Balkan and Black Sea Petroleum Association

15th of July – 15th of August 2017

BBSPA Monthly Bulletin

Summary

Oil and Gas Prices

Spot Prices: Between 15 July 2017 and 15 August 2017 US WTI spot crude oil price fluctuated between $45/bbl and $50/bbl; Henry Hub spot gas price fluctuated between $105/1000 cbm and $120/1000 cbm (GCV at 0°C). In Europe, at Central European Gas Hub, the average day ahead gas price was $214/1000 cbm.

Bulgaria: Bulgargaz predicts a 6% drop in natural gas price from October 1 due to lower exchange rate of Bulgarian lev against the US dollar.

Ukrainian average import price in July was $214/1000 cbm according to the Ministry of Economic Development and Trade.

Electricity Prices

Romanian electricity prices on the free market reached their historically highest levels in August.

Gas Supply and Trade

Egypt is in talks with its liquefied natural gas suppliers to defer contracted shipments this year and aims to cut back on purchases in 2018, as surging domestic gas production pushes back demand for costly foreign imports.

Romania: The volume of natural gas traded on the Romanian Commodities Exchange (BRM) in H1 2017 exceeded 44 TWh, representing over 70 percent of the national consumption. In 2016, BRM had 290 customers, and in 2017, their number reached 314.

Ukraine and the European Union have launched a project to forecast the demand for underground gas storage facilities. * Belorusneft and Romania's Tacrom have won a tender announced by PJSC Ukrgazvydobuvannia for implementation of 40 fracking operations on wells in Ukraine.

Electricity Production & Consumption

EU: European utilities burned more gas and coal for power generation in the first half of the year compared with the same period last year to compensate for lower hydropower and nuclear output.

Bulgaria plans to launch a tender to sell its abandoned nuclear power project Belene.

Turkey: Siemens and Turkey's Türkerler and Kalyon Enerji holdings won a billion-dollar wind energy tender in Turkey offering the lowest price to the state with $3.48 cents per kilowatt hour. The Turkish energy minister said the price was a record.

Legal and Regulatory Framework

Egypt's president has ratified a law designed to break the state's monopoly of the gas sector and establish a regulator. The new gas law is a step by the government to break the Egyptian Natural Gas Holding Co. and Egyptian General Petroleum Corp. monopoly in the gas sector.

The Greek government decided to preserve the current oil and gas exploration and production concession model, though the possibility of more active involvement of the state in the future remains open.

Romanian president submitted to Parliament, for review, the law imposing a tax on additional income obtained as a result of the deregulation of natural gas prices. Investors expected the current temporary tax to be removed. Instead the law proposed the tax to be increased and made permanent. *Romanian excise duties on fuels will return to the 2016 level and increase by 22% for gasoline and by 14% for diesel fuel, according to the new governmental draft bill.

US: The new sanctions on Russia give the US the right to impose sanctions on companies that invest in or provide goods and services to Russian export pipelines and could prohibit US financial institutions from making loans to sanctioned companies or persons or preventing US exports of goods and technology. American companies also would be barred from participating in energy exploration projects where Russian firms have a stake of 33 percent or higher. Some of the measures are discretionary and most White House watchers believe U.S. President Donald Trump will not take action against Russia's energy infrastructure.

Upstream

Cyprus: The "West Capella" drilling vessel contracted by Total and ENI moved into position to start drilling off Greek Cyprus into the Onesiphoros West 1" well.

Egypt: Zohr gas field development was announced to be 80% ready, less than two years after the discovery was made, a record in the oil industry.

Turkey: Valeura/Statoil announced an over-pressure basin-centered gas play after their first deep exploration well was drilled in Thrace basin in Turkey.

Greece launched two tenders for offshore oil and gas exploration and exploitation. This follows expressions of interest by a consortium of Total, Exxon Mobil and Hellenic Petroleum for exploration in two sites off the island of Crete, and by Greece's Energean for a block in the Ionian Sea in western Greece.

Pipelines Projects and Supply Options

Vertical Gas Corridor: A Memorandum of Understanding on the realization of the Vertical Gas Corridor has been signed by representatives of the gas companies – Bulgartransgaz EAD (Bulgaria), ICGB AD (Bulgaria), DESFA S.A. (Greece), FGSZ LTD (Hungary) and SNTGN TRANSGAZ S.A. (Romania) for the realization of the corridor for bi-directional natural gas transport, interconnecting the networks of Bulgaria, Greece, Romania and Hungary.

BRUA Gas Pipeline Project: Transgaz and FGSZ plan to launch the Open Season Procedure for the Romania – Hungary (RoHu) segment of the Bulgaria – Romania – Hungary – Austria (BRHA/BRUA) gas pipeline project that will ensure a 1.75 bcma firm bi-directional capacity. The respective final investment decisions (FIDs) are already taken. Earlier Transgaz officials were informed that FGSZ could not run the planned procedure due to lack of necessary approval from the company's Supervisory Board, motivated by economic efficiency issues. Instead, the Hungarian side proposed performing the opening of the committed season, solely for the RO-HU interconnection point, following that the gas volume of 4,4 billion cubic meters per year coming from Romania, to be distributed from Hungary to Slovakia, Ukraine, Croatia or Serbia.

Opal pipeline: Gazprom said it used the Opal pipeline to full capacity for the first time since a German court lifted restrictions on the company's access. Opal's gas pipeline capacity was reported to have reached a full utilization in August without having an impact on the transit through Ukraine.

Nord Stream 2: A bill agreed by U.S. Senate and House leaders foresees fines for companies aiding Russia to build Nord Stream 2. European Commission could either demand a formal U.S. promise to exclude EU energy companies or use EU laws to block U.S. measures against European entities. Another option is to impose bans on doing business with certain U.S. companies. Ex-Soviet states such as Poland and the Baltic states are unlikely to vote to protect a project they have resisted because it would increase EU dependence on Russian gas.

LNG

Cyprus: A study from Gaffney, Cline & Associates concluded that an FSRU would be the best option to allow Cyprus to switch to gas-fired power instead of using oil.

Companies

Gazprom and Shell have agreed to carry out a joint feasibility study for the planned Baltic LNG plant with plans to launch the facility in 2022-2023. Gazprom said that new U.S. sanctions against Moscow would not result in changes to key projects, although they could cause delays.

Delek: Israel's Delek will sell 9.25% interests in the Tamar and Dalit fields for $980 million as part of the agreement with the Israeli authorities to reduce its stake of 31.25% to zero.

DESFA: Greece extended the deadline for submission of expressions of interest in natural gas grid operator DESFA. The tender will likely be graced by: Fluxys, Gasunie, GRT gas and Enagas.

OMV reported a 19% decrease of production cost to USD 8.7/boe and an increase of refining margin to USD 6.0/boe. * OMV Petrom has signed a contract for the sale of 45 MW wind park in Romania to Transeastern Power for EUR 23 mn.

Romgaz has posted a 41.1% increase in net profit in the first semester of this year. Also gas production was higher than scheduled.

ExxonMobil said that they are following with interest recent developments about BRUA project, as well as continuing to evaluate the commercial viability of the discovered reserves offshore Romania.

Transgaz and Srbijagas have prepared to sign a MoU for the strengthening the regional role of the BRUA pipeline and of the Balkan gas market.

Naftogaz Ukrainy in July started importing gas through its Swiss subsidiary Naftogaz Trading Europe S.A. (NGTE, formerly Naftogaz Overseas), NGTE's strategy for 2017-2020 holds that all purchases of imported gas to go through it, except for purchases under loan agreements with international financial organizations.

Ukrgazvydobuvannia reached a five year maximum of its daily gas production level, thanks to the implementation of hydraulic fracturing. Ukrgazvydobuvannia has announced a tender to attract investors to restore production from over 1,900 liquidated wells.

Engie has applied for a license to supply natural gas in Ukraine.

Shell: EBRD has included Shell Energy Europe in the list of companies that have passed preliminary qualification and have the right to participate in Naftogaz Ukrainy tenders for the purchase of gas.

Schlumberger: Russia's Eurasia Drilling Company said that it would sell a 51 percent stake to Schlumberger.

Contents

EU

Power production

European utilities burned more gas and coal for power generation in the first half of the year compared with the same period last year to compensate for lower hydropower and nuclear output.

