Oil & Gas Bulletin
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Canete: Turkey in good place to become energy hub

AA Energy Terminal, *30.01.2016*

Turkey is very well placed to become a gas hub in the region because it can offer a good alternative to LNG supplies and pipeline gas, European Union (EU) Commissioner for Energy and Climate said late this week.

EU Commissioner for Energy and Climate Miguel Arias Canete, who came to Istanbul for the Turkey-EU High Level Energy Dialogue, told Anadolu Agency that the EU has started high level energy talks with only three other countries Norway, Algeria, the U.S. apart from Turkey in which discussions on further energy cooperation will be on the agenda.

“Turkey is a reliable partner for EU, it is a key country. We have a lot in common. We will try to solve the problem of lack of storage capacity in Turkey but we have to deal with the future opening of the [EU] Energy Chapter,” Canete explained.

The Cyprus issue remains a major obstacle to Turkey’s EU accession plans, as several chapters, including the chapter on energy and judicial rights are blocked by the Greek Cypriot Administration.

“The Commission clearly thinks when political problems are solved, Turkey will be ready to open the Energy Chapter and the Commission will facilitate the dialogue,” he said. Canete highlighted Turkey’s geopolitical position in the region, and stated that Turkey will be on the transmission route for gas supplies from Azerbaijan and probably Turkmenistan while also featuring in traditional Russian supply routes.

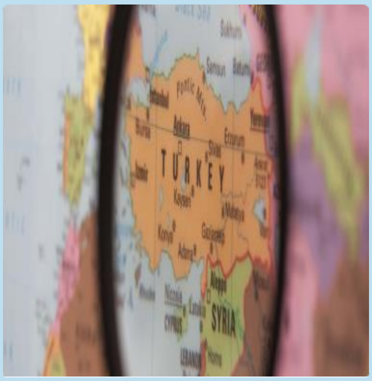
“Access to Mediterranean gas would be a game changer because Turkey is very well placed to be a gas hub in the region. Turkey is a very good alternative both for LNG and pipeline gas. It is in the center of all the access routes and the EU supports these multiple hubs because it would increase competition,” he stated. Canete emphasized that the latest discoveries in the Mediterranean region are very promising.

“All will make a big change in the sector in the near future. Now there must be political agreement on how we engineer all these operations. But in the end, one thing is clear that there is going to be a new source of supply. We have to work for the infrastructure needed to commercialize the transfer of gas,” he asserted. However, he added that a gas hub can be realized in Turkey but it requires more than political will. The project must be able to supply sufficient quantities to become economically feasible. Canete underlined that Turkey and the EU can cooperate in all the energy aspects in keeping with the decisions made at the COP21 meeting in Paris. “We have to cooperate on how we can further develop and finalize and the Southern Gas Corridor. In the future, we envisage that the Southern Gas Corridor could be linked with Iran’s sources,” he pointed out.

Canete also confirmed that the EU will hold a very high level official visit to Iran in the near future. “EU High Representative for Foreign Affairs/Vice-President of the European Commission Federica Mogherini is coordinating the visit and we have to engage in an important conversation with Iran in all areas but also in energy. The country will see great economic development,” Canete concluded.

Gazprom cancels gas discount for Turkey’s private firms

Natural Gas Europe, *20.01.2016*



Sources from Russia’s Gazprom said the company is in discussions with six Turkish private companies on Friday to cancel the 10.25 percent discount applied on natural gas supplies from Gazprom from Jan. 1 last year. “We are still discussing the cancellation issue with the private sector. There is no deal yet,” the source said.

An official from the Turkish energy market said that Gazprom decided to cancel the 10.25 percent gas discount following a meeting between Gazprom and officials of private Turkish gas companies. No official reason was given for the cancellation.

However a Gazprom official said that when the diplomatic crisis between Turkey and Russia is resolved, the discount may be reapplied. The private companies, which were in receipt of the discount include, Enerco Enerji, Avrasya Gaz, Shell Enerji, Bosphorus Gaz, Bati Hatti and Kibar Enerji.

The private sector in Turkey imports 10 billion cubic meters (bcm) of natural gas per year, representing over 30 percent of Russia’s gas imports to Turkey. In 2014, Turkey imported 48 bcm of gas in 2014.

Out of the 48 bcm imported, 38 bcm was imported by the state-owned crude oil and natural gas pipelines and trading company, BOTAS. Gazprom was due to enforce the 10.25 percent discount with BOTAS; however the company confirmed that this was never applied. The Natural Gas Distribution Companies Association (GAZBIR) anticipates that Turkey’s consumption for 2015 will be around 47.8 bcm.

Yasar Arslan, head of GAZBIR urged that private companies who will be impacted by the discount cancellation decision should object to such a move. “The discount negotiations between the Turkish government [for state-owned company BOTAS] and Russia remain unaffected by this situation,” Arslan added.

Prospects of delivering Israeli gas to the Turkish market

Turkish Policy Quarterly, *26.01.2016*

After a five-year diplomatic rift, Turkey and Israel are working to restore ties. The two reached a preliminary agreement to re-establish full diplomatic relations, which were cut off in 2010 after an Israeli naval raid on the Turkish Mavi Marmara ship seeking to break Israel's blockade of the Gaza Strip.

The deal entails the reinstatement of ambassadors, compensations for the flotilla victims' families, removal of all legal claims against Israeli military staff implicated in the attack. The conciliation agreement paves the way for building a natural gas pipeline from Israel to Turkey. Energy is widely regarded as the primary factor behind the rapprochement.

According to this logic, Ankara is seeking energy partnership with Israel due to the fear over the possibility of a Russian gas switch-off amid a deep political crisis with Moscow following the downing of a Russian warplane by the Turkish air force on 24 November 2015. Energy is widely regarded as the primary factor behind the Turkish-Israeli rapprochement.

However, this thesis does not hold true. According to Turkish Foreign Minister Mevlüt Çavuşoğlu, reconciliation talks are not new and have been held long before the relationship with Moscow started to deteriorate. Actually, the rapprochement process reflects the changing security dynamics in the Middle East, especially in Syria, pushing Israel and Turkey to a closer cooperation.

In addition, contractual obligations between Russia and Turkey make gas supply disruptions highly unlikely. Moscow and Ankara are tied with long-term take-or-pay contracts for at least 10 years, violations of which will be subject to heavy indemnities.

The idea of an Israeli-Turkish pipeline is not new, and has circulated since the discovery of Israel's giant Leviathan offshore gas field in 2010. But, political tensions between the two countries have not allowed the project to be seriously considered. With the normalization of the Turkish-Israeli relations on track, the pipeline issue is back on agenda.

The project of channeling Israeli gas to Turkey envisages the construction of a 500-kilometer undersea pipeline from the Leviathan offshore field to the Turkish port of Mersin. Ankara is expected to buy around 8-10 billion cubic meters (bcm). Upon availability, additional volumes of Israeli gas could be exported further to the EU via Turkey.

Commercially, the proposal of selling Israeli gas via a pipeline to the Turkish mainland looks very viable. According to preliminary calculations, the cost of the planned pipeline should not exceed 2.5-3 billion dollars.

It is way cheaper than other possible projects, especially in comparison with expensive LNG options. In the current era of low energy commodity prices, project cost is an extremely important factor for investors.

[Turkey's] gas consumption is one of the fastest growing in the world, and is expected to almost double from 45 bcm in 2012 to 81 bcm in 2030. Also, after recently frozen negotiations with Egypt, which was previously regarded as the top priority market by Israel, exporting gas to Turkey becomes the only sound decision from a financial and strategic viewpoint. Moreover, with the recent discovery of the giant Zohr gas field in the deep waters of Egypt, Cairo's demand for Israeli gas remains highly uncertain.

Turkish market demand, on the contrary, is guaranteed. Possessing very few domestic natural resources, the country's gas consumption is one of the fastest growing in the world, and is expected to almost double from 45 bcm in 2012 to 81 bcm in 2030.

For Turkey, seeking to increase and diversify energy imports, Israeli gas should be also the cheapest option. Although it is too early to talk about precise figures, some industry sources assume a price tag of as low as 199 dollars per thousand cubic meters, which is considered very competitive on the Turkish market. For comparison, Ankara pays around 490 dollars for 1,000 cubic meters of Iranian gas, 425 dollars for Russian gas and 335 dollars for Azerbaijani gas.

While piping Israeli gas to Turkey represents a win-win solution for both sides from an economic perspective, geopolitics might still hinder the realization of the project. Besides demanding an apology for the Mavi Marmara incident and compensation for the victims' families, Ankara also wants Israel to end the blockade of the Gaza strip, which has been imposed since June 2007.

