

Balkan and Black Sea Petroleum Association

15th of November – 15th of December 2017

BBSPA Monthly Bulletin

Summary

Oil and Gas Prices

Spot Prices: Between 15 November 2017 and 15 December 2017 US WTI spot crude oil price fluctuated between \$55/bbl to \$60/bbl; Henry Hub spot gas price decreased from \$121/1000 cbm to \$119/1000 (GCV at 0°C). In Europe, at Central European Gas Hub, the average day ahead gas price was \$273/1000 cbm (€20.7/Mwh, ECB average monthly exchange rate).

Ukraine average import gas price for November 2017 was quoted to be \$239.5 per 1,000 cubic meters.

Rompetrol's refineries gross refining margins increased by 26% in the first nine months of 2017 which resulted in tripling the company's profit for the period.

Gas Supply and Demand

Albania will build two new 200 MW gas-fired power plants that will consume up to 125 million cbm per year.

Romania: Transgaz said that Romania will increase imports of gas this winter to 2.2 bcm versus 1.7 last year.

Austria: An explosion at Baumgarten hub temporarily stopped the supplies to Italy with twice increasing the wholesale day-ahead gas price.

Poland: PGNiG signed its first mid-term deal for LNG deliveries from the United States with Centrica LNG. PGNiG plans not to extend its long-term natural gas deal with Russia's Gazprom when it expires in 2022.

Ukraine: Ukraine has imported 80 mln cbm US LNG contracted gas through Poland.

Electricity Production & Consumption

Greece and the EU are expected to wrap up talks on which coal-fired plants the country will put up for sale. Greece wants to sell plants that will not significantly reduce PPC's generation capacity and the EU wants the plants to attract investor interest. Under its latest bailout,

Greece also needs to cut PPC's share of the retail market to below 50% from 88% by the end of 2019.

Legal and Regulatory Framework

EU: European Parliament voted for Europe to become a net-zero carbon economy by 2050.

Bulgaria: The case on abuse of dominant position against Bulgarian gas companies in the European Commission is expected to be resolved soon. The case was initiated by Gazprom's company Overgas in 2011 and recently Bulgarian parliament unanimously voted for not accepting the accusations.

Russia: Rosneft and Novatek are trying to stop Gazprom from increasing the volume of gas it sells on the St. Petersburg International Mercantile Exchange SPIMEX by imposing equal conditions for access to the infrastructure and consumers.

Upstream

Lebanon's cabinet approved a bid for offshore energy exploration by a consortium made up of Total, ENI and Novatek, in the country's first oil and gas offshore licensing round. Total-ENI-Novatek was the only consortium to submit an offer.

Cyprus: Eni plans to drill two wells offshore Cyprus - one with Total and another with Kogas.

Romania: Romgaz said it will continue developing its newly discovered onshore gas field Caragele project. The field is supposed to hold almost 30 bcm gas reserves.

Pipelines Projects and Supply Options

Cyprus and Egypt have agreed to start discussions to build a gas pipe from a Cypriot natural gas field to Egypt. The pipe will make use of an already existing pipe system from depleted Egyptian gas fields to liquefaction plants.

East Med Gas Pipeline Project: Italy, Greece, Cyprus and Israel agreed to back the construction of a gas pipeline from newly discovered fields in the eastern Mediterranean to Europe in order to channel offshore reserves in the Levantine Basin to Greece and Italy. The four countries expect to sign an Intergovernmental Agreement on the project within 2018.

TAP: EIB deferred making a decision on the TAP loan, a move welcomed by environmental groups.

Turkish Stream: Gazprom ordered a feasibility study for the continuation of the second line of Turkish Stream into Europe. Gazprom has yet to decide where this second leg will make landfall and how it will be linked to the European network. * Gazprom's in-house gas consultancy will perform a pre-investment study of the possibility of connecting the Turkish Stream pipeline with the Baumgarten hub in Austria via Bulgaria, Serbia and Hungary.

Greece-Bulgaria Gas Pipeline Project: A tender was launched by the ICGB for the supply of pipes for the Greece-Bulgaria gas interconnection.

Romania-Serbia Gas Interconnection: Romania and Serbia will sign an agreement for the construction of an interconnecting pipeline between Arad and Mokrin to transport natural gas from the future pipeline BRUA to Serbia. The finalising date is 2026 and the total estimated value of the investment is 43 million euro.

Russian LNG: Russian president recently stated that the development of LNG projects in Russia is not sufficient, while Novatek announced it plans to achieve 20 percent of the global LNG market.

Companies

Tamar Petroleum is in talks to buy a 7.5% stake in the Tamar and the Dalit field from Noble Energy for cash and equity. Noble owns 32.5% of the Tamar field and must reduce its holding to 25% by 2021 under government plans to open the market to competition.

Moldova: Transgaz's shareholders approved the participation in the privatization of Moldova's Vestmoldtransgaz.

Black Sea Oil and Gas: EBRD has become a minority shareholder in the company and will receive one board seat as part of the investment.

DESFA: The deadline for the submission of binding offers for the 66 percent controlling stake in DESFA has been put off from December to January 2018.

Gazprom and Shell discussed partnership in the Baltic and Sakhalin LNG projects as well as Nord Stream 2 project. * Gazprom signed a contract with Socar to resume supplies to Azerbaijan and deliver a total of 1.6 bcm.

LUKOIL: Romanian prosecution closed a criminal case over allegations of money laundering against LUKOIL in Romania.

MOL: Hungarian prime minister recently stated that MOL is prepared to sell its stake in INA to Croatia.

Naftogaz: Ukrainian government approved a new supervisory board of Naftogaz, which will have to conduct the unbundling and increase gas production.

OMV has completed the acquisition of a 24.99% share in the Yuzhno Russkoye natural gas field located in Western Siberia from Uniper.

PPC: A market test for buying lignite power plants of PPC in Greece was launched, expected by investors not to be successful due to tight environmental policies.

