Oil & Gas Bulletin
▸ 30.09.2016

Turkish Tekfen signs contracts worth €2.4 bln for gas storage

AA Energy Terminal, *30.09.2016*

Turkish Tekfen Holding's subsidiary, Tekfen Construction, signed two contracts worth €2.4 billion to build underground natural gas storage facilities in the city of Mersin, in southern Turkey, the construction company said.

Tekfen's share from the deal amounts to €723 million, according to the announcement made in Turkey's Public Disclosure Platform. Tekfen Holding said that Tekfen Construction and its partners, German company Hallesche Mitteldeutsche Bau AG and French Entrepose Contracting formed a consortium for the two storage facilities with a capacity of four billion cubic meters of natural gas.

The contracts comprise engineering, procurement, construction and operation works, which will be completed in five years. Tekfen, a Turkish conglomerate based in Istanbul, has many subsidiaries engaged in a diverse range of activities including oil, power generation, and construction of airports, building complexes, roadways and infrastructure projects.

Tekfen operates majorly in Turkey, the Middle East, and the Caspian region and in North Africa. Turkey has an operational gas storage facility in Silivri in the northwestern Marmara region. The facility has a 2.67 billion cubic meter (bcm) gas capacity with a 20 million cubic meters (mcm) per day withdrawal rate, and an injection rate of 16 mcm a day. Operated by Turkish Petroleum, the facility's storage capacity is planned to increase by 180 mcm, while its withdrawal capacity is aimed to rise by 30 mcm per day by 2017, according to Gas Infrastructure Europe (GIE).

Turkey's Energy and Natural Resources Ministry aims to store around 5-6 bcm, at least 10 percent of Turkey's gas consumption within 5 years. To ensure sufficient supplies, European countries that have no direct pipeline connections with gas suppliers, are keeping natural gas in their storage facilities.

According to figures from Gas Infrastructure Europe, GIE, Germany has 22 bcm of storage capacity in the EU, while Italy has 16 bcm, France has 12 bcm and the Netherlands has 10 bcm. Ukraine also has a capacity of 30 bcm and currently keeps 14.5 bcm in its storage facilities. All of the EU's gas storage capacity totals around 93 bcm. The facilities are currently 70 percent full with storage of around 67 bcm.

Energy Minister: Turkey to be R&D center with new investments

AA Energy Terminal, *28.09.2016*

Following Turkey's first tenders for both coal and energy and the signing of valuable energy investment projects by the end of the year, the country will take steps to become a research and development center, Berat Albayrak said.

Speaking at an opening ceremony in Denizli, Albayrak explained that Turkey's electricity distribution sector, which provides a vital service to 40 million households in Turkey, has been privatized seven years ago. "We have one or two years ahead of us to meet the demand of Turkey's expansion, and its infrastructure needs have to be met with investments," he said.

Turkey's 30-year-old power system was designed back then to meet electricity needs for a capacity of 20 thousand megawatts (MW). This was then raised to nearly 30 thousand MW when the AK party came to power and now it is more than 70 thousand MW, Albayrak said in explanation for the increasing power needs of the country.

Albayrak said that for meeting this growing demand, the government is paving the way for the increased use of local mining sources and renewables along with natural gas for energy production. Albayrak commented on Moody's decision to downgrade Turkey's credit rating from Baa3 to "Ba1" or "junk" level, and said that Moody's decision is irrelevant to Turkey's current economic situation.

"In the economy, there are three main dynamics. Money, fiscal policies and political stability. If all of these are achieved, the economic climate is healthy. Turkey is strong in its monetary policy and it will continue with its financial discipline. Turkey will continue to be the most stable and trustworthy partner in its region and around the globe," he concluded.

SOCAR: Our investments show trust in Turkey's economy

AA Energy Terminal, *30.09.2016*

Investments in Turkey of Azerbaijan's state oil company SOCAR, worth around $20 billion, demonstrate trust in the country's economy, President of SOCAR said during his visit to Turkey's Energy and Natural Resources Minister.

SOCAR's President Abdullayev and SOCAR Turkey President Aliyev paid a visit to Turkey's Energy and Natural Resources Minister Albayrak, according to the company's statement. Both sides discussed the company's ongoing investments in Turkey which include the TANAP, and the STAR Refinery and Turkey's biggest petrochemicals firm, Petkim.

Abdullayev underlined during the meeting that 73 percent of the STAR Refinery, in the western region of Izmir, has recently been completed and they are working at full speed to complete the project on time to be operational by 2018. He also stated that Turkey will become one of the leading countries in the energy sector once the TANAP is completed.

TANAP will deliver Caspian gas to Europe via Turkey. The first delivery of gas from the Caspian region to Turkey is planned for 2018 while deliveries to Europe are anticipated in 2020. Abdullayev explained that all SOCAR's ongoing projects in Turkey are proof of their trust in Turkey and the economy. Aliyev said in the meeting that they intend to continue their successful performance of the third quarter of 2016 into the fourth quarter as well.

Government cuts natural gas prices by 10 pct as of October

Daily Sabah, *29.09.2016*

Energy and Natural Resources Minister Berat Albayrak announced that a 10 percent discount will be made in the natural gas prices as of Oct. 1. The discount in the natural gas prices will be reflected on the energy bills of citizens and industrialists in an annual discount of TL 2.5 billion ($800 million), thus dropping the average family annual natural gas bill by TL 125.

Following his visit to the Energy Market Regulatory Authority (EPDK), Energy Minister Albayrak announced the "good news package," which promises a 10 percent discount in natural gas prices and zero increases in electricity.

Following the decision in Turkey's favor in the Iran arbitration case, the discount, which will be applied to BOTAŞ, will be reflected as a discount in the domestic market depending on the outcome of the said case.

Energy Minister Albayrak said the decision in the arbitration case has not come to the signing phase, and since they promised citizens to execute this process before the winter comes, the planned discount will be reflected to the domestic market as of Oct. 1. This means that as of the said date, 10 percent discount will be reflected to both consumers and industrialists.

Pleased with the discount announcement in the natural gas prices, Albayrak said the decision will provide additional relief to average household's expenses. Pointing out that it will also contribute to the competition of Turkish industrialists regarding the energy costs that create a serious cost entry in the industry sector, the discount will affect the inflation along with a knock-on effect.

Noting that they do not foresee a rise in electricity prices, Albayrak said, "The market is liberal. Decrease in the electricity costs is highly likely in the coming period." With regards to the arbitration process with Iran, Albayrak said the court will be the final point and the Arbitration High Council is at the approval stage.

"Within a couple of months, the details of the decision will be announced and resolved. Details will be discussed with Iran once finalized," Albayrak said, stressing that the details of the discount will be revealed by the end of the year.

Touching on the course of relations with Russia and President Recep Tayyip Erdoğan's visit to St. Petersburg, Albayrak said the visit focused on improving the relations more than the pre-Nov. 24 period and stressed that the important agenda in Turkish-Russian relations is energy. "Turkish Stream had covered a certain distance before Nov. 24. We started the negotiations during the St. Petersburg visit.

In consequence of Putin's attendance in Turkey, during the week of the World Energy Congress, talks will still continue regarding whether positive steps will be taken by the two parties," Albayrak said, suggesting that ample progress will be achieved regarding the Turkish Stream during this meeting.

Albayrak said there are five or six regions specified regarding indigenous coal and stressed that they centered around the criteria of the supply/demand balance and the height of the calorific value. Indicating that the Çayırhan region came to the fore in terms of meeting the energy needs of the Central Anatolian Region with indigenous resources, Albayrak said, along with a $1 billion investment, 700-800 MW energy will be produced in Çayırhan, thus decreasing the cost of indigenous resources, production cost and providing employment opportunities.