Although a total lifting of the blockade is highly unlikely due to security issues, Israel might consider to significantly ease the siege on Gaza, especially for Turkey. Without mutual concessions on that matter, further rapprochement and pipeline talks will be impossible.

Another geopolitical obstacle on the way to piping Israeli gas to Turkey is the Cyprus dispute. To avoid Lebanese and Syrian waters, the proposed pipeline has to traverse the Exclusive Economic Zone (EEZ) of Cyprus, whose government opposes the project due to the tense relations with Ankara over the division of the island into Greek and Turkish parts since 1974.

Until the Cyprus dispute is resolved, the proposed Israel-Turkey pipeline is a non-starter. Having said that, prospects for natural gas exports in the Eastern Mediterranean might provide incentives for addressing the Cyprus dispute and regional cooperation in general. Thus, Cyprus itself is interested in selling gas from its Aphrodite reservoir, however the field's relatively low volumes do not justify the investment required to develop it. Building a joint infrastructure to Turkey for exporting gas from Israeli and Cypriot fields, therefore, could be a potential solution to the problem.

It is also important to note that last spring Greek and Turkish Cypriots opened the first real negotiations on reunification since 2004. Moreover, they expect to reach an agreement and put it on the upcoming referendum scheduled for May 2016. Nevertheless, the objective may be rather ambitious.

A number of obstacles, especially disputes over territorial readjustments and property restitution, will likely delay any deal for at least a year. Until the Cyprus dispute is resolved, the proposed Israel-Turkey pipeline is a non-starter.

To sum up, rapidly changing geopolitical and energy dynamics in the region pushes Turkey and Israel closer to each other, paving the way for their energy cooperation. Despite the commercial viability of the Israeli-Turkish pipeline, a number of geopolitical factors, including the Gaza Strip blockade and the Cyprus dispute, hinder the realization of the project in the near future. In the medium term, however, the prospects for the proposed pipeline are quite high with Israeli gas may start flowing to the Turkish market after 2020.

Russia and Turkey show oil prices aren’t everything

WSJ, *24.01.2016*

As goes oil, so goes the ruble. Recent weeks have seen steep declines for both. But perhaps there is less cause for concern over Russia than there is for the currency of a country that should be benefiting from cheaper oil: Turkey.

True, the ruble has performed terribly this year. It hit a record low of 86 to the U.S. dollar Thursday and was down 12% for the year before Friday’s bounce in crude prices brought it back to 78.3. The Turkish lira, by contrast, is only down 3.2% this year against the dollar. But it, too, has flirted with record lows. Moreover, its depreciation has been relentless since the middle of 2013.

Russia’s economy is still clearly in trouble: geopolitical risk is high, sanctions remain in force, its reliance on oil and gas makes it vulnerable, and potential growth looks feeble. The economy is estimated by the International Monetary Fund to have contracted 3.7% in 2015 and is forecast to shrink a further 1% in 2016. Yet Russia has managed to withstand a sudden stop in financing due to sanctions, a prospect that would cripple many emerging economies.

Russia’s central bank has boosted credibility first by allowing the ruble to float, preserving foreign-exchange reserves, and by slamming interest rates higher. In December 2014, it raised its key rate to 17%; it has since fallen to 11%. But the central bank has remained on hold since August as it assesses inflation, which was 12.9% in December. The target for 2017 is 4%.

A further decline in oil, and an associated slide in the ruble, will present the central bank with a new challenge: with Russia’s economy in recession, it will face a hard decision over whether to maintain the inflation-fighting credibility it has won or let it slip. Yet it is at least approaching the situation from a position of relative strength.

By contrast, Turkey's economy is still growing, and the lower oil price has helped shrink its current-account deficit. Domestically, though, concerns loom. The central bank has stepped back from a promise to simplify and normalize its complex policies. This creates further doubts about its ability to hit an inflation target it has consistently missed.

Politics continues to pose risks, with President Recep Tayyip Erdogan continuing to seek a new constitution that would boost his grip on power. Turkey is still exposed to risks emanating from tighter U.S. monetary policy. A financing crunch would be painful as Turkey is clinging on to investment-grade ratings.

Turkish Minister: Domestic market soon to reflect falling energy prices

Daily Sabah, *27.01.2016*

Energy and Natural Resources Minister Berat Albayrak stated that energy prices, which have been on the decline since June 2014, will soon be reflected on natural gas prices in Turkey. Due to the fluctuations in energy prices over the last decade, natural gas prices have been increasing and Turks have faced very high costs.

Speaking to Turkish TV Channel NTV, Albayrak noted that the government had tried to deflect these increasing costs through subsidies and as a result, state-run energy company BOTAŞ has been suffering losses for years. This had become a large burden.

"Recently, we have seen energy prices decreasing and therefore hopefully this decrease will also mean BOTAŞ can offer discounts on its price tariffs," added Albayrak. Despite the fall in crude oil prices from $110 in June 2014 to the present price of less than $30 per barrel, Turkish consumers have not seen a significant decline in consumer prices. Gasoline prices have only dropped by TL 0.9, while diesel oil prices went down by TL 1.15 in this period.

The energy minister said that further discounts were not possible, due to volatility in foreign exchange rates and fixed taxes. While the dollar/TL exchange rate was around 2.10 in June 2014, today it is about 3.0. Albayrak noted that the government provided a discount despite the exchange rate being so high. "This also occurs due to the methodology of tax collection in Turkey," Albayrak suggest as one reason for relatively small discounts.

Albayrak highlighted that Turkey's economic growth is parallel with the improvement in the energy sector, and that infrastructure works to meet the requirements of such growth have been ongoing for the past 13 years. He recalled Turkey has taken serious steps to benefit from alternative energy resources and that it would be necessary to have an installed power of 50,000 to 60,000 megawatts to meet the increase in the energy demand due to the expected 4 to 5 percent growth in Turkey.

Albayrak also said that this will exploit various natural resources and that new cooperative efforts will be established. Albayrak added that the government is currently working on increasing resource diversity, including using liquefied natural gas (LNG) as an alternative as well as other alternative resources. Turkey might become a transit country for the delivery of Israeli and Iraqi gas to European markets, but Albayrak underlined that Turkey's energy security is not Turkey's concern alone, but also crucial to the European Union.

“In order to discuss energy issues with Israel... If political normalization is established, we [Turkey and Israel] can take steps for cooperation on energy,” said Albayrak. Asked for his opinion about the course of crude oil prices, Albayrak noted that it is hard to make a prediction at this point as the prices are not generated just based on demand and supply, but depend more on political tensions and relations.

“I believe that crude oil prices within the next few years will be around the same levels, as they depend more on politics now and since more than half of the crude oil and natural gas is imported from the Middle East. The turmoil in the area is affecting various markets directly, plus various other areas such as energy security, safety and the psychology of the whole world.

Therefore it is impossible for energy prices not to affect the rest of the world, and I believe the next ten years will be a tough period in terms of energy, both for the region and for the whole world in general,” said Albayrak.

He also noted that Turkey will continue its investments in energy, and various efforts are being exerted to keep up with technologic advances, especially in renewable energy field. Further investments in solar energy and wind energy are also on the agenda, and the government has a plan for establishing a local production and Research and Development center in order to achieve great progress in solar and wind energy production.

Recalling that nuclear energy will soon be included in Turkey's energy portfolio, Albayrak noted that there are no problems regarding the development of the Akkuyu Nuclear Energy Plan after the aircraft crisis with Russia, as both countries will continue to comply with their respective liabilities and perform the duties they assumed.

“The investment in Akkuyu is ongoing, and there are no problems on our side. We as the Ministry will continue to strive on including nuclear energy in Turkey's mix of energy resources,” said Albayrak. He added that they are currently searching for the most suitable location that will meet 19 criteria for the third nuclear plant, as this is such a critical region. He noted that they have narrowed the options down to around 10 locations.

“Turkey's energy demand increases exponentially, so it is not possible to fill this need by one resource alone, therefore we will strive to realize all these new projects and initiatives as the ministry,” Albayrak concluded.

Turkey hunts for alternatives to Russian energy

Eurasia, *27.01.2016*

With Russian-Turkish relations bottoming out after Turkey's downing of a Russian military jet, Ankara is scrambling to reduce its dependency on Russian gas. But the help it needs from post-Soviet energy producers may not be swift in coming.