Raffles Energy has announced that a new gas discovery has been made recently in the Exploration Area of EIV-1 Suceava Concession in North Eastern Romania. The Bainen-1 well was drilled to a total depth of 600m.

Romgaz announced 66% profit increase for the first nine months of 2017 driven by higher production. * Romgaz wants to invest 136 million euro in the gas storage facility in Sarmasel to

increase its capacity. Another 87 million euro will be invested in the development of the private storage facility Depomures, owned by Engie and Romgaz.

Rosneft and Motor Oil signed a deal for mutual supplies of oil and oil products of up to 7.5 million tonnes per year.* Rosneft and CEFC China Energy Company signed an oil supply contract for 60 mln tonnes for 5 years. CEFC China Energy Company recently bought a 14.2% stake in Rosneft.

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Regulatory and Legal Framework

Members of the European Parliament voted on Thursday (7 December) in favour of a new legally-binding framework designed to ensure EU countries follow a steady course towards meeting the bloc's 2030 objectives on renewable energy and CO2 reduction.

The report on the governance of the Energy Union, by Green MEPs Claude Turmes and Michèle Rivasi, was adopted during an extraordinary joint session of European Parliament committees on energy (ITRE) and environment (ENVI), by 61 voices in favour, 46 against and 9 abstentions.

Lawmakers set a goal for Europe to become a net-zero carbon economy by 2050 and gave teeth to draft EU directives on renewable energy and energy efficiency with new legal mechanisms ensuring a regular review of the bloc's ambition, in line with the Paris Agreement on climate change.

Source: Euractiv

Albania

Gas Consumption

Albania is aiming to build two new gas-fired power plants as part of the country's new Gas Master Plan.

The plants will be located in the southeastern municipality of Korçë and the southwestern town of Kuçovë, Albanian news agency ATA reported on Wednesday.

The Korçë plant will have a capacity of 200 MW and will consume up to 125 million cubic metres of gas per year, while the plant in Kuçovë is expected to consume roughly the same amount.

Source: Interfax

Austria

Gas Supply

An explosion and fire that ripped through Austria's main gas pipeline hub on Tuesday killed one person and injured 21 others, prompting Italy to declare a state of emergency as flows from the strategic site were cut off for most of the day.

The Baumgarten site in eastern Austria, near Slovakia, is a major regional transfer node, taking natural gas from as far away as Russia and pumping it towards neighbours including Germany and Italy, its biggest recipient.

News of the blast sent gas prices in Europe soaring on fears it would restrict supply as winter sets in. But by Tuesday evening the site's operator, Gas Connect Austria, said it would soon be brought back online. Italian grid operator Snam said flows would resume by midnight (1100 GMT).

"Flows on the Trans Austria Gas (TAG) pipeline towards Italy, the West Austria Gas pipeline to Germany and the Hungaria-Austria Gas pipeline will be restored over the next few hours," Gas Connect Austria said, naming the main arteries that supply neighbouring countries from Baumgarten.

"With the restart of operation on the international pipeline systems, it will be possible to resume transit through Austria, thereby restoring security of supply for the affected countries," it added.

Footage on social and other media on Tuesday morning, when the explosion occurred, showed a column of fire in the distance rising from a flat landscape. A wide area around the site was cordoned off and 250 firefighters were called to the scene.

The emergency services said one person was killed and 21 injured, one seriously. Among the slightly wounded were "employees of contractors from six other countries" apart from Austria, the operator said, without elaborating.

The blaze was reduced to smaller fires and then extinguished by Tuesday afternoon, allowing experts to assess the damage. Police and Gas Connect Austria said they believed a technical fault was to blame.

Gas Connect Austria had said its deliveries to Austria's southern and southeastern borders were affected by the blast until further notice. Those pipelines supply Hungary, Slovenia and Croatia but also Baumgarten's biggest recipient, Italy.

That dependence on its gas led Italy to declare a state of emergency on Tuesday as its industry minister said the country had a "serious" energy supply problem.

A state of emergency would give Rome the right to use a series of extraordinary measures such as allowing coal and oil power plants to fire at full blast.

The Italian wholesale day-ahead price surged 215 percent to 75 euros per megawatt-hour, its highest recorded level.

Source: Rigzone

Bulgaria

Gas Market

At a secret session on Saturday (24 November), the Bulgarian parliament decided not to recognise the European Commission's positions with regard to a case of abuse of dominant position in the gas market by the Bulgarian Energy Holding (BEH) and its subsidiaries Bulgargaz and Bulgartransgaz.

The Bulgarian gas grid is owned by Bulgartransgaz, which is part of the Bulgarian Energy Holding (BEH), which has amassed a multi-million euro debt to the state budget. The BEH holding was established in 2008 by then-Prime Minister Sergei Stanishev, with the aim of cross-subsidising state companies at a loss. Bulgargaz is the largest Bulgarian gas distribution company.

The intricacies of the Bulgarian energy trade have helped keep monopolies alive and resist EU energy liberalisation rules.

According to information by the Bulgarian national radio BNR, MPs have approved a position according to which Bulgaria should not recognise alleged infringements and should not assume responsibility for them, including a possible multi-million euro fine.

All 176 MPs present in the National Assembly reportedly voted in favour of the motion to reject the Commission's positions, filed by opposition MPs Zhelyu Boychev and Tasko Ermenkov.

By the same decision, the parliament instructed the Minister of Energy Temenuzhka Petkova to take all necessary actions to protect the interests of the country and the companies concerned, including actions for appealing against the Commission's decisions.

The case concerns a complaint by the private gas company Overgas.

The relationship between Overgas and the state gas companies has been complicated. In 2010, Bulgartransgaz blocked Overgas' access to the gas grid. Consequently, Overgas lodged a complaint with the European Commission, which, in 2011 carried out raids at several Bulgarian gas companies, as part of a wider investigation into possible breaches of its antitrust rules, as part of its Gazprom probe, which remains ongoing.

Source: Euractiv

Cyprus

Gas Production/Export

Cyprus and Egypt have agreed to start discussions in December on an agreement to build a gas pipe from a Cypriot natural gas field to take gas to Egypt, Cypriot state radio reported on Monday.

