

Higher Inspection Board: Turkey pays most for Russian gas

Date : 30.10.2009

Source: Today's Zaman (Ismail Altunsoy)

<http://www.todayszaman.com/tz-web/news-191421-turkey-pays-most-for-russian-gas-confidential-document-reveals.html>

The Turkish Pipeline Corporation (BOTAS) is buying its most expensive natural gas from Russia and Iran, official figures have revealed.

Today's Zaman acquired a report produced by the Higher Inspection Board (YDK) that studied Turkey's natural gas bills, which the state keeps confidential as these numbers are considered 'commercial secrets'. The Ministry of Energy and relevant institutions responded to questions pertaining to the prices Turkey pays for natural gas, saying the cost is determined by formulas established through mutual agreements, without giving further details.

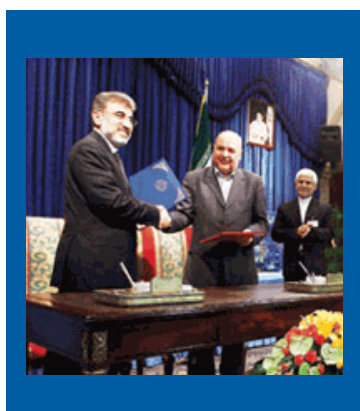
The numbers show BOTAS paid Kr 36.2 per cubic meter of natural gas on average last year. A cubic meter of Russian gas cost Turkey Kr 37.3, while Iranians put a price tag of Kr 37 per cubic meter on their gas to Turkey. The price of gas from Algeria and Nigeria, on the other hand, was Kr 29.3, although Turkey bought gas from these countries in liquefied natural gas (LNG) form, which normally costs more as it requires a longer production process. The bedrock price was seen in Azeri gas in 2007. BOTAS bought nearly 1.2 billion cubic meters of gas from this country and paid TL 176.3 million in return, which sets the price at close to Kr 14.7 per cubic meter.

YDK investigations usually follow one year after accounts for a fiscal year are closed. It therefore handled 2007 numbers, which probably changed for 2008. BOTAS imported 35.8 billion cubic meters of gas in 2007. It gets more than half of its gas purchases from Russia.

Thanks to a series of special deals and price revisions with Algerian Sonatrach and Nigeria LNG Ltd., BOTAS was able to negotiate advantageous terms in its purchase of natural gas from these countries at very competitive prices. Russian and Iranian natural gas flows into Turkey through pipelines, while Algerian and Nigerian LNG is transported by cargo ship.

According to the YDK report, BOTAS and Sonatrach had agreed upon changing their formula to calculate gas prices. Accordingly, the unit price for LNG was to be lowered by 0.66 percent if a barrel of oil fell below \$50 per barrel. If the price is equal to or higher than \$50 per barrel, the price was to be lowered by between 0.89 and 4.2 percent. A similar agreement was signed with Nigeria, as well.

With shares of BOTAS and distribution companies and taxes included, natural gas prices reflected as much as 76 percent on bills of Turkish consumers. For example, a cubic meter of gas sold for Kr 63.7 in Izmit and Kr 64 in Istanbul and Ankara.



Turkey and Iran sign strategic deal to carry gas to Europe

Date : 30.10.2009

Source: Today's Zaman

<http://www.todayszaman.com/tz-web/news-191472-turkey-iran-sign-strategic-deal-to-carry-gas-to-europe.html>

Iran and Turkey signed a number of deals to facilitate the efficient flow of gas through Turkey to Europe, during Turkish Prime Minister Recep Tayyip Erdogan's visit.

Turkish Energy Minister Taner Yildiz said the deals provided advantages for Turkey in the use and the sale of some phases of the South Pars gas field. "Its conditions and prices will be negotiated later," the minister added. Turkey had signed a preliminary deal in November 2008 for Iranian gas to be exported to Europe through Turkey and for Turkey to produce gas in the South Pars field.

The investment would amount to \$3.5 billion. But this deal has been delayed by objections from the United States, which opposes new energy deals in Iran as part of Western efforts to isolate Tehran over its nuclear program. Iranian media said earlier that Iran had agreed to a Turkish request for a three-month extension of a deadline to finalize the South Pars deal in order to clarify pricing and other details.