Spanish utility Endesa said in its H1 results in late July that mainland output from its gas-fired power plants increased by 65% year on year for the period, to 4.7 TWh. Meanwhile, coal-fired generation increased by 77%, to 11.7 TWh, while hydro production fell by 38%, to 3 TWh.

Analysts said Iberian companies had ramped up production from combined-cycle gas turbine (CCGT) plants to compensate for lower hydro output levels.

Source: Interfax

Bulgaria

Bulgargaz

Bulgargaz predicts a 6% decline in natural gas from October 1. This is clear from a news release on the company's website, quoted by bTV.

The estimated price of blue fuel for the fourth quarter of 2017 is BGN 347.99 per 1000 cubic meters (excluding transport, excise and VAT). This represents a decrease of BGN 22.22 per 1000 cubic meters compared to the current price.

Bulgargaz indicated that the decrease was due to the lower exchange rate of the lev against the US dollar.

The final proposal to validate the gas price for the fourth quarter of 2017 will be submitted to the Energy and Water Regulatory Commission on September 8, 2017.

Source: Novinite.com

Belene Nuclear Project

Bulgaria plans to launch a tender to sell its abandoned 2,000 megawatt nuclear power project Belene in early 2018, Energy Minister Temenuzhka Petkova said on Tuesday, quoted by REUTERS.

The previous government cancelled the Belene project in 2012 after failing to find foreign investors and under pressure from Brussels and Washington to limit its energy dependence on Russia.

The current government renewed the search for private investors to build the plant on the Danube River after an arbitration court ruled last June Bulgaria had to pay more than 600 million euros ($704.46 million) in compensation to Russian state nuclear company Rosatom when it cancelled the project.

"At the start of next year the procedure for the privatisation of the company for the project of Belene nuclear power project should start," Petkova told news conference.

Petkova reaffirmed Bulgaria's plans to keep a small stake in the estimated 10 billion euro project, and that investors should be willing to build it without state guarantees or long-term power purchase agreements.

"We do not have the right to make any more mistakes in this project. We need to seek the best, economically viable solution for this equipment," she said.

She did not comment on potential investors.

Last year the government said that Industrial and Commercial Bank of China (ICBC) was ready to finance the project. China National Nuclear Corporation (CNNC) had also expressed an interest in investing in it.

Source: Novinite.com

Cyprus

Upstream Activities

The “West Capella” drilling vessel contracted by France’s Total and Italy’s ENI moved into position to start exploring for gas off Greek Cyprus on July 12, the island’s energy ministry said.

The “Onesiphoros West 1” well is estimated to be completed within approximately 75 days, Greek Cyprus’s energy ministry said in a statement.

The two companies have licensing rights over the block, which lies about 6 km away from Zohr, a massive offshore Egyptian gas find made by ENI in 2015.

Last month Greek Cyprus issued a Navtex advisory to inform shipping in the area that drilling work would run from July 10 until early October.

The drilling is expected to reach a maximum depth of around 4.25 kilometers (2.6 miles) below mean sea level, or 1.6 kilometers beneath the sea bed, the energy ministry said.

………………

Italian Minister of Defence Roberta Pinotti is paying a “symbolic” visit today (31 July) to Cyprus in light of oil and gas drilling that a consortium of France’s Total and Italy’s Eni is now carrying out in the region.

Cyprus started offshore drilling for gas in its economic zone triggering the strong reaction of Turkey, which warned it would take counter-measures.

Turkey claims that Cyprus’s internationally recognised government has no jurisdiction to explore for hydrocarbons.

As Cyprus prepares to start offshore drilling for gas in its economic zone, Turkey announced it was readying “countermeasures” and Greece replied it was “ready to defend its sovereign rights”, in a clear sign of growing tensions between the two NATO members.

Media in Athens and Nicosia commented that the visit of the Italian politician is “symbolic” as Rome wants to send a message to Ankara regarding the gas drilling activities in the region.

Earlier this month (17 July), French Minister of the Armed Forces Florence Parly also visited the island and Greece’s Minister of Foreign Affairs Nikos Kotzias calling it a “good development”.

“Do not forget that there are also French warships in the area that remind the Turks that the one breaching the law cannot be at the same time the one that enforces it,” he told EURACTIV in an interview.

Source: Hurriyet daily, Euroactiv

LNG

Cyprus has decided to proceed with its first LNG import project and is preparing to tender contracts for an FSRU and LNG supplies.

DEFA, Cyprus's public gas supply company, commissioned a study from Gaffney, Cline & Associates in December last year which concluded that an FSRU would be the best option to allow Cyprus to switch to gas-fired power instead of using oil. Cyprus wants to start producing gas-fired power by 2020 to keep in line with the EU's emissions targets.

Source: Rigzone

Egypt

Gas Production

Three recently discovered major gas fields are expected to raise Egypt's natural gas output by 50 percent in 2018 and 100 percent in 2020, the petroleum ministry said.

"The fields of Zohr, North Alexandria and Nooros are among the most important projects that will increase natural gas production ... and will contribute to (Egypt's) natural gas self-sufficiency by the end of 2018," Petroleum Minister Tarek El Molla said in a statement, which set out the production forecasts.

Egypt's natural gas production rose to about 5.1 billion cubic feet per day in 2017 from 4.4 billion cubic feet in 2016 with the start of production from the first phase of BP's North Alexandria project.

Egypt has been seeking to speed up gas production from recently discovered fields, with an eye to halting imports by 2019. Once an energy exporter, it has become an importer after domestic output failed to keep pace with rising demand.

The three large projects, which include the mammoth Zohr Mediterranean gas field discovered by Italy's Eni last year, are expected to collectively bring 4.6 bln cubic feet of gas per day online by the start of 2019.

Eni began production at Nooros, its Nile Delta offshore field, in September 2015.

Egypt is in talks with its liquefied natural gas (LNG) suppliers to defer contracted shipments this year and aims to cut back on purchases in 2018, as surging domestic gas production pushes back demand for costly foreign imports. (Reporting by Ehab Farouk; Writing by Amina Ismail; editing by Patrick Markey and Adrian Croft).

Source: Rigzone

Gas Import

Egypt is planning to import 80 cargoes of liquefied natural gas during the 2017-18 financial year that began in July, Petroleum Minister Tarek El Molla told Reuters on Sunday, down from the 118 cargoes imported last year.

Egypt has been trying to speed up the development of recent gas discoveries with a view to halting imports by 2019.

"We were planning to import 154 cargoes of LNG in 2016-17 but we only imported 118 cargoes because of the increase in local gas production," Molla said.

Egypt expects to increase its LNG production by 1 billion cubic feet per day by the end of the current financial year to reach 6.2 billion cubic feet per day.

Gas production will get a big boost from Italian national oil company Eni's Zohr field, discovered in 2015 with an estimated 30 trillion cubic feet of gas in place.

That field is expected to come into production at the end of 2017 and will save Egypt billions of dollars in hard currency that would otherwise be spent on imports.

Source: Rigzone

Zohr Field

The Egyptian Prime Minister Sherif Ismail met today with Eni's CEO Claudio Descalzi. The meeting focused primarily on the future of Zohr's mega field and the positive impact it will have on the national energy economy, with CEO Claudio Descalzi outlining the progress being made with the rapid development of the project. Thanks to the significant operational synergies that Eni has been able to exploit with its facilities in the area, the development of Zohr is 80% complete less than two years after the discovery was made, a record in the oil industry.

The meeting, also attended by the Minister of Petroleum and Mineral Resources Eng. Tarek El Molla, focused primarily on the future of Zohr's mega field and the positive impact it will have on the national energy economy. Eni CEO Claudio Descalzi outlined the progress being made with the rapid development of the project: thanks to the significant operational synergies that Eni has been able to exploit with its facilities in the area, the development of Zohr is 80% complete less than two years after the discovery was made, a record in the oil industry.

With a potential of 850 billion cubic meters of gas in place, not only will Zohr be able to satisfy almost all of the total domestic gas demand for the coming decades. It will also allow Egypt to return to being a net energy exporter.

Source: Eni

Legal Framework

Egypt's president has ratified a law designed to break the state's monopoly of the gas sector and establish a regulator. Cairo hopes the move will draw private investment to Egypt and remove some of the barriers to industrial development.

