Oil & Gas Bulletin

▸ 22.04.2016

Algerian LNG tanker advances to Turkish LNG terminal

AA Energy Terminal, *20.04.2016*

Algeria's natural gas tanker registered as 'Mourad Didouche' passed through the Dardanelles, in northwestern Turkey en route to deliver LNG to Turkey's Marmara Ereglisi LNG terminal located to the west of Istanbul, according to Turkish coastal security general directorate.

The tanker, was carrying around 55,382 cubic meters of LNG destined for the terminal. According to the agreement, approximately every month Algeria makes a LNG shipment to Turkey. As such tankers are some of the most sensitive and potentially the most dangerous in the world, they are always escorted by Turkish coastal safety security units.

According to official statistics, every month more than 100 tankers full of chemicals, oil, LPG, LNG and nuclear waste pass through the Turkish Straits necessitating the deployment of security units to prevent possible accidents or attacks. 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 while the remaining imports are sourced in the LNG spot market.

Erdogan: Iran, Turkey should work together

AA Energy Terminal, *17.04.2016*

Ankara and Tehran should lead the way to ending violence in Iraq, Syria, and the region, Turkey's president said. Speaking at conference alongside his Iranian counterpart Hassan Rouhani, President Erdogan underlined the role of trans-regional and regional dialogue mechanisms led by the OIC to promote regional peace and prosperity.

Erdogan said that strengthening political dialogue between two countries and minimizing differences of opinion work to the benefit of both Turkey and Iran. "We should work together to tackle the problems of sectarianism and terrorism that have occurred in our region," Erdogan said.

Rouhani arrived in Ankara on Saturday and met with Erdogan at the Presidential Palace, following a two-day Istanbul summit of the OIC, which Rouhani also attended and where Turkey assumed the bloc’s two-year presidency. Pointing to several differences of opinion between Turkey and Iran on regional issues, Erdogan said: “However, I want to gladly express that we are of the opinion that the bloodshed in the region should be stopped”.

In his remarks, Erdogan urged avoiding sectarian approaches to regional developments, saying that doing so has a destructive impact. “We are supposed to be together under name of Islam and walk to the future with unity and solidarity, which is distinctive for us,” he added.

On international cooperation against terrorism, Erdogan called for zero tolerance for terrorists. “We share the understanding that no ‘good terrorist/bad terrorist’ distinction can be made.” For his part, Rouhani said the meeting with “my brother Mr. Erdogan” saw a comprehensive discussion of bilateral relations.

“The economies of Iran and Turkey are complementary,” said Rouhani, adding that his country and Turkey should take swift action to boost trade between the two countries in the wake of the lifting of sanctions over Tehran’s nuclear program.

“How happy it is that this session happened at a period [after] the embargo was lifted, preparing an environment and foundation for improving cooperation between our two countries in various domains. “To reach this aim, we have to accelerate [cooperation] and remove all hurdles in the way,” Rouhani added. Rouhani said Muslim countries in the region face many issues, adding: “We are supposed to help all these countries maintain security and stability. This is both a religious duty and one on behalf of the Islamic world”.

He added, “We might have differences on very small issues, and think differently, which is very natural. In order to hold negotiations and cooperate further, for the region’s countries and especially for relations between our two countries, we are ready, especially on fighting terrorism and promoting Islam to the world accurately”.

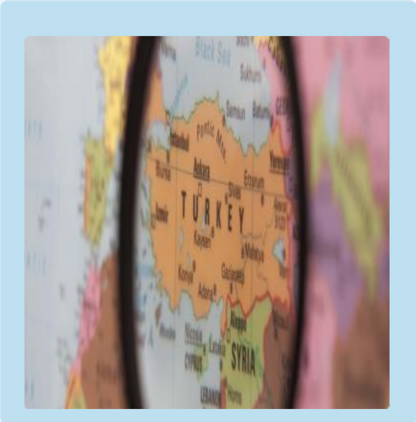
Following the Turkish-Iranian High-Level Cooperation Council meeting, the two leaders issued a joint statement stressing the importance of maintaining political dialogue on bilateral and regional issues. “The talks took place in a warm, friendly atmosphere,” the statement said, adding that Erdogan and Rouhani expressed determination to deepen political dialogue and boost economic and trade cooperation.

The two leaders also agreed that the region is being harmed by extremism, terrorism, and sectarianism, according to the statement. Turkey’s Foreign Minister Mevlut Cavusoglu, Economy Minister Mustafa Elitas, Energy and Natural Resources Minister Berat Albayrak, and Ankara Governor Mehmet Kiliclar also attended the meeting.

Rouhani came to Turkey to attend the Istanbul OIC summit on Thursday and Friday. In the final OIC declaration, participants criticized Iran’s “interference” in the internal affairs of regional and member states including Bahrain, Yemen, Syria, and Somalia, and its “continued support for terrorism”.

Gazprom supplies private Turkish firms again

Natural Gas Europe, *19.04.2016*



Russian gas export monopoly Gazprom is resuming full flows to private companies in Turkey, sources told NGE. “I am aware that the volumes have been increased,” said an Istanbul trader with a foreign investor.

The reduction in flows had not however been a problem for an over-supplied market, he said, with power generators able to cope with the relatively mild winter although, as he was not working for one of the companies affected, the reduction “was not a big story from our point of view.” Relations between Gazprom and private importers are one of the more important topics regarding the market, a source told NGE.

But he said he could not confirm that the discount rate had been completely terminated. Another trader, also not with one of the affected companies, told NGE that the flows restarted April 1 in full, but that while Gazprom had reinstated the 10.25% discount for Q1, from now on it would supply the traders without any discount, putting their price at parity with Gazprom’s price through the Balkans. He said the price for Q1 would be the oil-indexed price it charged Botas, less 10.25%.

He thought that this would improve Gazprom’s chances in the ongoing arbitration case with Botas, since if it charged Botas more, that would be shown to be discriminatory. “They must charge the same price for the same molecules through the same route,” the trader said, estimating it at \$175/’000 m^3. He conceded that elsewhere in Europe Gazprom did not follow that policy. Gazprom also supplies gas to Botas through Blue Stream, which goes under the Black Sea.

The private companies won rights to the gas following an auction held by the dominant importer, Botas, with delivery only offered at the western end, through pipelines that come through Ukraine and the Balkans.

Indicative of the unusual relationships that can exist in the gas industry, the owners of these companies include Anglo-Dutch major Shell, which is partnering Gazprom in a slew of upstream and midstream projects in Russia including Nord Stream 2 and Sakhalin Energy; and Gazprom itself.

Turkey's energy security also vital for regional security, minister says

Daily Sabah, *20.04.2016*

Energy Minister Berat Albayrak said that energy security does not just cover the security of energy transmission lines and pipelines but in a broader context, also the security of the region surrounding Turkey.

In a keynote speech at the conference, "Turkey's Quest to Be a Leading Country in Energy," at the Ankara-based Foundation for Political, Economic and Social Research (SETA), the Republic of Turkey Energy and Natural Resources Minister Berat Albayrak drew attention to the fact Turkey is located in the middle of the world's largest consumers and producers of energy.

He also said that the Middle East has become less and less stable since the U.S. invasion of Iraq in 2003, and that this instability has had a trickle-down effect on all sectors, causing market uncertainty and pressuring Turkey to maintain its energy security in the region.

"We have faced this challenge for the last 13 years. It started with Iraq and continued with Syria," Albayrak said, adding: "Turkey continued its stable growth and democratic development despite all external instability factors." Emphasizing that the world is currently in a period of major economic transformation, Albayrak stressed that Turkey now has to make a greater contribution to the region to maintain energy security.

"Turkey is located at the epicenter of key energy suppliers as well as major energy-consuming countries. This condition provides Turkey with a unique opportunity, and with that comes great challenges for our country. Despite all of these challenges, Turkey has proven to the world that it is a reliable energy partner," the minister said.

