Balkan and Black Sea Petroleum Association

15 December 2016 – 15 January 2017

BBSPA Monthly Bulletin

Summary

Oil and Gas Prices

Spot Prices: Between 15 December 2016 and 15 January 2017 US WTI spot crude oil price fluctuated between $50/bbl and $54/bbl; Henry Hub spot gas price decreased from $137/1000 cbm to $128/1000 cbm (GCV at 0°C). In Europe, at Central European Gas Hub, the day ahead gas price increased from $212/1000 cbm to $245/1000 cbm.

Bulgarian energy regulator decided to increase gas prices for Q1 2017 by 4.65%.

Romania: According to ANRE's statement, Romanian domestic production gas price this winter is 20% more expensive than the one on the international markets.*Gas and diesel prices dropped with up to 5 RON/litre due to lower VAT and elimination of 7 eurocent/litre excise tax.

Ukraine: Naftogaz will not buy natural gas from Gazprom in the current winter without signing an additional, standard terms, agreement to the sale and purchase contract. Naftogaz insists on a favorable price offer and the abolition of the "take or pay" clause. Also the document should clearly define the points of gas delivery to Ukraine to prevent its supply to the uncontrolled territory of Luhansk and Donetsk regions. The price of gas under the contract between Gazprom and Naftogaz now is $178-183, while from the first quarter of 2017 it will rise to $200-210. * Average import gas price for December 2016 to Ukraine was quoted to be $230/1000 cbm.

Gazprom: The price at which Gazprom will sell gas to non-FSU countries in January has risen to $197/1000 cbm from $189/1000 cbm in December.

Electricity Prices

Romania: Electricity prices for households will be by 1.9% lower from January 1st 2017

Oil and Gas Production, Supply, Demand, Trade, Transit and Distribution

Georgia: Gazprom agreed with Georgia to pay for the transit to Armenia in cash, not by natural gas as it was previously.

Turkish energy regulator opened tenders for two 30-year licenses for gas distribution areas. * Botas cut gas supplies to gas-fired power plants due to increased household demand in cold weather and advised some industrial firms to reduce non-critical production.

Egypt: Egas postponed building the third import FSRU in Egypt facing the country's production increase. * Shell renewed export from Egypt's Idku LNG terminal.

Romania has increased more than seven times the import of Russian gas in January – October 2016. Gas production declined by more than 10%.

Serbia: The Energy Community objected the destination clause in the 2012 intergovernmental agreement between Russia and Serbia, implemented by a gas supply contract between Gazprom and Yugorosgaz. According to the contract the supplied gas can be sold only in Serbia.

Ukraine: Naftogaz said December 7, it has procured a total of 1.8bn cbm of gas from six European suppliers within the scope of the second round of Gas Purchase Renewable Credit Facility funds provided by the EBRD. The weighted average price of the contracts was $185/1000 cbm. * Ukrtatnafta will start supplying with Azeri oil its Kremenchuk refinery through Odessa-Kremenchuk pipeline.

Latvia: Shareholders of Latvian gas company Latvijas Gaze, including Gazprom and Uniper, announced unbundling of its gas grid into a separate TSO called Conexus Baltic Grid, in compliance with EU rules.

Lithuanian gas buyers signed contracts with Russia's Gazprom to supply the bulk of the country's gas needs for 2017. Last year, Statoil was the country's top gas seller having supplied 60%, of the gas demand. In winter, it is a better value to buy gas from Gazprom. As the gas demand drops after the heating season, the price goes down, making it more sensible to buy it at the Klaipeda LNG.

Iran: Türkmengaz has unexpectedly cut gas supply to Iran since January 1, 2017.

Electricity Production & Consumption

Bulgarian energy minister issued an order, which stopped electricity export, due to the bad winter conditions and inability of some coal-fired power plants to activate their cold reserves. The move caused a surplus of electricity supply on the domestic market and drastic decrease of prices on the electricity exchange. * The Socialist party proposed to the parliament to revoke the ban on the construction of Belene project, but the proposal was not accepted. Instead the energy minister will propose a solution after conducting an analysis on the possible scenarios.

Serbian prime minister stated recently that Serbia would buy power facilities in Bosna and Mongenegro, but would keep EPS state ownership.

