enacted for LNG exports set the stage for domestic companies other than Gazprom to take part in the LNG export business. While the giant gas producer's production reached 487 billion cubic meters (bcm) in 2012, other domestic companies' production climbed to 129 bcm - proof that Gazprom's market has shrunk by at least 25 percent of its production level.

It could be claimed that this new LNG legislation aims to affect the expansion of Russia's LNG capacity and increase its market share in the LNG sector in the long-term, but it is also aimed at chipping away at Gazprom's monopoly both in the domestic and foreign market. Both independent natural gas producer Novatek and state-owned oil company Rosneft are increasing their presence in natural gas production and trading, and their continued lobbying efforts to increase their market share in the natural gas sector has pushed the Russian government to consider shrinking Gazprom's predominance, mainly its monopoly over the gas transportation system.

While no concrete steps have yet been taken, the potential exists for the company to be divided into two companies - one dealing with production, and the other building up pipelines for the transportation of natural gas. The above-mentioned threats that Gazprom faces domestically, coupled with other problems such as the depletion of its major gas fields, discontinued sales contracts, and its increasingly obsolete gas pricing system have forced Russia's Gazprom to reconsider their strategies for remaining a major energy supplier to the EU market.

Ukraıne stops purchase of Russian gas, Naftogaz to continue transport to Europe

Natural Gas Europe, *20.11.2015*

Ukraine decided to stop purchases of Russian gas, with Prime Minister Arseniy Yatsenyuk saying that Russia "must have misunderstood; they did not cut off gas supplies to us, we are the ones who are not buying it."

Several media outlets wrote that Gazprom is halting discoveries as a result of an escalation between the two countries due to natural gas pricing. Ukraine decided to stop purchases of Russian gas, with Prime Minister Arseniy Yatsenyuk partly confirmed the news saying that Ukraine has an incentive to buy gas from the European Union because of "better pricing offers."

"This is the only right way, on the one hand, to get rid of Russian gas dependence, on the other hand - to reduce consumption of gas, to spend less money on the purchase of Russian gas, and to make Ukraine totally energy independent state within ten years," he said in a statement released in the afternoon.

Meanwhile, Naftogaz said it expects to receive all prepaid volumes of Russian gas today, adding it will continue to transport Russian gas to the European consumers in full accordance with the existing contracts.

"During the past 18 months we have demonstrated that we can ensure stable transmission of Russian gas regardless of whether we get it for Ukraine or not, both in the summer and the winter seasons. At this time a year ago we did not buy any gas from Russia, having less gas in storages and smaller import capacities from the EU. As far as we are aware, both Gazprom and its clients are satisfied with the quality and reliability of our transmission services," Andriy Kobolyev, CEO of Naftogaz, commented in a separate press release.

UK Secretary steps into the breach of fracking row

Natural Gas Europe, *20.11.2015*

The UK Secretary of State, Greg Clark, has sent a letter to Lancashire County Council saying that he will now be stepping in to make a decision about whether a search for shale gas can go ahead.

In a letter, Lancashire County Council has been instructed the secretary, will make the decision on two appeals in front of council. The appeals relate to two of Cuadrilla Resources sites in area. The company was refused planning permission by the council to frack and test for shale gas at both sites. “The secretary of state hereby directs he shall determine these appeals instead of an inspector,” the letter, says.

“This means that instead of writing a decision, the inspector will prepare a report and recommendation, which will be forwarded to the secretary of state.” Ordinarily, an inspector would make the final recommendation on an appeal such as the two before Lancashire County Council. However, with this move, Minister Clark will take responsibility instead.

The decision, the letter continued, was taken because it could have an effect on a national scale, not just a local one. “The reason for this direction is because the drilling appeals involve proposals for exploring and developing shale gas which amount to proposals for development of major importance having more than local significance and proposals which raise important or novel issues of development control, and/or legal difficulties.

US sanctions Syrians, firm facilitating Daesh oil sales

AA Energy Terminal, *25.11.2015*

The U.S. announced new sanctions on 10 Syrian individuals and entities, including what it called a middleman working to facilitate Daesh oil sales to the Syrian government.

The Treasury Department said Syrian businessman George Haswani has been facilitating oil purchases for Damascus through the HESCO, which the department said he controls. The company's website lists Michael Heswani and Mounir Heswani as the oil firm's owners. "HESCO is a Syrian engineering and construction company that operates energy production facilities in Syria, reportedly in areas controlled by ISIL," the department said.