It said the agreement came during talks when Egypt's President Abdel Fattah al-Sisi made an official visit to Cyprus on Monday.

The gas pipe will make use of an already existing pipe system from depleted Egyptian gas fields to liquefaction plants at Idku and Damietta.

Source: news.xinhuanet.com

Upstream Activities

The top executive of ENI said Friday that the Italian oil and gas company will drill two exploratory wells off Cyprus over the next two months, expressing confidence that significant reserves can be found for possible export to Europe.

The first exploratory well will be drilled in partnership with Frances Total next month in an area off the island's southwest. ENI and South Korea's Kogas will start drilling for the second well in January in the island's southeast.

Descalzi said ENI has a "strategic" interest in the region as waters around Cyprus remain largely unexplored. ENI has invested 450 million euros (\$533 million) in exploratory drilling, seismic and geological surveys.

He said Italy is in talks with Cyprus, Egypt and Greece to possibly create a new energy corridor to Europe, with options including processing newly found gas at Egypt-based plants for export to the continent. Another option is to supply Cyprus' domestic needs.

Previous drilling had failed to locate sizeable gas deposits off Cyprus, but that hasn't disheartened companies licensed to drill in Cypriot waters. Descalzi said companies drilled 11 times in nearby Egyptian waters and found nothing before ENI discovered Zohr, the largest gas deposit ever found in the Mediterranean.

"You have to continue, and Cyprus is still a virgin area because we didn't drill a lot of wells, just 2-3 wells, so were optimistic," said Descalzi.

Earlier, Texas-based Noble Energy discovered a field off Cyprus estimated to contain over 4 trillion cubic feet in reserves.

ExxonMobil said it will go ahead with drilling two wells in the second half of next year.

Source: *Ekathimerini*

Greece

Desfa

The deadline for the submission of binding offers for the 66 percent controlling stake in gas grid operator DESFA has been put off from December 22 to January 2018.

State sell-off fund TAIPED accepted a request to that effect submitted by candidate investors last week, as they want more time to prepare their offers.

Bidding for the stake in DESFA are Spanish firm Regasificadora del Noroeste SA and a consortium comprising Snam SpA, Enagas Internacional SLU, Fluxys SA and NV Nederlandse Gasunie. In the last few days bidders' representatives visited DESFA, where management informed them about the natural gas market's regulatory issues.

Ahead of developments in the tender process, DESFA stakeholders are focusing their attention on the prices to be offered: The state and Hellenic Petroleum have set as a starting point the 400 million euros that Azeri company Socar offered in the first version of the tender. The high cash reserves, the doubling of profits this year from 2016 and the major rise in gas demand have led to even higher expectations.

However, the fact there will only be two bidders is generating fears that the offers will not even reach 400 million euros, a concern expressed by DESFA chairman and chief executive Sotiris Nikas on Tuesday.

Source: Ekathimerini

PPC

Greece and the European Union are expected to wrap up talks on which coal-fired plants the country will put up for sale in line with an EU court ruling this month, Greek Energy Minister Giorgos Stathakis has said.

Greece and its international lenders have agreed that Public Power Corporation, which is 51 percent owned by the state, will sell plants equal to about 40 percent of its coal-fired capacity after a European court ruled that the utility had abused its dominant position in the coal market.

Stathakis met PPC's largest labor union on Wednesday and said talks with the EU's competition authorities were ongoing and were seen concluding in the next couple of weeks. "Our aim is to find common ground," he said, according to a statement from the Energy Ministry.

Athens and the European Commission have been in talks since July, trying to define which plants will be put up for sale.

Greece is keen to divest plants that will not significantly reduce PPC's generation capacity. The EU wants to ensure that the plants will attract investor interest.

Under its latest bailout, Greece also needs to cut PPC's share of the retail market to below 50 percent from 88 percent by the end of 2019.

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The agreement for the sale of lignite-fired power plants owned by Public Power Corporation was sealed last Thursday in Brussels, and the government's next challenge on the matter is attracting investment interest, otherwise it will have to sell hydroelectric units too – its last line of defense in the controversial issue of reducing PPC's lignite capacity.

Although Energy Minister Giorgos Stathakis is optimistic about the outcome of next month's market test, there is no sign from investors in that direction. People active in the domestic power market appear certain about the opposite – that the failure of the market test will bring them closer to their goal of entering the hydroelectric market.

Domestic investors start from the view that “lignite as a form of fuel is not productive” in the context of European Union's policy to reduce carbon emissions, and go as far as saying they will abstain from the December market test, which is intended to gauge investor interest in the plants to be privatized.

Given that this will constitute a major shift in the domestic power market, and until the issues regarding the sale of the plants become clear, investors will keep monitoring developments and no one can rule out a change in their attitude.

Speaking to local investors, one gleans a variety of positions on the matter. The most emphatic attitude comes from Italy's Edison, which cooperates with Hellenic Petroleum through Elpedison in electricity production: Edison sources say the firm is not interested in investing in lignite units and expect that other investors have a similar attitude.

The mind-set is similar at Hellenic Petroleum, with a source telling Kathimerini that “the EU policies on coal render the acquisition of lignite units a negative investment,” adding that the participation of a European investor in the market test would come as a surprise. Mytilineos sources echo the same view, adding the firm will not take part in the tests.

However, Terna does seem interested in the sale of the PPC lignite plants, while Copelouzos appears to be in two minds about it, having previously shown an interest in cooperation with China's Shenhua. Sources say the Chinese interest in the Greek lignite plants has diminished.

Source: Ekathimerini

Israel

Tamar Petroleum

Israel's Tamar Petroleum said it is in talks to buy a 7.5 percent stake in the Tamar natural gas reserve and the Dalit field from Noble Energy for cash and equity.

The cash portion would be financed by a public bond offering without harming the company's credit rating, Tamar Petroleum said in a statement to the Tel Aviv Stock Exchange. The deal, which The Marker financial newspaper said could be worth as much as \$900 million, would be subject to regulatory approvals.