"Turkey will continue to work for energy supply security in the future and will provide further contributions for the establishment of regional peace and security," he added. Addressing the global terror threat and its effects on energy security, he stressed the need to focus on the root causes of terrorism to eradicate it. "If we talk about the global terror threat we are now facing, we have to focus on efforts to drain the swamp instead of trying to kill the flies," he said.

"In the last 13 years, we have increased Turkey's installed energy capacity from 33,000 megawatts to 73,000 megawatts. We should increase the megawatt capacity in the country to at least 50,000 in the next decade," the minister added, noting that Turkey also must transform its energy infrastructure over about 30 years. Turkey also requires transforming energy infrastructure that is approximately over 30 years old in the same period. Another speaker at the panel, British Petroleum Turkey President Bud Fackrell said that the Southern Corridor gas pipeline network is changing the energy map of this region.

Fackrell said that with the completion of this project provides gas resources from the Caspian region and will start to feed to Europe for the first time, underlining that this will be “An absolute game changer.”

Saltuk Düzyol, CEO of the Trans-Anatolian Natural Gas Pipeline (TANAP) project, noted in panel discussions that the initial capacity of TANAP will be 16 billion cubic meters of gas per year, six billion cubic meters of which will be supplied to Turkey, while 10 billion cubic meters will be delivered to EU countries. Düzyol added that TANAP’s capacity could increase to 31 billion cubic meters of gas per year if additional compressor stations are constructed.

The SETA report, “Turkey’s Quest to Be a Center Country in Energy,” provides a detailed account of relations between Turkey and major energy suppliers and reveals that the security of Turkey’s energy supply could be strengthened by leaning on alternative energy sources from Qatar, Turkmenistan and the Iraqi Kurdistan Regional Government (KRG). According to the report, Turkey continues to cooperate in the field of energy trade with Russia, Azerbaijan and Iran.

Indicating that Iraq, Turkmenistan and eastern Mediterranean countries are currently working on serious projects for cooperative efforts regarding exports of natural resources, the report said that now Turkey’s main goal is to become the “energy hub” of the region.

As part of the South Natural Gas Corridor, the report noted that TANAP would support Turkey’s goals to become an energy hub. “Since the Russia crisis that emerged after the downing of an air jet, a country from which Turkey imports more than half of its natural gas, Turkey now leans towards alternative energy markets such as the KRG, Turkmenistan and Qatar to strengthen the country’s security in terms of energy supply.

The current world situation puts Turkey in a critical position regarding the security of supply and demand and how Turkey provides that security to its trading partners. In addition, while providing assurance of sustainability and security of energy and becoming a transit-route for countries that supply and demand energy, Turkey also needs to make progress to become an energy hub. Additionally, these situations will determine the way Turkey’s energy policies take shape in the upcoming process.”

Noting that Turkey shares borders with major energy sources in the region, the report emphasizes that the country is stuck in a position where it bears the cost burden of being in the region rather than benefiting from its geopolitical location.

Can Turkey be a central country for energy?

Yeni Safak, *21.04.2016*

The answer to the question "Can Turkey be a central country for energy?" will directly affect the place of Turkey in the region's politics and economy.

With this awareness and taking into consideration the relationship between energy and the developments in Turkey in recent years, in the introductory panel of the "Turkey's Quest to Become a Central Country for Energy" report we prepared as the Foundation for Political, Economic and Social Research (SETA), the main issue has been, beside the energy-economy relation, the effect of energy on regional politics and the security of the region.

The growth of the energy need that progresses along with Turkey's economic growth is only part of energy policies. Yes, the Turkish economy needs energy for growth. However, having a say in regional energy policy and being a player is a bigger goal, exceeding Turkey's economic growth goal. For this, the partnerships that Turkey establishes on energy inside or outside the region are important.

In a region rich in energy resources, Turkey's need for energy has been a dilemma for years. But in the years of political and economic instability, it was not possible to use the energy advantage of the country's location. The situation is quite different now.

The political and economic situation is suitable for benefiting from advantages rather than taking over the cost of the geography in which Turkey is situated. Despite the things going on in the countries just next to it, despite the many attempts made within, Turkey did not miss the mark on the way to becoming an energy hub.

As Berak Albayrak, the minister of Energy and Natural Resources who attended the panel at SETA remarked, despite of the chaos and conflict always waiting at Turkey's door, it managed to remain politically and economically stable. That is why with the things going on in Syria and Iraq, the negative situation that was formed against Turkey cannot make Turkey give up its goal of becoming an energy center.

Turkey has always taken over and paid the cost of the region. It has a very different path ahead in energy. One of the milestones of this path is the Trans Anatolian Natural Gas Pipeline Project (TANAP) – the project that will carry Azerbaijani natural gas to Europe via Turkey. The success of this project will accelerate the process for other energy projects and make things easier. Not only Azerbaijan, but also Iran, Iraq's Kurdistan Regional Government, Qatar, Turkmenistan and the East Mediterranean are the other resource countries on Turkey's way to becoming an energy center.

Major projects like TANAP, which will be put into practice with these countries, will strengthen Turkey's role as a center country in energy. Also, the countries trying to break the Russian monopoly in energy see Turkey as the way out. Especially for the countries that try to stand out in the Liquidized Natural Gas (LNG), Turkey is a strong commercial partner where they can sell LNG and it presents a safe route for the transfer of LNG.

Additionally, Turkey will not only want to take over the duty as a transition country among the countries which supply and demand energy. In this role it will be able to determine the energy prices, the countries can reach the international energy markets and provide the safety of the energy transfer. At this point TANAP stands out as a successful example for energy cooperation and partnership in the region. The undeniable fact is that in order to be among the high-income economies, Turkey has to increase its economic growth rate and for that it has to provide energy supply security.

But also, Turkey has a mission to represent political and economic stability in the region and by means of energy to be able to establish the balance in the region. The steps to be taken after that have significance besides Turkey's economic growth and strong politics for using the energy wealth of the region for peace and prosperity in the region.

The role that Turkey, with a border with 60 percent of the energy basin, will assume, is also a way out for the region's energy-rich countries trapped in the vicious circle of political chaos. Turkey's becoming a center country in energy will be a driving force for establishing a new political and economic balance in the region for many years.

Iran ready to ensure Turkey's energy security

Azernews, *18.04.2016*

Iran has expressed its readiness to ensure the energy security of Turkey. Iranian President Hassan Rouhani said at a joint press-conference with his Turkish counterpart Recep Tayyip Erdogan in Ankara that Tehran can fully meet Ankara's gas, oil, electricity and petrochemical needs. The press conference was aired live by Iran's state-run IRINN TV.

Tehran promised Ankara that it is able to ensure Turkey's energy security, Rouhani added. Iran and Turkey, which enjoy grounds for boosting cooperation in various areas, have also agreed to expand multifaceted ties as the two countries' economies complement each other.

Rouhani believes that closer banking ties have big importance in the two countries' bilateral ties, therefore, Iran and Turkey need to remove obstacles to expand ties. Taking this fact into account, Tehran and Ankara also decided to expand banking ties. He added that Turkish banks can open their branches in Iran in order to facilitate the mutual trade and economic ties.

Rouhani believes that the cooperation between the stock markets of Istanbul and Tehran can also lead to a very positive upheaval in the two countries' capital markets. He urged the two countries' private sectors to make mutual investments to the export of joint products to third-parties, and also invited Turkish companies to invest in the infrastructure of Iran's tourism sector.

During the meeting the two presidents also discussed cultural, academic and scientific cooperation, joint researches, as well as regional issues, including the ongoing crises in Yemen, Syria and Iraq. "We should help regional countries, such as Yemen, Syria and Afghanistan, to resolve their problems," he noted.

Iran and Turkey have no principal differences in political matters, Rouhani said, underlining that the differences in "minor issues" are natural. Turkey, which is keen on giving a new impetus to its trade ties with neighboring Iran following removal of international sanctions, intends to take the rising golden opportunity in Iran's economy and to play a more active role on the Islamic Republic's market by its private sector.