Azerbaijan, Turkey's closest ally in the post-Soviet region, was the first place Turkish Prime Minister Davutoğlu visited after the November 24 downing incident. And most recently, Davutoğlu met with President I Aliyev in Davos. "Two nations, one people" is a popular mantra that officials in both Turkey and Azerbaijan use to describe their relationship.

And yet when it comes to energy, there seems to be limits to this unity. For one, Azerbaijan is not the gas producer that Russia is. The 27 billion cubic meters (bcm) of Russian gas Turkey received in 2015 — 55 percent of its overall supply — is about 1.4 times the size of Azerbaijan's entire volume of produced gas for that year, noted Ilham Shaban, director of the Baku-based Caspian Barrel, an energy research center.

Turkey currently receives 6 bcm of gas from Azerbaijan, an amount that constitutes about 75 percent of Baku's annual exports, he added. Some Turkish observers pin their hopes for energy diversification on TANAP (Trans-Anatolian Natural Gas Pipeline), the Europe-bound, 1,850-kilometer-long pipeline from Azerbaijan's Shah Deniz field that will cross through Turkey.

The two countries last month agreed to finish the conduit before 2018, its originally scheduled completion date, even though it is not yet known where all the gas to fill the new route will come from. Although the first gas shipments to Turkey are expected by late 2018, large-scale shipments of 12 bcm per year will not come until 2021, said Shaban.

"We obviously can improve [the amount of gas sent] in the direction of Turkey," he said. "But right now, it is not realistic, regardless of the situation." Revised completion dates for the pipeline and first gas deliveries have not yet been officially announced.

One Turkish energy analyst believes other factors may also affect Azerbaijan's enthusiasm for deepening its energy relationship with Ankara. "It is no secret that, mainly due to regional political dynamics, Baku has been playing a balancing act in between Moscow and Ankara," said Emre İşeri, an expert on regional energy politics for Yasar University in the Turkish city of Izmir. That careful balancing act was spelled out this month by Azerbaijan's ambassador to Turkey, Faiq Bagirov, in an interview with Turkey's Daily Sabah newspaper, a governmental mouthpiece.

“There is no other example for relations between Turkey and Azerbaijan” apart from “always” standing “together,” Bagirov stressed. At the same time, “Azerbaijan also has good relations with Russia, along with a strategic partnership.”

Baku has good cause to be careful. “There will be sensitivity in Baku not to be too confrontational with Russia,” argued Sinan Ülgen, a specialist on Turkish foreign policy and a visiting scholar at the Carnegie Europe think-tank in Brussels. “Russia is a major player in the region. It can hurt Azerbaijan indirectly in many ways, especially in the Nagorno-Karabakh conflict.” Indeed, tensions over the disputed territory have recently heightened between Azerbaijan and Armenia, Russia’s closest military ally in the region.

With Russia’s economy already hobbled by low energy prices, Rashad Shirin, an independent Azerbaijani political consultant, wonders whether the state-run behemoth Gazprom can afford to stop gas sales to Turkey, its second largest foreign market after Germany. Shirin does not expect Baku to yield automatically to any Russian pressure to back off Turkey. “[I]n this situation,” he said, “Azerbaijan will do everything in its interest.”

Turkish and Ukrainian cargo blocked from Russia now travel via Azerbaijan to reach Central Asia. In early December 2015, to enhance this route’s attractiveness, Baku slashed transit fees for cargo traveling to Kazakhstan and Turkmenistan by 40 percent.

“We should seize this opportunity,” recently stressed Akif Mustafayev, Azerbaijan’s envoy to TRACECA, a 13-member body that promotes ties between Black Sea countries, the South Caucasus and Central Asia, AzerNews reported.

In Central Asia, a predominantly Turkic region that Turkey’s ruling Justice and Development Party has been cultivating for the last few years, a reluctance to become embroiled in Ankara’s tussle with Moscow is more apparent.

President Nursultan Nazarbayev of gas-rich Kazakhstan has taken Russia’s side in the conflict. Turkmenistan, another major energy supplier, has avoided commenting publicly, and officials in Ashgabat declined to make any public comments on energy relations when Turkish President Recep Tayyip Erdoğan visited the Turkmen capital in December.

Both Ankara and Baku have promoted the idea of a trans-Caspian pipeline from Turkmenistan to Azerbaijan, but energy expert İşeri cautioned that low energy prices, along with the lingering territorial squabble over the Caspian Sea, mean that “investors will think twice to make this kind of politically risky projects.”

Turkey also has gotten the cold shoulder from Kyrgyzstan, which does not export energy, but does receive an undisclosed amount of Turkish development aid. At December’s Moscow summit of Commonwealth of Independent States members, Kyrgyz President Almazbek Atambayev criticized Ankara for the downing of the Russian plane and suggested that Erdoğan, whom he previously termed “my older brother,” should apologize to Russian President Vladimir Putin. Erdoğan made little effort to hide his displeasure. “If nothing else, it was an unfortunate statement,” a presidential aide, Ibrahim Kalin, remarked at a December 28 press briefing.

Turkey a vital energy partner, EU says

Reuters, *17.01.2016*

Turkey is a fundamental partner to ensure the European energy sector is well supplied and free from dominance, the EC said. Members of the EC met in Ankara to discuss shared strategic and economic agendas moving into 2016.

"Energy is a topic of key interest in EU-Turkey relations," the commission said. "Turkey stands out as a crucial partner for EU's energy security and energy diversification." Turkey holds a key geopolitical position between key producers in the Middle East and Central Asia, and Europe. Europe is looking to Azerbaijan as a source of diversity for an energy market dominated by Russian natural gas supplier Gazprom.

The Trans-Adriatic pipeline will start delivering gas from the Shah Deniz gas project offshore Azerbaijan in 2019. TAP would connect to the Trans-Anatolian natural gas project running through Turkey to the Greek border.

Gazprom, meanwhile, had proposed the so-called Turkish Stream gas pipeline as an alternative to a broader South Stream pipeline network meant to feed European markets. Gazprom last year , however, said talks were suspended as bilateral ties between Moscow and Ankara soured.

Russian military intervention in Syria frustrated the Turkish government and its allies in the NATO alliance and the October downing of a Russian military jet in Turkish airspace was met with measured anger by the Kremlin. Turkey, for its part, aims for closer ties to Europe. "Accession negotiations remain the cornerstone of EU-Turkey relations," both sides said in a joint statement.

Unfounded fears about Iran's oil sparks steep global losses

Foreign Policy, *15.01.2016*

Global stocks dropped sharply Friday on growing fears that global growth, particularly in China, is slowing, and that historically low oil prices would only sink lower with Iran's crude set to enter an already-oversaturated market. At least one of these concerns appears to be misplaced.

Wall Street sentiment soured on the impending arrival of so-called "implementation day" of the Iran nuclear deal, which could come as soon as this weekend. This, in theory, would unleash additional volumes of Iranian crude oil into the glutted market. In midday trading, price of a barrel was down more than 6 percent, to $29.30.

In London, Brent Crude was down 6.5 percent, trading at $29.03. In reality, while the gradual easing of sanctions will make it easier for Iran to export more oil than it has in the past three years, it won't open the floodgates anytime soon. Oil market experts figure the country can ramp up exports only by a few hundred thousand barrels a day during the first half of 2016.

According to OPEC, Tehran produced about 1.1 million barrels per day in 2015. Iranian officials, more optimistically, say they can nearly double Iranian oil exports and add an additional 1 million barrels to the market by next year.

More important for the near-term outlook for oil prices is the balance between supply and demand. Big producers like Saudi Arabia and Russia continue to produce flat out, even though prices are at 12-year lows; Saudi Arabia puts more than 10 million barrels of oil up for sale each day, while Russia produces roughly the same amount. Demand for oil is not growing as fast as last year, and economic headwinds in Asia could dampen that even further.

And low prices are already knocking out some oil producers. U.S. shale companies are bleeding red ink, and are throttling back output in places like Texas and North Dakota. Many experts expect non-OPEC production to shrink by about 600,000 to 700,000 barrels a day this year — the first such contraction since 2008 — which will help build a floor for oil prices.

The bloodletting in oil prices was more than enough to spook markets. At one point early Friday afternoon, the Dow Jones Industrial Average in New York was down more than 500 points, or more than 3 percent, while the S&P 500 dropped by nearly 3 percent. The Dow eventually closed down 391 points. Overseas, performance was equally disappointing. The German DAX was down 2.5 percent, while the FTSE 100 in London was off 2 percent. Adding to concerns about oil are continuing signs of weakness in China, the world's second largest economy. There, the Shanghai Composite plunged another 3.6 percent on Friday, 21 percent below its December high.