Texas-based Noble owns 32.5 percent of the Tamar field, Israel's primary supply of natural gas, and must reduce its holding to 25 percent by 2021 under government plans to open the market to competition.

Tamar Petroleum was created in July when Israel's Delek Drilling spun off a 9.25 percent stake in the Tamar reserve into a new company.

Delek Drilling still holds 22 percent of the Tamar reserve, which it must also sell by 2021.

Source: Reuters

Lebanon

Upstream Activities

Lebanon's cabinet approved a bid on Thursday for offshore energy exploration by a consortium made up of France's Total, Italy's ENI and Russia's Novatek, in the country's first oil and gas offshore licensing round, a government source told Reuters.

"Congratulations to the Lebanese people on the passing of the oil decree and on Lebanon entering the club of oil countries," Oil Minister Cesar Abi Khalil said on Twitter in response to the decision.

Lebanon sits on the Levant Basin in the eastern Mediterranean where a number of big sub-sea gas fields have been discovered since 2009, including the Leviathan and Tamar fields located in Israeli waters near the disputed marine border with Lebanon.

Data suggest there are reserves in Lebanon's waters, but so far no exploratory drilling has taken place to estimate reserve size.

The first licensing round for exploration and production rights was re-launched in January after a three-year delay due to political problems in the country.

Total-ENI-Novatek was the only consortium to submit an offer, bidding for block 4 and block 9 of the available five blocks.

Source: Reuters

Moldova

Vestmoldtransgaz

The Shareholders Extraordinary Assembly of Transgaz company on Tuesday approved to set up a company in the neighbouring Republic of Moldova so to participate in the privatisation of the Vestmoldtransgaz state-run company, the Bucharest Stock Exchange (BVB)'s website informs.

Moreover, approved it was the enabling of Ion Sterian, as managing director of Transgaz or of a person authorised by him on an express mandate, to unfold all legal formalities necessary to father a joint venture on the Republic of Moldova's territory and sign all the documents relevant to the respective formalities, the joint venture's act of constitution included.

The Transgaz's Board was enabled to increase the share capital of the joint venture company established on the territory of Moldova with a view to successfully participate in the privatisation's procedure.

Transgaz has recorded January into September 2017 a net profit worth RON 433.552 million, up by 21pct as compared to the one obtained in the similar period of 2016, counting for RON 358.469 million, according to the figures sent by the company to the BVB.AGERPRES

Source: Investingromania.com

Poland

Gas Supply

Poland's dominant gas firm PGNiG has signed its first mid-term deal for liquefied natural gas (LNG) deliveries from the United States, as part of a wider plan to cut its reliance on Russian supplies, it said on Tuesday.

State-run PGNiG said that as part of the deal, signed with Centrica LNG Co. Ltd, it will receive nine LNG shipments in 2018-2022. The company has not revealed the volumes and prices agreed under the contract.

The shipments will come from the Sabine Pass LNG export terminal in Louisiana in the United States and be delivered to Poland's LNG terminal at Swinoujscie on the Baltic Sea, which opened for commercial operations last year.

"This is most likely the first contract in a series. In one year and a half we want to build a portfolio of such contracts. It could be with the U.S., it could be from other directions," PGNiG Deputy Head Maciej Wozniak told a conference.

PGNiG received its first LNG from the U.S. in June on the spot market, but U.S. President Donald Trump's visit to Warsaw in July boosted its appetite for regular supplies.

PGNiG's sole LNG supply deal so far is with Qatargas, which in March agreed to double deliveries to Poland to 2 million tonnes (2.9 bcm) per year until 2034.

PGNiG's plan is not to extend a long-term natural gas deal with Russia's Gazprom when it expires in 2022 and replace the supplies from the east with deliveries from Norway and via the LNG terminal.

Poland consumes around 16 billion cubic metres of gas annually.

Source: Rigzone.com

Romania

Gas Imports

The gas stock for the upcoming winter is the smallest in the last four or five years, so that Romania will have to increase imports by 30 percent in order not to cut off consumers, general manager of national gas transmission company Transgaz Ion Sterian told hearings this Thursday before the parliamentary committee inquiring into the activity of the National Energy Regulatory Authority (ANRE).

"18 winter is the lowest in the last four to five years, whereas Romania's gas consumption has increased 7 — 8 percent in the past year. Therefore this winter we might need to import a larger gas amount than last year," Sterian said.

According to him, in the previous cold season, ie from October 2016 to March 2017, Romania imported 1.7 billion cubic meters of gas.

"For the next six months of winter we estimate imports will amount to over 2.2 billion cubic meters. Mandating storage amounts to suppliers was the task of ANRE," the Transgaz official said.

Source: Agerpres

Black Sea Oil and Gas

Black Sea Oil & Gas SRL ("BSOG"), currently backed by The Carlyle Group, announces that the European Bank for Reconstruction and Development ("EBRD") has become a minority shareholder in the company. EBRD will receive one board seat as part of the investment.

The transaction marks a significant milestone for BSOG as it approaches Final Investment Decision in the Midia Gas Development project ("MGD"). MGD will consist of five offshore production wells, a subsea gas production system, an offshore production platform, a 126 km offshore and onshore gas transmission pipeline and an onshore gas treatment plant.

Marcel van Poecke, Head of Carlyle International Energy Partners, said: "We are excited to welcome EBRD as a fellow shareholder and to working together to address the challenges of taking BSOG to first gas in the coming years. With its strong market standing and long experience in the region, we welcome EBRD as a partner who shares our view of the importance of the MGD to the development of the Romanian Black Sea in particular and European energy and infrastructure activities more broadly."

Matteo Patrone, EBRD Regional Director for Romania and Bulgaria, added: "With this landmark equity transaction, our intention is to support the development of the private upstream oil and gas company in Romania. We are also committed to providing assistance to the Romanian government in further improving the country's legal and regulatory framework for offshore oil and gas operations and building regulatory capacity for the whole industry."

