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**Conference Hall of Chamber of Commerce and  
Industry of Ukraine**

**New Solutions for an Increase of Productivity,  
Reliability and Energy Efficiency**

**Challenges in Doing Business in the Black  
Sea Upstream Oil and Gas Industry**

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# Contents

- B&BS - area of oil and gas production and transit
- Production activities
- Exploration activities
- Production (wellhead) prices
- Legal regime
- Taxes and royalties
- Political stabilities and risks
- Oil protectionism
- Incumbents, competition and partnership
- Subsurface perspective

## **B&BS - area of oil and gas transit**

Ukraine is the major transit corridor of gas in Europe. In spite of the competition coming from Nord Stream, South Stream and Blue Stream, Ukraine continues to be a reliable transit corridor.

Potential to retain transit position because:

- Transit activities in Ukraine are unbundled from supply;
- Ukraine sticks to Energy Treaty
- No re-export of gas;
- Follows EU legislative framework on neutral and independent gas transmission operator

# B&BS - gas transit

Gas pipeline or project	Status	How it competes with Ukraine gas transit
SCP gas pipeline	completed	No competition
GTI gas pipeline	completed	No competition
Blue Stream gas pipeline	completed, expansion optional	Competition
Nabucco gas pipeline	project	No competition
South Stream gas pipeline	project	Competition
White Stream gas pipeline	project	No competition
TAP gas pipeline	project	No competition
Poseidon gas pipeline	project	No competition
Cross-border gas interconnections in the Balkans	One in construction; others are projects	No competition

# B&BS - oil transit

Ukraine proved to be a reliable transit corridor of crude oil

Ukraine oil transit system, including Odessa-Brody pipeline can accommodate additional Caspian crude oil.

Potential to foster crude oil transit position for bypassing Bosphorus:

- Russian seaborne crude oil export strategy is to divert supply routes away from transit countries;
- En-route supplies to Ukrainian refineries still to recover and increase throughput.

<b>Oil pipeline or project</b>	<b>Status</b>	<b>How it competes with Odessa-Brody pipeline and Ukraine oil transit</b>
<b>Baku-Ceyhan oil pipeline</b>	<b>completed, expansion optional</b>	<b>Competition</b>
<b>Burgas-Alexandropolis oil pipeline</b>	<b>project</b>	<b>Competition</b>
<b>Samsun-Ceyhan oil pipeline</b>	<b>project</b>	<b>Competition</b>
<b>AMBO oil pipeline</b>	<b>project</b>	<b>Competition</b>
<b>Constantsa-Triest oil pipeline</b>	<b>project</b>	<b>Competition</b>

## **Pipelines will Diversify Routes or Sources of Supply**

Route diversification will bring:

- More security of supply, but less stability of supply
- Fostering monopolistic position of incumbent suppliers against competition

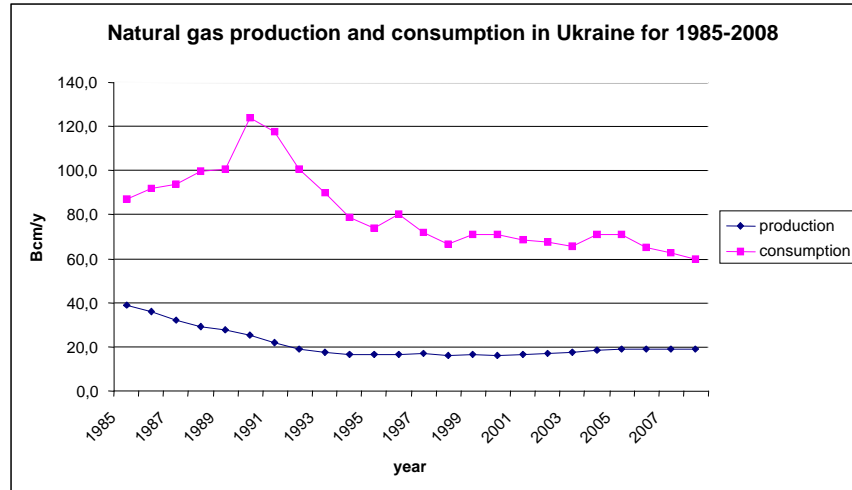
Diversification of sources of supplies will bring:

- More security and more stability of supply
- More diversity and competition and better quality of supply
- More market and self-regulation

## **B&BS Indigenous oil and gas production**

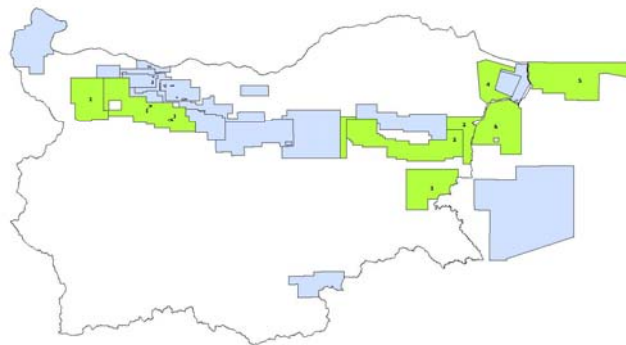
**Oil and gas production in the Black Sea will diversify sources of supply, decrease import dependency**