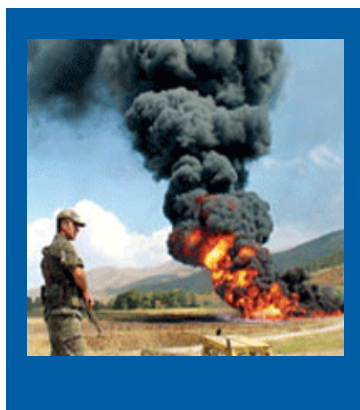
"We have more steps to take on the economy, trade, oil and gas to promote cooperation," Erdogan said. The agreement, which was signed by Minister Yildiz and Iranian Oil Minister Masoud Mirkazemi under the supervision of Erdogan and Iran's vice president, Mohammad Reza Rahimi, also envisaged the establishment of a joint working group to study the possibilities of substituting fields in the South Pars region which were formerly allocated to Turkey with richer fields.

Yildiz said Turkey's step towards Iran is in accordance with its policy of establishing 'zero-problem' relations with its neighbors and advancing to a maximum level of energy cooperation with surrounding countries.

"As you would know, the transfer of property rights of oil and natural gas deposits is not a matter of discussion, as set out in their Constitution. All you can get is the land tenures of these fields, for temporary periods of time. We will have the right to sell, for instance, half of the gas extracted from the field. Of course additional conditions and the prices will be discussed later. After a series of studies on the fields, a ballpark quantity of the deposits beneath the earth will be determined," the minister said about the process.

TPAO will later start exploring and extracting the gas reserves and will also be able to establish platforms to drill into the earth up to 150 meters in search of gas. Following that, the company will start production and sales.

In addition to increased energy cooperation, the two countries further agreed to strengthen their banking and transport ties in a drive to almost treble trade between the two neighbors to \$20 billion in the next few years. As of the end of 2008, total trade volume was roughly \$7 billion. "The two countries are determined to expand their bilateral relations in all fields," Rahimi told at the joint news conference with Erdogan.



Iraqi oil pipeline to Turkey sabotaged

Date : 29.10.2009

Source: Reuters

<http://www.reuters.com/article/featuredCrisis/idUSLS703909>

The Kirkuk pipeline that takes crude from northern Iraq to Ceyhan was damaged on Monday morning by an explosion caused by sabotage action, an engineer with Iraq's North Oil Company said.

The engineer, who asked not to be identified, said the blast happened near Mosul, a volatile city still suffering frequent attacks by insurgents 390 km north of Baghdad. In September, exports from Iraq's Kirkuk fields through the northern pipeline to Ceyhan were at 490,000 barrels per day, according to Iraqi officials.

Trading sources in London said that flows might resume as early as later on Wednesday. "It stopped pumping two days ago," said one of the sources. "It might start again this afternoon."



Shmatko: Russia and Turkey to build oil refinery in Ceyhan

Date : 27.10.2009

Source: Reuters

<http://in.reuters.com/article/oilRpt/idINLR38355820091027?pageNumber=1&virtualBrandChannel=0>

Russia and Turkey will build an oil refinery in the Mediterranean to maximize profits from a joint pipeline project, Russian Energy Minister Sergei Shmatko said on Tuesday.

“We want to build a major refinery and jointly sell oil products from the Mediterranean coast,” he told reporters on Tuesday. The comment follows a deal between Italy, Russia and Turkey last week under which Russia agreed to participate in building a pipeline from the Turkish Black Sea port of Samsun to Ceyhan in the Mediterranean.

Russia and Kazakhstan also said they would supply crude for the new link, which is designed to reduce tanker traffic through Turkey’s narrow and busy Black Sea straights. Italy’s Eni and Turkey’s Calik hold 50 percent each in the 550-km pipeline, which will have a maximum capacity of 1,5 million barrels a day. “I think [this project] is a new rising star,” Shmatko told reporters.



OMV – Dogan talks on Petrol Ofisi ‘ongoing’

Date : 27.10.2009

Source: Hürriyet Daily News

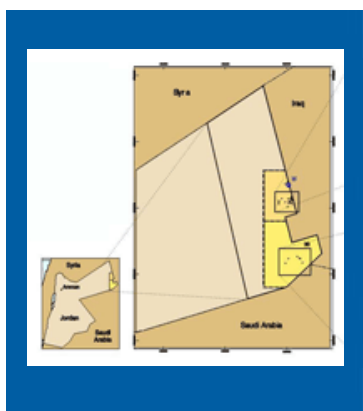
<http://www.hurriyetdailynews.com/n.php?n=omv-dogan-talks-8216ongoing8217-2009-10-27>

In a statement addressing recent press reports in Turkey, Austrian energy giant OMV said negotiations with Dogan Group on acquiring a majority stake in Dogan’s Petrol Ofisi are ongoing.