Informing that the final stage of sustainable energy will be announced in October, Albayrak said they are currently expecting the outcome of an important bid way below the sustainable energy costs. "We are receiving intense demand both domestically and internationally. Turkey is one of the most important countries in the region. Foreign investors are also interested in this field which will attract million-dollar investments," Albayrak said.

For the last three months of this year, the total amount of natural gas payment (industrial and household) is expected to be TL 760 million. Thanks to the said discount, the natural gas bill for both citizens and industry sector will drop by TL 2.5 billion in 2017.

Thus, in the end, according to the price statistics list published by EUROSTAT, Turkey will be the cheapest country for both subscribers and industry among EU countries according to BOTAŞ's discounted price level. Romania leads the way in the current list, followed by Hungary and Turkey in subscribers, Bulgaria comes first in industry followed by Turkey.

Putin to visit Istanbul with Syria, natural gas on agenda

Daily Sabah, *29.09.2016*

Russian President Vladimir Putin will pay an official visit to Turkey on Oct. 11. The visit will focus on a number of issues including the Syrian crisis, the Turkish Stream and the restoration of business ties between Turkey and Russia through lifting select restrictions imposed on Turkish businessmen following the jet downing crisis. Putin will attend the Joint Economic Commission (KEK) meeting in Istanbul during his visit.

Information about the visit came from TOBB President Rifat Hisarcıklıoğlu, who met with the First Deputy Minister of Economic Development in Moscow.

Meanwhile, Russian Foreign Ministry spokeswoman, Maria Zakharova, said yesterday to a Russian website that Russia and Turkey are cooperating constructively in Syria, adding that the two countries could even conduct a joint operation in Syria.

“Apart from the period following the jet crisis, the two countries have long been talking about a strategic partnership despite differences and we’ll see whether this rhetoric will actually take shape during the visit,” Eşref Yalınkılıçlı, an Eurasian analyst and journalist, told Daily Sabah.

Saying that Moscow and Ankara are the two prominent actors in Eurasia, Yalınkılçlı underscored that Putin’s visit may define the new aspect of Turkey-Russia relations in future. “Turkey proved that it is the sole actor capable of conducting a ground operation in Syria, and the country knows Russia is the most important actor regarding solutions, as Western countries are not eager to do something to solve the crisis.

Despite the two countries’ historical grievances and power struggle in the region, the two countries can step into a strategic alliance and military cooperation, which somehow depends on fully restoring, and even pushing forward bilateral economic relations,” he said. He also added that both countries have shown maximum effort to avoid possible conflict in Syria, particularly in Aleppo via Bashar Assad and Syrian opposition.

Press Secretary for the Russia President Dimitry Peskov also confirmed that Putin may visit Turkey in October. “We will make the necessary announcement when all preparations are complete,” Peskov told reporters in Moscow.

The last time Putin visited Turkey was at the G20 Antalya Summit in November 2015. Relations between the two countries hit a low in November 2015 after Turkish jets downed a Russian Su-24 bomber near the Syrian border for violating Turkish airspace. Turkey provided radar data that the Russian planes breached the border while Moscow insisted that the warplane had not crossed the border.

In the beginning, Erdoğan and Putin exchanged harsh criticism and ultimatums in the wake of the jet crisis. The Kremlin directed accusations at Ankara and imposed sanctions that continue to deal a heavy blow to Turkey’s tourism sector. Tension between the two countries settled when President Erdoğan expressed regret for the downing of a Russian military jet to Vladimir Putin back in June.

What the analysts say of the Jordanian deal

Globes, 29.09.2016

Analyst Jonathan Shohat of Leader Market agrees that this is a significant milestone for the Leviathan partners. "We estimate that the actual significance of the signature of this contract is that an FID will be taken by end of this year, and the development of the field, in accordance with the updated development plan".

From the point of view of valuation, Shohat estimates that the contract justifies reducing the capitalization coefficient, "which will lead to an increase in the value of the field and the value of the partnerships (Avner, DD and Ratio).

In accordance with our model, every 1% change in the capitalization increases the value of the field by 20%. Prior to the announcement, we had valued the Leviathan field at $5.5 billion and a 1% reduction in the capitalization now increases the value of Leviathan to $6.5 billion". Shohat adds that "it is reasonable to assume that we will now see progress with the financing institutions and of course signature of other contracts, both in the local and export markets as well as an export contract with the LNG facility in Egypt".

Analyst Ella Fried of Leumi Capital Market writes that now the country will to act to enhance the development of the distribution network and to create additional massive demand by converting IEC's coal power stations.

"These steps are not simple, and require the consent of IEC, which is already required this year to reduce 15$ of its coal stations to gas". According to her, "the average price that stems from the gas agreement with Jordan is absolutely good, but it is based on the partnerships' forecasts, and the floor price is not known. Although the announcement is not positively surprising from the economic point of view, it is also certainly not trivial, and could certainly make it easier to export gas to the Palestinian Authority and Egypt. Leviathan's main challenge now is the low prices and surplus volumes of LNG. On the geopolitical level, this is in fact a break-through".

Gal Richter, energy analyst at Jerusalem Brokerage estimates that "during the fourth quarter another GSA will be signed to sell gas to a pivotal client in the local market, whilst the picture regarding progress on the regional gas agreements to Egypt and Turkey will only become clear during 2017". According to her, the-FID will be taken at the end of 2016 or the beginning of 2017 and production from the field will only start in 2020". Richter still does not upgrade her target price for the partnerships and has Ratio had 36 agorot, which is 20% higher than on the stock market and a "buy recommendation with a high risk" (her preferred choice); Delek Drilling has a "buy recommendation" and a target price of 13.94 shekels which is 17% higher than the market; Avner is at "market perform" with a target price of 2.5 shekels, which is 4% lower than the market.

Calcalist (Doron Peskin)

The Jordanian gas market has no choice but to do the gas deal with Israel, because of the hike in its power generation costs based on oil and the loss of the markets in Syria and Iraq. As long as King Abdallah is in power and the threat from Isis is only intensifying, the cooperation is likely to continue.

At the end of the day, Jordan decided to sign a gas agreement with Israel primarily for economic reasons. However, from the political point of view, the gas agreement is not an easy step for the Jordanian leadership, especially in the wake of the strengthening of the Islamic sentiments in the Jordanian street and signs of more extreme religious fervor amongst the young Jordanians, mostly because of the harsh economic situation in Jordan over the last few years following the chaos reining amongst its neighors and the threats both at home and abroad from Daash.

Despite the heavy pressure put on the government in Amman over the last few months on the issue of the gas deal with Israel, the Jordanian deputy Prime Minister Anani hinted in an interview he gave to the Arab press at the end of last month of the direction that matters were taking. In the wake of criticism from anti-Israeli entities in the Kingdom, Anani courageously stood up and declared that the option to import gas from Israel indeed existed and that it was also the most economic option because of the close geographic proximity of the Israeli gas.

According to some reports, Jordan tied the agreement with their right to increase their trading with the West Bank as compensation for having lost their markets in Syria and Iraq. From the point of view of the Jordanian gas market, there is no choice but doing a deal with Israel. Jordan has been suffering these past few years from a hike in the cost of its electricity generation which is based on liquid fuels and it needs cheaper alternatives. According to estimates published by the Kingdom's ministry of energy, it needs 400 mmcmg/d to meet its electricity demand.

Over the last two years, since the MOU between Jordan and Israel became known, a majority was established against the deal in the Jordanian Parliament, even if they don't have the authority to thwart the deal.