# Exploration and Production Activities



- Peak production has passed
- There is a widening gap between demand and production, which is covered by import
- Oil production is sustained or declining
- Gas production is slightly increasing due to offshore new discoveries

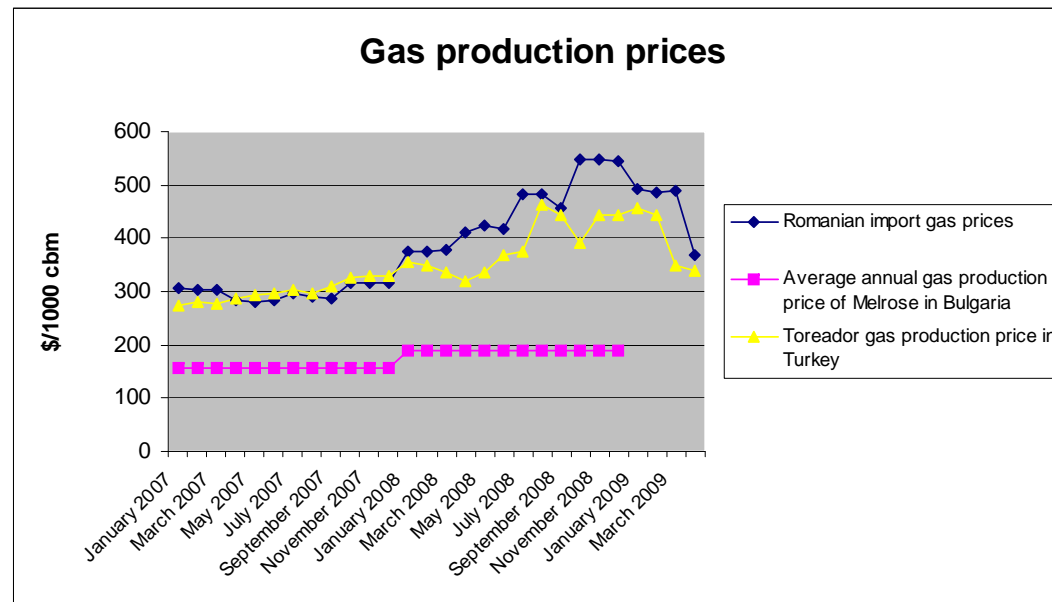
Exploration Activities



- Romania:** Petrom, Romgaz, Sterling Resources
- Ukraine:** Naftogaz, Shell, JKX
- Bulgaria:** Melrose Resources, Oil and Gas E&P
- Turkey:** TPAO, Toreador, OMV

# Production (Wellhead) Prices

- how they are formed in the country
- are they high enough?

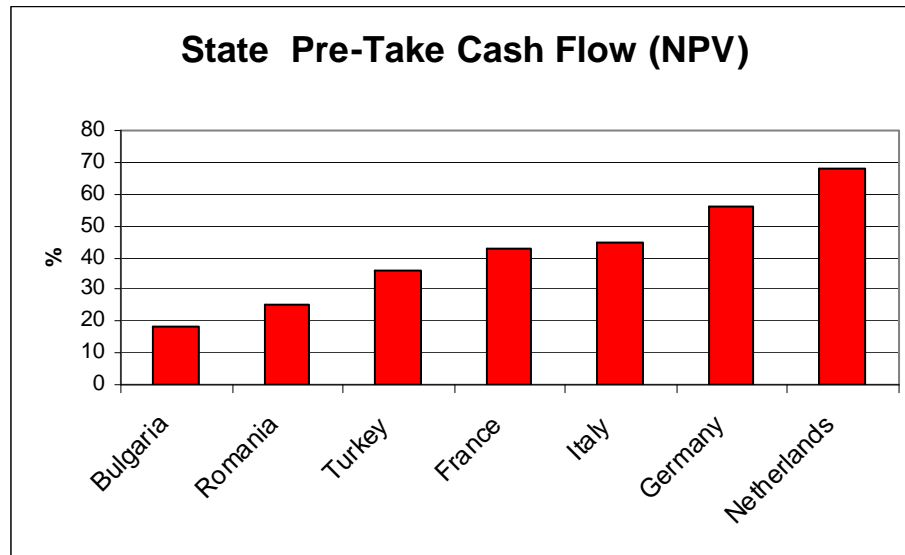


## **Legal Regime**

- is it easy to get a license/concession?
- is it stable and reliable?

# Taxes and Royalties

Are they too big to discourage investors?



B&BS countries are more attractive for doing business than W. Europe as far as taxes are concerned

Source: Wood Mackenzie

## **Political stabilities and risks**

- What is the impact of political instability and changes on business?

## **Oil protectionism**

### **Incumbents, competition and partnership**

- how equally are companies treated?

## **Subsurface perspective**

- Onshore: unconventional plays - tight gas, small fields
- Offshore: big prospects, big risks and big rewards

# Balkan & Black Sea Petroleum Association (BBSPA)

[www.bbspetroleum.com](http://www.bbspetroleum.com)

## **BBSPA forthcoming events:**

- Oil and Gas Upstream Seminar, Kiev, Hotel Hyatt, 5 November 2009
- Gas Storage Seminar, Sibiu, Romania, Hotel Hilton, 17 December 2009
- BBSPA Annual Conference, Vienna, Hotel Marriott, 15-16 April 2010

**Thank you for the attention**