Romanian government decided to set the share of renewable production in 2017 to be 8.3%, down from 12.5% in 2016.

Legal and Regulatory Framework

Romania: According to a new Romanian royalty law, currently under hearing procedure in the parliament, offshore producers will pay less royalties than onshore.

Ukraine: The Kyiv Economic Court of Appeals will consider the complaint of Russia's Gazprom in the case of a UAH 172 billion fine imposed by the Antimonopoly Committee of Ukraine.

Lithuania: Gazprom must pay Lithuania for refusing to sign a gas exchange deal, Lithuania‘s Supreme Administrative Court has ruled. The court upheld the fine imposed by Lithuania‘s competition council stating Gazprom’s reluctance to sign prevented the purchasing of cheaper gas from another supplier.

Upstream

Lebanon will offer five offshore blocks for exploration and production and is to hold another pre-qualification round. The next step is the government to agree on a tax regime for the nascent hydrocarbon industry.

Cyprus: Total, Eni, ExxonMobil and Qatar Petroleum were awarded three blocks in the exclusive economic zone of Cyprus as a part of the third offshore licensing round and subject of forthcoming negotiations with the government for PSA.

The Israeli partners in the Leviathan project announced they will drill Leviathan-5 well with a budget of $77mn. The well will prove the fields’ gas reserves and eventually can turn into a production well.

The Egyptian petroleum ministry said more exploration agreements are soon to come in 2017 to speed up the development of Egypt’s oil and gas resources, after the deal with Edison.

Moldova: Frontera Resources signed a concession agreement with the government of Moldova giving it exclusive rights to explore for, produce and develop hydrocarbon resources within an area in southern Moldova including the onshore Dobrudga Basin.

Hungary: MOL was awarded all the six blocks, which received bids in the fourth tender in Hungary and will negotiate with the ministry of national development the concession agreement. The fifth bid round is due to be launched in 2017.

National Iranian Oil Company has released the list of 29 pre-qualified companies for attending tenders aimed at developing upstream projects.

Pipelines Projects and Supply Options

ACG consortium signed a letter of intent for extension of the contract for the development of the fields from 2024 to 2050, in which they agreed on key commercial terms.

TANAP: The World Bank and the Asian Infrastructure Investment Bank (AIIB) approved $800mn and $600mn loans respectively for the Trans-Anatolian natural gas pipeline (Tanap) project.

FSRU at Aliaga: Turkey's first floating LNG import terminal has arrived at Aliaga, near Izmir. The ship's owner Hoegh LNG lists the Neptune as an FSRU chartered to Engie with 7.75bn cbm/yr capacity. The ship may now be on a medium-term sub-charter to a joint venture of Turkey's Kolin and Kalyon groups. Kolin owns Izmir Gas, a local gas distributor that supplies some 3bn cbm/yr.

TAP: Honeywell was chosen to provide SCADA system for TAP after the company was chosen to do SCADA for Tanap.

FSRU at Alexandroupolis: LNG ship owner GasLog has agreed to buy 20% share in Gastrade, a license holder for the construction of a FSRU at Alexandroupolis, planned to be operational by the end of 2019.

Zohr Gas Field: Eni agreed with Egypt to export 5 bn cbm/yr from Egypt's Damietta LNG terminal. Gas will come from Zohr gas field, planned to produce 26 Bcm/y.

Romania-Moldova Gas Pipeline Project. The EU, the EBRD and the EIB are providing a EUR 92 million financing package for the construction of a natural gas pipeline from Romania to Chisinau, The EIB and the EBRD are each lending EUR 41 million and the EU is providing a EUR10 million grant. The funds will be extended to Î.S. Vestmoldtransgaz, a state-owned company, which will build and operate the gas pipeline.

Nord Stream/ Opal Pipeline: European Union Court of Justice has suspended the execution of the European Commission's decision on the Opal gas pipeline. EC must present detailed explanations for the proposed way of allocating its capacity. Meanwhile the use of Nord Stream/Opal rose to 80% of its capacity, compared with 50% before the decision.

Nord Stream 2: Gazprom has reported that basic engineering is underway for the Nord Stream 2's offshore section.