By coincidence or not, the announcement of the agreement came one day after the Jordanian government resigned and the establishment of the new government. The change-over came about just a few days after the elections for the Jordanian Parliament, at the end of which it became clear that at least 10% of the seats would be taken up by Islamists linked to the Muslim Brotherhood Movement. Despite this, the important decision about the gas rests with the King. As long as this situation perseveres, the cooperation between the two countries is expected to continue.

Haaretz (David Rosenberg)

Shalom, Jordan? The history of energy deals isn't one of 'peace pipelines' but of exactly the opposite. Take Russia and Ukraine. Old timers will recall Shimon Peres' book "The New Middle East", which envisioned Israeli technological prowess joining up with Arab oil money to bring peace and prosperity to everyone. No groans, please. True, the idea never got off the ground, but not so much because its economics were so terrible, but because politics wouldn't let it.

Commercial relations with the two Arab countries that have formal diplomatic relations with Israel are virtually zero. Israel's high-tech industry found the capital and partners it needed a long time ago, in Silicon Valley. Israel's IDE Technologies, which makes some of the world's most advanced desalination equipment, is up for sale because Arab countries – the world's biggest market for the stuff --won't touch it.

This week, however, we saw a funny twist on the New Middle East vision: Jordan agreed to buy $10 billion or so of Israeli natural gas over15 years. Who would have imagined 25 years ago, when Peres' New Middle East book came out, that Israel would be selling an old-economy fossil fuel to a desperate, energy-poor Arab country.

Jordan has plenty of neighbors with big energy resources – Saudi Arabia, Iraq and Egypt – but politics of one kind of another make importing gas from them impractical, and so Israel has become the supplier of default. This is actually the second agreement with Jordan: it had previously committed to import gas from Israel for its Dead Sea chemicals companies.

The kingdom has put its energy future in Israel's hands. The Palestinian Authority will also probably be buying Israeli gas, there's talk of a deal with Egypt and, of course, with Turkey. Is this the start of the New Middle East without the computer chips or solar panels? Don't count on it.

Netanyahu has on many occasions defended his controversial energy policy, which put development of Israel's gas resources ahead of antitrust and other concerns, on national security grounds: Not only does Israel need to have multiple sources of gas to ensure its supply isn't threatened by war or terrorism but to make itself a useful friend to its neighbors by being their energy supplier.

That's true enough, on one level. Jordan is in dire economic straits and is coping with Islamic extremism, evidenced by the shooting outside an Amman courtroom this week of a writer being charged with blasphemy. Reducing its enormous energy bills with cheap Israeli gas would take an important item off the kingdom's long list of problems.

The idea central to Peres and Netanyahu's thinking is that economics can trump politics. And they aren't alone, American diplomats have been encouraging energy deals between Israel and its neighbors in the hope that "peace pipelines" will serve as the basis for closer political relations. Unfortunately, the history of energy deals is replete with instances where exactly the opposite happened -- take Russia and Ukraine, or China and Vietnam. Certainly in the Middle East, where regional trade and economic cooperation is virtually nil, politics is in the driver's seat, especially when it comes to Israel.

Buying gas from Israel is anathema for many Jordanians, and the opposition, led by the Muslim Brotherhood, has tried to block it. It was probably not a coincidence that it was announced right after parliamentary elections in Jordan were over.

To assuage opponents, the agreement contains a fig leaf designed to cover up the stench of the gas's origins by having it delivered by a non-Israeli intermediary, although since it will be coming by pipeline, the fiction is going to be pretty thin. Not that the deal's opponents have any better solutions; the point is anything but Israel, including theoretically living in the cold and dark.

Israel's gas is going to win us customers, but it's not going to win us smiling partners looking off into the distant horizon with us to a better future together. Long-term deals and multi-billion-dollar pipelines neighboring countries may look secure on paper, but this is still the same old volatile Middle East.

Calcalist (Roni Zinger)

At the start of the cabinet meeting, Netanyahu said: "it is precisely because of this that we promoted the gas outline"; the Prime Minister said to Steinitz: "I want to thank you Yuval for the effort".

At the opening of the cabinet meeting on Tuesday morning, PM Netanyahu relate to the gas deal with Jordan and said that "yesterday we hear about the signing of a gas export agreement between the Israeli gas companies, the gas companies that deal with producing gas from the seabed and the Jordanian Electricity Company. This is a very important agreement. It promotes the Israeli energy market, it strengthens the relationship with Jordan and it is explicitly because of this that we promoted the gas outline".

Netanyahu added that "we are taking the gas out of the ground and the state benefits from the huge geopolitical, economic and social fruits that are inherent in the gas. I want to thank you, Yuval, for the effort that you have invested in this sector for a long time now". Netanyahu also referred to his meeting with the US Presidential candidates and repeated the strong ties that exist between the two countries….

Yediot (Amir Ben-David)

First major contract for the Leviathan partners: will sell gas to Jordan's electricity company for 15 years. Steinitz: "An historic moment" Six years after the start of negotiations with the Jordanians, Leviathan signed its first export contract on Monday with Jordan's National Electric Power Company. The reservoir will supply 45 BCM over a period of 15 years for a total of $10 billion. The final price in the contract is lower than the $15 billion estimate in the 2014 LOI. The new agreement could kick start the reservoir's development and the partnerships hope to finalize additional contracts which already have signed LOIs, including supply contracts with Egypt's LNG plants.

Although 3 BCM a year isn't a large amount, the agreement is important for the partnerships because of its overall scope and can help them obtain finance for development. Gas supply will commence once the reservoir is developed, which is expected to get underway in the coming months with the arrival of a rig that will drill additional wells in the license area and completed in three years, according to Noble's estimates.

The gas will be delivered via the national transmission system using a pipeline that is currently under construction in the south and a pipeline that is slated for construction in the Be'et She'an area.

Yossi Abu, Delek Drilling and Avner CEO: "The signing of the agreement is an historic day and positions Leviathan as an anchor in the regional energy map. Gas supply will enable our neighbors in Jordan to enjoy the same clean, efficient and cheap energy Israeli citizens consume, which will contribute to the economic prosperity of both countries and help strengthen the ties between them."

Bini Zomer, Noble Israel country Manager: “The contract is historic in its contribution to the development of the O&G industry in Israel, the positive impact it will have on the economy, environment and energy security, and most importantly the relationship with neighboring countries. Noble is proud to be a partner of Israel and its citizens in the development of this industry and looks forward to enhancing these benefits by expanding the domestic market and exports to neighboring countries.”

Minister Steinitz: “The agreement is a national achievement and an important milestone in strengthening relations and strategic cooperation between Israel, Jordan and the entire region. The opponents of the outline should ask the forgiveness of the people of Israel this Yom Kippur. If their deceptive and delusional campaign had succeeded, Israel would have lost one of its most important strategic assets.

The outline is proving itself and will lead to the rapid development of Leviathan. This is an historic moment, Israel has become an energy and gas exporter for the first time. Additional agreements with other countries will follow, along with additional discoveries.”

During trade on Monday, Ratio was up 6.2%, Delek Drilling and Avner gained 6.3% each, Delek Group rose 5.1% and Delek Energy rose 4.8%. Noam Pincu, Psagot’s analyst: “The signing of the export agreement is a significant boost for the Leviathan project. The market was looking forward to the contract with Jordan, which is the reservoir’s first anchor contract.”

MK Shelly Yachimovich: “Steinitz should be ashamed that a year has passed since the acclaimed outline and Israel’s citizens are still waiting for the promise of gas. There isn’t a second pipeline yet, the prices are excessive, there are no distribution infrastructures and even IEC is forced to buy coal because it’s cheaper than the inflated price awarded to the gas tycoons. “

Yediot (Smadar Perry)

How will the gas agreement affect the relationship between Amman and Tel Aviv? The answer can be summed up in two words: it won’t. The reason: No change is expected between Jordan’s regime and intelligence community and their counterparts in Israel.