Law 196/2017, which regulates the activities of the gas market, was signed into law by Abdel Fattah el-Sisi on Monday, having received parliamentary approval on 5 July. The president of the Council of Ministers, Egypt's cabinet, will issue specific regulations to Sisi within the next six months.

“The new gas law is a step by the Egyptian government to [break] the [Egyptian Natural Gas Holding Co.] and [Egyptian General Petroleum Corp.] monopoly in the marketing of gas in

Egypt," Mostafa Ibrahim el-Shazly, an attorney in the Petroleum Agreements Department of EGPC, told Interfax Natural Gas Daily.

Source: Interfax

Greece

Upstream Activities

Greece launched two tenders on Monday for offshore oil and gas exploration and exploitation in the west and south of the country, the energy ministry said.

The move follows expressions of interest by a consortium of Total, Exxon Mobil and Hellenic Petroleum for exploration in two sites off the island of Crete, and by Greece's Energean for a block in the Ionian Sea in western Greece.

Investors will have 90 days to submit offers to the Hellenic Hydrocarbons Resources Management (HHRM) from when the announcement is published in the European Union's official gazette.

Greece has launched a program to discover more oil and gas, encouraged by recent large gas finds off Israel and Cyprus and spurred on by its protracted financial crisis.

In May it granted a concession to Hellenic Petroleum for onshore exploration at two sites in the west of the country, and to privately held Energean for another block.

Energean is currently the country's only offshore oil producer, in northeastern Greece, with an average production of 3,500 barrels per day last year.

Source: Rigzone

Legal and Regulatory Regime

The inner cabinet on Thursday decided against introducing any changes to the block concession model for hydrocarbons surveying and utilization, to the relief of investors, but the decision announced by the office of Deputy Prime Minister Yiannis Dragasakis leaves open the possibility of reviewing the model in the future.

This confirms information that the government’s intention is to modify the concession model toward the more active involvement of the state, even through participation in the consortiums that win the tenders to survey the blocks.

Source: Ekathimerini

DESFA

Greece's privatisation agency HRADF said on Monday it had extended the deadline for submission of expressions of interest in natural gas grid operator DESFA to Aug. 7.

Greece is seeking a buyer for a 66 percent stake in the grid under a privatisation scheme it has agreed with international lenders.

Monday had been the deadline.

HRADF said its board decided to postpone the deadline after a request by a potential investor.

Greek authorities relaunched the privatisation process for DESFA after a deal with Azerbaijan's SOCAR fell through in 2016.

That deal collapsed after Athens passed legislation raising DESFA's gas tariffs by a lower amount than SOCAR had expected.

The agency is selling its 31 percent stake in DESFA and Greece's biggest oil refiner, Hellenic Petroleum, is divesting the rest.

………….

Given the climate created to date, the tender will likely be graced by the presence of four European network operators: Fluxys from Belgium, Gasunie from The Netherlands, GRT gas from France and Enagas from Spain.

Fluxys and Gasunie are expected to enter as a consortium, while an entry is also anticipated from Italy’s Snam through some form of cooperation, given that the conditions of the tender do not allow it to come in autonomously. Entries must include at least a national operator, so Snam does not qualify. Persistent rumors about it teaming up with one of the four operators have not been confirmed, however.

The interest of Snam, Fluxys and Enagas is related to their participation in the Trans Adriatic Pipeline and the synergies it will create with the Greek gas system.

Quite a few observers say the new tender could match the price of 400 million euros that Azerbaijan’s Socar had offered at the first tender for the 66 percent stake in DESFA that is up for grabs.

Source: Rigzone, Ekathimerini.gr

Israel

Delek

Israel’s energy firm Delek has informed it has fulfilled all conditions for the sale of its 9.25% interests in the Tamar and Dalit fields, located in the Mediterranean Sea, offshore Israel.

The company recently said it would sell its stake in the fields to the newly established entity called Tamar Petroleum.

According to the plan released in June, Tamar Petroleum was in July going to offer shares to the public (equity and debentures) that will be registered for trading on the Tel Aviv Stock Exchange.

Tamar Petroleum will use the funds raised from the offering to purchase the rights in the fields that are sold by Delek.

Delek is working to sell its stake in the Tamar field, as required by the Israeli authorities, in order to introduce the healthy competition in the country’s gas market, given the fact that Noble Energy and Delek control the only producing gas field there – Tamar – and the giant Leviathan gas field, which is expected to start producing in late 2019.

Under the deal with the Israeli authorities Noble is to reduce it’s interest to 25% – from 36%, with Delek having to sell its entire interest of 31.25% by late 2021.

Delek on Tuesday said it expected to receive $980 million from the sale of 9.25%.

The company plans to use $323 million of the total sum to partly repay four series of debentures issued by its subsidiaries Delek and Avner.

As previously reported, Noble Energy, Inc. last year sold a three percent working interest in the Tamar field to Harel Group, an insurance provider and pension manager in Israel, as part of the agreement with the Israeli authorities to reduce its stake in Tamar to 25 percent. The transaction value of $369 million was based upon a gross pre-tax Tamar valuation of approximately $12 billion.

Announcing the sale to Harel in July last year, Noble said it anticipated the sale of the remaining 7 to 8 percent working interest “over the next 36 months.”

Source: Offshore energy today

Romania

Oil and Gas Production

Romania would have had to pay USD 3.5 billion last year if it had been forced to import the equivalent of domestic oil and gas production, Harald Kraft, president of the Romanian Petroleum Exploration and Production Companies Association (ROPEPCA), has said in a press conference on Thursday.

“We are used to restrict the free market in the energy sector and to do everything through constrain. This is not a step towards the energy future. We have almost 28,000 employees, with well paid jobs. The oil industry has paid more than EUR1 billion per year to the state budget. Had Romania been forced to import the domestic production in 2016, it would have paid over USD 3.5 billion, so we can see the impact on the import and export chain. The oil output is very important for Romania. I hope we will have a future in Romania,” Kraft said.

He specified that domestic production covers 100% of domestic consumption.

“Unfortunately, I believe this is not properly appreciated by the public and by the political class. The parliament has decided that 80% of natural gas will be overcharged. Fortunately, Mr. President Klaus Iohannis has sent the bill back to parliament. Such things happen only in Romania, not in Europe,” the ROPEPCA representative said.

Source: The Romania journal

Electricity Price

The average closing price for electric power has reached on Wednesday the level of RON 397/MWh, a historic record, three times higher than in August 2010 of RON 138/MWh, reveal the data from OPCOM, quoted by Andrea Paul, INACO chairman.

This year’s drought has led to an increased share of electric power produced by coal plants, with costs almost twice as high against hydropower.

For the time being, the household consumers will not get increased bills, as most of them buy electricity at prices regulated by the National Energy Regulation Authority (ANRE), from nuclear and hydro sources – the cheapest ones. However, the companies could be forced to buy energy from the free market with prices by 3% higher, realitatea.net informs.

Source: The Romania Journal

Gas Trade

The volume of natural gas traded on the Romanian Commodities Exchange (BRM) in H1 2017 exceeded 44 TWh, representing over 70 percent of the national consumption, BRM Chairman Septimiu Stoica said on Monday.

"We have an impressive increase in the trading volume lately. We gathered over 44 TW in six months at the Romanian Commodities Exchange. Overall, since the beginning of the activity, we have [traded] over 67 [TWh]. In this first half of the year, over 70 percent of the national gas consumption was traded on the Romanian Commodities Exchange without a legal obligation. When people come to a market without being forced to they do it because they are offered something, and what they are offered is added value," Stoica said.

In 2016, 15.5 TWh was traded, and in 2015, 2.8 TWh.

According to BRM data, the number of customers increased from 26 in 2013, to 80 in 2014, to 220 in 2015. In 2016, BRM had 290 customers, and in 2017, their number reached 314.

Moreover, after the approval of the trading procedures by the National Energy Regulatory Authority (ANRE), BRM will launch, in a first stage, forward and spot products with clearing services included, in partnership with Keler CCP. In 2018, trading of options on futures contracts will be initiated.

The results of trading sessions are posted on the BRM official website.

Source: Actmedia

Domestic Production Tax

President Klaus Iohannis on Friday submitted to Parliament, for review, the law for the approval of OG 7/2013 on the levying of tax on the additional income obtained as a result of the deregulation of natural gas prices. We recall that an amendment to the law provides for a higher tax for prices higher than 85 lei / MWh for gas sold by oil companies. Thus, for prices below 85 lei / MWh, the tax remains at 60%, as provided by GO 7/2013, and for prices above 85 lei / MWh, the tax will be 80% of the extra income. Oil companies have been unhappy with the form in which this law was adopted.