Companies

Total plans to drill in its Offshore Cyprus Block 11, considered to be very promising as being next to Egyptian Zohr gas discovery and probably in the same reef trend.

Energean plans to use a floating production, storage and offloading facility (FPSO) to produce gas from its Israeli offshore fields it acquired recently.

Leviathan partners and Delek Group's subsidiaries Avner and Delek Drilling merged to form one of the biggest entities on Tel Aviv Stock Exchange. * *Delek* Group completed preparations for issuing bonds at the Tel Aviv Stock Exchange for investing in Leviathan and Tamar fields developemnts.

DESFA: After the failure of the agreement with Azeri company Socar, DESFA privatization will start all over with the commissioning of a consultant for a revision of the company's valuation, followed by a search for a strategic investor. Likely the stake for sale will be decreased from 66% to 49%.

Overgas signed a contract with Bulgargaz for the supply of gas in its gas distribution companies in 2017, not with Gazprom, as it wanted to do.

Rompetrol Group said it plans to increase refining capacity of its Petromidia refinery.

Mazarine Energy Romania is expecting the approval from the Competition Authority for the acquisition of 19 onshore fields from OMV Petrom.

E.ON Distributie Romania has, as of January 1, 2017 a new name, Delgaz Grid, complying with regulation requiring integrated companies in the energy sector to implement a clear division, including the visual identity, for the supply and distribution operations.

Petrotel-LUKoil shareholders decided not to dissolve the company, in spite of the accumulated losses.

Naftogaz said will no longer receive subsidies from the state after the separation of its gas transportation business.

Engie started importing natural gas from Poland to Ukraine. Last year Ukrtransgaz and Engie signed agreements that would enable it to independently supply gas to Ukraine with the possibility of further direct sales to Ukrainian traders and consumers.

INA: Croatian prime minister announced that the state will buy back a 49% stake in INA from MOL as they could not resolve issues on future cooperation.

OMV closed the sale of 100% of the shares in its wholly owned subsidiary OMV (U.K.) to Siccar Point Energy Limited for USD 870 mn.

Rosneft agreed to supply 55 mn tonnes of oil to Glencore and a Qatar linked company in the next five years.

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Bulgaria

Gas Price

Natural gas will become more expensive as of January 01, but the increase will be much lower than what state-owned supplier Bulgargaz wanted, Bulgaria's energy watchdog has ruled.

At a meeeting, the Energy and Water Regulatory Commission (KEVR) has decided to push prices up by 4.65%, against the backdrop of a demand for a 13% rise.

As of next year, 1000 cubic meters of gas will cost BGN 280.21 (excise duty and VAT not included), 24 Chasa quotes KEVR head Ivan Ivanov as saying.

The price will not include transportation, fees for which will be transferred to the grid operator Bulgartransgaz by Bulgargaz itself, Ivanov has added.

The decision does not entail heating prices, which will be kept the same in the first quarter of 2017, despite protests from the heating utility in the capital Sofia.

Heating prices are normally tied to those of natural gas.

Source: Novinite.com

Electricity Export

By order of Energy Minister Temenuzhka Petkova, exports of electricity from Bulgaria have been stopped as of 01:00 on Friday.

This was announced by Deputy Energy Minister Zhecho Stankov, cited by BNR and Focus agency. The measure is necessary due to difficult winter conditions which resulted in a discrepancy between production and consumption of electricity.

Stankov stated that exports will be resumed once the situation in the region becomes normal again.

The purpose of the ban on exports of electricity, which is in force as of Friday, is to guarantee the security of deliveries to Bulgaria, emphasized Stankov and added that greatly increased consumption a few days ago showed that the electric power grid in Bulgaria is in good condition.

According to Capital daily, the move caused a surplus of electricity supply and drastic decrease of prices on the electricity exchange. One of the reasons for the move was the inability of some coal-fired power plants to activate their cold reserves.

Source: Novinite.com

Belene Nuclear Project

Lawmakers in Bulgaria have turned down a proposal to scrap a ban on proceeding with the construction of Belene nuclear power plant (NPP).