What was will be, and anything happening behind the scenes is not spoken aloud. There is understanding at the top, chemistry, clear goals and shared interests. There is also mutual professional appreciation and trust that dates back to before the signing of the peace treaty in October 1994. The Jordanians generals know there is someone to count on, and vice versa.

In contrast, on Jordan’s streets, in political forums, campuses, Palestinian refugee camps, and cities such as Ma’an and Irbid we have a problem. The atmosphere of peace hasn’t trickled down. Not a week has gone by in the last 22 years without calls for closing the Israeli embassy and evicting the “Zionist” diplomats. Security forces often have to fend off the protest marches on the embassy in the al-Rabieh neighborhood, where the Israeli diplomats reside. The headlines in Jordan’s press on Monday reveal that contrary to Steinitz’s declaration about a “national achievement” and his rash assessment that the agreement will strengthen relations, the other side chose to emphasize the American involvement in reaching the deal and Noble’s “umbrella,” while referring to the partner on our side as “Israel.”

Those who can read between the lines know that alluding to “Israel” in quotation marks is a signal by the opponents of normalization to be cautious of any joint ventures and cooperation. True, we haven’t heard anyone in Jordan denouncing the agreement. The intellectuals realize that there is no other source of supply for the essential gas. Up until the fall of Mubarak in 2011, Jordan took advantage of the Egyptian pipeline that delivered gas to Israel via Sinai, but the series of attacks and the rise of the Muslim Brotherhood buried all understandings.

The average citizens knows that it’s better for them not to protest the agreement with the “Zionist enemy.” The opponents of peace understand that the King, the same as in Israel, considers the gas agreement to be a “vital national interest.” It’s easy for the regime to conduct its affairs with Israel. They know that if they fall behind on their payments, the Americans will cover the debt.

A positive signal would only be if Jordanian delegations make public visits to Israel and if the intellectuals, traders and dozens of other visitors who arrive here won’t have to hide. In the meantime, they are still in fear of being tried by the public if they are suspected of cooperation or “normalization”.

Bizportal (Guy Ben Simon)

One day after the signing of the partnership’s agreement with Jordan, the CEO of Delek Drilling Yossi Abu spoke about the agreement in a conference call to investors and besides providing a description of the deals of the deal, Abu revealed that the gas partnerships expect that demand in Jordan will increase beyond the volume of gas signed and that the transmission line to Jordan can also supply gas to Egypt.

Yossi Abu: “the Jordanian gas market, even before the gas crisis with Egypt, already needs gas very significantly. Similar to what happened in Israel, the volume of supplies were reduced significantly because of the crisis in Egypt (with the bombings of the pipeline), so that the Jordanian market has to use alternatives.

According to our estimate, and that of the Jordanian Ministry of Energy, the rate of gas demand is expected to increase to 5 bcm a year by 2020. If we will be competitive in our price, we hope that we will be able to supply more gas than what we said in our base estimations.

Most of the demand in the Jordanian market is based on the electricity market, similar to in Israel, and there is also gas demand in industry such as for their Potash or Bromine factories, which are the companies that have entered into an agreement with Tamar.”

The agreement that we entered into, is with the Jordanian Electricity Company which is fully owned by the Jordanian Government and it also controls the Jordanian transmission system. In other words, it is similar to the Israeli electricity market prior to the development of competition.

Israel intends to be connected to the Jordanian grid via an entry point in the south at the Dead Sea area and an entry point in the north (Fajr) near to Beit Shemesh which will be connected to the Jordanian national transmission system, and also to the transmission system that can potentially transmit gas from Jordan to Egypt.

Once we have connected to Fajr then we will be able to not only regarding the Jordanian energy market as a relevant market for us, but also beyond this, since the infrastructure to the Egyptian system already exists.”

“We hope that by the end of the year that exports to Jordan will start from Tamar. The agreement that we signed is done in such a way that it is possible to export gas to all the areas in Jordan via the northern entry point, with the pipeline that will in the future connect Leviathan. We assume that this pipeline can be constructed about one year before the flow of gas from Leviathan”.

“In 2014 we signed an agreement with the Jordanians that was the basis for the detailed contract that we now signed. The agreement includes a mechanism to increase the supply under mutual agreement. If the volumes are increased there is a mechanism within the GSA, but there is no undertaking by the parties to increase the volumes.”

“The agreement is a break-through in the giant steps taken by Leviathan to reach FID. FID in the oil and gas world is very complex. Namely, all the partners must be committed to the project that has to be approved to the end and this has all kinds of ramifications. In order to reach FID one has to take care of a number of parameters: regulation, commercial agreements, completing the engineering work, which is what we are currently doing, and the fourth side is the financing. We are working in order to put the puzzle together to reach FID.”

It is no secret, that already this year, we saw that Tamar was working at peak production and unable to supply all of the demand in the market. The demand will grow over the next few years so that by 2019 Tamar’s ability to supply all of the market’s needs are limited. During these years there will be a shortage of gas until Leviathan is on line so that it will be necessary to use alternative fuels”, concluded Abu.

Jerusalem Post (Herb Keinon & Sharon Udasin)

Energy minister Steinitz to meet with Greek, Cypriot counterparts in Athens on Wednesday. After signing a massive gas deal with Jordan, Israel is now looking to lay a pipeline to Cyprus and Greece, so Israeli gas can be exported there and to other European countries, National Infrastructure, Energy and Water Minister Yuval Steinitz said Tuesday.

Steinitz made the remarks while speaking to reporters before the weekly cabinet meeting that was pushed from Sunday to Tuesday because Prime Minister Benjamin Netanyahu was in the US. He related to Sunday’s announcement of a massive gas deal with Jordan, saying it was an “historic” day for the country, because for the first time in its history it became an energy exporter.

Steinitz said that he was going to Athens on Wednesday to meet with his counterparts in Greece and Cyprus to discuss the laying of a “long” pipeline to Cyprus and then to Greece, and from there further inland to other parts of Europe. “We will export gas to other countries in the region, and also to Europe,” Steinitz said. “That will turn us into a world energy player and enable us to discover and develop additional large gas fields.” In January, the leaders of Israel, Greece and Cyprus gathered in Nicosia to adopt a joint cooperation declaration, which diplomatic officials in Jerusalem hailed as nothing less than a “strategic alliance” in the eastern Mediterranean.

Netanyahu, Greek Prime Minister Alexis Tsipras and Cypriot President Nicos Anastasiades all hailed as “historic” the declaration that spelled out the areas where the three countries pledged to cooperate.

The Leviathan reservoir developers aim to complete construction and development of the field, and begin delivering gas to Jordan, in as little as three years, Noble Energy said. While the contract signed with NEPCO is the first such deal to occur between Israeli reservoir stakeholders and a Jordanian government body, gas is soon expected to start flowing to two private companies across the border.

In February 2014, the partners in the neighboring Tamar reservoir signed a $500 million deal to supply 1.8 BCM of gas to the Jordan Bromine and Arab Potash companies, over a 15-year period. Gas is expected to begin arriving to these firms in late 2016, according to Noble Energy, which is also a partner in Tamar.

How long will OPEC hot air continue to fuel oil prices

Oilprice, *29.09.2016*

OPEC shocked the oil markets, moving past their differences to agree on the first collective production cut since the global financial crisis. The surprise agreement sent oil prices skyrocketing by more than 6 percent.

The announcement had strong impact on oil prices because a production cut was not thought to be under consideration. The meeting had been billed as “consultative,” not a meeting where decisions would be made. OPEC officials said the deal was on the table was just for an output “freeze,” not a cut. If OPEC wanted to signal that it could still function as a group and was still relevant to the oil markets, it succeeded.