"In the context of price liberalization, the global economic crisis, and the deregulation of natural gas prices, in 2013 the Government decided to over-allocate the additional revenues obtained by economic operators carrying out natural gas extraction and trading activities, through a predefined formula, on a limited temporary horizon, the collection of this special tax being motivated by the need to support the segment of vulnerable consumers. In this respect, Government Ordinance 7/2013 instituted a 60% tax on these revenues, a tax that is temporary and extraordinary, Applied until 31 December 2017.

Faced with these provisions, the Law for the approval of the Government Ordinance no. 7/2013 on the introduction of the tax on the additional income obtained as a result of the deregulation of the natural gas prices, in the form transmitted for promulgation, brings about two modifications consisting, on the one hand, in creating an additional tax threshold and, on the other hand, , In the application of this unlimited term over-deposit, "said Klaus Iohannis in the request for review submitted to the President of the Senate, Calin Popescu Tariceanu.

According to the request, given the specific, temporary and extraordinary reasons for introducing this tax, we believe that its regulation should follow the same temporary nature. "Considering the special importance of the regulatory framework for the oil and gas sector performance, we believe it is essential to define a predictable and stable fiscal and legislative framework conducive to the creation of long-term business plans for continuing current investment and stimulating new Also, in order to achieve the social objectives we consider that this law should provide for a transparent mechanism based on the principle of equivalence between taxation and the protection of the vulnerable consumer ", the application also states.

The president considers that Parliament's reconsideration of the Law for the approval of Government Ordinance no. 7/2013 regarding the taxation of the additional revenues obtained as a result of the deregulation of the natural gas prices, is all the more so since the Senate, as the first Chamber, has approved the Government Ordinance no. 7/2013 without modifications or completions, while the Chamber of Deputies, as the Chamber of Decision Makers, made important substantive amendments in the normative content of the said Ordinance. As a result, the forms adopted by the two Chambers of Parliament reflect substantially different legislative solutions. In this regard, we note that, according to the jurisprudence of the Constitutional Court, the parliamentary debate of a draft law can not be ignored by the evaluation of the bill in the plenary of both Chambers of Parliament. Otherwise, we would admit that only one Chamber, namely the decision-making body, would legislate exclusively, which would flagrantly violate the principle of bicameralism, it is stated in the application.

We recall that on June 13, the Chamber of Deputies, acting as a decision-making body, adopted, by majority vote, the Law for the approval of OG 7/2013 on the introduction of the tax on the extra income obtained as a result of the deregulation of gas prices.

The tax due on additional income is 60% of the extra income from which the royalties related to this income are deducted, as well as investments for development and extension of the existing deposits, the exploration and the development of new production areas, according to the joint report of the commission for Budget and industry committee. See the document here.

Following the adoption of this law, the Romanian Association of Petroleum Exploration and Production Companies (ROPEPCA) sent in a press release that it is looks "with great concern at the recent amendments in Parliament with the aim to change the framework in which the petroleum industry operates, aiming to increase the quota Of taxation from 60% to 80% for prices above 85 lei / MWh and permanence of a temporary tax stipulated by Government Emergency Ordinance 99/2016 and which have been approved and voted by the Deputies Chamber on 13.06.2017"

ROPEPCA argues that by applying the additional tax only to domestic production, it will be disadvantaged in relation to imported sources. "The liberalization of the natural gas price is not a phenomenon that justifies an additional tax, but represents the implementation of an objective assumed by Romania at European level to move to a normality for a free market and in a unique European market context. Moreover, the increase of the quota is not justified by the current level of taxation of the Romanian industry. According to a recent Deloitte study, while the effective average rate of royalties and other similar taxes on income increased in Romania from 15% 2014 to 17.5% in 2016, the average tax burden in Europe (excluding Groeningen in the Netherlands with a special tax regime) has fallen from 9.3% in 2014 to 7.9% in 2015," reads the ROPEPCA press release.

Source: Romanian Petroleum Exploration and Production Companies Association

Fuel Excise Duty

Excise duties on fuels will return to the level of 2016, which included an over-excise of 7 eurocents per litre, according to a draft bill amending the Tax Code.

According to Economica.net, excises will increase by 22% for gasoline and by 14% for diesel fuel, according to the new levels of the Government draft bill.

“In order to maintain competitive prices for oil products in the region, it is proposed to return, for gasoline and diesel, to the levels of excise duties applied in 2016, namely:

– unleaded petrol – RON 2,643.39/ton, respectively RON 2,035.40/1,000 litres;

– diesel fuel – RON 2,245.11/ton, respectively RON 1,897.08/1,000 litres,” the draft reads, quoted by antena3.ro.

Currently, the excise duties, following the decrease on January 1, 2017, are as follows

– Unleaded gasoline – RON 2,151/ton, respectively RON 1,656/1,000 litres.

– Diesel fuel – RON 1,796/ton, respectively RON 1,518/1,000 litres.

Thus, the state budget collected RON 6.26 billion from excise duties for energy products in H1, the Finance Ministry informs, adding that the collection of excise duties for energy products has fallen by RON 767.6 million.

The Finance Ministry representatives say the excise duty collection in H1 has fallen, in spite of higher fuel sales. They claim that the decrease of excise duties for fuel aimed to counter the phenomenon of filling the tanks in neighbouring countries, where the prices were lower. Currently, following an analysis of the excise duties level in EU Member States, it results Romania has one of the lowest levels of excises. In July 2017, the Euro-95 gasoline price was in Romania of EUR 0.997 per litre with taxes, the lowest in EU and the third lowest price for diesel fuel – EUR -.997 per litre with taxes, after Luxembourg – EUR 0.955 per litre and Bulgaria – EUR 0.961 per litre.

The draft bill reads that “Romania has the lowest price level in the EU for gasoline with taxes, however the price of gasoline without taxes is 15th in the EU, prices above other oil producing countries such as the UK and Netherlands and above countries such as Austria, Poland and Bulgaria. (…) The price decreases were counterbalanced by the fact that fuel prices without tax have increased so that the share of taxes in the fuel price is now the lowest in the EU, much below the average level at EU level.”

Asked how the Finance Ministry's intention to reinforce the over-excise duty on fuels will influence the inflation, central bank Governor Mugur Isarescu said on Tuesday: "It will affect us, will push the inflation up! We didn't include the raise in the inflation forecast, it was only discussed. The risk, as you've seen, comes mainly from the tax policy and the administrative prices.

Transporters warn that the raise of excise duties will lead to more expensive transport tickets, higher transports fees for goods, to the refuse to refuel in Romania and to protests in Victoriei Square.

According to Vasile Stefanescu, head of the Confederation of Authorized Operators and Carriers in Romania (COTAR), expensive diesel fuel, higher fees for goods transport. "We believe this is a poor joke from the government, but if it will go ahead with it, then all the employers' associations in transportation will get united and protest."

Eurolines owner Dragos Anastasiu says the company will refuel only abroad and will have to make the transport tickets more expensive. "We are analysing the impact of the excise duty increase and the impact. Such an abrupt change in tax policy is a defiance to the business environment, it turns upside down all the budgets and the business-plans," Anastasiu said.

The leader of Romanian Transport Operators Federation (FORT) Augustin Hagiu recalls that the state s still owing the transporters part of the excise duty paid in the past years and believes carriers will protest again in Victoriei Square. "We will go again in Victoriei Square. Who is responsible for the fact that the money collected from excise duties was not used to build a single kilometre of highway? It's obvious that higher excise duties will lead to higher transport fees, as 50% of the expenditures are represented by expenses on fuel," Hagiu said.

Source: The Romania Journal

OMV Petrom

Oil and gas company OMV Petrom reduced in the second quarter its production of oil, gas and electricity, but increased its refinery margin and refined products sales.

The company obtained a lower price per oil barrel than in the first three months of the year and the total closing of the electric station Brazi, after the partial one, affected the energy production and implicitly, the possibility of benefiting from the spot market price evolution of the Romanian energy and gas market operator (OPCOM).