Being the Middle East's two powerful players, Iran and Turkey share very close economic ties despite taking part in opposing political blocs. Tehran and Ankara are already clashing over a number of issues, in particular their supporting opposing sides in the Syrian crisis.

However, both sides are determined not to allow the political tensions to affect their economic goals as the Iranian market promises a huge opportunity to Turkey in various sectors, including tourism, automotive industry, clothing, textiles, machinery, chemistry, petrochemistry and energy industry, as well as banking, telecommunications and transportation. Apparently, Turkey is not going to lose this tempting market for political disputes.

Speaking at the press conference, Erdogan said that Turkey and Iran will develop relations in all the areas. Erdogan believes that despite Iran and Turkey are neighbors, some problems have recently emerged in economic relations between the two countries.

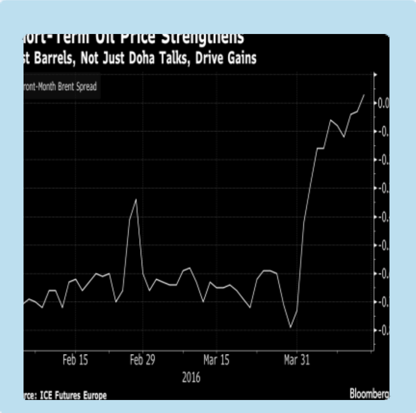
He said there are political differences between Iran and Turkey, but this fact doesn't affect the joint fight against terrorism. Erdogan noted that the two countries can invest in third countries, as well within the bilateral relations. Rouhani arrived in Ankara evening to hold bilateral talks with high-ranking Turkish officials, especially with his counterpart Erdogan.

As part of his visit to Ankara, Iran and Turkey signed several memorandums of understanding. The two sides signed documents for cooperation in various sectors, including social welfare, as well as culture, science, education and standards, while the justice ministers of Iran and Turkey also signed a joint statement. The trade turnover between Turkey and Iran stood at $22 billion in 2012 before dipping to $14.5 billion in the following year due to the economic sanctions imposed on Tehran by the West. Trade turnover between the two countries stood at $13.71 billion in 2014 and $9.76 billion in 2015. Currently, Tehran and Ankara intend to raise their bilateral trade to $30 billion per year.

Although the trade turnover dropped by 29 percent in 2015 compared to the preceding year, many observers believe that the decline came amid global economic crisis ruling out the role of the political disagreements.

Turkish power, gas companies expect gas tariff decrease in 2016, ICIS survey

ICIS, *20.04.2016*



Turkish gas companies are expecting an average 6.4% decrease in the regulated gas tariff from October to reflect global market conditions, an ICIS survey has found. Views were almost equally split between companies who expect a tariff decrease and those who believe that the government was unlikely to enact any changes this year.

Companies who do expect a reduction say this is more likely to be close to 15%, although a gas company said it could hover within the 15-20% range. Nevertheless, when ICIS averaged out all the expectations, the median figure amounted to 6.4%.

If a 6.4% decrease is enacted, it would bring the regulated gas tariff to eligible consumers down to Turkish lira (TL) 735.51/per thousand standard cubic metre (kcsm) ($257.89/kscm, $7.073/MMBTu). Most companies who expect a decrease say the government would be looking to announce it in October, although there was one interviewee who said the tariff decrease may happen from 1 July.

As a rule of thumb, changes in gas tariffs trigger changes in the electricity tariffs. For example, in the past, if there was a 10% increase in the gas tariff, it would have attracted a 5% increase in the electricity tariff.

However, despite the fact that seven companies interviewed by ICIS expect a decrease in the gas tariff, only two interviewees said they expected a 5% decrease in the electricity tariff. This means that the average electricity tariff decrease expectation is 0.8%. The gas tariff was last changed in October 2014 when the government announced a 9% hike, which brought the Turkish regulated tariff to eligible consumers to TL782.38/kscm.

However, the tariff, which should normally reflect changes in oil prices and the volatility of the Turkish lira has not changed since. Now, some companies in the electricity and gas sectors say a decrease is inevitable because the oil price is at a decade low and European hub prices are also comparatively cheap. Meanwhile, although the Turkish lira was significantly volatile last year, reaching an all-time low of TL3.05 to the US dollar at the beginning of September, it has now stabilised, offering more certainty to the market. One of the respondents noted that global gas prices, some of which are still linked to the price of oil and reflect movements in crude values, were lower than in previous years.

“Even the Japanese are buying [LNG] at $4.50/MMBTu and it doesn’t make sense for Turkey to keep the price artificially high if they [the Turkish government] want to move towards a liberal market,” he said.

Other sources in the gas market said there was a likelihood that the government would consider a 15-20% tariff decrease, but added that there may be economic considerations such as renewed volatility in the Turkish lira that may prevent the government from decreasing tariffs.

On the sceptical end, gas and power companies noted that Turkey was braced for a hot summer, which meant that power prices on the free market would increase. “If the government was to make a discount, they would have to take it back in Q3. As you know, tariffs lag behind spot prices. Increases in Q2 prices would have an effect on Q3 tariffs.

If you make a 5% decrease in Q2, you will have to make a 10% rise in Q3, if you don’t, you will have to make only a 5% increase and this is more plausible. The same logic applies to gas prices. Gas consumption will go up, petroleum prices are going up, therefore, it is not rational for the government to make a discount and then introduce higher price rises.”

Another source echoed the views, adding that thermal power plant generators had already faced tough conditions as spot prices had been on a sharp downward trend since the beginning of last year, squeezing their margins. He said distribution companies would start to buy from the regulated market if the tariff was reduced.

“This means that fewer companies will buy electricity from EPIAS [the free market] and inevitably the spot will decrease. Since power generators are in pain due to low spot prices, [the regulator] EPDK will not act in this way to sabotage generators. “A decrease in tariff will only affect consumers positively, but negatively all the rest. Besides, a tariff decrease is not necessary because we are no longer expecting elections any time soon,” he said.

Minister: Turkey-Israel reconciliation deal 90 percent done

Yeni Safak, *16.04.2016*

Israel and Turkey have agreed on a majority of the issues listed in a reconciliation agreement, Energy Minister Steinitz said. Steinitz's statement comes nearly two weeks after Turkish President Erdoğan huddled with Israeli leaders in Washington, DC.

Relations between Turkey and Israel hit a low in the aftermath of Israel's naval raid on the Turkish-flagged ship, Mavi Marmara, in May 2010 while it was on its way to Gaza. Nine pro-Palestinian Turkish activists were killed by Israeli commandos who raided the Mavi Marmara, the largest ship in Freedom Flotilla I,composed of six ships.

In November 2014, the International Criminal Court (ICC) declared it would not investigate Israel's raid on the Turkish vessel due to lack of sufficient gravity. Turkish lawyers slammed the ICC for its decision not to prosecute Israel's raid on the vessel, saying the verdict was unacceptable as the court found that the case file gave reasonable basis to believe war crimes had been committed on board Mavi Marmara.

In March 2013, Israel's Netanyahu expressed his regret for Israeli troops' role in the Gaza flotilla raid when US President Barack Obama brokered a call between Netanyahu and President Erdoğan. Even though the phone call paved the way to negotiations, the talks later stalled.

Earlier this year, Turkish and Israeli delegations met in Geneva in February to put diplomatic ties on track in a further move to thaw ties between the two former allies. The talks, continued intermittently since December 2015, have raised hopes for a breakthrough.

Israeli officials have expectations of progress in negotiations which may also facilitate importing natural gas to Turkey because the talks have coincided with an era in which Turkey's relations have worsened with Russia, its main gas supplier. However, earlier this week, Ibrahim Kalın, the presidential spokesman, said Turkey's normalization of ties with Israel depends on reaching an agreement on humanitarian aid to Gaza.