The Bulgarian Socialist Party (BSP)'s proposal has been defeated in Parliament just weeks before the current legislature is dissolved, months after the outgoing administration announced it might be looking into ways to revive the construction of Bulgaria's second nuclear plant.

"Look what's happening outside. Bulgaria's electricity system is on the brink [of collapsing] today]," the Bulgarian National Radio quotes BSP lawmaker Tasko Ermenkov as saying, in a reference to the cold snap that is putting a strain on Bulgaria's energy system.

Ermenkov has called on lawmakers to back the move "so that we don't stay in the dark and we are not cold tomorrow."

But Delyan Dobrev, from GERB party of outgoing Prime Minister Boyko Borisov, has retorted that the government in resignation tasked Energy Minister Temenuzhka Petkova to propose a solution to Parliament after conducting an analysis of possible scenarios.

Authorities have sought options to bring the project back to life in order to make use of nuclear reactors Bulgaria will receive from the Russian company Atomstroyexport. Petkova earlier cited interest in the project from foreign investors.

Source: Novinite.com

Overgas

Bulgaria's biggest private gas supplier Overgas has signed a new deliveries contract that gives it gas from the biggest state company.

Bulgargaz will pump BGN 300 million cubic meters of gas to the private company, allowing it to meet the needs of 60 000 households and 3000 public and industrial consumers.

Gazprom halted supplies to Overgas at the end of last December, citing commercial issues, prompting the private suplier to demand gas from the state-owned company.

The supply network of Overgas was taken over by Sasho Donchev, who until then had a 50% stake in the company alongside the Russian energy giant.

Overgas in September demanded that its contract with Bulgargaz be terminated, and that conditions should be renegotiated, but the latter request was turned down.

Bulgargaz receives the bulk of its gas from the Russian holding - the same source Overgas had been using until the end of last year.

Source: Novinite

Croatia

INA

The Croatian government will buy Hungarian oil group MOL's 49 percent stake in oil and gas company INA, Croatian Prime Minister Andrej Plenkovic said on Saturday.

"The Hungarian side has been informed about this decision," Plenkovic told reporters. The acquisition will not harm Croatia's public debt, he said, without giving further details.

INA's shares last traded at 2,925 Croatian kuna ($405.26), which puts the value of MOL's stake in INA at around 14.5 billion Croatian kuna ($2.01 billion).

MOL and INA have locked horns for years over control of the Croatian oil company. MOL has certain management control at INA under an agreement with the Croatian state, which holds 45 percent of INA.

Plenkovic said the buy-out was in Croatia's best interests after a United Nations arbitration commission ruled that evidence presented by Croatia in a lawsuit against MOL were insufficient to prove that certain contracts made in 2009 were the result of corrupt activities.

He gave no further details of the lawsuit or the ruling, or why it had prompted Croatia's decision to buy MOL's INA stake.

MOL had indicated it was willing to consider selling its stake in INA if the two were unable to resolve issues around future cooperation.

Source: Reuters

Cyprus

Upstream Developments

Cyprus has awarded blocks 6, 8 and 10 in its third offshore licensing round, the energy ministry said December 21. The blocks are all in its exclusive economic zone. It awarded Block 6 to Italian Eni and French Total; Block 8 went to Eni and Block 10 went to US ExxonMobil and Qatar Petroleum. These are production-sharing contracts.

The council of ministers has appointed a team, led by the ministers for energy and for finance, to negotiate contract terms and provisions with the selected applicants. If negotiations are successful, and the contract for each block is approved by the council, licences will be granted. If not, the runner-up applicants will be invited for negotiations. In late July the government received six bids from eight companies.

Source: Natural Gas World

Total

IHS Markit believes that Total's exploration well will be one of the most critical wells drilled globally in 2017 for the E&P industry, especially given the slowdown in exploration drilling worldwide. The IHS Markit analysis, Bliss said, underscores the potential impact that this well and the changing competitive landscape could have on the future development trajectory of the hydrocarbon sector in the Eastern Mediterranean.

Total's Offshore Cyprus Block 11 is located to the north of Zohr's Egyptian Shorouk Offshore Block, which, Bliss said, is the first time in the region that a carbonate, rather than a sand, reservoir was targeted. "The carbonate reservoir that comprises Zohr is of particularly high quality," Bliss said. "As such, it will likely enable development using a minimum number of wells and, therefore, reduce costs and enhance project economics."