In the second quarter of the year, the hydrocarbon production of OMV Petrom was 169,000 barrels/day, oil equivalent, by over 8,000 bep/day more reduced than the one from the similar period of 2016 and by 1,000 barrels/day under the production from the first quarter of this year.

The oil and condensed oil production of the company was 76,000 bep/day, identical with the first three months of the year, but by 5,000 bep/day under the second quarter of 2016.

Also the natural gas production decreased to 93,000 bep/day, by 3,000 bep/day compared with the similar period of 2016 and by 1,000 bep/day compared with the first three months of 2016.

OMV Petrom also reduced its total hydrocarbon sales volume to 14.6 million bep, by 0.5 million under the performance from the second quarter of 2016.

Compared with the first quarter of this year, the company's sales increased by 0.3 million barrels equivalent of oil. On the same period of 2016, OMV Petrom obtained an average price of USD 36.86/barrel, while during April-June 2017 the company registered a price of USD 41.59/barrel.

On downstream, OMV Petrom results were better, as the usage rate of Petrobrazi refinery was 94 percent and the refinery margin continued to appreciate, from 6.82 percent in the second quarter of 2016 and 7.58 percent in the first quarter of 2017.

Source: Business-review.eu

Romgaz

Romgaz has posted a net profit of RON 252.7 million in the first semester of this year, up by 41.1% as compared to the similar period in 2016, due to the increase in gas and electricity sales and to the decrease in spending, a report released on Friday by the Bucharest Stock Exchange (BVB) reads.

"Total revenues are higher by RON 416.7 million, registering an increase of 21.8%, while total expenditures registered only 11.9% growth. Labour productivity increased by 19.8% against the previous period, from RON 329.37 million CA/employee in H1 2016 to RON 395 million/employee in H1 2017," the document reads.

Net profit, EBIT and EBITDA rates are higher compared to H1 2016, due to a significant increase in turnover, from RON 1,849 billion to RON 2,392 billion.

"Against the background of rising national gas consumption, Romgaz managed to increase its deliveries by 31.59% against the previous period, from 24.34 TWh to 32.03 TWh. As a result, Romgaz market share in the gas supply market in Romania reached 42.76%, being by 3.13% higher than the share held in the previous period (39.63%), the source informs.

The natural gas production was of 2,559 billion cubic meters, by 362 million cubic meters higher than the production achieved in the same period in the previous year (+16,5%) and by 91,8 million cubic meters higher than the scheduled level (+3.7%). With this production, according to the Romgaz estimates, Romgaz had a market share of 46.5% of the domestic gas consumption, up by 4.91% against the share held in the previous period (41.59%).

According to Romgaz, electricity production increased by 95.8% as compared to the same period in 2016, from 510.6 TWh to 999.7 TWh, Romgaz having a market share of 3.13%.

Source: The Romania Journal

Transgaz

In the light of the meeting of the gas transmission system operators in the countries involved in the operational projects under the Vertical Corridor for gas in Bucharest on 19 July 2017, SNTGN Transgaz SA and JP Srbijagas announce the completion of the necessary internal procedures and the becoming effective of the Memorandum of Understanding for the development of the cooperation relation between the two companies.

The document is part of a series of actions aiming at consolidating the bilateral cooperation in areas of activity specific to the Romanian and Serbian gas transmission operators, and sets the frame for promoting projects of mutual interest.

The recent discussions between the Director General of Transgaz, Mr. Ion Sterian, and the Director General of Srbijagas, Mr. Dusan Bajatovic, identified common objectives in the long-term development plans of the two companies, especially with regard to creating the conditions, by the interconnection of the Serbian and Romanian gas transmission networks, aiming at solving several issues on the economic and social priority list, and increasing gas security of supply and access to alternative routes and sources for the consumers in the markets of the two countries and in the entire region, based on competitive prices.

By creating the infrastructure necessary for the interconnection of the gas transmission systems, Transgaz and Srbijagas propose to contribute to increase predictability in supplying energy to the region, by alternatives which may be more efficient than other gas supply solutions.

In the conditions of a medium and long-term availability forecast regarding the gas quantities to reach Central and South-East Europe through the Vertical Corridor and its branches towards the Black Sea, Caspian Sea, Aegean Sea and South-East Mediterranean Sea production areas, Srbijagas and Transgaz will cooperate under projects which will strengthen the regional role of the BRUA pipeline and of the Balkan gas market.

Meetings of the working groups created on the occasion of the signature of the Memorandum of Understanding will be organised for establishing the implementation calendar of the main common objectives.

Source: Bucharest Stock Exchange

ExxonMobil

ExxonMobil has reacted for the first time to the surprise decision by Hungary two weeks ago, as Budapest decided not to extend the Bulgaria-Romania-Hungary-Austria (BRHA) pipeline to Austria.

“We are following with interest the recent development of the BRHA project. At the same time, we continue to evaluate the results of the drilling programme in the Neptun block – the deep water area, in order to determine the commercial viability of the resources,” is the reaction of ExxonMobil, according to hotnews.ro.

The BRHA gas pipeline is vital for the future gas exploitations in the Black Sea, where ExxonMobil and OMV and other companies have discovered huge natural gas reserves. According to the source, ExxonMobil aims at having access to the western-European market, and the BRHA project (supported by the European Union) would have provided that, if the initial project was met.

ExxonMobil involvement in the Black Sea is economically important as well as strategically, being one of the major US investments in the country.

ExxonMobil Exploration and Production Romania underlines in the release that there is no comment and no additional information at the moment.

Source: The Romania Journal

Turkey

Tight Gas

Valeura Energy Inc. is pleased to announce that the first deep exploration well, Yamalik-1, under Phase 1 of the Banarli farm-in agreement (the "Banarli Farm-in") with its partner Statoil Banarli Turkey B.V. ("Statoil"), has completed drilling and the drill rig has been released. The well was drilled to a total depth of 4,196 metres and has been cased and left in a state ready for completion and production testing. The estimated well cost at rig release is within budget. Under the Banarli Farm-in, Statoil is funding the drilling of Yamalik-1 on a 100% basis up to a cap of 110% of the budgeted cost.

Yamalik-1 was designed as the Corporation's first test of the deep, basin-centred gas potential in the Thrace Basin of northwest Turkey. The key objectives of this well were to prove the presence of reservoir rock, confirm that the encountered reservoirs are over-pressured, and to demonstrate that there are significant sections of the reservoirs which are gas-saturated. Encouraging gas shows were encountered while drilling the objective section and, based on the drilling data, the well is over-pressured below approximately 2,900 metres down to the total drilled depth of 4,196 metres. Interpretation of the extensive wireline logging data acquired in the objective section indicates the well has exceeded the criteria to proceed further with the completion and to test potential zones with hydraulic stimulation. As the Yamalik-1 well was drilled in an area with no structural closure, the over-pressures and the indicated pervasive gas saturation in the well are positive indicators of the potential for a basin-centred gas play in the Thrace Basin.

Valeura is currently working with Statoil to design the completion, multi-stage fracing and testing program. Further analysis of the Yamalik-1 well logs and 130 metres of new core data is in progress in order to finalize the design and cost estimate for the completion and testing. It is expected that the completion and testing program will commence late in the third quarter of 2017. Under the Banarli Farm-in, Statoil will pay 100% of the completion and testing program up to a cap of 110% of the agreed budget. Commerciality of the Yamalik-1 well will be determined after the completion and testing program. After the testing of Yamalik-1 is complete, the Corporation anticipates having improved data to assess the extent of the resources in the tested formations.

The Corporation will then work with its partner Statoil to determine potential future work programs for continued delineation of the basin-centered gas play. In further advancement of the Banarli Farm-in, Statoil is proceeding with Phase 2 of the farm-in agreement, which comprises the acquisition of 3D seismic across the Banarli Farm-in lands and parts of the West Thrace lands not currently covered with 3D seismic. Shooting of the seismic has already commenced, with more than 76 square kilometres recorded to date out of a planned scope of approximately 500 square kilometres. The survey is expected to be completed by early in the fourth quarter of 2017 with Statoil funding 100% of the agreed budget of US$10 million.

Source: Valeura

Wind Energy

A consortium of German giant Siemens and Turkey's Türkerler and Kalyon Enerji holdings won a billion-dollar wind energy tender on Aug. 3, offering the lowest price to the state with $3.48 cents per kilowatt hour.