Saudi Prince sets back Putin's Middle East agenda at Doha

Forbes, *19.04.2016*

The Doha talks ended with the worst possible outcome—not the oil market but for regional geopolitics and Russia-Saudi relations. After running several hours overtime, negotiations ended without an agreement due to the inability of Russia and Saudi Arabia to agree on the language of a final draft.

The failure to find common ground hinged on Saudi demands, made on the morning of the talks, that Iran must agree to eventually freeze output as a precondition to a final agreement. While this may seem a reasonable request on its face, it was consider an unreasonable and unacceptable last minute change by Moscow.

Russian Energy Minister Alexander Novak specifically laid the blame for the breakdown in talks on Saudi Arabia and other Arab Gulf states— United Arab Emirates, Kuwait, and Qatar—that effectively blocked a final deal. Expressing reserved disappointment, Novak still could not hide his sense of personal indignation.

After all, the hardline position taken by Saudi Arabia was the "undoing of two months of negotiations." It is evident from the order of events and public statements over the past two months that the Kremlin has been negotiating with the expectation that a deal with or without Iran was within reach.

According to the details revealed by Azerbaijan's Energy Minister Natig Aliyev in the Russian media prior to the talks, the draft agreement would have frozen production at January output levels for six months until October but with no enforcement mechanisms. The draft agreement called for a follow-up meeting to be held during October in Moscow.

This begs the question: did the Kremlin misread the signals from Riyadh or was it overconfident in its ability to forge consensus and push through a deal? Fresh off a string of foreign policy exploits that caught the world by surprise (annexing Crimea and intervening in Syria), Moscow's judgment could have been compromised by hubris.

However, Novak's miscalculation was most likely in basing his read of the situation on his personal interactions with Saudi Energy Minister Ali bin Ibrahim Al-Naimi, a well-known and respected energy minister. The disruptive variable was the intervention by Saudi Deputy Crown Prince Mohammed bin Salman bin Abdulaziz Al Saud (MbS), which highlighted that al-Naimi no longer exercises the same autonomy over Saudi oil policy as in the past. There is no indication that Novak, or even Russian President Vladimir Putin or Russian Foreign Ministry Sergei Lavrov, have a clear read on MbS, much less an established and trustworthy relationship.

It also does not appear that the Kremlin conferred directly with MbS prior to sending Novak to Doha, tasked with negotiating a final deal. Many, including this analyst, assumed that the parties would at least sign a non-binding "agreement in principle" rather than walking away empty-handed. If stabilizing near-term crude prices was a primary concern, the parties could have easily crafted a malleable agreement that would have allowed the opposing sides to save face while giving the market a positive headline to prevent a sell-off in Monday morning trading.

Instead, Russia and Saudi Arabia chose to risk the financial loss and stick to their positions. Why? Because the breakdown in Doha talks was over geopolitics, not differences over oil market management. Still, Saudi Arabia's last minute ultimatum undoubtedly appears irrational or even impetuous to many Middle East hands and market players. It presents a credibility issue for Saudi Arabia and has raised questions about al-Naimi's future role in Saudi oil policy as well as OPEC's relevance.

The key takeaway is the decisive role that geopolitics played at Doha. Under MbS, it appears that Saudi oil policy will follow free-market principles to the extent that it advances Riyadh's geopolitical and geoeconomic objectives vis-à-vis Iran. The breakdown in Doha will likely spur intensified competition between Saudi Arabia and Iran for market share with rising production and competitive pricing. It also foreshadows heightened geopolitics tensions as the two rivals clash in proxy wars in Syria, Yemen and beyond.

EU energy chief sees significant role for Iranian LNG in Europe

WSJ, *18.04.2016*

Iranian liquefied natural gas could start to play a significant part of the European Union's energy mix after the next three to four years, the bloc's energy chief said after meeting officials here to map out future energy ties.

Energy Commissioner Cañete was in Iran to expand commercial and political ties following last year's nuclear deal and January's lifting of sanctions. In recent months, many national governments have led delegations to the Iranian capital and unveiled plans for ramped-up energy investment and business although there are significant obstacles still in delivering on some of those proposals.

This weekend was the first chance for the EU to plot out a broader framework for energy ties. Mr. Cañete met with Iran's oil and energy ministers. On Sunday, he held talks with Iran's powerful Vice President Ali Akbar Salehi, a veteran official who also heads Iran's atomic agency. Iran, a major supplier of energy to the EU before tight sanctions were imposed over the country's nuclear activities, has one of the world's largest natural-gas reserves.

Last fall, as the EU prepared for the lifting of sanctions, the European Commission estimated that by 2030, the bloc could be importing between 25 billion and 35 billion cubic meters of gas from Iran, much of it in the form of LNG.

Following his meetings in Tehran, Mr. Cañete said he now believes significant volumes could already start flowing in the next three to four years. That, he said, is because Iranian authorities are looking to complete three LNG plants that were in the works before sanctions were tightened early in the decade.

Mr. Cañete said Iranian officials made clear over the weekendthat Iran had no immediate interest in extending gas pipelines to Europe. That would take too long and involve striking transit deals with some of its regional rivals. “That leaves LNG as the biggest possibility of starting to supply gas to the world markets and to the European market,” Mr. Cañete said. Despite the EU hopes, there are strong reasons for caution.

Iran’s domestic consumption of natural gas remains high, which means the immediate capacity for exports is limited. Policy changes aimed at cutting domestic subsidies for energy face public resistance and years of tight Western sanctions mean key fields are underdeveloped.

On top of logistical challenges, price will also be a sticking point. Iran would need to significantly lower its price expectations to undercut cheap Russian supplies. In the past, several Iranian gas-export talks with the United Arab Emirates, India and Turkey have failed. And while the flagship Iran LNG plant is believed to be two years away from completion, there are doubts Iran will push ahead with the other two. Even if they do get political backing, Iran will need major investment in key technology to further develop its LNG sector.

Since the outbreak of the Ukraine crisis, the EU has been trying to diversify energy supplies and become less dependent on Russian gas. Mr. Cañete said Iran was an ideal future supply source, in part because even as tensions related to Iran’s nuclear work heightened over the last decade, Tehran didn’t cut shipments. “Iran never used oil or gas as a political weapon. Never,” he said.

After the weekend visit, the road map for advancing ties with Iran has become clearer. The two sides will set up three energy joint working groups—on oil and gas, renewables and energy efficiency, and on electricity—to take detailed work forward. There will be at least one annual ministerial meeting.

They also agreed joint work on civilian nuclear projects, including advising Iran on stress tests for its facilities and some possible joint research work. Iran’s broader nuclear research work is restricted under last year’s nuclear agreement.

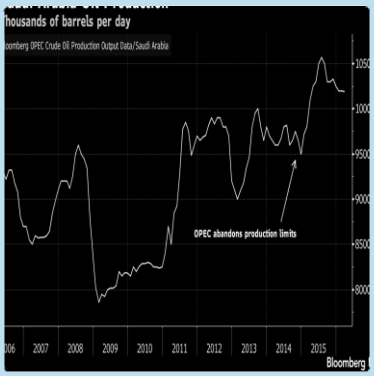
The next milestone will be a business forum on energy that Mr. Cañete hopes will happen early next year. The EU would take energy operators, policy makers and financial institutions to the forum to explore opportunities and tackle a key issue: the form of future energy contracts.

Iran has already made some changes to the types of contracts it offers foreign energy companies in a bid to hurry investments. However it is a politically sensitive issue in Iran, where there is resistance against giving broad rights to Western companies.

Mr. Cañete said that at a time of low and volatile energy prices, more-flexible oil contracts are indispensable. “We have to try to shape oil contracts…in a new form” to encourage EU companies to “come here, make investment upstream, midstream and downstream,” he said. “The contracts established must be fit for purpose.”