However, the devil will be in the details. OPEC said that it would trim its output from the current 33.24 million barrels per day (mb/d) to 32.5 mb/d. But it did not apportion the reductions to any of its members. Who will cut and by how much will be decided at the official meeting in Vienna on November 30.

Given OPEC’s track record of discord, one could be forgiven for being distrustful of the group’s ability to not only cordially agree to allocated production cuts, but even if such an outcome can be obtained, it is also possible that individual members do not abide by the limits. Each member is not eager to cap their production, and two years of low oil prices has made them intent on making up lost revenues on volume. Putting aside that skepticism, if OPEC can proportion out roughly 740,000 barrels per day of production cuts between its members, even then the impact should be viewed by the oil market with a bit of a shrug, or at least a skeptical eye.

That amount is not exactly a game changer. First of all, that is roughly the volume that was lost in Nigeria for much of this year due to attacks from the Niger Delta Avengers. Oil prices did rise quite a bit between February and June when the attacks were at their most intense, but they did not reach much beyond $50 per barrel.

Another reason why the OPEC cut may not be a very big deal is because Saudi Arabia may have been planning on reducing production anyways. Saudi Arabia typically ramps up production in summer to meet peak season demand – the kingdom uses oil in its electricity sector and air conditioning needs spike during the sweltering summer months. Then, as temperatures cool, output falls a bit.

Saudi Aramco might have had output cuts slated for this fall and winter. Agreeing to an official “production cut” with OPEC members could be a bit of clever marketing for an operational plan already in the works. From Saudi Arabia’s perspective, if that brought other OPEC members on board for some production limits, then it is a win without involving much sacrifice.

To be sure, a seasonal cut from Saudi Arabia was not inevitable – if OPEC members balked at any limits, Riyadh could have kept up the pressure. Nevertheless, Saudi Arabia needs higher oil prices, and so it will probably move forward with some seasonal maintenance.

And in a sign of how desperate it is to boost prices, Saudi Arabia allowed its rival Iran to be exempt from the production limits. Libya and Nigeria will also not be subject to the limits, due to the enormous interruptions suffered in those two countries. Interestingly, Iraq, after years of not being subject to production quotas (back when OPEC followed them), was not included in the exemptions.

The OPEC cuts could potentially be swamped by other sources of output. Russia added 400,000 barrels per day from August to September. Nigeria could bring a few hundred thousand barrels per day back online.

Libya has already added nearly 200,000 barrels per day in recent months, and is targeting another 500,000 barrels per day of increased output. And the massive Kashagan oil field in Kazakhstan is set to come online before the end of the year, and could add as much as 370,000 barrels per day in 2017 (although those estimates are debatable). All of those gains have the potential to more than offset the planned cuts from OPEC of about 700,000 barrels per day.

Moreover, if oil prices rise, it could greenlight new drilling around the world. State-owned companies will be pleased, but so will publically-traded companies large and small. “This gives U.S. producers more confidence,” James West, partner at the investment firm Evercore ISI, told Reuters. “They may become a touch more aggressive than they had planned to be.”

But, despite the criticism and the numerous obituaries written about OPEC over the past two years, the group is obviously still relevant. Even if the supply cuts are underwhelming, the psychological effect the group has on the markets is still enormous. Oil prices surged more than 6 percent on Wednesday and the share prices of energy producers around the world surged. It remains to be seen if the rally can continue.

In OPEC hotel, dealmaker's gambit wins Saudi-Iran agreement

Bloomberg, *30.09.2016*

Noureddine Boutarfa, the Algerian oil minister who hosted this week's OPEC meeting, resorted to one of the oldest tricks in the dealmaker's book: He put his fellow ministers in the same hotel in the middle of nowhere.

The strategy worked. Corralled on two floors of the Sheraton Club des Pins Resort, a hotel with the appearance of a corporate headquarters about a 40-minute drive from central Algiers, representatives of the OPEC had little to do except talk to each other. Boutarfa himself left his Algiers residence to check into one of the hotel's suites so he could mediate between regional rivals Saudi Arabia and Iran.

After two days, he declared victory -- OPEC agreed Wednesday on the outlines of its first production cut in eight years. The details still need to be ironed out. "The announcement signals that OPEC seems to be ready to return to supply management after letting the market largely re-balance itself over the past two years,'' said Gordon Gray, global head of oil and gas equity research at HSBC Holdings Plc in London.

Despite the dramatic announcement in Algiers, which followed a nearly five-hour OPEC meeting, the seeds of a policy shift were planted months ago. In early May, Ali Al-Naimi, the architect of the pump-at-will policy OPEC adopted in late 2014, retired after 20 years as Saudi oil minister. His successor, Khalid Al-Falih, initially supported the policy he inherited from Al-Naimi, but he also wanted to make his own mark, according to people familiar with the Saudi's thinking who asked not to be named.

Al-Falih started his tenure by trying to repair his country's relations within the organization, particularly with Iran and Venezuela, during the June OPEC meeting in Vienna. He also encouraged ongoing back-channel conversations involving Qatar, Algeria, Russia and Iran.

By the middle of August, Riyadh had determined that its strained economy needed a boost that higher oil prices could provide -- not a return to the old days of $100-plus a barrel, necessarily, but certainly something higher than $50 a barrel. Without an intervention, the risk was a return to prices below $40 a barrel and the looming specter of more unpopular domestic austerity measures. In addition, Saudi Arabia started to worry that current prices would reduce further investment in new energy projects, contributing to an uncontrollable boom cycle.

But Saudi Arabia and Iran remained far apart. Tehran insisted on accommodations because of its emergence from nuclear sanctions, which curbed its production for years, according to a person briefed by Iranian officials. Iran argued that Saudi Arabia should cut its output back below 10 million barrels a day. The countries had differing views of what Iran should produce.

Riyadh wanted Tehran to freeze at a level of 3.6 million barrels per day, while Iran insisted on production of at least 4.2 million barrels. The gap narrowed in meetings in Moscow, Paris and Vienna. But as recently as a month ago, the difference between Saudi Arabia and Iran was still roughly 1 million barrels a day, about the same output of fellow OPEC member Algeria.

Government officials got involved. At the G20 summit in Hangzhou, China, in early September, Russian leader Vladimir Putin sat down with Saudi Arabia Deputy Crown Prince Mohammed bin Salman. Hours later, Saudi and Russian oil ministers appeared in a joint press conference. The message was clear: Riyadh and Moscow were working together.

The final push came over the last 10 days, with a two-day secret meeting in Vienna involving senior Saudi, Iranian, Qatari and Algerian delegates. The officials didn’t manage to resolve all their problems, but they narrowed the gap between Riyadh and Tehran to about 600,000 barrels a day.

On the eve of the OPEC talks in Algiers, Al-Falih made a final concession, for the first time saying that Iran -- alongside Libya and Nigeria -- should be allowed to “produce at the maximum levels that make sense.’’

The olive branch was well-received. By the time OPEC ministers gathered on Wednesday afternoon, the gap was cut to only 200,000 to 400,000 barrels a day, according to people briefed on the matter. Bijan Namdar Zanganeh, the Iranian oil minister, signaled the rapidly shifting talks.

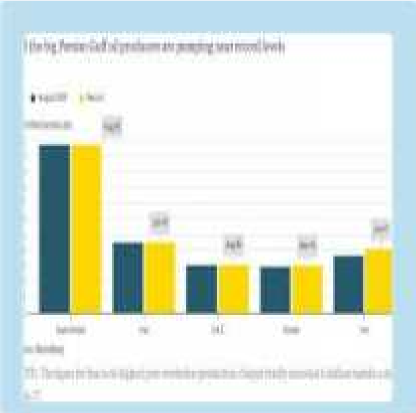
“It’s not a decision-making meeting, but after all I think big steps will be taken today,’’ he told reporters in Algiers before the meeting began. Five hours later, OPEC emerged with a deal: a production cut that set a target of 32.5 million to 33 million barrels a day, a little below current output. Brent prices surged, closing 5.9 percent higher.