A consortium of Chinese company Mingyang and Turkish company İlk İnşaat competed until the end of the reverse auction before getting eliminated, quitting in the 30th round.

The tender came at a time when Turkish economy officials accelerated efforts to tone down a recent row with Germany, vowing that German investments in Turkey were safe and citing a "communication mistake" for reports about an anti-terror probe against hundreds German companies in the country.

"The tender ended with a win by German company Siemens. We can say that this picture sends an important message to the region and the world," Energy Minister Berat Albayrak told the media after the auction.

"When the 200-year-old cooperation between Turkey and Germany is considered, I think this result will make an important contribution to Turkish-German relations," he added.

Eight consortia, including four German giants, participated in the Energy Ministry's 1,000-megawatt (MW) wind power project tender on July 27.

In addition to the German and Chinese firms, Danish Vestas also took part in the bidding, as well as the U.S.'s General Electric, along with their local partners.

The winning consortium is expected to make an investment of more than $1 billion in the project, which stipulates the gradual local production of wind turbines.

Albayrak said the locally produced turbines would be installed by early 2019 and added that the price was a record.

Source: Hurriyet Daily News

Ukraine

Gas Price

Ukrainian enterprises in July 2017 imported gas at an average price of UAH 5,566.20 or $214.50 per 1,000 cubic meters, according to the website of the Ministry of Economic Development and Trade.

In January-2017, according to the Ministry of Economic Development and Trade, the price of gas imports amounted to $229.51 per 1,000 cubic meters (UAH 6,033), in February some $246.88 (UAH 6,682), in March some $248.13 (UAH 6,669), in April some $232.17 (UAH 6,235), in May some $208.38 (UAH 5,507) and in June $2013,700 (UAH 5,565.76).

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

Source: Interfax

Gas Production

PJSC Ukrgazvydobuvannia in the period from July 12 to July 16, 2017 reached the daily gas production level of 42.1 million cubic meters, which is the maximum value for the last five years.

According to a company report, this is 7.4% or 2.9 million cubic meters more than in the same period in 2016.

"The trend of the past few years, when production fell in summer, has been completely broken. Now it is growing, mainly thanks to the hydro fracturing program. But there are operations of coiled tubing and overhauls of wells, and accelerating in drilling also yields results," head of the company Oleh Prokhorenko wrote in Facebook.

According to the company, thanks to the implementation of work on intensification of layers by a hydraulic fracturing method since September 2016 the company has received an additional 261 million cubic meters of gas. In September 2016-June 2017 the company together with UGV-Service, Belorusneft and Tacrom carried out 76 hydraulic fracturing operations and all of them were recognized as successful.

Source: Interfax

Hydraulic Fracking

According to the results of the auctions posted in the ProZorro system, Tacrom won the first lot for 20 operations with an offer of UAH 95.75 million, Belorusneft won the second lot with an offer of UAH 95.664 million with the initially expected price being UAH 97.5 million (including VAT) for each of the lots.

As reported, hydraulic fracking operations should be carried out during one year on gas and gas condensate wells of Shebelynka and Poltava gas field managements mainly at a depth of 2,800-5,000 meters, but up to four operations for each lot are planned in wells with condensed reservoirs at depths up to 5,700 meters.

Source: Interfax

Gas Storage

Ukraine and the European Union have launched a project to forecast the demand for underground gas storage facilities (UGS) for the next 20 years and to study the possibilities of using Ukrainian storage facilities in this market, the press service of Naftogaz Ukrainy has said.

According to its data, based on the results obtained, several strategic scenarios for the best use of Ukrainian UGS will be developed.

A kick-off meeting held on July 12 was attended by the representatives of Naftogaz, Ukrtransgaz, Trunk Gas Pipelines of Ukraine, the Ministry of Energy and Coal Industry, the Ministry of Economic Development and Trade, the Energy Community Secretariat and international consultants selected by the EU.

The project will be implemented by a consortium consisting of a top global management consulting firm, French operator of underground gas storages (Storengy) and an international law firm (CMS Cameron McKenna Nabarro Olswang).

The project is funded by the European Union and is designed to build up a sustainable business case for Ukraine's underground gas storage facilities in the context of the European and Ukrainian energy market. Naftogaz will participate in the project's steering committee, along with other key stakeholders, including representatives of the Ukrainian government.

Source: Interfax

Naftogaz

Naftogaz Ukrainy in July started importing gas through its Swiss subsidiary Naftogaz Trading Europe S.A. (NGTE, formerly Naftogaz Overseas), according to OilNews, with reference to data from A-95 Consulting Group (Kyiv).

At the same time, according to the edition, the volume of gas delivered under such a scheme in mid-July amounted to about 7 million cubic meters.

As reported, Naftogaz Ukrainy plans in 2017 to import 1.7 billion cubic meters of gas, or 20% of the plan (8.5 billion cubic meters), through its Swiss subsidiary Naftogaz Trading Europe S.A..

According to the Naftogaz financial plan for 2017, NGTE's strategy for 2017-2020 provides for the implementation through it of all purchases of imported gas, except for purchases under loan agreements with international financial organizations.

This will allow Naftogaz to enter European gas hubs and exchanges, attract trade financing from European banks, optimize its portfolio of contracts and assets in the European gas market.

Source: Interfax

Ukrgazvydobuvannia

Public joint-stock company Ukrgazvydobuvannia has announced a tender to attract investors to restore production of fossil fuel from over 1,900 liquidated wells of the company on the ProZorro e-procurement system.

According to the conditions of the tender, gas produced from the restored wells and the wells themselves will belong to Ukrgazvydobuvannia, while the investor will receive the fixed fee for each cubic meter of produced gas. It is planned to apply production enhancement contracts (PEC).

The company has negative experience from joint operations when best wells were given to private companies and the state did not receive profit from them. This would not happen with the wells proposed at the tender," the press service said, citing Ukrgazvydobuvannia Head Oleh Prokhorenko.

Ukrgazvydobuvannia, 100% owned by Naftogaz Ukrainy, is the country's largest gas producer, providing about 75% of the country's total gas production.

Source: Interfax

Engie

Engie Energy Management Ukraine LLC (Kyiv) has applied for a license to supply natural gas in Ukraine.

The decision to grant a license to the Ukrainian subsidiary of Engie (formerly GDF Suez, France) will be considered at a meeting of the National Commission for Energy, Housing and Utilities Services Regulation (NCER) scheduled for August 1, 2017.

Engie Energy Management Ukraine, in addition to gas trading, in the classification of activities also formalized the possibility of gas and oil production, distribution and trade in electricity.

GDF International owns 99% of Engie Energy Management Ukraine, 1% belongs to Sopranor (both registered at the same address in France).

As reported, in June-July 2017 Trafigura Ukraine LLC, a subsidiary of Trafigura, the world's major commodity trader, and MET Ukraine, a subsidiary of Swiss MET Holding AG, obtained licenses for gas supply in Ukraine.

As of June 14, 2017 the NCER had issued 276 licenses for gas supply in Ukraine.

Source: Interfax

Shell

The European Bank for Reconstruction and Development (EBRD) has included Shell Energy Europe Ltd (Britain) in the list of companies that have passed preliminary qualification and have the right to participate in Naftogaz Ukrainy tenders for the purchase of gas for EBRD renewable loan funds in 2017-2018, the press service of Naftogaz has said.

"Shell has provisionally passed preliminary selection," the report said.

As reported, the preliminary selection procedure will remain open for new participants during the term of the loan.

Earlier 13 companies passed preliminary selection for gas supplies for EBRD loan funds in 2017-2018.

Source: Interfax

USA

Legal and Regulatory Framework

The new sanctions, signed into law on Wednesday, give the US the right to impose sanctions on companies that invest in or provide goods and services to Russian export pipelines. President Donald Trump reluctantly signed the bill, which gives Congress the power to block Trump from lifting sanctions on Russia, following approval by the Senate and the House of Representatives.

The sanctions could include prohibiting US financial institutions from making loans to sanctioned companies or persons or preventing US exports of goods and technology. However, it is unclear to what extent the sanctions – if enforced – will directly impact Russian energy projects in Europe and European energy companies.

………

Several provisions of the law target the Russian energy sector, with new limits on U.S. investment in Russian companies. American companies also would be barred from participating in energy exploration projects where Russian firms have a stake of 33 percent or higher.