Sanctions lifted, now Iran wants to get paid

Oilprice, *20.04.2016*



As the world changes for Iran post-sanctions, it’s paying calls to those who benefitted from the country’s sanction shackles in one way or another, and India—whose refiners are said to owe Iran $6.5 billion worth of euros—is its first port of call. But it’s much more than that as Iran re-stakes its claim to oil-based power.

Under sanctions, Iran was limited in how it could sell its oil and accept payment, but now that payment channels have been reopened, Tehran is seeking past dues in euros, particularly from Indian-based refiners such as Essar Oil, Mangalore Refinery and Petrochemicals Ltd (MPRL).

And India, for its part, has every reason to pay these past dues if it hopes to take its new energy relations with Iran to the next level. Iran has made clear that it will continue to increase output until it has regained much of the market share it lost under sanctions. It wants to pump 4 million barrels a day—up from 3.3 million at present.

India is set to import at least 400,000 barrels per day (bpd) of Iranian oil in the year from April 1, with refiners looking to ramp up purchases in the post-sanctions environment. India’s state refiners are willing to buy about 240,000 bpd in the year. Among private refiners, Essar Oil is willing to lift about 120,000 bpd, they said, while HMEL has indicated it will buy a small quantity with an option to raise volumes.

Reports indicate that India has already earmarked at least $20 billion for investments in oil and gas as well as petrochemicals and fertilisers sectors in Iran. India, too, plans to increase oil imports from Iran from the present 350,000 barrels a day.

India’s Ministry of External Affairs Spokesperson Vikas Swarup was optimistic when he indicated that the “energy partnership would go both ways” as Iran was eyeing involvement in India’s refinery sector. Both countries had maintained close bilateral ties even when economic restrictions were in place against Iran. With the new found opportunities to speed up long-standing bilateral and multilateral initiatives that would boost Iran’s fledgling economy, pressure is likely to be on the production of oil, which might put more pressure on oil prices, which have dropped 70 percent since 2014.

The latest achivement is the upcoming trilateral agreement with India and Afghanistan, which aims to offer access to both neighbouring countries through the strategically located Iranian Chabahar port in the Gulf of Oman. The port in southeast Iran will allow India to bypass Pakistan to transport goods to Afghanistan and the Central Asian region using a sea-land route. Chabahar port would provide a vital transport link for receiving unhindered natural gas imports from Iran to India. It may also play a role in finalising the proposed Iran-Oman-India pipeline.

With world's fourth largest proven oil reserves, Iran is presently eyeing Indian shores as its main oil exporter country since demand in this energy-starved Asian major is expected to rise exponentially in the coming decades.

So while there won't be any more freebies for India in terms of zero-cost oil shipping courtesy of Iran, we're watching a new phase in Iran-India energy relations unfold, to boost the power of both and remap the South Asian energy route.

But there will be some other hurdles along the path to power for Iran, and one of the hurdles for now is tanker capacity. Right now, the lion's share of Iran's oil tankers are busy storing crude, or simply not seaworthy—so increasing exports is sometimes easier said than done. This year, Iran's sales of crude oil will reach 2 million barrels per day, according to Iranian officials.

According to Reuters, Iran has 55-60 oil tankers, but 25-27 of those are parked in sea lanes languishing with stored, unsold cargo. At the same time, Iranian lawmakers have endorsed the government's new $330-billion budget bill, which would allow the government to set the price of oil at $40 per barrel and to export 2.25 million barrels per day, so officials say.

Aiming at Iran, Saudi Arabia mixes oil policy with politics

Bloomberg, *07.04.2016*

After taking over defense and economic planning, Saudi Arabia's Deputy Crown Prince Mohammed bin Salman has now stamped his authority over oil policy.

The son of King Salman upended the Saudis' decades-long approach of separating commercial from political considerations. Over the weekend, Saudi officials quashed an agreement among major oil producers in Doha to freeze output due to Iran's refusal to participate, a sign the regional rivalry is infecting the market."Everything at Doha was about politics," said Yasser Elguindi, an oil analyst at Medley Global Advisors, a consultant that advises large hedge funds.

The change means that everyone exposed to energy prices, from oil majors such as Exxon Mobil Corp. to traders like Vitol Group BV, will have to heed the opaque politics of the Middle East -- and the House of Saud. With Saudi Arabia and Iran weathering one of their worst diplomatic crises since the Islamic revolution in 1979 installed a Shiite theocracy in Tehran, and both countries taking opposite sides in civil wars in Syria and Yemen, the oil market should brace for a wild ride.

“The fact that Saudi Arabia seems to have blocked the deal is an indicator of how much its oil policy is being driven by the ongoing geopolitical conflict with Iran,” said Jason Bordoff, director of the Center on Global Energy Policy at Columbia University in New York and a former White House oil official.

Ali Al-Naimi, the Saudi oil minister, has been the pragmatist who separated oil policy from foreign policy for the past two decades, insisting that pricing considerations such as supply, demand and inventories were the main drivers of his decisions. The technocratic strategy was built on the experience of the 1973 oil embargo, which largely backfired as it led to weaker demand.

While the House of Saud has always kept control of oil policy, ministers drawn from outside the royal family -- spanning from Sheikh Yamani in the 1980s to Al-Naimi for the last two decades -- enjoyed significant room for maneuver. Al-Naimi -- and his number two, Prince Abdulaziz bin Salman, an older half-brother of the deputy crown prince -- cooperated with Iran in the past to cut production to boost prices. Oil policy was an unusual oasis of stability in the convulsive politics of the Middle East.

That approach drove talks among Russia, Saudi Arabia, Venezuela and Qatar to agree to freeze oil production in recent weeks. As late as Saturday, officials from the four countries prepared a draft that they expected to be rubber stamped hours later by oil ministers in Doha. The deal would have marked the first collaboration between the Organization of the Petroleum Exporting Countries and Russia in 15 years, opening the door to the end of a glut that has driven oil prices from $100 a barrel to as low as $26.

It didn’t go according to plan. Instead, by Sunday morning, the Saudis insisted on the inclusion of Iran in any deal. “Some countries from OPEC changed their positions in the morning -- right before the meeting began,” Russian Energy Minister Alexander Novak said after the talks in Doha broke apart.

Venezuela’s oil minister, Eulogio del Pino, said that Saudi representatives in yesterday’s meeting didn’t have the authority to negotiate and the summit had strained relationships within OPEC. “We are going to try and recover the trust,” he told reporters during a visit to Moscow.

In fact, the U-turn was telegraphed weeks before the gathering. Prince Mohammed bin Salman, known in diplomatic circles as “MbS” and the emerging force in economic policy within the kingdom, said in two interviews with Bloomberg News that the participation of Iran was necessary for any deal.

The oil market took the warning more as a rhetorical warning intended for domestic consumption than a threat to the Doha talks. Since the four countries started the process to freeze output, oil prices rallied more than 35 percent.

“One thing we’ve learned in the oil markets: regarding the Saudis, we now have to listen to MbS,” said Michael Wittner, oil analyst at Societe Generale SA in New York and a former official at the Central Intelligence Agency. “He clearly had the final word on Saudi policy and on their stance in these talks, not Ali Naimi,” he added.

Prince Mohammed has accumulated power since his father’s ascension to the throne last year. He became defense minister and soon after launched a military campaign in Yemen. He also chairs the top economic planning body and the council that has authority over the kingdom’s giant state-owned oil company.

Although oil officials and OPEC watchers almost unanimously point towards the politicization of Saudi oil policy, there could be other reasons behind Prince Mohammed’s stance on Iran. One is protecting Saudi Arabia’s oil-market share, which could be eroded if it froze production as Iran increased exports following the removal of sanction in January. The other is avoiding a sharp increase in oil prices, which could throw a lifeline to rival suppliers in the U.S. and also slow down the kingdom’s agenda of domestic reforms.