Source: *Black Sea Oil and Gas*

LUKOIL

Romanian prosecutors have decided to close a criminal case against Russia's Petrotel Lukoil refinery in Romania over allegations of money laundering, although the trial of a larger related case continues, they said on Friday.

A spokeswoman for the prosecutors did not say why the case had been closed.

In 2015, prosecutors attached to the court of appeals of the central Romanian city of Ploiesti seized Lukoil assets worth 2 billion euros (\$2.4 billion) in an investigation over alleged money laundering and tax evasion. The trial started last year.

Lukoil said on Friday that Romanian prosecutors had decided to close a criminal case against Petrotel-Lukoil S.A and its director general Andrei Bogdanov on Nov. 3. The company did not provide further details.

The closed case relates to one of about five lesser or separate allegations, the spokeswoman for the prosecutors said.

Source: *Reuters*

Raffles Energy

Raffles Energy SRL, a wholly owned subsidiary of the UK-based Raffles Energy Group, has announced that a new gas discovery has been made recently in the Exploration Area of EIV-1 Suceava Concession (Raffles 50% and operator, PXOG Massey Limited 50%) in North Eastern Romania.

The Bainet-1 well, targeting an exploration prospect analogue to the Bilca gas field, was drilled to a total depth of ca 600m. The conventional natural gas (containing over 99% high calorific value methane) was discovered in a good quality Sarmatian sandstone reservoir that tested at a flow rate of approximately 33,000 cubic meters/day on 8mm choke.

Bainet-1 well was completed as a producer and is now put in conservation for a short period. The plan is to connect the discovery to the Bilca gas processing plant operated by Raffles via a 1,500 meters flowline tie back to the existing production infrastructure. Subject to permitting and approvals, it is expected that Baint gas discovery will start the experimental production in Q2-2018.

“The Baint gas discovery provides an excellent additional near-term production opportunity for Raffles’ growing asset base”, commented Dr Doru Morariu, Chief Executive Officer Raffles. “Over the next coming years, Raffles plans to continue the exploration activities in Suceava Concession with a petroleum operations programme focussed on the evaluation of a portfolio of shallow gas prospects and the selection of most prospective candidates for further exploration drilling.”

The company also announced that a comprehensive work programme and detailed budget for the next 3-years period (2018 to 2020) was developed in conjunction with the expert advice of the National Agency for Mineral Resources (“NAMR”) and is already submitted for NAMR approval.

Source: *energynomics.ro*

Romgaz

Romgaz will continue to develop the Caragele project, planning to invest around EUR 100 million in new exploitation and evaluation wells over the next period, a press release informs.

Romgaz management met with representatives of Buzau and Braila County Councils and with mayors responsible for the area around Caragele project, to find joint solutions for continuing the project development at a high pace, with positive impact on the surrounding communities.

”Romgaz continues field development, where investments have already reached EUR 40 million. (...) Taking into account the enhancement of the exploration program in Muntenia Nord- Est area, we will add a new workshop to support the development of the company’s operations. Such operations will consist of drilling a significant number of exploration wells, building gathering and collecting pipelines connected to the wells showing positive test results which will be brought into production. There will be redeployments and also employment of personnel to reach a few hundred that will work for this project when the field will be fully producing,” Virgil Marius Metea, General Manager Romgaz stated.

Last year, the Romanian natural gas producer and supplier announced that it has discovered an onshore field at Caragele of almost 30 bcm. The estimations are only preliminary, as the fields are still in the process of being explored and could cover consumption for three years.

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Romanian state-owned gas producer Romgaz recorded a net profit of RON 1.18 billion (EUR 253.8 million) in the first nine months of this year, up 66% over the same period last year.

The company’s gas production increased by 23.6% to 3.75 billion cubic meters, according to report the company sent yesterday to the Bucharest Stock Exchange (BVB). Its turnover thus reached RON 3.24 billion (EUR 697 million) between January and September, up 35% year-on-year.

Gas consumption rose by 12% in Romania in the first nine months of this year, after a decrease of 4.6% in 2015 and a 1.9% moderate growth last year.

Romgaz managed to increase its deliveries by 34.6% between January and September compared to the same period last year because of the rising national gas consumption. The company’s share in Romania’s gas delivery market reached 48.1% in the first nine months of this year, compared to a share of 40% in the first nine months of 2016.

The Energy Ministry holds a stake of 70% in Romgaz. The company had about 6,200 employees at the end of September.

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The state-run company Romgaz, one of the two big gas producers wants to invest 136.15 million euro in the gas deposit in Sarmasel, to increase the storage capacity of natural gas, shows the Action Plan regarding measures to guarantee the security of natural gas supply, published by the ministry of energy.

Sarmasel has a storage capacity of 900 million cubic metres.

The document shows that other 87 million euro will be invested in the development of the private storage house for natural gas Depomures, owned by Engie and Romgaz, which at present has a capacity of 300 million cubic metres.

Romgaz operates six deposits at national level with a total capacity of 2.92 billion cubic metres, and owns a package of 41% of the Depomures operator (capacity of 0.3 billion cubic metres) in association with Engie.

Source: The Romania Journal, Actmedia, Romania-insider.com

Rompetrol

Oil and gas company Rompetrol Rafinare, the Romanian subsidiary owned by the Kazakh group KazMunayGas that manages the Petromidia refinery, recorded a consolidated net profit of USD 56 million in the first nine months of this year, almost triple compared to the same period last year.

The consolidated operating result amounted to USD 152.9 million during this period, up 26% year-on-year. The company's gross turnover reached USD 2.87 billion between January and September, up 12% over the same period last year.

The constant operational records are due to the investments carried out by KMG International, Rompetrol Rafinare general director Yedil Utekov said. The evolution of refining margins also positively influenced the financial results.

The gross refining margin increased by 26% in the first nine months of this year compared to the same period last year.

Rompetrol Rafinare operates the Petromidia and Vega Ploiesti refineries in Romania.