“There has recently been news in the media concerning negotiations between OMV and Dogan Group on the transfer of [Petrol Ofisi] shares to increase OMV’s participation therein,” read the press statement released Tuesday. “In this context, OMV underlines that negotiations with partner Dogan Group are currently ongoing. As already released in August, both partners have agreed there is no time pressure on any side but only the intention to optimize the respective portfolios.”

Press reports Oct. 23 quoted OMV Chief Executive Officer Wolfgang Ruttenstorfer as saying the company would not make a decision on acquiring a majority stake in Petrol Ofisi until the tax dispute between Dogan Group and the Turkish government is resolved.

Meanwhile, Turkey's energy regulator will start an enquiry into Petrol Ofisi, said Nafiz Kaya, a spokesman for the Energy Market Regulatory Authority (EPDK). The enquiry comes after allegations that a fake version of the so-called national marker, the substance blended with gasoline to show that it is not smuggled was found at a Petrol Ofisi depot in southern Turkey



BP onboard \$10B Risha gas development onshore Jordan

Date : 26.10.2009

Source: Rigzone

http://www.rigzone.com/news/article.asp?a_id=81771

BP confirmed Monday that it will join Jordan's National Petroleum Company (NPC) to exploit the onshore Risha concession in a deal that may involve an investment totaling nearly \$10 billion.

An agreement to develop the Risha gas field was signed Sunday by Jordanian Minister of Energy and Natural Resources Khaldoun Quteishat, BP's Chief Negotiator Sam Bennett and NPC's Chairman Fayez Suhaimat. Subject to government and Parliamentary approval, BP is to farm-in to the Risha concession as a partner of NPC, the British oil major said in an official statement.

Currently producing about 21 million cubic feet of gas per day, the Risha concession was awarded by the government to NPC and spans an area of about 7,000 square kilometers, which includes the Risha gas field. The development will consist of two phases, the first of which will extend over three to four years, according to Quteishat, with BP under commitment to spend a minimum of \$237 million.

The second phase of development will commence following a commercially viable discovery of gas, with BP expected to spend between \$8 to \$10 billion to tap production volumes of some 330,000 and 1,000 million cubic feet of natural gas per day. According to Suhaimat, the Jordanian government will have a 50% share in Risha's output stages, with the remainder shared by BP and NPC.



Russian LNG aims face big challenges in Arctic regions

Date : 28.10.2009

Source: Rigzone (Dow Jones Newswires)

http://www.rigzone.com/news/article.asp?a_id=81866

Russia has invited international energy majors to help it realize its ambitions to conquer one-fifth of the global market for liquefied natural gas by 2020, but experts say it could be more than a decade before new production comes onstream.

Russia says it wants to beef up shipments of LNG to Asian and U.S. markets at the expense of pipeline deliveries to Europe, which are threatened by questions over demand and ongoing transit issues with neighboring Ukraine. Gazprom has invited foreign energy firms such as Royal Dutch Shell, Exxonmobil and ConocoPhillips as minority partners to develop costly new projects in Russia's Arctic regions.

Russia's priority project, the massive Shtokman offshore field in the Barents Sea north of Murmansk -a joint project with TOTAL and StatoilHydro- is slated to start deliveries of LNG in 2014, but many experts question Gazprom's financial and technical ability to realize such a project on time amid a recession.

In February, Gazprom launched its first LNG terminal on the Pacific island of Sakhalin in a JV with Royal Dutch Shell, Mitsui and Mitsubishi Corp. By 2020, three new export terminals -at Shtokman in the Barents Sea, on the undeveloped Yamal peninsula in Russia's north, and in the Far Eastern city of Vladivostok- will bring total production to between 80 million and 90 million metric tons a year, or about one-fifth of global demand, Gazprom's Chief Executive Alexei Miller said last month.

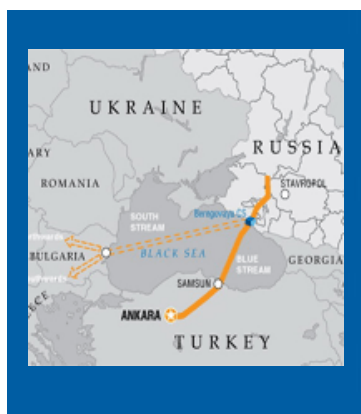
But while no one questions the importance of Russia's north as a key future resource base, many experts are skeptical about Gazprom's ambitious timeline for new projects. "We do not include any volumes from Shtokman in our production forecast, either pipeline or LNG, as we don't see them delivered prior to 2020," analysts from UniCredit wrote in a research note. The main stumbling blocks for Gazprom are a lack of cash, as a result of reduced demand in its key markets, and a lack of technical know-how.