“We don’t care about oil prices,” Prince Mohammed told Bloomberg last week. “$30 or $70, they are all the same to us. We have our own programs that don’t need high oil prices.” The unanswered question is: Why did Saudi oil officials negotiate for weeks on a draft accord for Doha, giving the impression that a deal was possible even without Iran?

One suggestion is that Riyadh tried to use the Doha meeting to force Russia, an ally of Iran, to choose between higher oil prices and supporting Tehran. In that thesis, Al-Naimi played the role of good cop, with Prince Mohammed acting as the bad cop. Another theory is that Prince Mohammed made an eleventh-hour intervention, forcing his team, led by Al-Naimi, into an U-turn, with the same objective: hurt Iran. “Ultimately, Saudi oil policy has become extremely politicized,” said Amrita Sen, chief oil analyst at Energy Aspects Ltd., a London-based consultant.

Russia signals no progress on Armenian nuclear project

Oilprice, *20.04.2016*

The Armenian government has yet to come up with convincing “economic grounds” for realizing its ambitious plans to build a new nuclear power station in Armenia, a senior Russian official said.

Shortly after he came to power in 2008, President Serzh Sarkisian vowed to replace the aging nuclear plant at Metsamor, which generates more than one-third of Armenia’s electricity, with a new and more powerful facility meeting modern safety standards. His government has still not attracted an estimated $5 billion in investments needed for doing that.

Russia and its big energy corporations have expressed readiness to only partly finance the project worth more than Armenia’s entire state budget. “Negotiations with the Armenian government on the construction of a new nuclear plant have never stopped,” the first deputy head of Russia’s state nuclear energy agency Rosatom, Kirill Komarov, said in Yerevan. “We maintain a constant dialogue.”

Komarov indicated that the Armenian government has not yet proved the project’s cost-effectiveness. “The volume of energy consumption in Armenia and the possibility of electricity exports to neighboring countries is a key issue,”he said. “We are working together in this direction.”

“As soon as we see, together with [Armenian] colleagues, that there are economic grounds for the construction of a new nuclear plant we will definitely try to implement the project,” he told a joint news conference with Armenia’s Deputy Energy Minister Areg Galstian. The two men addressed the press after co-chairing a joint session of senior officials from the Armenian Ministry of Energy and Rosatom. The meeting focused on ongoing efforts to extend the life of Metsamor’s sole functioning reactor by 10 years, until 2027.

Russia is playing a key role in this endeavor, having provided Armenia with a $270 million loan and a $30 million grant last year. The money is due to be mainly spent on the purchase of Russian nuclear equipment and additional safety measures that will be taken at Metsamor. Galstian said that Armenian and Russian specialists have already completed an in-depth examination of the plant’s Soviet-designed reactor that went into service in 1980. The Armenian side is now gearing up for the equipment purchase, he said.

Armenia, Georgia, Iran, Russia agree on ‘energy corridor’

Press TV, *13.04.2016*

Armenia, Georgia, Iran and Russia reportedly agreed to create in 2019 an “energy corridor” that will sharply increase electricity supplies among them.

Energy Ministers of Russia, Iran and Armenia as well as Georgia’s Deputy Energy Minister Ilia Eloshvili signed a “roadmap”. Armenian Deputy Energy Minister Areg Galstian to present details of the framework agreement. The roadmap formalizes actions and programs that should be realized in time for the physical launch of the North-South energy corridor in 2019,” Armenian and Russian news agencies quoted Galstian as saying.

He said it contains time frames for the construction of new power transmission lines that will allow the four countries to synchronize their power grids and engage in significant seasonal swaps of electricity. Two such lines, slated for completion in 2018, will connect Armenia with Iran and Georgia. In Galstian’s words, Georgia and Russia plan to build similar facilities to also link up their transmission networks.

“It is expected that the North-South energy corridor will have a capacity of around 1,000 megawatts,” said the Armenian official. “This will stimulate competition among national power generating companies,” he went on, according to News.am. “The [energy] market should open up, first of all for large consumers using high-voltage networks.”

According to Galstian, the four countries have seasonal surpluses of electricity that can already be supplied to one another in limited amounts. In particular, he said, Georgia and Iran plan to start such exchanges through Armenian territory later this year. “In the strategic sense, this will mark substantial progress, even if we are talking about small supply volumes for the time being,” Galstian added, according to the Arka news agency.

Galstian announced that Armenia will also boost imports of cheap electricity which is generated by Georgian hydroelectric stations and reaches peak levels in spring and summer months. For that purpose, he said, the Armenian government will bring forward from October to May 2016 a planned brief stoppage of the Metsamor nuclear plant’s reactor needed for its refueling and regular maintenance.

“The rescheduling will allow Armenia to use the cheaper electricity of Georgian hydroelectric plants, which develop a surplus in that period, instead of the more expensive energy of [Armenian] thermal power plants,” explained the vice-minister.

Lithuania tenders for Polish link

Natural Gas Europe, *20.04.2016*

Lithuania's transmission system operator (TSO) Amber Grid has announced a public tender for the procurement of pipes and the building work for the link with Poland (GIPL). The contractor will be responsible for the construction in Lithuania.

GIPL is one of the European Union's projects of common-interest, which Amber Grid will build with Polish TSO Gaz-System. The purpose of the GIPL project is to integrate the gas markets of the Baltic States into a single EU gas market, to diversify the gas supply sources and to improve the gas supply safety.

According to EU documents the initial capacity from Poland to Lithuania will be 2.4bn m³/year and from Lithuania to Poland it will 1.0bn m³/yr. Applications for the linepipe tender must be submitted within 30 days and for the building work within 70 days, said Amber Grid.

"This procurement is not only the most valuable in the history of the company, it is also a project of great regional importance as the gas transmission systems of the Baltic States will be connected into integrated European transmission network," said Amber Grid CEO Saulius Bilys. The total projected length of GIPL is 522 km of which 165km will be in Lithuania. The 700-mm line will connect gas compressor stations in Jauniunai i Lithuania with Rembelszczyzna, near the Polish capital Warsaw.

Engie signs Egypt agreements

Natural Gas Europe, *19.04.2016*

French utility giant Engie said it executed a cooperation agreement on LNG imports into Egypt with Egyptian state gas company Egas.

The agreement was one of two energy agreements signed on April 18 by Engie deputy CEO and chief operating officer Isabelle Kocher during a state visit to Egypt by French President Francois Hollande. There was no mention by Engie of how much LNG might be supplied by it to Egypt. Egypt began importing LNG for the first time in 2015, when its total imports were 2.6 million metric tons - of which half from Qatar.

France's Engie in fact has a current long-term agreement to import 3.6 million metric tons/yr from Egypt from 2005 to 2025 on a free-on-board basis from the BG-Shell-run Egyptian LNG export plant at Idku. However because no feed gas was available to either of Egypt's two export plants, no LNG at all was exported by Egypt during 2015, and consequently Engie was unable to lift any cargoes from Egypt.

The other agreement signed by Kocher was for financing and development by Engie of two 50 MW solar photovoltaic projects and two same-sized wind projects. They form part of the Egyptian government's ambition to increase the share of renewables in Egypt's energy mix to 20% by 2022.

Engie is already developing, with partners Orascom and Toyota Tsusho, a 250 MW build-own-operate wind project in the Gulf of Suez. The French firm says it is also keen to develop its energy services activities in Egypt and participate in the country's 'sustainable cities' programme.

Russia-Germany gas link polarizes Europe, EU energy chief says

Bloomberg, *20.04.2016*

A plan to expand a natural gas pipeline from Russia to Germany is driving a wedge into the European Union, with some eastern members feeling their needs are being overlooked by the richer and more energy-diversified west, the bloc's top energy official said.

The Nord Stream 2 pipeline isn't aligned with the principles of the bloc's laws and raises questions about the continent's energy security, Maros Sefcovic, the European Commission's chief for energy union, said in an interview in Bratislava. The pipeline, able to meet almost 15 percent of current EU gas demand, is key to Russia's plans to boost exports.