The global benchmark, trading down 1.7 percent at $48.39 a barrel as of 11:40 a.m. in London Friday, is headed for its biggest weekly gain since Aug. 19, when prices were rallying following the announcement members planned to meet. “Saudi Arabia and Iran have become more flexible in discussing the parameters by which OPEC is getting ready to achieve target levels,’’ Russian Energy Minister Alexander Novak said on state television Thursday.

The work isn’t done, however. The group, which accounts for nearly 40 percent of the world’s petroleum supply, will discuss details of the deal at its next meeting, scheduled for Nov. 30 in Vienna. There are plenty of world-class hotels spread throughout the heart of the Austrian capital. Negotiators will need new tricks.

Iraq's OPEC revolt shows Saudi-Iran oil deal fragility

Reuters, *29.09.2016*



For years, debates in the OPEC conference room were dominated by clashes between top producer Saudi Arabia and arch-rival Iran. But as the two managed to find a rare compromise - with Riyadh softening its stance towards Tehran - a third OPEC superpower emerged. Iraq overtook Iran as the group's second-largest producer several years ago but kept its OPEC agenda fairly low-profile.

Baghdad finally made its presence felt. What it did, however, pleased neither Saudi Arabia nor Iran. Iraq's oil minister al-Luaibi told Khalid al-Falih and Bijan Zanganeh "it was an OPEC meeting for all ministers", a source briefed said.

Luaibi also said he didn't like the idea of re-establishing OPEC's output ceiling at 32.5 million barrels per day (bpd), according to sources in the Organization of the Petroleum Exporting Countries. Reviving a ceiling, abandoned a year ago because of a Saudi-Iranian clash, was seen by some members as crucial in helping OPEC manage a vastly oversupplied market and prop up prices that stand well below the budget needs of most producers.

But Luaibi told the meeting the new ceiling was no good for Baghdad as OPEC had underestimated Iraq's production, which has soared in recent years. Confusion followed, according to sources, and after a debate OPEC chose to impose a ceiling in the range of 32.5-33.0 million bpd - a decision dismissed by many analysts as weak and non-binding. OPEC's current output stands at 33.24 million bpd.

As ministers including Falih and Zanganeh emerged smiling from the room and praised OPEC's first output-limiting deal since 2008, Luaibi called a separate briefing to complain about OPEC's estimates of Iraqi output.

"These figures do not represent our actual production," he told reporters. If by November estimates do not change, "then we say we cannot accept this, and we will ask for alternatives". Luaibi went even further and asked a reporter from Argus Media - whose data OPEC uses among other sources to compile estimates of countries' production - to disclose from where Argus' estimates were coming.

"Your sources are not acceptable. And if there is deviation from the government, then Argus will not work in Iraq," Luaibi told the Argus reporter. Luaibi's revolt shows the fragility of the OPEC deal. Between now and November, when OPEC meets formally in Vienna, the group will have to overcome huge obstacles to agree a binding deal. Key among them will be to establish at least some semblance of country quotas to make sure members limit global oversupply, which has helped halve prices since 2014 to below $50 a barrel.

Iran insists it wants to raise output to around 4 million bpd as it emerges from European sanctions. The Saudis have proposed that Iran freeze production at 3.7 million bpd. Riyadh is offering to cut its own production to 10.2 million bpd from 10.7 million but most analysts argue it will fall to such a level anyway as the summer heat eases, reducing the need for cooling.

Iraq has seen spectacular gains in output in recent years and is asking oil majors to expand production further to above 5 million bpd from the current 4.7 million. “The deal is a bit of a farce,” one OPEC source said. A source familiar with Iranian thinking said it was still positive that an agreement had been reached: “No one will offer anyone a free ride. Technical committees will work out details.”

For Michael Wittner, head of oil research at Societe Generale, the decision shows Saudi Arabia is turning its back on letting the market manage supply. “It remains to be seen how many real barrels will be removed from the market. To me, the significance is way beyond that: they all sat down in a room and made a decision.”

Russia decries ‘castles in the sky’ as plans converge on $40 oil

Bloomberg, *23.09.2016*

Oil has traded above $40, but Russia’s future economic plans increasingly revolve around crude prices at that level. The price of Russia’s main export blend Urals at $40 a barrel will be used to calculate the country’s budget in 2017-2019, and a fiscal mechanism that will go into effect from 2020 should be set at the same level -- or $10 less than previously suggested, Finance Minister Anton Siluanov said.

The budget rule, which would prevent the government from spending surplus revenue above a pre-set oil price, aims to insulate economy from ups and downs in crude the exchange rate by withdrawing all additional income into reserves.

“Plans can’t be made under the assumption that prices will grow and demand for our products will rise,” Siluanov said. The Finance Ministry “always advocates a position against building exuberant plans, castles in the sky.”

Its budget still squeezed after the collapse in oil, Russia has been revisiting a policy suspended this year that capped spending based on a backward-looking average for oil. While a rebound on commodity markets has lifted the ruble and helped the economy endure its longest recession in two decades, oil has fluctuated since August’s rally on speculation the Organization of Petroleum Exporting Countries and Russia will agree on ways to stabilize the market when they meet Sept. 28. Already running its widest deficit since 2010 this year after oil’s collapse, Russia is preparing its budget for the next three years.

The Finance Ministry has proposed a fiscal gap of 3.2 percent of gross domestic product in 2017, compared with about 3 percent in 2016. It then plans to reduce the shortfall by one percentage point each year to balance the budget by 2020.

Brent crude, which is used to price Urals, is up 3.7 percent this week, trading at $47.50 in London on Friday. The price of oil in rubles is at 3,041, compared with the level of 3,165 which Russia used as a basis for this year's budget.

The global oil oversupply will persist into 2017 as OPEC members such as Saudi Arabia pump near record levels, others such as Iran and Iraq bolster capacity and production outside the group weathers the price slump, according to the IEA. Prices may struggle to hold above $40 a barrel unless OPEC acts, Citigroup Inc. predicts.

The head of Russia's budget watchdog Audit Chamber, Tatyana Golikova, in an interview last week urged authorities to resume discussing the budget rule, which she said should use crude's current level. Any additional income at a higher price would be saved away, according to Golikova.

"Thanks to a safety cushion, we were able to pass through three years, and we'll have enough reserves to last us another three years," Siluanov said. "The entire windfall income needs to be channeled into reserves."

Speaking at the same event on Friday, Bank of Russia Governor Elvira Nabiullina reiterated that the budget still presents a threat for price growth. "If it's unbalanced and a medium-term strategy for consolidating it isn't clear, the budget by itself presents pro-inflationary risks," she said. "The budget's structure is very important to us. Even with a small deficit, spending decisions may be made that are very pro-inflationary."

Genel Energy chair Tony Hayward 'to step down next year'

Reuters, *29.09.2016*

Tony Hayward, the former BP boss, is set to step down next year as chairman of Genel Energy, which he founded in 2011 and became the biggest oil and gas producer in Iraqi Kurdistan Regional Government (KRG), three sources close to the company said.

Today, Genel is struggling with a drop in oil prices, regional conflict and a large reserves downgrade. The 59-year-old, whose tenure at BP ended abruptly following the deadly 2010 Deepwater Horizon Gulf of Mexico spill, has in recent weeks said in closed discussions he plans to quit his post in the second half of next year, the three sources said.