The Zohr Field is one of the largest conventional gas discoveries of recent years. It has in-place resources of 32 trillion cubic feet (TCF) of dry gas, with possible recoverable resources of about 20 TCF, according to Eni's statements. To date, Eni has drilled five wells on the Zohr structure, which have confirmed a large gas accumulation and the existence of a very high-quality reservoir, IHS Markit said. The Zohr Field Phase 1 project is due to come on-stream in 2017.

"The existence of a carbonate reef play, which Zohr has proven to be, is very different from the turbidite sand-play discoveries in the Israeli Levantine Basin and the Egyptian Nile Delta Basin," Bliss said.

Source: Gas Natural Europe

Egypt

Gas Import/Export

Egypt has restarted export of LNG from the Idku LNG plant, according to Egyptian media. In the last three months, Shell exported from Idku three cargoes, with gas supplied from its Borollos gas field which is producing at a rate of 200mn ft³/d. The company is targeting a shipment every 20 days and seeking to increase volumes to 250mn ft³/d That is about a quarter of the facility's capacity. Shell did not provide an update for NGW.

The Egyptian petroleum ministry is targeting operating Idku at full capacity from 2020. The renewal of export is needed in order for the Idku plant to repay the $2bn loan that the plant cost, at $200mn/yr, according to Egyptian media.

Meanwhile, earlier this month, state gas importer Egas confirmed it has postponed a third floating storage and regasification unit (FSRU) that was planned to be deployed in the next few months. This was due to an increase in gas production in Egypt which since last April grew by 600bn ft³/d to 4.45bn ft³/d.

Egypt imports about 1bn ft³/d of natural gas through two FSRUs. Lately Egypt's petroleum minister Tarek El Molla said that Egypt would reach natural gas sufficiency by fiscal year 2020/2021, according online newspaper

Source: Daily News Egypt.

Upstream Developments

Natural Gas Holding Company has signed a natural gas and oil exploration agreement with Italy's Edison, the Egyptian petroleum ministry announced January 5.

According to the ministry, the total investment in exploration will be about $86mn with a signature bonus of $1.5mn to drill two exploration wells in northeast Haby in the Mediterranean Sea.

The ministry said more exploration agreements are in the offing in 2017 to speed up the development of Egypt's oil and gas resources.

Source: Gas Natural World

Georgia

Gas Transit

The Georgian government has agreed with Gazprom proposals over gas transits via Georgia's territory and will sign a deal for 2017 and 2018, its energy minister Kakha Kaladze told reporters in Tbilisi. Gazprom Export will now pay a transit fee in cash, rather than in the form of gas supplies, as in the past.

"Today, at a cabinet meeting, we discussed the latest Gazprom Export proposals on terms for the transit of natural gas to Armenia", Kaladze told reporters January 11 following a meeting with Gazprom Export head Elena Burmistrova in Minsk January 10.

According to Kaladze, after “several rounds of negotiations Georgia [the government] got the best offer and decided to execute the contract," Interfax reported. "Also, we have the opportunity to meet the seasonal needs if necessary and to receive additional volumes of natural gas at a discounted price – of $185/'000m³ instead of $215”, the minister said.

The proposed contract will be signed for two years and in 2017 Georgia will receive a transit fee partly by natural gas, said Kaladze, adding: "It was the best solution, given the current situation."

Kaladze did not give details of amount of transit payment, pointing out simply that it will be comparable with what the country had before.

The new agreement will not increase of Georgia's dependence on Russian energy resources. “We will change only the form of payment for transit. As for the fee, it will be compatible with the European countries," sources in Georgia energy ministry told NGW.

Gazprom Export made a package proposal to Georgia on the transit of Russian gas to Armenia and gas supplies to Georgia, the company said in a statement.

"Gazprom Export made a package proposal on the mutually beneficial conditions, which will guarantee Georgia income from gas transportation services and increase security of the country energy supply,” Burmistrova was quoted saying in the statement.

Annual gas consumption in Georgia is around 2.5bn m³ with a large chunk of that supplied by neighbouring Azerbaijan.