The planned link, which would pump Russian gas directly to Germany, has met resistance from eastern EU members including Poland, Slovakia and the Baltic States. Those nations and Ukraine, which either get income from gas transit fees or wish to diversify their energy imports beyond Russia, have called Nord Stream 2 "anti-European."

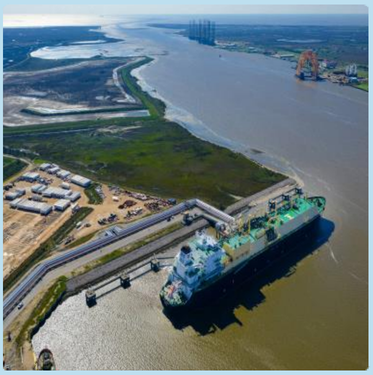
"At the beginning there was a strong voice that this is a purely commercial project, but I don't remember any commercial project that would be so intensely debated on a political level," Sefcovic said in an interview in Bratislava. "It sparked an intensive geopolitical debate on the future of Ukraine and energy security of southeastern Europe."

Russian pipeline gas export monopoly Gazprom PJSC is pursuing Nord Stream 2 with western European companies from Germany's EON AG to Paris-based Engie SA and plans to start it in 2019. Nord Stream 2 isn't subject to regulation under the EU's so-called third energy package, Gazprom Chief Executive Officer Alexey Miller said earlier this month, adding that the company expects exports to Europe to rise to a record this year.

In its current form the project doesn't comply with EU legislation and many issues still need to be solved with the German regulator, potentially putting off potential investors, Sefcovic said. "At times when not only state budgets but also those of energy companies are stretched because of low oil and gas prices, I'm convinced that each energy company will very thoughtfully analyze whether to participate in a project whose legal issues are not fully solved and which has triggered a very important political debate," he said.

First U.S. gas shipment en route to Europe

WSJ, *15.04.2016*



A tanker from Louisiana loaded with U.S. natural gas is en route to Portugal, the first shipment in a trade relationship that could shake up the European market.

The 970-foot long Creole Spirit, carrying liquefied natural gas, is expected to arrive by the end of April, according to shipping data and people familiar with the matter. In Europe, American gas will add to a swell in supply in a crowded market long dominated by Russia. Analysts predict that the arrival of U.S. gas could trigger a price war, leading to lower prices for consumers that could act as a shot in the arm for the struggling European economy.

“It’s the start of the price war between U.S. LNG and pipeline gas,” said Thierry Bros, an analyst at Société Générale. The U.S. began selling Gulf Coast gas abroad for the first time in February, marking its emergence as a major exporter. After a yearslong effort by Houston-based Cheniere Energy, the first shipment went to Brazil, with subsequent cargoes heading to Asia.

Now, Portugal’s energy company Galp Energia has bought the first European cargo from Cheniere’s Sabine Pass facility, according to a person familiar with the transaction. The ship is estimated to arrive at the Port of Sines in Portugal on April 26, according to data from the port. Galp and Cheniere representatives didn’t respond to requests for comment. Europe is expected to be a big market for American gas. The shale-gas boom has transformed the energy landscape in the U.S., and the country is now expected to become a net gas exporter in 2017.

Cheniere has signed long-term contracts with a number of European gas companies, including U.K.’s BG Group, which was acquired earlier this year by Royal Dutch Shell PLC, and Spain’s Gas Natural.

In Europe, U.S. suppliers will square off with Russia, which currently supplies about a third of the continent’s gas via pipeline. Germany, for example, gets half of its gas and Italy a third from Russia. Norway, Algeria and the Middle East are other major sources of gas for the continent.

Analysts say that Russia could cut the prices it charges its European customers to try to chase away the new U.S. competitors. Russian gas giant Gazprom said earlier this year it wasn’t planning a price war. But if U.S. LNG prices did fall, the company “would seek to cut its own costs,” Gazprom’s deputy chairman Alexander Medvedev said in February.

At current prices, U.S. LNG delivered to Europe would cost around $4.30 per million British thermal units, according to price reporting agency Argus. Russia sells its gas to Europe for $5.80, on average. However, analysts say that Russia could drastically lower prices in a price war, to below $3. Pipeline gas can be cheaper than LNG, because that gas has to be liquefied, shipped and re-gasified at arrival.

But many in Europe see the U.S. entry into the market as part of a broader geopolitical effort to challenge Russian domination of energy supplies and prices.The impact of U.S. gas in Europe "will be gradual, but it does start to change everything," said Trevor Sikorski of London-based consultancy Energy Aspects. "The new LNG will put downward pressure on prices, and losing both volume and value could be a hard pill to swallow" for Russia.

Shale war's collateral damage: Europe's gas prices

Bloomberg, *21.04.2016*

Europe is awash with low-priced natural gas, thanks to Russia and Norway using a Saudi-like tactic to hold market share.

Utilities from EON SE to Centrica Plc are beneficiaries as Europe's two biggest gas suppliers provided a record amount of the fuel in the first quarter, according to Societe Generale SA. The glut discouraged cargoes of U.S. liquefied natural gas and contained growth of imports from Qatar. There are parallels with the global oil market where Saudi Arabia, the biggest producer, boosted output last year to fend off U.S. shale drillers as crude prices collapsed.

Gas in the U.K., the region's biggest market, fell 37 percent in the past year and the plunge couldn't have come at a worse time for Cheniere Energy Inc., which just started exports of U.S. LNG and has so far sent one tanker to Europe.

"There is a threat of price wars and every competitor is getting ready," said Valery Nesterov, an analyst at Sberbank CIB in Moscow with more than four decades experience in energy. "They will have to work hard to keep -- let alone increase -- their market shares, including through policies that can be borrowed from the oil industry."

Russian gas is competitive and Gazprom PJSC's market share is rising naturally amid declining European production, Sergei Kupriyanov, a Gazprom spokesman, said by e-mail. Statoil ASA, Norway's state-controlled producer, sells to where it gets the best price and market share "is a consequence of this approach, and not a goal," Elin Isaksen, a spokeswoman, said by e-mail.

"Norwegian authorities have no specific sales strategy for oil and gas -- the companies that have licenses in Norwegian fields sell their oil and gas in a way that generates the highest possible value," said Ella Bye Moerland, a Norwegian Energy Ministry spokeswoman. As a global oil surplus accumulated in 2014, Saudi Arabia chose to keep pumping and defend its market share. That strategy pushed crude down and pressured producers such as those in the U.S. to reduce their output. The Doha talks among crude producers didn't result in an output freeze after the Saudis insisted that Iran join any deal.

The kingdom showed it doesn’t want to cede market share, said Ed Morse, head of global commodity research at Citigroup Inc. European gas demand has been sluggish since the 2008 crisis. The region has just come out of a winter with the mildest U.K. temperatures since 1772, leaving supplies in storage above the five-year average.

This probably means less demand for stocking up before next winter. Fitch Group Inc.’s BMI Research forecasts prices may slide 29 percent to as low as 20 pence a therm ($2.86 per million British thermal units) this summer. Russia and Norway have been dominant suppliers to the region since the first pipelines were laid more than four decades ago. Their combined first-quarter shipments rose 18 percent from a year earlier, according to Bloomberg calculations based on data from Gazprom and Gassco AS, Norway’s network operator. Together they provide more than half the region’s natural gas, according to lobby group Eurogas.

Gazprom, the world’s biggest producer, has an incentive to maintain market share and maximize revenue in dollars after the ruble plunged, Zach Allen, president at Pan Eurasian Enterprises in Raleigh, North Carolina, said by e-mail. Last year Gazprom sold fuel worth about $39 billion to Europe. Norway, Europe’s second-biggest supplier, is playing catch-up. Troll, the nation’s biggest field, got a permit to produce 10 percent more gas in the year from Oct. 1. The country also plans to boost capacity at the Kaarstoe and Kvitebjoern facilities.