Friday's losses continue a brutal start to 2016 for equities. On December 31, 2015, the Dow closed at 17,425. As of 2:10 p.m. New York time Friday, it was trading at 15,968. It's on pace for its lowest close since August.

The drop was so dramatic that the White House, which doesn't normally comment on daily market moves, weighed in. "Obviously these are market movements that are closely watched at the Treasury Department," White House spokesman Josh Earnest told reporters Friday.

Whether the shaky start to the New Year portends broader weakness remains to be seen. The World Bank expects the U.S. GDP to grow 2.8 percent in 2016, and the 5 percent unemployment rate is the lowest it's been since 2007.

"I'm not selling. I'm holding on because I do believe this is a growth scare and not a bear market," widely followed hedge fund manager Leon Cooperman, CEO of Omega Advisors, said on CNBC Friday afternoon.

Davos diary: Iran insists it's open for business. Will it have any customers?

Foreign Policy, *22.01.2016*

It was a sweet but short victory lap this week at the World Economic Forum for Iranian officials, who quickly set aside celebrations over enacting Tehran's nuclear deal to press for a new cause: selling the world on investment in the Islamic Republic.

Mohammad Nahavandian, chief of staff to President Hassan Rouhani, predicted Iran's economy could grow by 8 percent annually with the help of foreign investors who are no longer curbed by some U.S. sanctions that were lifted when the nuclear deal took effect last weekend. "That's feasible," Nahavandian said of Iran's predicted economic growth.

He said foreign companies — in the energy sector, information and communications technology firms, and rail, air, and other transportation businesses — have expressed interest in investing.

"Of course, there are things to be done, and the administration is mindful of the fact that the business environment has to improve a great deal," Nahavandian said. "And we've already started that." The 8 percent GDP prediction widened some eyes in Davos. The World Bank projects Iran's GDP will grow by 5.8 percent this year. And Nariman Behravesh, chief economist at IHS, a consultancy that advises clients on current events around the world, gave a far more featured prediction: "Iran's economy will benefit from the lifting of sanctions — it can probably grow around 4 percent by next year," he said. For the energy sector in particular, Iran's reopening could be hugely important.

That’s because the country has world-class reserves of oil and natural gas but has been starved of foreign investment for years. Europe, especially, has visions of one day tapping Iran’s abundant gas fields.

With the lifting of sanctions, Iran’s energy sector is again open for international business — in theory, at least. In reality, the nuclear deal didn’t lift all sanctions on doing business in Iran. And unwinding years of restrictions on Iran’s banking and financial sector is creating headaches for banks, companies, and lawyers around the world.

U.S. firms, in particular, face a delicate dance to do business in Iran and still be in compliance with U.S. rules. It will likely take months until international businesses feel confident they can work in Iran without running afoul of the sanctions that are still in place, such as those prohibiting dealings with Iranian businesses owned by the Islamic Revolutionary Guard Corps. U.S. businesses face hefty fines if they cross the line.

Nahavandian said the absence of American companies means European firms have the opportunity to get into Iran’s energy market first. They also can help Iran build the infrastructure needed to help Tehran’s economy grow.

So far, European firms are flirting with Tehran, but few deals of any significance have been sealed. Former German Chancellor Gerhard Schröder recently traveled to Tehran to discuss business opportunities with government leaders, including Iranian Foreign Minister Mohammad Javad Zarif, and Czech officials have discussed cooperating with Iran in the electricity sector.

This is where the U.S. sanctions that remain in place loom large. Potential business between European companies and Iran could put the former on the wrong side of U.S. regulators. That’s a risk because the potential to profit from doing business in the United States is much greater than in Iran.

But once the tangles of sanctions are cleared up, Iran’s energy sector is likely to attract plenty of interest from European, Asian, and American firms — even though the world right now is drowning in cheap oil and gas, and doesn’t need to scramble to find new supplies. In fact, low oil prices make Iran an even more attractive place to invest. It costs very little to pump oil in Iran, unlike complicated and expensive wells elsewhere, whether in the U.S. shale patch or huge deepwater rigs.

“Huge oil and gas resources with very low production costs and low geological complexity are very attractive for investors, particularly at the current time of low oil prices,” Sara Vakhshouri, formerly of the Iranian national oil company and now head of energy consultancy SVB Energy International, told Foreign Policy.

The trick for Iran, as it has been since the 1979 Islamic revolution, is to offer attractive terms to international investors. In years past, Iran’s government offered foreign companies unattractive contracts in which oil companies invested to boost production in Iranian fields, then ceded control of the project to Tehran in exchange for a flat fee. Now, recognizing the need to compete for capital, Tehran is overhauling the contract terms it offers major oil and gas companies to make them more closely resemble investment conditions in other oil states.

The new contracts, Vakhshouri said, are "much more flexible and attractive" than the old terms, but by themselves would not likely be enough to entice Big Oil away from easier projects elsewhere. In that sense, she said, low oil prices and low production costs are "Iran's lucky charm to attract international investors."

Even if it does manage to attract investors, IHS's Behravesh says Iran's arrival on the world energy market will only serve to depress low oil prices lower. "Expected oil exports from Iran have already depressed oil prices," he said. "But unless Iranian production can ramp up quickly, further downward pressure from Iranian oil will be limited."

For now, the world's attention has focused on Iran's plans to ramp up oil production and fight to regain the market share it lost while sidelined due to sanctions. Longer term, though, Iran's re-emergence will be about a lot more than just oil: The country has big plans to tap its massive natural gas reserves and become a major exporter.

Europe, still struggling to find alternative sources of energy other than fickle Russia, is already eyeing future imports of Iranian gas. And growing economies in Asia, like India, are also looking to Iran's abundant reserves, whether in raw form or transformed into valuable products like petrochemicals. For the gas game, Vakhshouri said, Iran's "massive gas reserves and unique geographical position" could one day make it a key player for markets both West and East.

Iran seeks rapid reboot for natural gas exports

WSJ, *26.01.2016*

Iran is pushing to find new ways to extract and export its vast natural-gas reserves, including developing facilities to liquefy the commodity and ship it to Europe in two years, now that Western sanctions have lifted, according to an Iranian official.

Iran holds the world's largest reserves of natural gas, but has long lacked the export infrastructure of competitors such Russia and Qatar. They have networks of international pipelines as well as lng facilities that enable them to export gas by ship. Tehran is exploring several options to help the country "join the international LNG club," said Kameli, managing director of National Iranian Gas Export Co..

One project would involve restarting work on the country's most advanced LNG project, Iran LNG, which was 40% complete when tightened Western sanctions forced work to be abandoned in 2012. It could take another three to four years to complete the project, Mr. Kameli said. Another option would be building a pipeline beneath the Persian Gulf to Oman, which has LNG facilities that Iran could potentially use. Mr. Kameli said Oman has agreed to build the pipeline within two years. Omani officials didn't respond to requests for comment.

Mr. Kameli said his company is also in talks with European companies, including Oslo- and Nasdaq-listed Golar LNG Ltd., to build floating LNG facilities—offshore vessels on which the gas would be liquefied. Such a project would take "less than two years," he said. Golar declined to comment. Once LNG facilities are in place, Mr. Kameli said, exports to "Europe definitely could be considered."

Hellenic Petroleum, Greece's largest refinery, agreed to buy oil from National Iranian Oil Co., marking the first sale of Iranian crude to a European country since the lifting of trade sanctions against the Middle Eastern nation. Other European companies are promising billions in new deals in Iran as Iranian President Hassan Rouhani visits Europe this week to revive trade and political ties.

European Union officials have said Iran could be a key supplier of natural gas and help the bloc reduce its reliance on Russia. But the two-year horizon "doesn't sound very realistic," one EU official said, citing internal assessments from the European Commission, the bloc's executive arm. The commission has been working to rebuild energy ties with Iran over the past year, once it became clear that sanctions would likely be lifted. It plans to send an assessment mission to Iran in February to scope out possibilities.

Iran exports small quantities of gas to Azerbaijan, Armenia and Turkey, typically about 9 billion cubic meters a year. Another Iranian gas official said last year that Iran could export about 30 billion cubic meters to the EU in the long term. That estimate is consistent with one EU assessment, which put EU imports at between 25 billion and 35 billion cubic meters of gas a year from Iran by 2030, if LNG facilities are developed.