Georgia also receives 10% of the total volume transited across its territory of Russian gas transited to Armenia

Source: Natural Gas World

Greece

DESFA

It appears that it’s back to the drawing board for the DESFA privatization project after the failure of the agreement with Azeri company Socar for the the sale of the state’s gas grid operator. The government is aiming to complete the entire procedure as soon as possible, and definitely within 2017.

The main obstacle to the announcement of a new tender is the pending cancellation of the contract signed in 2013 between state sell-off fund TAIPED and Socar for the transfer of 66 percent of DESFA by common consent and without the forfeiture of the Azeris’ letter of guarantee.

Once that procedure is completed, expected within January, the process will start for the commissioning of a consultant for a revision of the company’s valuation, according to the timetable published by Energy Minister Giorgos Stathakis. This will be followed by the new proclamation in search for a strategic investor.

In the meantime the government – in cooperation with its creditors – will review the stake it will put up for sale, as Stathakis implied in an interview with the state’s Athens-Macedonian News Agency. The main scenario under consideration concerns a privatization model similar to that used for the Independent Power Transmission Operator (ADMIE) – i.e. keeping a 51 percent stake for the state instead of the original 34 percent that the deal with Socar had provided for.

The attitude of the country’s creditors will also determine the position of Hellenic Petroleum, which controls a 35 percent stake in DESFA which it had put up for sale in its entirety in the first tender.

Source: Ekathimerini

Hungary

Upstream Activities

Hungary's ministry of national development announced the results of its fourth tender for oil and gas concession areas in Hungary and there was only one winner: state producer MOL.

The 2016 Bid Round offered 9 areas or blocks for hydrocarbon exploration, but only 6 blocks received bids. In total, there were 11 bids received for those 6 blocks and, as previously noted, these bids were submitted by only 3 companies, all of whom had participated in previous bid rounds.

The tender procedure in respect of the 3 blocks which received no bids was declared unsuccessful and it remains to be seen if they will re-tendered in the next bid round.

MOL has 60 days from December 5 – with an optional extension of an additional 60 days – in which to negotiate the concession agreements with the ministry and it is expected to sign its new concession agreements in early 2017.

As a result of MOL plc successfully winning all of its 6 submitted bids, there are some industry commentators who had been wondering why MOL had not been more aggressive in its earlier bids, and hence think that MOL has only now decided that it really wants to participate, whilst others suggest the other two bidders were perhaps less interested in the blocks on offer, having been successful in earlier rounds, and may have submitted less competitive bids. The truth, as always, is likely to lie somewhere in between, although given the costs and efforts involved in submitting bids, it does not make a great deal of commercial or fiscal sense only to participate to make up the numbers.

We now await details of the fifth bid round which is due to be launched in 2017.

Source: Natural Gas World

Iran

Gas imports from Turkmenistan

The National Iranian Gas Company (NIGC) and Türkmengaz signed a gas deal some 20 years ago for supply of a part of the gas consumed in Iran's Northern provinces by the Turkmen company.

However, over the course of these 20 years, the Turkmen side has, from time to time, acted in such manners that would violate the deal and the spirit of good neighbor policy. An example of such behavior was curtailing gas supply to Iran in 2007 during the penetrating cold snap of the same year which forced the then-Iranian administration to undergo the unreasonable demand of Türkmengaz for a 9-time price rise in the gas it supplies Iran.

Over the past three years, Iran has fully settled its debts to the Turkmen side based on the price agreed upon in the aforementioned deal, and talks began between the two companies for settling the issue and repayment of delayed debts with Iran claiming it has also undergone quality and quantity losses in the deal. The two sides reached an agreement in their latest round of talks.

However, in an unanticipated move and disregarding the agreement, the Turkmen company has curtailed gas supply to Iran since this morning (Sunday, January 1, 2017).

Source: NIGC

Upstream Tenders

National Iranian Oil Company (NIOC) has released the list of 29 pre-qualified foreign oil and gas exploration and production (E&P) companies for attending tenders aimed at developing upstream projects in Iran's oil sector, in big step to opening up Iran's oil and gasfields to western investment.