A company spokesman said that no decision has yet been made regarding the timing of such a transition. “Genel is committed to having a strong board and, as you would expect, carefully considers succession planning in order to ensure a smooth transition of key roles at appropriate times,” the company said.

Hayward, who is also the non-executive chairman of commodities giant Glencore, has short listed a number of candidates who could succeed him which “would have prominent standing in the City,” one source said, referring to London’s financial community. He is expected to present his nominees to the board in the next few months.

After leaving BP in 2010, Hayward teamed up with financier Nat Rothschild to create investment vehicle Vallares which merged with Genel Energy in 2011. Hayward was named Genel chief executive with a mandate to expand operations in Kurdistan and Africa at a time of soaring oil prices.

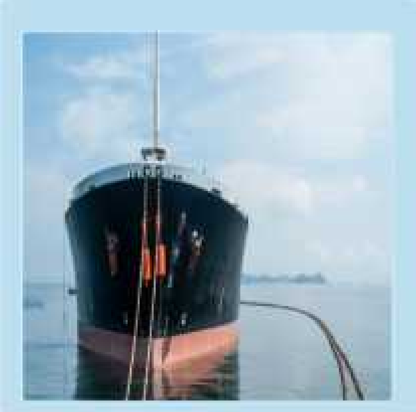
A string of disappointing oil exploration campaigns in Malta, Angola and Morocco led to a $480 million write-off in early 2015. Plummeting oil prices and escalating violence in Iraq and neighboring Syria that led to large delays in payments for oil sales to the KRG also piled pressure on the company.

Genel’s stature was reduced when earlier this year it announced the halving of the reserves estimate at its flagship Taq Taq field in Northern Iraq and a subsequent $1 billion write-off which led to its biggest-ever annual loss.

The company is now increasingly turning its focus to the Turkish gas market with the development of the Miran and Bina Bawi fields in Kurdistan Genel hopes to connect via pipeline to neighboring Turkey. In a sign of the shift in focus, Hayward stepped down as chief executive in July 2015 and was succeeded by Turkish national Murat Özgül last year.

Traders react to French nuclear fears, Europe's power and gas markets soar

ICIS, *28.09.2016*



European traders pumped fresh risk premium into wholesale energy products for delivery this winter at power and gas markets on Wednesday in reaction to nuclear supply fears in the northwest of the continent.

But a consensus after the close that gains were not wholly fundamentally driven and hence were overdone could pave the way for a downward correction. The nuclear concerns centred on French incumbent EDF's fleet of reactors, after news filtered through to energy markets that 12 of the generator's reactors may be subject to further technical inspections which could limit their output into 2017.

In an unusual twist, the news appeared to have been leaked – following a briefing described by an angry EDF press officer as strictly "off the record" – by a French magazine website. European energy companies are required to transparently report all future outage information via a public forum as soon as it is practicable to do so, to guard against insider trading.

The nature of the leak suggests that EDF would not have been fully aware of the fundamental impact on supply, the length of any outages, or even if the extended outages would occur, and therefore no public statement was made in advance.

It also raises the question of when such information should be reported: should it be reported when an outage situation is considered likely to happen, or only when it is definitely known that it will happen. The EDF spokesman insisted the news that had been reported was little more than a continuation of old nuclear output target news published by EDF the previous week.

But the nature of events, erroneous or not, did not stop traders, primed to cover positions quickly amid a flow of recent news regarding northwest Europe's struggling nuclear reactors, from piling in to relevant contacts.

The French Q1 '17 Baseload was up a huge 17% at €55.90/MWh by the close, a near €8.00/MWh increase. Winter contracts in Italy, which shares physical connections with France, were also aggressively bid higher. Even Germany, a market usually large enough to absorb any shifts in supply risk in neighbouring countries with minimum internal price impact, saw a 7% increase on Q1 '17 Baseload.

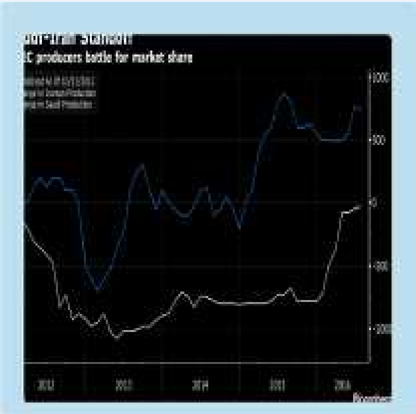
Fuels markets were also volatile, partly on the assumption that, if nuclear units which usually run 24 hours a day as baseload generation are unable to do so, coal- and gas-fired power plants will have to plug the supply gap.

The benchmark TTF natural gas hub was up 4% on Q1 ‘17, with Britain’s NBP up 5%. European coal, which had already been strong earlier in the day, was up 5% by the close on the benchmark front year according to ICE exchange figures.

However, ICIS trade data pointed to the distinct possibility of a downwards correction across markets on Thursday morning. The French Q1 had peaked mid-afternoon at €57.00/MWh, before some value was sold back out of it later in the day. Consensus among traders late on Wednesday was to expect a sell off on Thursday morning.

South America becomes home for US shale gas amid rising demand

Bloomberg, *29.09.2016*



U.S. liquefied natural gas was supposed to go mainly to Asia and Europe, lured by prices as much as four times higher than those at home. So far, South America has been the destination of choice.

Thanks to a global glut that depressed prices, Cheniere Energy Inc. has sent more than half of the LNG tankers from its Sabine Pass terminal to South America. Premiums once available in Asia and Europe disappeared and those regions are well-supplied from elsewhere. The U.S. is poised to become a major player in LNG markets as a rising supply of shale gas provides more than domestic market can absorb.

Latin America is hungry for the power plant and heating fuel from its northern neighbor as the region lacks reliable energy sources of its own. The regional trade is easier as larger tankers can now use the Panama Canal, cutting travel time and cost.

“It’s certainly been good timing for all the parties,” said Ted Michael, a Genscape Inc. LNG analyst in Boulder, Colorado. “Cheniere is coming on and Latin America is looking for a more consistent supply.” Seventeen of the 33 cargoes shipped from Sabine Pass have gone to South America since exports began in February, according to vessel-tracking data compiled by Bloomberg. Chile was the leading recipient with nine, three of which traversed the expanded Panama Canal. The canal can cut travel time to Chile from the U.S. Gulf by about 11 days, according to Bloomberg New Energy Finance.

A shipment to Chile cost $5.60 per million British thermal units from Sabine Pass in July, according to data from the U.S. Department of Energy. The average month-ahead price in the U.K. was $4.63, according to ICE Futures Europe, while spot LNG in Singapore traded at an average of $5.16 in July. U.K. gas slumped 45 percent in the past two years and spot LNG tumbled 60 percent. U.S. gas futures declined 25 percent in the period.

Spot LNG in Singapore rose to $5.557 on Monday, compared with $4.72 for U.K. futures. U.S. gas for October delivery fell 6.4 cents to $2.932 per million Btu at 10:23 a.m. in New York. In Brazil, the biggest LNG importer in South America, LNG demand will vary depending on hydro, analysts Anne-Sophie Corbeau and David Ledesma wrote in a book published this month, LNG Markets in Transition: The Great Reconfiguration.

Future LNG demand in Argentina, where gas use is typically higher in the Southern Hemisphere's winter, will in part depend on development of its own unconventional resources, they said. Chilean LNG demand is forecast to increase for use in power plants, industry and at homes, according to the analysts.

"The fact that most of the early Cheniere exports are heading to Latin America is not surprising, given that the region is relatively close geographically," Alex Tertzakian, an analyst with Energy Aspects Ltd. in London, said in an e-mail. "In the longer term, the region's LNG demand story is not looking particularly bright."