It is a difficult time to launch new LNG projects, which generally cost billions of dollars and take years to build. The slump in oil prices has hit LNG hard, as consumers typically pay for the product on oil-linked contracts.

On top of that, plenty of new LNG supplies are expected to come into production by the end of the decade. The price for LNG in Asia—the fuel's main market—has collapsed. Low prices could stimulate new LNG demand from industrial users, said John Hall, chairman of U.K. consultancy Alfa Energy. "In two years, there will be room for another player in Europe," he said.

Iranian President Hassan Rouhani, center, spoke to an audience of Italian business executives in Rome on Tuesday as part of his visit to Europe. Iranian President Hassan Rouhani, center, spoke to an audience of Italian business executives in Rome on Tuesday as part of his visit to Europe.

National Iranian Gas Export Co. also plans to invest in gas infrastructure such as distribution networks, plants or pipelines, Mr. Kameli said. Sending Iranian gas by pipeline through Turkey is generally considered the shortest route to Europe, but building the infrastructure enough to increase exports "doesn't seem feasible" economically, Mr. Kameli said

Iran is also talking about supplying gas to its neighbors in the Persian Gulf, notably Kuwait and the U.A.E., which don't have sizable gas reserves and could be supplied with short pipelines. One possible regional market is Saudi Arabia, Iran's main political rival in the Middle East, which is trying to shift away from using crude oil for power generation. The kingdom has gas reserves that are too expensive to produce at today's prices.

“Saudi Arabia is a big potential customer. They don’t have the choice but to approach Iran,” Mr. Kameli said. Saudi officials weren’t reachable for comment. Relations between Saudi Arabia and Iran have deteriorated in the past year as the two countries have sided with different interests in wars in Syria and Yemen. Saudi Arabia cut off diplomatic ties to Iran after its embassy in Tehran was set on fire following Riyadh’s execution of a prominent Shiite cleric. Mr. Kameli said renewed trading ties could help soothe tensions. “Piped gas can help political relations between countries,” he said.

Thinking near term: LNG is Iran’s best change for gas export to Europe

Stratfor, *19.01.2016*

Iran is more than willing to sell its gas to Europe but the country might not be able to do this very soon, US expert on Central Asia and energy issues Bruce Pannier believes. “To export large volumes of gas, pipelines are required and currently there are no pipelines linking Iran to Europe,” Pannier told Trend.

The International Atomic Energy Agency verified Tehran’s compliance with the Joint Comprehensive Plan of Action , opening the way for Iran’s return to the global energy market. The same day, the US and the European Union announced that they were lifting their sanctions against Iran.

The removal of sanctions against Iran will allow the country not only to increase its oil production and export, but also to become one of the major gas exporter to the global markets. Iran holds 17 percent of the world’s proved natural gas reserves and more than one-third of OPEC’s reserves, according to the US Energy Information Administration (EIA). As of January 2015, Iran’s estimated proved natural gas reserves were 1,201 trillion cubic feet.

The country is also the world’s third-largest dry natural gas producer, after the US and Russia. Pannier mentioned that Iran has expressed interest in joining the Trans Anatolian gas pipeline project, which is aimed at the transportation of Azerbaijani Shah Deniz field’s gas from Georgian-Turkish border to the western borders of Turkey.

“SOCAR (State Oil Company of Azerbaijan) has expended significant time and resources toward realizing the project. I cannot imagine Baku would want to share pipeline capacity with anyone for the foreseeable future, so more pipelines need to be built,” Pannier said. Iran’s ambassador to Azerbaijan Mohsen Pak Ayeen recently said that after the removal of sanctions, Tehran is capable of joining major regional projects such as TANAP. Meanwhile, SOCAR high representative said that the commercial supplies of Iranian gas via TANAP have not been discussed up till now. There are also questions about the diplomacy involved in Iran joining a pipeline project through Turkey since Tehran and Ankara are not on the best of terms, according to Pannier.

Meanwhile he believes Tehran will attempt to improve relations with Ankara because Turkey is the best (quickest and most economical) route for Iran to ship anything to Europe. “The EU would probably encourage better ties between Ankara and Tehran and any gas pipeline projects carrying Iranian gas through Turkey could qualify to be considered as part of the EU’s Southern Gas Corridor,” Pannier said. “And yes, there is certainly a large amount of money to be made, and not just by Iran as transit countries such as Turkey stand to gain,” he added.

At the same time, Pannier believes that LNG is probably Iran’s best opportunity for exporting gas to Europe in the near future. “In some ways, Iran is fortunate that many European countries have already constructed or are constructing terminals to receive LNG, although the plans envisioned receiving LNG from North Africa and possibly some Gulf states, and sometime in the next decade, possibly from the US also,” he said.

“So some of the necessary infrastructure is already in place and more is currently under construction. These terminals could take Iranian LNG as well, and it’s worth mentioning the current political situation in North Africa cast some doubts about supplies from that source,” Pannier added. Iranian officials have stated that export of LNG to Europe is a priority for the country.

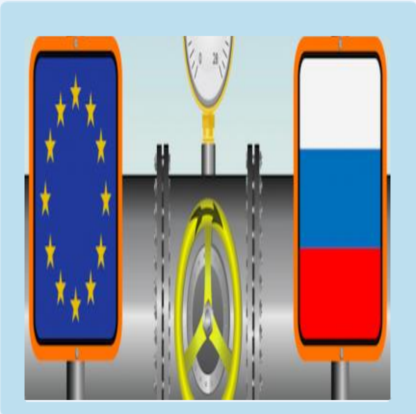
Iran has already developed an LNG plant by 50 percent, which is expected to become operational in 2018 with 10.5 million tons annual production capacity. Within the next three years the country expects to launch five LNG projects.

Currently Iran reportedly is in talks with France, Germany and Belgium for construction of LNG tankers. Pannier believes that Iran will be able to attract investments to develop necessary infrastructure in energy sphere.

“Reports said deals worth some $18 billion were signed when Iranian President Hassan Rouhani was in Italy and billions more in contracts were expected to be signed during his visit to France,” Pannier said. “But if Iran really needs the investment now, and if it wants to continue receiving foreign investment in its projects, the country might have to learn to become an easier partner to deal with,” Pannier added.

Brussels seeks power to vet member states' gas deals with Russia

Financial Times, *25.01.2016*



Brussels is to seek sweeping new powers to vet gas contracts between Russia and EU countries before they are signed, ramping up its efforts to curb the influence of Gazprom, Moscow's gas export monopoly.

The EC is concerned Moscow has abused its dominant position to force illegal clauses into supply contracts with eastern European states, some of which are almost 100 per cent dependent on Gazprom. In response, the commission will propose should clear governmental energy accords with non-EU states a power-grab by Brussels that diplomats say is likely to trigger resistance from larger EU states.

The oversight of gas deals is highly sensitive and was the subject of heated debate between EU leaders last March. According to early draft documents seen by the Financial Times, the commission wants EU states "to submit their draft intergovernmental agreements to the commission for ex ante assessment". This would "enhance the proper functioning of the internal market and enhance the EU's energy security", it added.

The commission's proposals have been informed partly by the EU's experience with the $50bn South Stream gas pipeline, which Gazprom had planned to build under the Black Sea into central Europe.

The scheme collapsed at the end of 2014 after Brussels concluded that it contravened EU competition laws that prevent Gazprom and other gas suppliers from also controlling distribution. One of the commission's biggest challenges in that case was the fact that Russia had already built a tight contractual framework for South Stream by signing intergovernmental agreements with the eastern European states on the proposed pipeline's route.

Powers to preapprove gas deals would represent a significant change because countries now notify Brussels about such deals only after they have been signed. The reform would require approval from member states and the European Parliament.

Diplomats say that Germany, the EU's most influential member state, is wary of radical changes to the current system. The UK is more supportive. A British official said: "This is something we are broadly in favour of, and have been pushing the commission to do." The commission said that EU states had reported 124 intergovernmental gas agreements since late 2012 and that 15 of them appeared to be incompatible with EU law. It is seeking to clear deals in advance because it found it almost impossible to terminate or revise those 15 disputed agreements. One of the EU's main objections to Russian contracts in recent years have been clauses forbidding the resale of gas.

Brussels argues that this infringes open competition and creates a gas market segmented upon national lines. Gazprom has agreed in talks with the EU to end that practice. Inter-governmental agreements are often used to lay the groundwork for a proposed pipeline project, and help give more assurance to potential investors about a binding governmental commitment to the venture.

EU officials describe the action on governmental agreements as only "one piece of the puzzle" because they are not universally used. Moscow's plans to exports more gas to Germany through the contentious Nord Stream 2 pipeline, for example, are not underpinned by inter-governmental agreements.