Source: Romania-insider

Russia

Legal and regulatory Framework

Russian energy companies Novatek and Rosneft are trying to stop Gazprom from increasing the volume of gas it sells on the St. Petersburg International Mercantile Exchange SPIMEX, Russian media has reported.

The Kommersant newspaper quoted anonymous sources who took part in a meeting organised in mid-November by Russia's Federal Antimonopoly Service to discuss gas trading on SPIMEX.

At the meeting, Rosneft reportedly said "the condition for further liberalisation of the market is the creation of equal conditions for access to infrastructure and consumers"

Source: Interfax

Ukraine

Gas Price

Ukrainian enterprises in November 2017 imported gas at an average price of UAH 6,393, or \$239.5 per 1,000 cubic meters, according to the website of the Ministry of Economic Development and Trade.

According to the ministry, in January 2017 the price of gas imports for 1,000 cubic meters amounted to \$229.51 (UAH 6,033), in February to \$246.88 (UAH 6,682), in March to \$248.13 (UAH 6,669), in April to \$232.17 (UAH 6,235), in May to \$208.38 (UAH 5,507), in June to \$213.7 (UAH 5,566), in July to \$214.5 (UAH 5,566), in August to \$210.11 (UAH 5,385), in September to \$212.9 (UAH 5,574), and in October to \$224.89 (UAH 6,000).

Earlier, Chief Commercial Officer of Naftogaz Ukrainy Yuriy Vitrenko noted that the average customs value of imported gas published by the Ministry of Economic Development and Trade is not representative.

Source: Interfax Ukraine

Gas Import

The ERU Group has imported around 70 million cubic meters (mcm) of gas from the United States to Ukraine via the Świnoujście LNG terminal in Poland, the co-owner of the group, Andriy Favorov, has told Interfax-Ukraine.

"Yes, we have received LNG via a terminal in Poland. The amount is around 70 mcm," he said. Favorov said that purchase of gas is secured by OPIC. He did not specify the price of gas.

He said that some amount of gas from the United States has been sold to Ukrainian consumers and some amount was pumped into underground gas storage facilities.

"We sold some gas to consumers, some gas at a tender to Ukrtransgaz and we store some gas in storage facilities. We manage the portfolio," he said.

As reported, the Overseas Private Investment Corporation (OPIC), an U.S. Government agency, provided guarantees for a \$38 million loan to Energy Resources of Ukraine (ERU) to purchase gas, including its imports from the United States.

ERU Group belongs to Favorov, Dale Perry and Yaroslav Mudriy.

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National joint-stock company Naftogaz Ukrainy in July-September 2017 procured natural gas from Axpo Trading AG, CEZ a.s., Engie SA, RWE Supply & Trading GmbH and Uniper Global

Commodities SE within the scope of the third round of utilization of Gas Purchase Renewable Credit Facility funds provided by the European Bank for Reconstruction and Development (EBRD), the company's press service has reported.

"Total value of 18 awarded contracts amounted to \$359 million, of which \$300 million were financed through the credit facility and \$59 million – from Naftogaz's own funds. All five suppliers were identified as eligible by the EBRD prequalification procedure concluded in June 2017. Weighted average price of the contracts amounted to \$203 per mcm at delivery point," the company said.

From December 2015 through March 2016 as part of the first round of the loan Naftogaz bought 1.7 billion cubic meters (bcm) of gas from five suppliers.

In 2015, Naftogaz received a \$300 million revolving loan from the EBRD to purchase gas from European suppliers.

Source: Interfax Ukraine

Naftogaz

The Cabinet of Ministers of Ukraine has approved a new supervisory board of national joint-stock company Naftogaz Ukrainy, which includes foreigners Clare Spottiswoode (UK), Bruno Lescoeur (France), Amos Hochstein (the United States) and Steve Haysom (Canada).

The government made the decision at a meeting on Wednesday.

In addition, Ukrainians Oleksandr Hrytsenko (Board Chairman of Ukreximbank), Serhiy Popik (an advisor to the prime minister) joined the board. Volodymyr Demchyshyn remained a member of the supervisory board.

Ukrainian Prime Minister Volodymyr Groysman said that the supervisory board was created in tight cooperation with international partners.

"The new supervisory board will have a task of increasing efficiency of the company and conducting unbundling. It would have a task of providing for sharp increase in gas production in the country... and help to de-monopolize the market and create the gas market in Ukraine," Groysman said.

Source: Interfax Ukraine

Pipelines and Supply Options

East Med Gas Pipeline Project

Italy, Greece, Cyprus and Israel agreed on Tuesday to back the construction of a gas pipeline from newly discovered fields in the eastern Mediterranean to Europe.

The project, known as East Med, involves a 2,000 km long pipeline to channel offshore reserves in the Levantine Basin in the far east corner of the Mediterranean to Greece and Italy, at a cost of up to 6 billion euros.

The eastern Mediterranean has produced some of the world's biggest gas finds in the past decade, and much of it is still thought to be untapped at a time Europe is looking to diversify its gas resources for reasons of energy security.

"Today we have concluded a very significant milestone, which is the signing of a memorandum of understanding which outlines the political commitment of the four countries to pursue this project," Cypriot Energy Minister Yiorgos Lakkotrypis said during a signing ceremony in the Cypriot capital Nicosia.

The pipeline, he said, was a "very important pillar" in the eastern Mediterranean natural gas corridor.

The four countries also said they would cooperate to facilitate studies, permits, construction and operation of the project, with a view to signing an Intergovernmental Agreement on the project "within 2018", a joint statement said.

Israel has discovered more than 900 billion cubic metres (bcm) of gas offshore. Cyprus' Aphrodite gas field holds an additional 128 bcm and Cypriot waters are expected to hold more reserves.

It is estimated the pipeline could transport up to 16 bcm of gas per year. The project owners are IGI Poseidon, a joint venture between Greece's natural gas firm DEPA and Italian energy group Edison.

Source: Rigzone

TAP

EIB deferred making a decision on the TAP loan, citing a need to look at the project more closely. As such, the loan will not be approved or denied before February next year after already resting on the bank's books for nearly two years.