The legislation includes sanctions on foreign companies investing in or helping Russian energy exploration, although the president could waive those sanctions.

It would give the Trump administration the option of imposing sanctions on companies helping develop Russian export pipelines, such as the Nord Stream 2 pipeline carrying natural gas to Europe, in which German companies are involved.

………

U.S. President Donald Trump has reluctantly signed into law further sanctions on Russia but some of the measures are discretionary and most White House watchers believe he will not take action against Russia's energy infrastructure.

Sources: Interfax, Reuters

Pipelines and Supply Options

Vertical Gas Corridor

A Memorandum of Understanding on the realization of the Vertical Gas Corridor has been signed by representatives of the gas companies – Bulgartransgaz EAD (Bulgaria), ICGB AD (Bulgaria), DESFA S.A. (Greece), FGSZ LTD (Hungary) and SNTGN TRANSGAZ S.A. (Romania). The document has been signed within the joint meeting held today in Bucharest, Romania. We would like to remind that in September 2016 the energy ministries of Bulgaria, Greece, Romania and Hungary signed a Memorandum on the realization of the Vertical Gas Corridor within a meeting of the High Level Group on Central and South Eastern Europe Gas Connectivity (CESEC).

The aim of the document as adopted today is the cooperation between the gas companies for the realization of the corridor for bi-directional natural gas transport, interconnecting the networks of Bulgaria, Greece, Romania and Hungary. The promotion of projects of common interest as well as other required projects jointly and individually is among the objectives laid down in the Memorandum on the realization of the Vertical Gas Corridor. Considering the strategical importance of the project for the construction of the interconnection Greece – Bulgaria for the Vertical Gas Corridor the project company ICGB AD is also part of the initiative. The Parties agree that this Memorandum will serve as a basis to enhance the future cooperation on analyzing the possibility for the construction of the necessary gas transmission system in view of natural gas transport to transit countries and the European market from Greece through Bulgaria, Romania to Hungary and vice versa.

Considering the geographic location of all four countries, the improvement of their national infrastructures and the construction of the missing interconnections will contribute to achieve the objectives of the European energy union.

Source: Bulgartransgaz

BRUA

Romanian and Hungarian gas grid operators, Transgaz and FGSZ respectively, plan to launch the Open Season Procedure for the Romania – Hungary (RoHu) segment of the Bulgaria – Romania – Hungary – Austria (BRHA/BRUA) gas pipeline project, a joint release of sent to the Bucharest Stock Exchange (BVB) informs.

“FGSZ and Transgaz have received various inquiries and high level media interest regarding the revised RoHu version of the prior RoHuAt plan. We would like to thank all the comments received by market participants and declare that we still plan to launch the Open Season Procedure regarding RoHu segment of the project. FGSZ and Transgaz would like to underline their commitment in continuing the partnership in order to develop the bi-directional capacity on the Romanian-Hungarian border in two project phases that will ensure the gas transport based on the objectives of the BRHA/BRUA corridor,” the release reads.

Phase one shall provide 1.75 bcma firm bi-directional capacity on the border of Romania-Hungary by the end of 2019. This project has already been approved by the respective National Regulatory Authorities of Romania and Hungary, respective final investment decisions (FIDs) are already taken and project is already in developmental stage conforming to the BRHA planning.

There is no delay foreseen in the following period, the two companies assure. Phase two shall create a 4.4 bcma firm bi-directional capacity on the border of Romania-Hungary by end-2022.

The works foreseen for the second stage will comprise the following projects: on Hungary's border: the Csanádpalota compressor station, stage II; the extension of the Városföld compressor station; the connection at Gödöllo node on the Vecsés-Szada pipeline's segment; the lengthening of the Szada compressor station – the MGT project. The following projects are mentioned on Romania's border: the Recas – Horia 32″ x 63 bar pipeline, of rd 50 km; the expansion of three compressor stations (SC Podisor, SC Bibesti and SC Jupa) by installing an additional compressor in each station; the expansion of the SMG Horia gas metering station.

The FID will be taken upon the positive market interest that shall be expressed during the RoHu Open Season procedure. This will enable the network users to consider besides the Hungarian VTP the export capacities bookable to the neighbouring countries.

……….

On July 18th, 2017, Transgaz received a letter from the operator of the national natural gas transmission system in Hungary – FGSZ – regarding the process of open season planned to unroll for allocatting the capacities for the transport of natural gas Romania – Hungary – Austria", shows a press release transmitted on Monday to the Bucharest Stock Exchange (BVB), according to News.ro.

Through this letter, the Transgaz officials were informed that FGSZ could not run the planned procedure due to lack of necessary approval from the company's Supervisory Board, motivated by economic efficiency issues.

"Instead, the Hungarian side proposed performing the opening of the committed season, solely for the RO-HU the interconnection point, following that the gas volume of 4,4 billion cubic meters per year coming from Romania, to be distributed from Hungary to Slovakia, Ukraine, Croatia or Serbia", said Transgaz.

In parallel, FGSZ would continue to talk with the Austrian transport operator (Gas Connect) to further identify the physical transport possibilities from Hungary to Austria.

"In the context of the described situation and by analyzing this project, Transgaz informs the shareholders and potential regional investors that, from the perspective of the company, the objectives and the projects assumed regarding the development of BRUA infrastructure in Romania remain unaffected", said the Transgaz officials.

The project will make possible a capacity of 1,5 billion mc/year on the direction towards Bulgaria and transport capacity of 1,75 billion mc/year on the direction towards Hungary, in Phase I, and of 4,4 billion mc/year, in Phase II.

"At present, Transgaz is in the process of implementing the project benefiting from financial support from the European Union. Transgaz will act to achieve this project under economic efficiency conditions and in a short timeframe, in accordance with the objectives established at the level of the European Union, which is a clear confirmation that Transgaz meets its rigorous European commitments on the infrastructure development programs, including ensuring the export", it is shown in the release.

According to icis.com, FGSZ mentioned that the only "economically viable" part of a Bulgaria-Hungary-Romania-Austria pipeline (BRUA) would be the existing interconnector between Romania and Hungary, which could be expanded from the current capacity of 4,4 billion cubic meters at 5,26 billion cubic meters per year.

At the same time, the Hungarian operator stated that it had contacted the Romanian gas transporter Transgaz for an open season procedure, which would have an almost identical project solely for the Romania-Hungary project.

The European Commission: We maintain our commitment to BRUA

Although it believes in BRUA, the EC says the transport operators in Romania, Hungary and Austria need to quickly change the infrastructure concept, according to a European Commission response.

"We maintain our commitment for the BRUA gas pipeline project linking Romania, Bulgaria, Hungary and Austria. Once completed, this gas pipeline should allow the diversification of sources in the connected member states, one of the main political objectives of the Energy Union", say representatives of the Commission.

According to them, the BRUA project is in the interests of the Central and South-Eastern Europe region as well as of the European Union as a whole, so that the prospect of new domestic gas sources, such as those from Romania's territorial waters, will balance the growth of the import needs of EU, according to Agerpres.

"The EU has invested 179 million euros in this project, through the Connecting Europe Facility, that will link Romania, Bulgaria and Hungary. Important efforts are required especially by the operator managing the transport system in Romania and also by the counterpart in Hungary to finalize this project. The proposal of the transport system operator in Hungary does not change the general objective of creating and providing transport routes that take gas from the Black Sea and other sources, for example LNG, from the Southern Corridor and transport it to the regional markets", it is shown in the European executive reply.

The Commission encourages the transport system operators in Hungary, Romania and Austria as well as National Regulatory Authorities to quickly discuss new proposals and adopt any neccesary changes to the concept of infrastructure and consequently to the open season procedures in collaboration with interested carriers to avoid any delays and to ensure that the new revised concept is in line with the needs of the market.

The Commission is ready to assist the transport system operators and National Regulatory Authorities in these discussions, also said the officials from Brussels.

Sources: Actmedia, The Romania journal

Opal Pipelines

Russian gas producer Gazprom said it used the Opal pipeline to full capacity on Wednesday for the first time since a German court lifted a restriction on the company's access last month.

The EU's Luxembourg-based General Court imposed curbs on Gazprom's use of the German pipeline in December, after a challenge by Poland, but a German court rejected the challenge late last month, saying there was no reason to limit the Russian company's access.