Meanwhile, Poland has called for the commission to also take a stronger role in the oversight of purely commercial gas contracts between Gazprom and private companies. Brussels has so far shied away from such an approach. The commission will instead propose that it — and member states — should be able to assess commercial supply contracts immediately after they are signed.

But, in order to allay fears in western Europe, it said this condition should only apply when contracts between the buyer and supplier represented a dominant 40 per cent of the national market — as is often the case with Russian gas deals.

Russian PM to hold talks with Finnish counterpart

TASS, *29.01.2016*

Russian PM Medvedev is expected to get meet his Finnish counterpart Juha Sipila who will come to Russia to discuss cooperation in trade, investment, the energy sector, research, and the humanitarian sphere. For Juha Sipila, this is the first visit to Russia in the capacity of the Prime Minister.

He took the position last May after his party's victory in the parliamentary election. READ ALSO Russia, Finland to resume normal trade relations in 7-8 years — trade representative The two Prime Ministers will hold talks tete-a-tete and will be joined by their delegations in full force, after which they will tell reporters about the results.

"Although the discouraging political background and the line taken by the EU, of which Finland is a member, have exerted an impact on bilateral relations and practical contacts, one can state the reserve of good-neighborliness accumulated over the previous decades has made it possible to keep up the constructive, pragmatic and non-confrontational character the Russian-Finnish relations are marked by," the press service of the Russian cabinet of ministers said. But along with it the Russian government stated the current slump in bilateral trade at present.

“Standing behind it is a range of objective macroeconomic factors and the tangible economic impact of the EU policy of sanctions,” the press service said. As an instance of this, it cited the trade turnover that shrank by 15% in 2014 and by another 39% from January through November 2015 to stand at $8.9 billion.

“Russian exports totaled $ 6.6 billion (down 37%) and the imports from Finland, $2.4 billion (down 45%),” the report said. Russian exports shrank in terms of costs but remained stable in the majority of case as regards the physical volumes. On the face of it, the physical volumes of imports from Finland reduced by 34.5%. In 2014, Russia stopped being Finland’s biggest trade partner for the first time since 2008.

It occupies the third position after Germany and Sweden at present, with about 650 Finnish companies operating on the Russian market. The biggest Russian project in Finland is the construction of Hanhikivi 1 nuclear plant, which the Finnish company Fennovoima is building in cooperation with the Russian state atomic energy corporation Rosatom on the basis of Russian technologies in the northwest of the country.

The first phase of preparations for the construction works was completed on October 15, 2015. Production of electric power at the plant is to begin in 2024. The project costs an estimated $7 billion. The two countries also have a major project in the shipbuilding industry. In 2014, Russia’s United Shipbuilding Corporation (USC) purchased the Arctech Helsinki Shipyard that specializes in building multirole ships with enhanced ice reinforcement, including the ones for operations at Russian Arctic offshore oil and gas deposits.

The shipyard has an $ 800 million worth portfolio of prospective orders. “Efforts to tap workable patterns for ensuring the rights of children in conflict situations in the Russian-speaking and mixed families that live in Finland remain topical for Russia,” the press service said.

“Appropriate agencies in Russia and Finland have worked out efficacious forms of cooperation in this area in recent years.” Apart from the talks with Juha Sipila, Dmitry Medvedev also has a meeting with Belarusian Prime Minister Andrei Kobyakov on Friday. “The Prime Ministers will discuss the status of bilateral trade, joint work in the framework of the Russia-Belarus Union State and cooperative ties in the Eurasian Economic Union (embracing Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Russia),” the press service said.

Gas Infrastructure: “no politics, please”

Natural Gas Europe, *28.01.2016*

The chair of the administrative board of the Slovenia-based Agency for the Cooperation of Energy Regulators (Acer), Razvan Nicolescu told the European Gas Conference in Vienna that he had no time for political challenges.

Recalling Acer’s achievements in the six years since it was founded, he said politics should be taken out of doing business in the energy field. “I think we should speak more about the customer challenges than the political challenges,” he said. “We [Acer] intend to address the customer challenges in Europe by creating a functional, integrated internal gas and electricity market.”

He said much had to be done to have a functional gas market in Europe. “We need to have more competition, keeping in mind that the market is designed to better serve the customers – we need more competition, more gas sources in Europe,” he said.

Moreover, he said, more interconnectors need to be built, as well as a more coherent regulatory approach: “I can’t believe we can have a functional market in Europe regulated by 28 regulatory authorities in different ways,” he said.

Calls for doing things a different way, he explained, often means butting heads with individual countries in Europe. “It’s time to give up hypocrisy and say that we have to build a functional energy market, and we have to take measures now if we are to have it built,” he said.

A senior executive at Austrian OMV’s gas transport business, Reinhard Mitschek, pointed out that when it comes to politics, one must deal with the uncertainty of the future regarding factors like the price, and competition between primary energy sources. To plan and realise infrastructure, he said, took five to ten years.

In connection with speculation regarding gas demand and consumption, he said, “In order to analyse the requirements for gas imports, we also have to think about gas production within Europe, which will considerably decrease... especially in the Netherlands and the UK, so that means that additional gas quantities will be required, even if gas demand stagnates – which we don’t believe will be the case.” OMV is developing gas resources in Romania.

“Secondly, we have to take care of the integrity of existing infrastructure and complement it in the most intelligent, most economic way,” he said, “minimising transmission risk, cost for logistics, because prices are under pressure as is the market, and we have to see where we can increase competitiveness in the whole system.” Of efforts to implement a gas corridor in southeast Europe, he said that so far no one had succeeded. “We hope that the interconnectors will be established in these countries to be successful for at least a limited gas volume.”

Regarding the overall success or failure of interconnection in Europe, Mitschek noted that there are still countries in Europe who are independent of gas imports while its neighbour is completely dependent upon gas imports. In that situation, he said, “there is room for improvement with respect to interconnectivity.”

The CEO of Italian transmission system operator (TSO) Snam, Carlo Malacarne, described the challenging scenario that he believes the European natural gas industry is facing – challenges that he says go beyond the global economic growth outlook.

“These include decreasing gas demand, due to the uncertainty of demand for gas in the emerging European Union; national environmental policies; growing supply; volatility; the perception of potential supply shortages; and an increased dependence on import and competition, especially with Asian countries, for attracting LNG supply.”

All these elements, said Malacarne, constrain the European gas industry’s ability to maintain stable, long-term perspectives. Additionally, he said the supply situation, with progressive reduction of the share covered by take-or-pay contracts and the rising liquidity of spot markets, was pushing market players to take a short-term perspective, increasing the share of spot and reducing the long-term commitment.

After the conference had ended, Italian supplier and major Snam customer Eni had agreed with Gazprom to take more of the gas under its take-or-pay contracts than it would probably have otherwise done. In a statement, after a meeting between the two companies’ CEOs, Gazprom said the parties “discussed European gas market trends in light of the current oil prices. The companies confirmed their intention to continue closely cooperating in the Italian gas market and expressed their readiness to increase Russian gas sales under the existing long-term contracts.”

In the changing milieu, Malacarne said that the traditional support of TSOs in investment decisions, implying the long-term commitment of shippers, was not as significant as it was just a few years ago. He added, “The lack of demand visibility negatively affects the appetite of producers to invest and increase their deliveries to Europe.”

Growth, he said, appears to have reached its full potential in the EU, while long-term perspectives for growth are uncertain. “In this scenario, the natural gas industry is compelled to find a new shared solution to establish full industrial and political confidence between EU consumers and non EU producers,” he said, adding that was the building block for the development of a secure gas supply to Europe, and for sustaining long-term gas demand.

“This highlights the need to foster a stable relationship with long-term supply partners for a common and integrated European gas market, where global demand may result in much more attractive demand than national volatile demands.

In this regard, it’s mandatory to ensure the EU has both the necessary transportation interconnection and the storage flexibility to achieve a fully integrated EU gas system, supporting market dynamics and enhancing natural gas’ competitiveness,” he said.

Regarding the possible evolution of the gas infrastructure network, Malacarne said the effective integration of European gas networks, fostered by the development of new energy corridors, was key to guaranteeing security of supply and to enhance gas' competitiveness versus other more polluting energy sources. "It could also significantly increase competition in the gas market," he pointed out, "and promote a smooth transition towards an efficient and sustainable low carbon economy."