Environmental groups welcomed the board's decision to delay, citing growing civil society action as a prime factor. In recent days, over 4,000 people had contacted high-ranking EIB members to express their opposition to the TAP project.

Given the EIB's high profile attendance at the One Planet Summit in Paris yesterday, many eyebrows were raised that the bank would pledge its long-awaited support for TAP on the second anniversary of the Paris Agreement.

Friends of the Earth France climate campaigner Cécile Marchand said: "Clearly it was too much even for the EIB to fund this fossil fuel mega project on the anniversary of the Paris Agreement – now they should make sure that 2018 sees them end support for fossil fuels entirely."

Climate experts insist fossil fuels have no place in post-2035 EU energy plans

The EU will exhaust its share of the global carbon budget within nine years and jeopardise the Paris Agreement's two degrees target if emissions from fossil fuels continue at their current rate, a new study warns.

TAP and the Southern Gas Corridor as a whole have provoked criticism due to their reliance on countries like Azerbaijan and Turkey, despite documented concerns about human rights abuses.

Farmers in southern Italy, where the pipeline is planned to make landfall, have also complained about destructive construction works.

Wider concerns about the EU's energy and climate policy have also been raised. Climate Commissioner Miguel Arias Cañete admitted in January 2017 that the Commission had not undertaken a climate assessment of the SGC.

In an answer given to a parliamentary question, Cañete insisted that access to the natural gas resources of the east would allow southern and eastern European countries to phase out more polluting power plants.

Source: Euractive

Turkish Stream

Gazprom has ordered a feasibility study into alternative options to continue the second branch of the Turkish Stream pipeline into Europe, Sputnik said on Monday, quoting Gazprom's procurement material.

Turkish Stream's first two branches will each have a capacity of 15.75 billion cubic metres per year.

The first branch is intended to serve the Turkish market, while the second is planned to reach Europe.

Gazprom has yet to decide where this second leg will make landfall and how it will be linked to the European network.

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Gazprom is looking at the possibility of connecting the Turkish Stream pipeline with the Baumgarten hub in Austria via Bulgaria, Serbia and Hungary, the Russian gas giant has said. The Nllgazekonomika institute, Gazprom's in-house gas consultancy, will perform a pre-investment study of scenarios to ship gas from Turkish Stream on to European countries. The purpose of the study is "to choose the optimal configuration for projects to create new and expand existing gas transportation capacity in the territories of Bulgaria, Serbia, Hungary and Austria.

Source: Interfax

Greece-Bulgaria Gas Pipeline Project

ICGB, the project company for the new gas connection with Greece, has published a public procurement contract for the project pipelines. The estimated value is EUR 60 million (excluding VAT) for pipes with a nominal diameter DN 800/32, announcement of the company shows.

The total length of the pipeline is 182 kilometers, most of which are located on the territory of Bulgaria. The aim of ICGB is to connect the gas networks of both countries at the points of Komotini and Stara Zagora.

The deadline for execution of the contract commenced today is 12 months from the date of award of the contract to the contractor.

The subject of the public procurement is the production and supply of pipelines for the construction of the pipeline. At the beginning of November, the procedure for choosing an engineering consultant for the project under which offers are still being launched.

The choice of builder will be a separate procedure that will be launched in early 2018.

The construction of a new gas connection between Bulgaria and Greece was under way in 2009, but the work on the realization of this idea has been delayed for years. The project today has the status of a project of Community importance as it improves interconnection in the community.

The ICGB is an integral part of the plans for the Vertical Gas Corridor that will transport North Sea gas across the territories of Greece, Bulgaria and Romania, as well as plans to receive gas from the Caspian region (through the TAR pipeline) and the realization of the idea for the Balkan gas hub.

Source: Novinite

Romania-Serbia Gas Interconnection

Romania has in view to sign an agreement memorandum with Serbia for the construction of a interconnecting pipeline between Arad and Mokrin with the length of 80 km to grow the degree

of energy security in the region, shows an Action Plan regarding the measures for the guarantee of the safety of natural gas supply, published by the ministry of energy.

'The analysed variant for gas export to Serbia is to take over the natural gas from the future pipeline BRUA (phase I,II and III).The closest point of the pipeline BRUA to the border between Romania and Serbia is Mokrin, the Arad area' the plan shows.

'The project ' The interconnection of the national transport system for natural gas with the similar transport of natural gas from Serbia' implies the building of a pipeline for the interconnection of the national system of natural gas transport with the similar system of natural gas transport from Serbia on the direction Arad-Mokrin with the length of approximately 80 km.

From the total length of the new interconnecting pipeline between the two points, almost 74 km will be on the territory of Romania and 6 km on the territory of Serbia. At the same time, the project includes the construction of a gas measurement station which could be place on the territory of Romania or Serbia.

The finalising date is 2026.

The total estimated value of the investment is 43 milion euro out of which 37 million euro the pipeline on the territory of Romania, 3 million euro the pipeline on the territory of Serbia and 3 million euro for gas measurement, either on the territory of Romania or Serbia..

'The export of natural gas to Serbia will be made after the finalisation of the BRUA project. In the situation where natural gas will be taken from Serbia to Romania, they will be directed for consumption in the area Timisoara-Arad, through the pipelie DN 600 Horia –Masloc – Recas (25 bar) to pressures lower than in the BRUA pipeline' the document shows.

The national system for the transport of natural gas (SNT) of Romania is operated by Transgaz, the technical operator of the transport system (OST).

The transport capacity of natural gas is ensured by the grid of pipelies and connections of supply with diametres between 50 and 1,200 mm and total length of 12,585 km (13,138KM includinf the transit pipes).

SNT is connected to the neighbouring states, with Ukraine, Hungary, the Republic of Moldova and Bulgaria through five interconnecting points.

Source: Actmedia

Russian LNG

Russia's LNG production capacity is "clearly not enough", the country's president, Vladimir Putin, has said.