Headwinds include use of renewable energy in Brazil and Chile, as well as increased gas production in Argentina and Brazil, he said. While Latin America offers a pocket of demand, the region won't be able to absorb all volumes from the U.S., Costanza Jacazio, a senior gas analyst with the Paris-based International Energy Agency, said in a telephone interview.

"We should really wait for U.S. LNG exports to ramp up to have a better understanding of the geographic distribution," she said. The shipments will eventually come to Europe, Carmen Lopez-Contreras, a senior analyst at Madrid-based Repsol SA, said at a conference in London Sept. 21. The region has spare terminal capacity and liquid hubs to absorb the fuel.

Back in 2010, Charif Souki, then chief executive officer of Cheniere, said volumes to South America would be flowing "to some extent" and "in the second phase," while envisioning Europe and potentially Asia as the main markets.

At the moment, there's little need for American LNG in Europe and Asia. No U.S. LNG has landed in northwestern European markets yet, and only one cargo was delivered to China, the world's third-biggest LNG buyer.

Asian demand is slowing amid restarts of nuclear capacity in Japan, the biggest LNG buyer, and previous over-contracting for the fuel. Some regional buyers are selling surplus volumes, or seeking to swap U.S. fuel with European companies to cut costs, turning into traders. Meanwhile, Australia is set to overtake Qatar as the biggest exporter of LNG, giving Asia a growing alternative to U.S. gas.

Before global prices collapsed and demand outlook turned gloomier, Cheniere sold future LNG shipments to Asian customers including Gail India Ltd. and Korea Gas Corp. U.S. LNG is flexible, without destination restrictions, meaning it can be resold across the globe so this gas may not end up in Asia. In Europe, U.S. LNG competes with other suppliers such as Qatar. Pipeline-gas exporters Norway and Russia have both said they plan to ship record volumes to Europe this year.

Those realities were underscored earlier this year when Credit Suisse Group AG analysts in a research note predicted that U.S.-sourced LNG appears to be priced out of Asia until 2018 and extremely “border line for supply to Europe.”

As global export capacity surges 45 percent by 2020, the U.S.’s share will jump to 14 percent, according to Energy Aspects. That may keep Latin America a lucrative market. “The European Union is more of a market of last resort,” said Michael of Genscape. “In Latin America, they don’t have the same alternatives for gas. They do not have coal generation, and they are heavily dependent on hydro power.”

First US shale gas arrives in UK as ethane cargo to land

Bloomberg, *27.09.2016*

The U.K. is about to receive its first American shale gas. The Ineos Insight tanker carrying ethane will dock at Grangemouth, Scotland, Richard Longden, a spokesman for petrochemical maker Ineos Group Ltd., said by phone. The arrival was delayed from midday Tuesday due to winds and is expected to land Wednesday depending on the weather, he said. U.S. liquefied natural gas, used in heating and power generation, has yet to reach northwest Europe.

The tanker carrying 27,500 cubic meters (970,000 cubic feet) of ethane is the first shipment of gas produced from U.S. shale fields to arrive in Britain, and is part of Ineos’s $2 billion investment to create a virtual pipeline across the Atlantic.

The Ineos Insight is one of eight vessels that will deliver the fuel at the Grangemouth refinery as North Sea supplies dwindle. Ethane from the U.S., “has the potential to build on the jobs already saved at Grangemouth and could turn the site into a manufacturing hub for Scotland,” Ineos said in an e-mailed statement.

The arrival of U.S. shale gas comes as Britain debates its own stance on hydraulic fracturing, or fracking, a technology already shunned by most nations in mainland Europe. While the Conservative government vowed on Monday to continue supporting shale gas, which would reduce dependency on imports and help meet the U.K.’s needs for 47 years, the practice drew criticism from the opposition Labour Party as well as from the nation’s Green Party.

“Britain should be a frack-free nation -— that means keeping the gas under our countryside in the ground and banning fracked gas imports,” Caroline Lucas, the co-leader of the Green Party, said in e-mailed statement. Ineos is seeking to develop the British shale gas business to replace declining North Sea production. It was granted 21 exploration blocks in the last U.K. Licensing round and hopes to start drilling within two years, according to its operations director Tom Pickering.

Ineos will use the ethane produced from U.S. shale gas in its gas cracker at Grangemouth, both as a fuel and as a feedstock, it said in the statement. Increased production of ethane, which is extracted from unprocessed natural gas along with other liquids, has boosted exports from the U.S., first by pipeline to Canada and then by tanker to overseas destinations. Ethane is used as a key feedstock for plastics production and other industrial uses, according to the U.S. Energy Information Administration.

U.S. exports of LNG, which is natural gas chilled to a liquid for transportation, started in February from Cheniere Energy Inc.'s Sabine Pass terminal in Louisiana. Most cargoes went to Latin America, the Middle East and India. Two arrived in Europe's Iberian peninsula, which doesn't have pipeline access to northwest Europe's links to supplies from Norway, Russia, the U.K. and the Netherlands.

Announcements & Reports

► *Energy Policies of IEA Countries - Turkey 2016 Review*

Source : IEA
Weblink : http://www.iea.org/publications/freepublications/publication/EnergyPoliciesofIEACountriesTurkey.pdf

► *European Gas Grid Through The Eye of The Tiger*

Source : OIES
Weblink : https://www.oxfordenergy.org/wpcms/wp-content/uploads/2016/09/European-gas-grid-through-the-eye-of-the-TIGER-Investigating-Bottlenecks-in-Pipeline-Flows-by-Modelling-History-NG-112.pdf

► *Natural Gas Weekly Update*

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

► *This Week in Petroleum*

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

Upcoming Events

► *Kazakhstan International Oil & Gas Conference (KIOGE) 2016*

Date : 05 October 2016
Place : Almaty, Kazakhstan
Website : www.kioge.kz/en/conference/about-conference+

► *23rd World Energy Congress*

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

► *International Conference on Oil Reserves & Production*

Date : 17 - 18 October 2016
Place : London, UK
Website : www.waset.org/conference/2016/10/london/ICORP

► 15th ERRA Energy Investment & Regulation Conference

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

► The 8th Saudi Arabia International Oil & Gas Exhibition (SAOGE)

Date : 17 - 19 October 2016
Place : Dammam, Saudi Arabia
Website : www.saoge.org

► 21st IENE National Conference "Energy and Development 2016"

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

► SPE Russian Petroleum Technology Conference & Exhibition

Date : 24 - 26 October 2016
Place : Moscow, Russia
Website : www.spe.org/events/rpc/2016/

► Asia Pacific Oil & Gas Conference & Exhibition (APOGCE)

Date : 25 - 27 October 2016
Place : Perth, Australia
Website : www.spe.org/events/apogce/2016/

► International Conference & Expo on Oil & Gas

Date : 27 - 28 October 2016
Place : Rome, Italy
Website : www.oil-gas.conferenceseries.com/

► 4th Iran Europe Oil & Gas Summit

Date : 01 – 03 November 2016
Place : Berlin, Germany
Website : www.iransummit.com/

► 2nd International Conference & Expo on Oil & Gas

Date : 02 – 03 November 2016
Place : Istanbul, Turkey
Website : www.oil-gas.omicsgroup.com/

► *European Autumn Gas Conference 2016*

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

► *21st Annual Oil & Gas of Turkmenistan (OGT) Conference 2016*

Date : 16 – 17 November 2016
Place : Ashgabat, Turkmenistan
Website : http://www.ogt.theenergyexchange.co.uk/

► *Project Financing in Oil & Gas*

Date : 21 – 22 November 2016
Place : London, UK
Website : www.smi-online.co.uk/energy/uk/conference/Project-Financing-in-Oil-and-Gas

► *5th Greek Cyprus Energy Symposium*

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