The Opal pipeline carries Russian gas from the Nord Stream pipeline in northern Germany to German and Czech customers in the south.

The European Union is keen to rein in Russia's dominance of gas supply in parts of Europe but CEO Alexei Miller said on Wednesday it was Europe that needed Russian gas.

"Running this (pipeline) at its full capacity is an objective market necessity for our European customers," Gazprom's press service quoted Miller as saying.

Thomson Reuters gas analyst Oliver Sanderson said Russia was not pumping additional gas on Wednesday but was re-routing gas from other pipelines. Volumes could drop as capacity on other pipelines returns to normal following scheduled maintenance, he said.

"The Yamal pipeline has been constrained by maintenance since August 8th and is currently not flowing gas," Sanderson said. "There is no indication yet that the Opal pipeline will bring a substantial increase in Russian deliveries compared to volumes prior to the maintenance on the Yamal line."

Gazprom said that on Tuesday more than 90 percent of Nord Stream's capacity was used with 140 million cubic metres of natural gas pumped on the day. Some 80 percent of Nord Stream's 55 billion cubic metres/year capacity was used in 2016, data shows.

Poland is opposed to Russia's longer term plans to double its gas export capacity to Germany via the Nord Stream twin pipeline, a move which Polish and Ukrainian authorities fear could reduce the amount of Russian gas transiting their countries.

…………..

Earlier OPAL Gastransport GmbH & Co. KG reported that on August 8, 2017 the eastern section of Nord Stream – OPAL gas pipeline – has reached its full capacity.

Last Wednesday Gazprom again received access to earlier blocked gas pipeline. If on August 1, the pipeline was used by 635, on August 2 the loading grew to 80%, and on Tuesday it reached 102%.

Sources: Reuters, Interfax

Nord Stream 2

European Commission preparations to retaliate against proposed new U.S. sanctions on Russia that could affect European firms are likely to face resistance within a bloc divided on how to deal with Moscow, diplomats, officials and experts say.

A bill agreed by U.S. Senate and House leaders foresees fines for companies aiding Russia to build energy export pipelines. EU firms involved in Nord Stream 2, a 9.5 billion euro ($11.1 billion) project to carry Russian gas across the Baltic, are likely to be affected.

Both the European Union and the United States imposed broad economic sanctions on Russia's financial, defence and energy sectors in response to Moscow's annexation of Crimea from Ukraine in 2014 and its direct support for separatists in eastern Ukraine.

But northern EU states in particular have sought to shield the supplies of Russian gas that they rely on.

Markus Beyrer, director of the EU's main business lobby, Business Europe, urged Washington to "avoid unilateral actions that would mainly hit the EU, its citizens and its companies".

The Commission, the EU executive, will discuss next steps on Wednesday, a day after the U.S. House of Representatives votes on the legislation, knowing that the U.S. move threatens to reopen divisions over the bloc's own Russia sanctions.

Among the European companies involved in Nord Stream 2 are German oil and gas group Wintershall, German energy trading firm Uniper, Anglo-Dutch Royal Dutch Shell, Austria's OMV and France's Engie.

The Commission could demand a formal U.S. promise to exclude EU energy companies; use EU laws to block U.S. measures against European entities; or impose outright bans on doing business with certain U.S. companies, an EU official said.

But if no such promise is offered, punitive sanctions such as limiting the access of U.S. companies to EU banks require unanimity from the 28 EU member states.

Ex-Soviet states such as Poland and the Baltic states are unlikely to vote for retaliation to protect a project they have resisted because it would increase EU dependence on Russian gas.

An EU official said most member states saw Nord Stream 2 as "contrary or at least not fully in line with European objectives" of reducing reliance on Russian energy.

Britain, one of the United States' closest allies, is also wary of challenging the U.S. Congress as it prepares to leave the EU and seeks a trade deal with Washington.

In fact, the EU's chief executive, Jean-Claude Juncker, has few tools that do not require unanimous support from the bloc's 28 governments.

………………..

The legislation would punish any company working not only to develop, but also to upgrade and maintain, Russian-related projects across the planet.

Companies working with Iran and North Korea would also be subject to he sanctions.

The list of where European and Russian companies are involved, and seen by EURACTIV, includes Baltic Liquiefied Natural Gas (Schell and Gazprom); Blue Stream (Eni and Gazprom); CPC Pipeline (Shell, ENI and Rosneft); Nord Stream 1 (various European firms and Gazprom); Nord Stream 2 (various European companies and Gazprom); Shakhalin 2 expansion (Shell and Gazprom); Shah Deniz and South Caucasus Pipeline (BP and Lukoil); and Zhor Field (BP, ENI and Rosneft)

Sources: Reuters, Euractive

Companies

Gazprom

Gazprom and Shell have agreed to carry out a joint feasibility study for the planned Baltic LNG plant.

The Russian company said in a statement the study would include the evaluation and selection of the main technical solutions for the project. A schedule framework for its implementation will also be drawn up.

Gazprom plans to launch the facility in 2022-2023. The launch date may be confirmed after design work has been completed.

……..

Gazprom said on Monday that new U.S. sanctions against Moscow would not result in the Russian gas exporter having to make changes to key projects, although they could cause delays.

Several provisions of the sanctions law signed by U.S. President Donald Trump earlier this month target Russia’s energy sector, which produces much of its foreign income, with new limits on U.S. investment in Russian companies.

Last month Gazprom said the sanctions might delay some giant gas projects, including Nord Stream 2, Turkish Stream gas pipelines and deepwater, Arctic offshore or shale projects.

“For the time being (sanctions) are not cause for changing the strategic direction of business or adjusting the list of key Gazprom projects”, the state-owned company said in statement.

Source: Interfax, Reuters

Schlumberger

Russia's Eurasia Drilling Company Ltd said on Thursday it would sell a 51 percent stake in the company to the world's No. 1 oilfield services provider, U.S.-based Schlumberger NV.

The agreement is subject to approval by the Federal Antimonopoly Service of Russia, the company said.

Financial terms of the deal were not disclosed since it is subject to approval.

The agreement, if approved, would extend the company's strategic alliance with Schlumberger that dates to 2011, Eurasia added.

Schlumberger's attempt to buy a 45.65 percent stake in Eurasia for about $1.7 billion in 2015 fell apart after approval for the deal was postponed several times by Russia's anti-monopoly body.

Source: Reuters

OMV

According OMV's H1 2017 results:

- Hydrocarbon production increased to a ten-year quarterly high of 339 kboe/d
- Production cost decreased by 19% to USD 8.7/boe
- OMV indicator refining margin rose to USD 6.0/bbl
- Ethylene/propylene net margins strongly increased
- Total natural gas sales improved to 26 TWh.

Source: OMV

OMV Petrom

OMV Petrom, the largest oil and gas producer in Southeastern Europe, has signed the contract for the sale of OMV Petrom Wind Power SRL ("Dorobantu Wind Park") to Transeastern Power B.V. – a limited liability company registered in the Netherlands, a wholly owned subsidiary of Transeastern Power Trust, for an amount of EUR 23 mn.

The completion of the transaction is subject to customary conditions precedent, including approval from the Competition Council, and is expected by end of this year. OMV Petrom strategy as an integrated oil and gas group is to concentrate on core activities. More specifically, in Downstream Gas, the focus is placed on consolidating the leading position on the gas market, on maximizing the benefits of the integrated gas and power business model and on regional expansion. Wind power activities are not part of the strategic directions. OMV Petrom announced its intention to sell the Dorobantu Wind Park at the beginning of 2016.

The Dorobantu Wind Park is located in the south-east of Romania, and includes 15 Vestas V-90 turbines, each with a 3 MW capacity. The total wind power capacities installed in Romania are currently estimated at 3,000 MW, whereby the Dorobantu Wind Park has a 1.5% share.

Source: OMV Petrom

Balkan and Black Sea Petroleum Association
Monthly Bulletin
15th of August 2017

Editor: Valentin Kunev; Ana Blagova

Office: 2 "Hristo Belchev" str., Sofia 1000 Bulgaria

Tel: 00359 2 986 06 85

Fax: 00359 2 980 15 49

E-mail: bbspetroleum@bbspetroleum.com; valentin.kunev@bbspetroleum.com

Web site: www.bbspetroleum.com

Registered (Bulstat) No 121 446 156