While Russia has said sales to Europe will probably reach a record this year, Norway expects a level similar to last year’s record. “They are trying to defend market shares because they see -- like everybody else -- that failure to do so is going to allow more LNG -- not just U.S. LNG but any LNG -- to displace their pipeline supplies,” Jonathan Stern, chairman of the gas research program at the Oxford Institute for Energy Studies, said by e-mail. “European utilities are winning because this is the surplus cycle and prices look like they will go even lower as we approach the summer.”

Utilities have been enjoying lower costs for the fuel, which is used at power plants and for heating homes. Centrica’s British Gas unit reported a 31 percent jump in earnings last year and cut household tariffs about 5 percent from March. EON negotiated a price deal with Gazprom, which will boost profit this year.

Europe has been absorbing LNG as Asian demand weakened. It has liquid markets, infrastructure and a political incentive to diversify energy sources. Europe’s LNG imports, dominated by Qatar, rose 16 percent last year, according to the International Group of LNG Importers.

But if gas falls further, LNG would be priced out because pipeline-shippers Norway and Russia have lower costs, Tor Martin Anfinnsen, Statoil senior vice president for marketing and trading, said in an interview. “Both Russia and Norway are protecting market share against anyone seeking to take it away from them, not just the U.S.,” Allen said.

Upstream woes, downstream shake-up

Natural Gas Europe, *21.04.2016*

This was another strong week for oil prices: the expected failure of the Doha meeting to agree a production freeze, without first ensuring Iran's buy-in, did not mean that there were not good reasons for firmer prices – such as the US driving season being a month or two off – regardless of how the meeting turned out.

But it went pretty badly for those states seeking higher prices and non-Opec member Russia, whose energy minister was among the organisers of the multi-lateral meeting, was frustrated with the Saudi decision to do nothing without Iran also committing to a freeze.

So with Brent crude now in the mid-$40s and continuing strength expected, there might be grounds for optimism in the mergers and acquisitions sector. UK-based Sequa however dropped its plan to buy some Norwegian assets, citing the market, despite being upbeat last month. It said then that Gina Krog, which it was buying from French Total, was within budget and on schedule for first production in Q2 2017, with opex and capex each calculated at $15/boe.

UK utility Centrica, which announced a plan to spend about £1bn (€1.27bn) this year, of which half is to go on exploration and production, spent around a third of the other half buying a Danish company, Neas, which has an energy management and revenue optimisation service; and has hundreds of customers who own windfarms, solar plants and combined heat and power (CHP) plants, with an installed capacity of about 8.6 GW.

But that still leaves Centrica with £500mn to spend on exploration and production assets globally – it did not say where they would be. For those assets in the North Sea though it will be competing with a former CEO, Sam Laidlaw, who is running Neptune Oil & Gas, a $5bn acquisition vehicle backed by the Carlyle Group and CVC. Since he joined about a year ago, no purchase has been announced, and indeed most of the news emanating from the UK offshore at least has been about decommissioning rather than commissioning.

Onshore the news is a little brighter, with several companies advancing plans to hydraulically frack gas wells with applications lodged and for one, a hearing is due next month while for another, the shale pioneer Cuadrilla, a report following another hearing is now being composed.

But offshore, the news is mostly grim. Canadian Sterling – run, as it happens, by another former Centrica senior executive, Jake Ulrich – reported another and much larger loss in 2015, and this year will see output from its UK producing field, Breagh, fall, as operator Ineos is waiting for the economic signals before drilling more production wells. And at the other end of the scale, Anglo-Dutch Shell, in its 2015 transparency and sustainability report, identified a $128.36mn payment from the UK government as contribution to its Brent platform decommissioning costs.

The German former giant E.ON, which has forged the way for modern European utilities – ditch the assets and the commodity trading (Uniper Societas Europaea) and focus on the energy transition towards low-carbon technology – announced a deal with the city of Berlin this week, involving a “forward-looking gas supply concept” and a majority stake in shareholding in local utility Gasag.

The city’s finance senator Matthias Kollatz-Ahnen said: “We need to significantly accelerate the energy transition in Berlin. Greater commitment by the Land as a shareholder is an important tool here. E.ON has demonstrated that it can be a motivated and competent partner for the Land of Berlin in the field of gas supply. This partnership provides a strong foundation for accelerating the energy transition in Berlin.”

There were no details on either the volume or the new percentage. With the intermittency problem, gas has to obligingly advance and retreat as renewables under or over perform, so the annual volume supplied may be difficult to put a figure on. But E.ON will be helping the city to slash its carbon emissions and perhaps deals of this kind – gas suppliers working to improve air quality and shoehorn in new technology to lower carbon intensity, in exchange for shares in the regional utility – will become more common.

US Senate passes first broad energy bill since 2007

AA Energy Terminal, *20.04.2016*

The Senate passed its first broad energy bill since 2007 -- covering a wide range of areas from modernizing the U.S.’s energy infrastructure to expediting gas exports.

The bipartisan Energy Policy Modernization Act of 2015 was approved by an 85 -12 vote and now has to be merged with a similar bill passed last year by the House before going to President Obama to be signed. The Senate’s bill includes expediting liquefied natural gas exports, modernizing electricity and pipeline infrastructure and their cybersecurity, promoting renewable energy, upgrading energy efficiency in buildings and preventing greenhouse gases.

The bill’s sponsor, Lisa Murkowski, from the energy rich state of Alaska and who chairs the Senate Committee on Energy and Natural Resources, applauded its passage. It “brings us much closer to our goal of modernizing our nation’s energy policies. “I now look forward to working with members of the House to ensure that it continues to move forward -- through their chamber, through a conference with the House of Representatives, and into law before the end of this Congress,” she said. Sen. Maria Cantwell, a member of the same committee, said the bill is “a modernization of America’s energy system, which is urgently needed”, adding that legislation “will push us towards cleaner, more efficient, more cost-effective and renewable energy sources”.

Since 2007, the U.S. energy landscape has undergone significant changes. The country decreased its dependency on foreign oil and gas with a shale revolution to become the world's third biggest crude producer. A 40-year-old ban on exporting domestically produced crude was lifted last December and liquefied natural gas exports began in February. Meanwhile, Obama has increased focus on renewable energy use and investment.

US crude inventories rise below expectations

AA Energy Terminal, *21.04.2016*

Weekly crude oil inventories in the U.S. increased below market expectations, according to the country's EIA. For the week ending April 15, crude oil inventories in the U.S. rose 2.1 million barrels, or 0.4 percent, from the previous week. Nevertheless, the market expectation was that stocks would increase by 2.4 million barrels.

"A further increase in imports was key in driving up crude stocks," London-based Capital Economics' U.S. Report noted. "This helped outweigh the downward pressure on stocks from both falling production and growing demand for refined petroleum products," said Simon MacAdam.

U.S. crude oil imports rose by 247,000 barrels a day for the week ending April 15 to reach 8.19 million barrels per day (mbpd) from 7.94 mbpd the week before. Meanwhile, domestic crude oil production remained below 9 mbpd for the second week in a row, after falling by 24,000 barrels a day to reach 8.95 mbpd, from 8.97 mbpd the previous week.

After the release of the EIA's data showing weekly increases in crude stocks falling short of market expectations, oil prices reached their new highest levels for 2016. American West Texas Intermediate rose as high as $44.24 per barrel during Wednesday, while international benchmark Brent crude climbed to as high as $45.88.

Announcements & Reports

► 2016 World LNG Report

Source : IGU
Weblink : http://www.igu.org/publications/2016-world-lng-report

► MOMR April 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

► 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

► *Energy Trading Central and South Eastern Europe 2016*

Date : 15 – 16 June 2016
Place : Bucharest – Romania
Website : http://www.energytradingcsee.com/

► *Eurasian Natural Gas Infrastructure*

Date : 22 – 23 June 2016
Place : Athens – Greece
Website : http://www.engi-conference.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, Cyprus
Website : www.iene.eu