The EU previously sanctioned George Heswani in March. He and HESCO were sanctioned by the Treasury Department. The department also imposed economic penalties on three individuals and five entities in response to the Syrian government's violence against its citizens.

They include Mudalal Khuri, who "has had a long association with the Assad regime and represents regime business and financial interests in Russia," and Kirsan Ilyumzhinov, a Russian businessman and former president of the World Chess Federation who works with Khuri.

The businessmen own the Russian Financial Alliance Bank, which was also slapped with sanctions. "The Syrian government is responsible for widespread brutality and violence against its own people," said Adam J. Szubin, acting Under Secretary for Terrorism and Financial Intelligence. "The United States will continue targeting the finances of all those enabling Assad to continue inflicting violence on the Syrian people." The fresh round of sanctions also targeted individuals and businesses with ties to Khuri.

EIA: US oil and natural gas reserves increase in 2014

AA Energy Terminal, *23.11.2015*

Proved reserves of crude oil and natural gas increased in the U.S. last year, the country's EIA said in its report. Crude oil and lease condensate proved reserves in the U.S. increased by 3.4 billion barrels, or 9.3 percent compared to 2013, to reach 39.9 billion barrels in 2014, EIA said.

This marked the sixth consecutive year that U.S.' proved crude and condensate reserves increased, which have also exceeded 39 billion barrels for the first time since 1972. Texas led the U.S. states in proved reserved of oil and condensate in 2014, adding 2.1 billion barrels, which mostly came from its oil-rich Permian Basin and the Eagle Ford shale plays.

North Dakota was the U.S. state that saw the second-biggest increase in oil and condensate proved reserves, as it added 0.4 billion barrels last year, which mostly came from its Bakken shale play. In addition, proved natural gas reserves in the U.S. have also increased in 2014.

Compared to 2013, proved gas reserves in the country rose by 9.8 percent, or 34.8 trillion cubic feet (tcf) - equal to 985 billion cubic meters (bcm) - to reach 388.8 tcf (11.7 trillion cubic meters) in 2014. This increase has also taken the proved gas reserves in the country to a record-level for the second year in a row, EIA noted.

Pennsylvania led the U.S. states in proved reserves of gas in 2014, adding 10.4 tcf (294 bcm), which mostly came from the Marcellus shale play. After Texas and Oklahoma, West Virginia became the fourth-biggest U.S. state to add to the gas proved reserves in the country. West Virginia was followed by the U.S. states of Wyoming and Colorado.

Noting that proved gas reserves in the state of Ohio more than doubled due to development of its Utica shale play, EIA said the U.S. state of Idaho reported proved gas reserves for the first time in 2014. The U.S. administration stressed that sustained low oil prices are expected to reduce oil and gas reserves in the country by the end of next year.

"Lower prices have curtailed drilling and made recovery economics more challenging. Although resource estimates are not necessarily reduced by lower prices, the calculation of proved reserves is sensitive to price," EIA explained in its report.

Deputy Secretary: US remains committed to European energy security

AA Energy Terminal, *21.11.2015*

The US is committed to the energy security of Europe, the U.S. Deputy Secretary of State said, and laid out his country's vision to enhance European energy supply security.

"The U.S. remains, as always, strongly committed to European energy security," he said, speaking at the Atlantic Council's Energy and Economic Summit in Istanbul. "That's why our special envoy and coordinator for International Energy Affairs [Amos Hochstein] at the U.S. Department of State continues to engage relentlessly with our colleagues in the European Commission and member states to help implement the European Energy Union strategy," he added.

Blinken stressed that Europe does not need more natural gas pipelines, which redirect same Russian gas supplies through different routes to the same European customers. He emphasized that Europe needs improved interconnections and strategic LNG infrastructure instead.

"Thanks to technological advances, democratization of supply sources, and new infrastructure projects, Europe is on track to greater security with a more transparent integrated and stable energy market," he said.

Reminding that the Baltic countries were entirely dependent on a single source for all of their national gas needs, Blinken said "Now, they are on track to be one of the most integrated energy regions by the end of this decade." He continued to explain other infrastructure projects to guarantee the region's energy security.

"The Estonian-Finnish undersea electricity cable is completed. A new floating LNG facility in Lithuania is in place, aptly called "Independence." Today, Lithuania and Estonia received gas from this LNG terminal and Latvia is making legislative reforms so those two [countries] receive alternative supplies and be a critical storage hub for the region.