Opening a meeting on the development of LNG projects to mark the startup of Yamal LNG, Putin said it was important for Russia to secure a strong position in the global LNG market, and that the country's existing projects at Yamal and Sakhalin were insufficient to achieve this.

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Russia's government has set a target of winning between 15 and 20 percent of the global market for liquefied natural gas (LNG), Leonid Mikhelson, the chief executive officer of Russian gas major Novatek, said on Tuesday.

Novatek, Russia's biggest private gas producer, meanwhile plans to maintain its own domestic market share, Mikhelson told investors.

Sources: Interfax, Reuters

Companies

Gazprom

A working meeting between Alexey Miller, Chairman of the Gazprom Management Committee, and Maarten Wetselaar, Member of the Executive Committee of Royal Dutch Shell, took place in St. Petersburg today.

The meeting addressed relevant aspects of strategic cooperation.

Particular attention was paid to joint efforts in the liquefied natural gas (LNG) sector. The parties discussed the construction project for the third train of the LNG plant on Sakhalin Island and the progress of the Joint Study Framework Agreement for the Baltic LNG project.

The meeting also focused on the Nord Stream 2 project.

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Gazprom Export and the State Oil Company of the Azerbaijan Republic (SOCAR) reached an agreement to resume natural gas supplies to Azerbaijan. A contract to that effect was signed in Moscow on November 21, 2017. Gas supplies are to start on November 22, 2017. It is planned to deliver a total of 1.6 billion cubic meters of Russian gas to Azerbaijan under the contract.

“We have a long history of partnership with Azerbaijan in the field of natural gas trading. It is encouraging to see this relationship flourish and move to the next level,” said Elena Burmistrova, Director General of Gazprom Export.

Source: Gazprom

MOL

Hungary is prepared to sell back its stake in the Croatian oil and gas company INA to Croatia, Prime Minister Viktor Orban has said, raising hopes of an end to a poisonous dispute over the company's future. Hungarian energy company MOL currently owns just under half of the Croatian company, while Zagreb controls 45 per cent. Both sides have engaged in strained international arbitration over management rights and investment decisions by the company, which operates two refineries on the Adriatic coast and over 400 service stations. A UN arbitration court in February dismissed claims by Zagreb that contracts agreed in 2009 were the result of corrupt acts. Any deal to sell the stake to Zagreb must be “fair and I would like it to be done as swiftly as possible,” Mr Orban said, after talks with Croatian prime minister Andrej Plenković on the margins of a summit between Chinese and central and eastern European leaders in Budapest. The Hungarian government owns a 25.2 stake in MOL. Mr Plenković first pledged to buy back MOL's stake in INA in December 2016 but he has emphasised the need to agree a reasonable sale price without increasing Croatia's public debt. Mr Orban said the business dispute had “poisoned” relations between the two countries,

according to a summary of the meeting posted on the government's website, and that resolving it would improve relations more broadly. "For our part, we have goodwill. We want to cool our spirits and find a rational solution," Mr Orban said

Source: *FT.com*

OMV

OMV, the international integrated oil and gas company based in Vienna, has completed the acquisition of a 24.99% share in the Yuzhno Russkoye natural gas field located in Western Siberia from Uniper SE following fulfillment of all closing conditions including regulatory and co-shareholder approvals.

The purchase price paid by OMV to Uniper amounts to EUR 1,719 mn and includes customary closing adjustments. The transaction takes retroactive economic effect as of January 1, 2017 and was largely funded out of proceeds generated from disposals and OMV's strong cash flow.

Rainer Seele, Chairman of the OMV Executive Board and CEO: "The closing of this landmark transaction is a further milestone in OMV's successful delivery on its corporate strategy to establish Russia as a new core region of OMV. Our stake in Yuzhno Russkoye adds 100,000 boe/d to OMV's production. This boosts OMV's total production to more than 430,000 boe/d."

Johann Pleininger, OMV's Deputy CEO and Board Member Upstream: "With this acquisition OMV gets additional recoverable reserves of 580 mn boe. In addition, our production costs will be further decreased. "

The Yuzhno Russkoye field is one of the largest gas fields in Russia, situated in the Yamal-Nenets region. Current plateau production of the field amounts to 25 bn cubic meters per year (100%). The license will expire by the year-end 2043.

Source: *OMV*

Rosneft

Russia's largest oil producer Rosneft and Greece's Motor Oil Hellas Corinth Refineries have signed a deal on mutual supplies of crude oil and oil products for the next five years, Rosneft said on Monday.

Rosneft said the deal, signed with the participation of Petrocas Energy, a Rosneft subsidiary, implied the possibility of increasing annual oil and oil product supplies to up to 7.5 million tonnes (150,000 barrels per day).

"The document will also enable Rosneft to independently sell oil products produced at the refineries of Motor Oil Hellas for trading using facilities of Petrocas Energy," Rosneft said.

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Russia's largest oil producer Rosneft has entered into a five-year crude oil supply deal with CEFC China Energy Company Limited.

CEFC China is a private collective enterprise with energy and financial services as its core business.

State-owned Rosneft said on Monday that its board of directors had agreed to supply the Chinese company with 60.8 million tons of oil over the five-year period.

Deliveries will start from January 1, 2018, the Russian company added in a brief regulatory filing on Monday.

According to a report by Reuters, this deal will make CEFC a top-10 global oil merchant and a dominant player in the ESPO crude market.

The oil supply contract comes only two months after CEFC bought a 14.2 percent stake in Rosneft in a deal valued over \$9 billion, the Financial Times reported.

Rosneft's partnership with CEFC China includes a strategic cooperation framework agreement signed back in August. With this deal, the two companies agreed to expand opportunities for investment in the Chinese market and Asian-Pacific region and create favorable conditions for the Chinese and Russian energy industry and economic trade cooperation.

In related news, Rosneft earlier this week completed drilling of "the world's longest well" from the Orlan platform at Chaivo field in the Sea of Okhotsk. The length of the well with horizontal completion was 15,000 meters which, according to the company, was a world record.

Sources: Rigzone, Offshore energy today



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