Malacarne explained that the role of TSOs had been transformed from pure asset owners that operate and maintain infrastructure, to market facilitators which provide market-oriented services, now catering to the needs of shippers and final consumers. Now, he said, TSOs have become pan-European players with business development opportunities beyond their own borders.

"Europe needs to fully accomplish a close link between European energy corridors and import routes, said Malacarne. "Today, some corridors may be fully developed only if new south-north and east-west flows are activated, as a result of the connection of north African countries and new Mediterranean, Middle East and Caspian gas sources. The EU investment priorities should focus on what is needed to create additional flexibility and diversification of supply, as well as to provide more efficient and fluid interconnectivity, he said.

Gas plant construction not realistic to bridge UK electricity gap, report warns

Natural Gas Europe, *26.01.2016*

Plans to bridge the impending UK electricity supply-demand gap by building combined-cycle gas turbine (CCGT) plants are unrealistic, a report from the Institution of Mechanical Engineers (IMechE) has warned.

In the report, Engineering the UK Electricity Gap, the Institution of Mechanical Engineers (IMechE) said that the UK would need to build around 30 CCGT plants in just 10 years to bridge the gap created by the decommissioning and planned closures of nuclear and coal-powered electricity plants. In the past 10 years, only four such plants have been built, the study noted.

Further, there is neither the resources nor the skilled labour force available to build that amount of capacity before the coal "shut-off" target of 2025, or to build nuclear plants, other than the one at Hinkley Point C. The report estimates that the supply gap could equate to 40% to 55% of electricity demand by 2025. "The UK is facing an electricity supply crisis," IMechE head of energy and the lead author, Dr Jenifer Baxter said. "As the UK population rises and with the greater use of electricity use in transport and heating it looks almost certain that electricity demand is going to rise.

"However with little or no focus on reducing electricity demand, the retirement of the majority of the country's ageing nuclear fleet, recent proposals to phase out coal-fired power by 2025 and the cut in renewable energy subsidies, the UK is on course to produce even less electricity than it does at the moment.

"We cannot rely on CCGTs alone to plug this gap, as we have neither the time, resources nor enough people with the right skills to build sufficient power plants." She warned that there was a danger that the UK's electricity supply could be put "at the mercy of the markets, weather and politics of other countries, making electricity less secure and less affordable."

Additionally, she said, there were insufficient incentives for companies to invest in new electricity infrastructure or innovation. She also said that, under the government's current policies, it is nearly impossible for the UK's electricity demand to be met by 2025 or for the government's own targets to be met.

At present, the country's 41 CCGT fired power stations account for about 23% of UK electricity, IMechE estimates. On a typical day, the report says, UK electricity generation is comprised of 22% coal, 27% gas, 23% nuclear and 13% wind. The remaining 15% of generation is made up from biomass and imports from France and the Netherlands.

The report also warned that shale gas is unlikely to be ready in time to fill the electricity gap. "To increase to the levels needed would require a step-change in the industry," the report says. "[However,] opposition restricts the potential impact of shale gas in the wider energy landscape. When planning for 2025 this means that shale gas is unlikely to be ready in time to meet demand due to public opposition."

America's looming gas revolution

Foreign Policy, *22.01.2016*

The US is finally set to start exporting some of its natural gas, potentially becoming not just the world's biggest energy consumer but also a key provider of fuel for the globe.

If it happens, the American gas revolution could back Russia into a corner by unleashing a price war even as the ruble hits historic lows. But even that could have unintended consequences, helping cement rather than diminish Russia's stranglehold over Europe. In the few years since U.S. export dreams first took shape, the global energy market has been radically upended. Rosy forecasts of unquenchable demand for American gas in Asia have all but vanished.

The oil-price plunge has poleaxed the economic appeal of U.S. gas. And other big suppliers, especially in Australia, are cannonballing into a now-crowded market, further clouding the prospects for American energy abroad.

“No question about it — it’s a very different world than when they started planning these projects,” said James Jensen, founder of Jensen Associates, a natural gas consultancy. If, as Jensen expects, U.S. gas exports will have a “pretty rough time,” one place is poised to come out a winner from all the market mayhem: Europe. A flood of low-priced natural gas from the United States could help Europe try to meet a pair of long-standing goals: finding an alternative to natural gas from Russia and securing cleaner sources of energy to help meet climate-change targets.

U.S. gas exports will officially kick off in February or March, with the first shipment from Cheniere Energy’s Sabine Pass facility in Louisiana. Five other liquefied natural gas (LNG) export terminals are under construction and will be operating by 2018. In all, the United States will have the capacity to liquefy, superchill, and export about 3.8 trillion cubic feet of gas a year. On paper, that would propel the United States ahead of the world’s current top LNG exporter, Qatar, but leave it behind a newly ramped-up Australia.

That’s the official forecast. In reality, the United States may have a hard time realizing its export potential, at least for the rest of the decade. That’s because, just as has happened in oil markets, there’s a glut of gas right when demand for the fuel is weaker than expected.

That’s most clear in Asia, which just a couple of years ago was paying sky-high prices of close to $18 per million British thermal units for LNG shipments; now, those prices have plunged to about $7 and are expected to head even lower over the next six months. That’s because most gas prices, especially in Asia, are still linked to oil prices. As the price of crude has plunged about 70 percent since mid-2014, so has the cost of gas for big importers like Japan, South Korea, and China.

And that’s bad news for U.S. exporters, which were banking on taking advantage of high Asian prices to cover the cost of liquefying U.S. gas and shipping it halfway around the world. “There’s no way U.S. LNG can land in Asia at that price,” said Leslie Palti-Guzman, director of global gas at the Rapidan Group, an energy consultancy.

At the same time, visions of huge and growing demand for gas in Asia have faded. Japan is the world’s biggest importer of LNG and in recent years was buying even more, since the country’s nuclear power plants were offline following the 2011 Fukushima meltdown. Now, though, Japan’s nuclear plants are coming back online, and demand for gas is going back down.

Likewise, a few years ago, China was growing at a breakneck pace and looking for cleaner sources of energy to help it fight massive air pollution caused by excessive reliance on coal. Today, China is struggling with — at best — middling growth and has a bevy of options to meet its gas needs, from Central Asia to new deals with Russia.

Further clouding the outlook in Asia is a gusher of hugely expensive new gas projects in Australia just now coming online. Better positioned geographically to serve Asian customers, those Australian projects will make it harder for U.S. gas shipping out of terminals in the Gulf of Mexico to head west across the Pacific.

But if not to Asia, then where will U.S. gas go? “I see Europe being the big beneficiary of the new market,” said Rapidan’s Palti-Guzman.”I see Europe being the big beneficiary of the new market,” said Rapidan’s Palti-Guzman.

Gas deliveries pushed out of Asia could find a ready home at Europe’s numerous and underused LNG import terminals, she said. And European leaders are close to finalizing plans to import more LNG in a bid to break Russia’s energy stranglehold over the continent.

However, most of the big LNG import facilities are in Western Europe, while the countries that really need an alternative to Russia are in Central and Eastern Europe. Some, like Lithuania and Poland, have already turned to LNG to wriggle out of Gazprom’s clutches. And the European Union this week took steps to help the rest of Europe tap LNG by underwriting the construction of pipelines that could carry gas from west to east. Spain, in particular, has loads of LNG import terminals, but right now has no way to get that gas to the rest of Europe.

“I think there will be a lot more interest in using gas, both as a climate-change measure and to ease dependence on Russia,” said Bud Coote, a former CIA analyst now at the Atlantic Council. He just wrote about the prospects for U.S. gas exports to help Europe diversify its energy mix.

The flood of new gas supplies from the United States could have a paradoxical result, though, increasing rather than decreasing Europe’s reliance on Russia. Just the prospect of U.S. exports has already forced Gazprom to cut prices to many European customers in recent years, giving Europeans access to cheaper energy than they’ve had in years. Relatively cheap Russian gas is so appealing that it has already caused divisions in Europe; Germany, for example, is eager to build new pipelines and increase reliance on Russian gas for commercial reasons, even as Brussels shrieks about the need to find alternative suppliers.

The arrival of physical cargoes of U.S. gas into Europe will only increase the pressure on Gazprom to either compete on price or cede share in what is still by far its most important market.

In the short term, that will be good for Europe, as it reaps the dividends of a price war between old and new suppliers of energy, just as it will be bad for Gazprom and the Russian state budget — like what is happening in the oil market today. But if Gazprom does keep adapting, by slashing its prices and changing the way it does business in Europe to keep its leading position, it could well cement its place as Europe’s ultimate energy supplier for decades to come — which is precisely what Brussels has spent years trying to avoid.