Despite the widespread skepticism, the company has insisted the development of new areas remains its top priority and won't be affected, as it scales back investments amid the economic downturn. Last month, Prime Minister Vladimir Putin invited a dozen executives from international energy majors to a meeting on the Arctic Yamal peninsula in an attempt to woo their expertise and capital.

Gazprom is believed to have shortlisted Shell and TOTAL as part of its drive attract Western money and technology into the country, and is in talks with several other companies such as Spain's Repsol, Germany's E.ON, Malaysia's Petronas and South Korea's Korea Gas Corp.

In the most high profile example, in 2007 Shell was forced to give up control of the Sakhalin-2 oil and gas development to Gazprom, which started LNG production this year. Since then, Russia has imposed laws restricting foreign ownership of energy assets. Nevertheless, Shell's Chief Executive Peter Voser said last month after the meeting with Putin that his company is ready to undertake a feasibility study for the construction of an LNG plant in Yamal.

But even with foreign help, the technical challenges for such projects are enormous, skeptics say, questioning the logic in taking on such big developments amid uncertainty about future demand. This summer, Gazprom for the first time said it may revise the timeline for some of its priority projects, including developments on the Yamal peninsula. Launch of Shtokman -scheduled for 2014- may be delayed, depending on market conditions, the company said.



Putin: South Stream may be ready before Nord Stream

Date : 28.10.2009

Source: Tehran Times

http://www.tehrantimes.com/index_View.asp?code=206224

The South Stream natural gas pipeline to the Balkans could be completed before the Russian-German Nord Stream pipeline, the Russian Prime Minister said on Thursday.

“The project has every chance of being completed before the Baltic project - Nord Stream,” Vladimir Putin said. The 25 billion-euro (\$36,5 billion) South Stream project is designed to annually pump 31 bcm of gas to Europe, bypassing Ukraine. The pipeline's capacity is expected to be eventually increased to 63 billion cubic meters. The project was originally scheduled to go online in 2013 whereas Nord Stream is expected to be fully completed in 2012.

The Nord Stream pipeline, which will pump gas from Siberia to Europe under the Baltic Sea, bypassing East European transit countries, is being built jointly by Gazprom, Germany's E.ON Ruhrgas and BASF-Wintershall, and Dutch gas transportation firm Gasunie at an estimated cost of \$12 billion.



Turkmen – China gas pipeline nears completion

Date : 24.10.2009

Source: Business Week (Alexander Vershinin)

<http://www.businessweek.com/ap/financialnews/D9BGP2FO4.htm>

Work has been completed on the Turkmen section of a pipeline that is due to begin transporting natural gas from Central Asian nation to China by the end of the year, state media reported Friday.

The announcement that the new 7,000 km Central Asian energy route is nearing completion comes as Turkmenistan remains mired in a dispute with Russia over gas deliveries. The 188-kilometer (117-mile) Turkmen section leads from the Malai gas field in the east of the country to the border with Uzbekistan and was built by pipeline construction company Stroitransgaz, a subsidiary of Russian gas monopoly Gazprom, at a cost of around \$600 million. The new pipeline, still under construction, will cross Uzbekistan and then Kazakhstan before reaching China.

Turkmenistan has hailed the pipeline as key to reducing its dependence on Russia, which has had a lock on most of the reclusive desert nation's gas exports in recent years. "Transporting gas supplies to China will mark another important milestone in the successful implementation of Turkmenistan's strategy to diversify energy export routes to world markets," state newspaper Neutral Turkmenistan reported.

The leaders of Turkmenistan, China and Uzbekistan are scheduled to attend an inauguration ceremony for the pipeline on Dec. 15. In June, China clinched a 30-year deal to buy up to 40 billion cubic meters (1,4 trillion cubic feet) of natural gas from Turkmenistan annually starting next year.

Turkmenistan has until recently sold most of its gas to Russia. However, supplies have been suspended since a pipeline blast in April that Turkmenistan blames on Gazprom. The pipeline has been fixed, but deliveries to Russia have not resumed, which some international experts have estimated may be costing Turkmenistan \$1 billion in monthly losses.

Turkmenistan has also frequently expressed interest in exporting its gas to the West, which would require the construction of a costly new pipeline. Western nations are pinning their hopes of tapping into Central Asia's vast gas supplies on the success of Nabucco, a pipeline project backed by the United States and the European Union but whose commercial viability is threatened by rival routes proposed by Russia.