A planned gas interconnector with Poland, potential gas interconnectors with Finland, Poland and Estonia, and the opening of power interconnections with Sweden and Poland make the Baltics far less dependent on any single source and far more secure than ever before. Now, we need to take this same approach with a number of other strategically located projects, including building floating LNG terminals in Croatia and Greece, and completing the Greece-Bulgaria interconnector," he explained.

Blinken also talked about the Southern Gas Corridor (SGC), of which Turkey is a part of and that will begin to carry gas from Azerbaijan to Europe via Turkey in 2018, and will continue to provide additional gas supplies in the next decade.

“The opening of the SGC will change the energy map of the continent by building the links needed to deliver Caspian gas from Azerbaijan to Europe, energizing growth all along, while enhancing Europe’s energy security,” he said.

Blinken said those projects do not intend to alienate Russia from the European energy market, as long as Moscow abides by the rules. “This is not a strategy designed to eliminate Russian gas from the European market. Russia will, and should, remain a major player so long it plays by the rules,” he explained.

Reminding that Russia halted its gas flows through Ukraine in the winter of 2005 and 2009, he said “We have seen how energy resources can be wielded as a weapon of repression, as tools to finance radical ideologies or territorial expansion.”

Blinken warned “No nation should use energy as a political weapon, to target citizens and undermine their aspirations, just as no nation should be allowed to impose its will by force on another.” The deputy state secretary highlighted that the U.S. remains united with the EU, and its member countries, in its support to Ukraine, for its sovereignty, territorial integrity and energy security.

Blinken also pointed out to eastern Mediterranean as a good example in energy cooperation. “There is no better example in the eastern Mediterranean, which has become one of the brightest lights in the geopolitics of energy,” he said.

“For the first time in histories of their countries, Jordan and Israel have begun to work together on the construction for a gas pipeline from Israel to Jordan. And, recent discoveries in the eastern Mediterranean are waking Cypriots to the value of coming together to unlock the island’s economic potential as a critical transit hub for energy flows across the eastern Mediterranean into Europe,” he added.

US crude oil stocks rise for ninth consecutive week

AA Energy Terminal, *25.11.2015*

U.S. crude oil stocks increased for the ninth consecutive week, the U.S.' Energy Information Administration (EIA) data revealed.

Commercial crude oil inventories in the country rose by one million barrels, or 0.2 percent, to reach 488.2 million barrels for the week ending Nov. 20, from 487.3 million barrels from the previous week ending Nov. 13, according to the EIA. For the same period, strategic petroleum reserves in the country remained unchanged. Meanwhile, weekly commercial crude oil imports rose by 365,000 bpd on average to reach 7.33 million bpd ending Nov. 20, according to the EIA.

In addition, domestic oil production in the U.S. decreased by 17,000 bpd during the same period, falling to 9.14 million bpd, from 9.16 million bpd. However, this level is still around 500,000 barrels a day lower than in April when U.S. output peaked at 9.6 million barrels per day.

Oil producers in the U.S. are seeing their output levels decline rapidly, as they are feeling the effects of downward pressure on oil prices. Oil prices have seen a 60 percent decline since June 2014 due to oversupply and low global demand. Decline in U.S. production and increasing global crude demand trimming the glut of supply in the market, could bring prices higher again.

Announcements & Reports

► *Oxford Energy Forum*

Source : OIES
Weblink : http://www.oxfordenergy.org/2015/11/oxford-energy-forum-issue-102/

► *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/

► *Energy Governance in Turkey*

Source : Energy Community Secretariat
Weblink : hhttps://www.energy-community.org/portal/page/portal/ENC_HOME/DOCS/3894261/EnC_Turkey_Report_WEB.pdf

Upcoming Events

► *Project Financing in Oil and Gas Conference*

Date : 30 November 2015
Place : London - UK
Website : http://www.smi-online.co.uk/

► *The 9th ICIS European Gas Conference*

Date : 03 December 2015
Place : Amsterdam - The Netherlands
Website : http://www.icisconference.com/europeangas

► *Interconnecting Europe: Natural Gas in Romania*

Date : 09 December 2015
Place : Brussels - Belgium
Website : http://www.gasdialogues.com/interconnecting-europe-natural-gas-in-romania-9-december-2015

► *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/