James Henderson of the Oxford Institute for Energy Studies in a new report describes this as a page out of the old Soviet playbook, when Moscow offered cheap energy to satellite states to win their fealty and maintain leverage over their economies. “Politically, this strategy can also make sense for the Kremlin, as it can maintain Russia’s position as an energy partner for Europe, with whatever political leverage that provides,” he wrote.

US share stocks rise in harmony with oil price

AA Energy Terminal, *27.01.2016*

With the hike in oil prices, the New York stock market also saw an upward trend. Brent crude oil jumped by more than 4 percent to reach as high as $33.50 per barrel during the day on Tuesday from $30.50 per barrel on Monday, official data shows. In line with the increase in oil prices, indexes in U.S. stocks including Dow Jones, Standard & Poor’s and Nasdaq experienced a positive movement up as well.

The Dow Jones industrial average rose by 1.8 percent. and Standard & Poor’s 500 index rose 1.4 percent while the Nasdaq composite index increased by 1.1 percent, data shows.

Historically, the outcome of the U.S. Federal Reserve (Fed) meetings has affected oil price movement. Currently, the market is closely following the Federal Open Market Committee taking place. Brent crude opened at $32.03 and was around $31.90 as of 08:06 GMT.

Announcements & Reports

► *Rethinking The Security of The European Union's Gas Supply*

Source : Bruegel
Weblink : http://bruegel.org/wp-content/uploads/2016/01/pc_2016_01.pdf

► *MOMR January 2016*

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

► *Natural Gas Weekly Update*

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

► *This Week in Petroleum*

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

Upcoming Events

► *Central & Eastern European Power Conference*

Date : 21 - 22 January 2016
Place : Warsaw, Poland
Website : www.platts.com/conference

► *Chatham House MENA Energy Conference*

Date : 25 January 2016
Place : London, United Kingdom
Website : www.chathamhouse.org

► *Middle East Drilling Technology Conference and Exhibition*

Date : 26 - 28 January 2016
Place : Vienna, Austria
Website : http://www.spe.org/events/medt/2015/

► *Global Oil & Gas Conference*

Date : 27 - 29 January 2016
Place : Cairo, Egypt
Website : http://www.global-oilgas.com/MENA

► *Athens Energy Forum 2016*

Date : 02 – 03 February 2016
Place : Athens, Greece
Website : www.athensenergyforum.com/

► *Energy Storage 2016*

Date : 03 – 04 February 2016
Place : Paris, France
Website : www.wplgroup.com/aci/

► *International Petroleum Week*

Date : 09 – 11 February 2016
Place : London, United Kingdom
Website : www.energyinst.org/events/ip-week

► *Black Sea Oil & Gas Summit*

Date : 11 February 2016
Place : Istanbul, Turkey
Website : http://www.theenergyexchange.co.uk/events/black-sea-oil-gas-summit-2015/

► *Drilling Africa Conference*

Date : 15- 16 February 2016
Place : Cape Town, South Africa
Website : http://www.iadc.org/event/drilling-africa-2016/

► *3rd Annual South Caucasus Infrastructure & New Energy Investment Summit*

Date : 16 - 17 February 2016
Place : Tbilisi, Georgia
Website : www.conventionventures.com

► *4th Annual Floating LNG Conference*

Date : 17 - 18 February 2016
Place : London, UK
Website : www.smi-online.co.uk

► Iran Oil & Gas Post Sanctions

Date : 22 - 24 February 2016
Place : London, UK
Website : http://www.iranoilgas-summit.com/

► IHS Energy CERAWeek

Date : 22 - 26 February 2016
Place : Houston, Texas, USA
Website : http://ceraweek.com/2016/

► Kazakhstan Oil and Gas Summit 2016

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

► Australasian Oil & Gas Conference

Date : 24 - 26 February 2016
Place : Sydney, Australia
Website : http://aogexpo.com.au/

► 7th Mediterranean Oil and Gas Forum 2016

Date : 01 - 02 March 2016
Place : Nicosia, Cyprus
Website : www.energystreamcmg.com

► International LNG Summit

Date : 07 - 08 March 2016
Place : Cannes, France
Website : www.lngsummit.org/

► Balkan Energy Leaders

Date : 09 - 10 March 2016
Place : Belgrade, Serbia
Website : www.greenworldconferences.com/

► International Conference on District Energy 2016

Date : 20 - 22 March 2016
Place : Portorož, Slovenia
Website : www.sdde.si/en

► COGEN Europe Annual Conference 2016

Date : 22 - 23 March 2016
Place : Brussels, Belgium
Website : www.cogeneurope.eu

► Gasification 2016

Date : 23 - 24 March 2016
Place : Rotterdam, Netherlands
Website : www.wplgroup.com/aci/

► 22nd Annual BBSPA Conference

Date : 07 – 08 April 2016
Place : Vienna, Austria
Website : www.bbspetroleum.com

► 3rd IENE Energy and Shipping Seminar

Date : 08 April 2016
Place : Piraeus, Greece
Website : www.iene.eu

► 10th Global Oil&Gas Atyrau Conference

Date : 12 – 13 April 2016
Place : Atyrau, Kazakhstan
Website : http://www.oilgas-events.com/

► Global Oil & Gas Atyrau

Date : 12 – 14 April 2016
Place : Atyrau, Kazakhstan
Website : http://oil-gas.kz/en/

► 22nd International Energy& Environment Fair and Conference

Date : 27 – 29 April 2016
Place : İstanbul, Turkey
Website : www.icci.com.tr

► Smart Energy Analytics 2016

Date : 04 – 05 May 2016
Place : London, United Kingdom
Website : www.wplgroup.com/aci/

► *Flame – Europe's Leading Natural Gas & LNG Conference*

Date : 09 – 12 May 2016
Place : Amsterdam, Netherlands
Website : www.flame-event.com

► *Global Oil & Gas Turkey*

Date : 16 – 17 May 2016
Place : Istanbul, Turkey
Website : http://www.oilgas-events.com/TUROGE-Conference

► *6th International Conference & Workshop REMOO 2016*

Date : 18 – 20 May 2016
Place : Budva, Montenegro
Website : http://remoo.eu/html/general_information.html

► *Turkmenistan Gas Congress*

Date : 19 – 21 May 2016
Place : Turkmenbashi, Turkmenistan
Website : http://www.oilgas-events.com/

► *Pipeline Technology Conference*

Date : 23 – 25 May 2016
Place : Berlin, Germany
Website : www.pipeline-conference.com

► *Caspian Oil & Gas*

Date : 01 – 04 June 2016
Place : Baku, Azerbaijan
Website : www.caspianoilgas.az/2016/

► *Yamal Oil & Gas*

Date : 08 – 09 June 2016
Place : Salekhard, Russia
Website : www.yamaloilandgas.com/en/programmerequest/

► *7th International Energy Forum*

Date : 10 June 2016
Place : Istanbul, Turkey
Website : www.iicec.sabanciunic.edu

► *Energy Systems Conference 2016*

Date : 14 - 15 June 2016
Place : London, UK
Website : www.energysystemsconference.com

► *World National Oil Companies Congress*

Date : 15 - 16 June 2016
Place : London, UK
Website : http://www.terrapinn.com

► *ERRA Summer School: Introduction to Energy Regulation*

Date : 20 - 24 June 2016
Place : Budapest, Hungary
Website : http://erranet.org

► *9th SE Europe Energy Dialogue*

Date : 29 – 30 June 2016
Place : Thessaloniki, Greece
Website : www.iene.eu

► *Global Oil & Gas - Black Sea and Mediterranean*

Date : 22 – 23 September 2016
Place : Athens, Greece
Website : www.iene.eu

► *23rd World Energy Congress*

Date : 09 - 13 October 2016
Place : Istanbul, Turkey
Website : http://wec2016istanbul.org.tr/

► *15th ERRA Energy Investment & Regulation Conference*

Date : 17 - 18 October 2016
Place : Budapest, Hungary
Website : http://erranet.org/InvestmentConferences/2016

► *21st IENE National Conference “Energy and Development 2016”*

Date : 24 - 25 October 2016
Place : Athens, Greece
Website : www.iene.eu

► *European Autumn Gas Conference 2016*

Date : 15 – 17 November 2016
Place : Hague, Netherlands
Website : http://www.theeagc.com/

► *5th Cyprus Energy Symposium*

Date : 29 - 30 November 2016
Place : Nicosia, Greek Cyprus
Website : www.iene.eu