BP profit halves, cost cuts help

Date : 28.10.2009

Source: Today's Zaman (Reuters)

<http://www.todayszaman.com/tz-web/news-191270-bp-q3-profit-halves-beats-forecasts-on-cost-cuts.html>

BP beat third-quarter earnings forecasts by a big margin in a sign Chief Executive Tony Hayward's restructuring plans were delivering results, with cost cuts ahead of targets and oil and gas output up strongly.

BP said third-quarter replacement cost net profit, which strips out unrealized gains or losses related to changes in the value of fuel inventories, fell 50 percent to \$4,98 billion, due to lower oil and gas prices. Analysts said a lower-than-expected tax rate and positive foreign exchange impacts flattered the figures but could not take away from a strong result. "It's just blow-away numbers. It's good to see them bouncing back," said Jason Kenney, oil analyst at ING.

BP was helped by production rising in lower-tax areas such as the Gulf of Mexico, where the Thunder Horse platform, one of the largest offshore rigs in the world, ramped up in the first half of this year. "It shows you the kind of margin coming in from Thunder Horse. Light sweet crude on the doorstep of the US, and it's caught me and a lot others by surprise," Kenney added.

Brent crude prices averaged \$68/barrel in the quarter, 40 percent lower than in the same period of 2008, while gas prices in the US and UK fell around 65 percent. A slight drop in BP's debt-to-equity, or gearing, ratio reassured investors that BP's fat dividends were safe. Lower earnings meant BP and its rivals had to borrow in the first half to pay dividends, or in some cases, were forced to cut their payouts.

BP said it had reduced costs in the oil and gas production and refining units by over 15 percent. This progress has allowed BP lift its cost-cutting target for this year to \$4 billion from \$3 billion. The reductions appear not to be at the expense of investments, with BP hinting at higher than earlier indicated capital expenditure for this year.

Rivals, including Shell, which reports on Thursday, have also put cost-cutting at the centre of their strategy. BP's success is soothing skepticism on the part of some investors that significant and long-term reductions can be achieved. After taking the helm of the oil giant in 2007, Hayward also committed himself to turning around the company's flagging refining unit and falling production. The company said oil and gas production averaged 3,92 million barrels of oil equivalent per day in the quarter, up 7 percent compared to the same period in 2008.



Ukraine warns Gazprom of potential gas payment problems

Date : 26.10.2009

Source: Ria Novosti

<http://en.rian.ru/business/20091026/156591008.html>

Ukraine's national energy company Naftogaz has warned Gazprom of possible difficulties with payment for October natural gas deliveries, a source in the Ukrainian company said on Monday.

Naftogaz CEO Oleh Dubyna said at a meeting with Gazprom head Alexei Miller on Thursday that it was increasingly difficult for the Ukrainian energy company to make gas payments and it could be problematic for it to pay for natural gas supplied in October, the source said.

Naftogaz paid for Russian natural gas deliveries in September on time and in full, largely using borrowed funds. According to the source, the Russian side insists that Naftogaz comply with contractual obligations in terms of natural gas purchase volumes and prices. Ukraine is currently negotiating with Gazprom on a reduction in supplies to 33 billion cubic meters a year.

Miller has said that under the contract, Ukraine must buy at least 52 billion cubic meters of gas per year, but Ukrainian Prime Minister Yulia Tymoshenko said that "Ukraine has the right to order the volume that it needs". She said the contract provides for 20% fluctuations in the level of consumption, and that 'aggressive statements' on mandatory purchase levels should be ignored.

❖ Regulation Regarding to Amendment in the Petroleum Market License Regulation

Source : Energy Market Regulatory Authority
Weblink : <http://www.epdk.org.tr/mevzuat/yonetmelik/petrol/pply/degisiklik22.html>

❖ Energy Efficiency in Italy

Source : Energy Charter
Weblink : http://www.encharter.org/fileadmin/user_upload/document/Italy_EE_rr_2009_ENG.pdf

❖ CO2 Emissions from Fuel Combustion 2009 – Highlights

Source : International Energy Agency
Weblink : <http://www.iea.org/co2highlights/co2highlights.pdf>

❖ Transport, Energy and CO2: Moving towards Sustainability

Source : International Energy Agency
Weblink : <http://www.iea.org/w/bookshop/add.aspx?id=365>

❖ Chile Energy Policy Review 2009

Source : International Energy Agency
Weblink : <http://www.iea.org/W/bookshop/add.aspx?id=383>