Companies are from countries like Germany, France, Italy, India, Malaysia, Russia, Austria, Thailand, Japan, Poland, the Netherlands, the UK, Spain, China and others.

They include: Cepsa, China's CNPC, Eni, Gazprom, Japan Petroleum Exploration, Korea Gas Corporation (Kogas), Lukoil, Maersk, Mitsui, OMV, ONGC Videsh, Pertamina, Petronas, Shell, Schlumberger, Total and Wintershall.

Source: Gas Natural Europe

Israel

Leviathan Gas Field

The Israeli partners in Leviathan, Delek Drilling, Avner and Ratio, said in a December 18 filing to the Tel Aviv Stock Exchange that they will start drilling the Leviathan-5 well in the first quarter of 2017. The decision was taken on the recommendation of Noble Energy, the biggest shareholder in the gas field and the operator.

The drill will be for the purpose of further assessing the field's gas quantities. According to the Leviathan's partners the field holds 620bn m^3 but, according to an assessment presented to the energy ministry, it contains only 500 bn m^3. The well will have the potential to become a production well when the field is developed for production, according to the filing. The partners are expected to take the final investment decision this year or early next year.

The planned drill will be done by the Atwood Advantage, an ultra-deepwater, dynamically positioned drillship. Currently that drillship drills in the Tamar gas field. The total budget for Leviathan-5 drilling is estimated at $77mn.

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Israel's Delek Drilling and Avner Oil, partners in the offshore Tamar and Leviathan gas fields, said on Thursday they completed the institutional stage of a dollar bond offering in Israel.

The companies said in a statement they recorded demand of around 3.2 billion shekels ($836 million) - more than double the offering target of about $400 million - making it the largest dollar bond offering on the Tel Aviv Stock Exchange.

Delek Drilling and Avner Oil are subsidiaries of Israeli conglomerate Delek Group.

The public tender stage will be completed in the coming days.

Funds raised will help the companies develop Leviathan field and expand production of the Tamar project, they said.

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Shareholders in Avner general partnership December 25 voted to merge with sister company Delek Drilling, having secured a month ago loan commitments for $1.75bn from HSBC and JP Morgan for developing the Leviathan field.

Both companies are subsidiaries of Delek Group. The merger is expected to be completed in about two months' time and it will create one of the biggest entities on the Tel Aviv Stock Exchange, valued at NIS 16.8bn ($4.4bn). Yossi Abu will remain CEO of the merged general partnership.

The debt issue strengthens Delek Group's position on the way to the final investment decision (FID) on Leviathan. Earlier this month Delek reported that it has secured a $1.7bn in a loan commitment letter from HSBC JP Morgan. Leviathan development phase 1 is expected to cost $4bn-$5bn and it is expected to come online the last quarter of 2019.

Sources: Natural Gas World, Rigzone

Energean

Israel's Petroleum Commissioner has approved Energean Oil & Gas' $148mn purchase of the Karish and Tanin fields, the Greek buyer said January 11.

The deal is part of the Israeli government’s Gas Framework. The fields, in the eastern Mediterranean Sea, were discovered in 2013 and 2011 respectively and have 2C gas resources of 2.4 trillion ft.

Energean said it has opted for a floating production, storage and offloading (FPSO) vessel as the quickest route to producing first gas from the fields. It says this is "in line with the objectives of the government of Israel."

Energean said the FPSO would also allow it to maximise the recovery of reserves with the least environmental impact. Oil will be stored away from the coast, with minimal onshore installations needed. "The use of the FPSO will result in delivering gas at competitive prices for the benefit of Israeli consumers and the Israeli economy," it said.

Source: Natural Gas World

Latvia

Latvijas Gaze

Shareholders in Latvian gas utility, Latvijas Gaze, on December 22 voted to hive off its infrastructure as a separate company in conformity with EU rules.

The resultant new Latvia gas transmission and storage operator is called Conexus Baltic Grid.

Conexus Baltic Grid said in a regulatory filing that its initial shareholders are Gazprom 34.1%, Marguerite Gas 29.1%, Germany's Uniper 18.3%, US-registered Russian gas trader Itera 16% and others 2.5%. Marguerite Gas is an EU-backed investment fund. The other three firms had been Latvijas Gaze shareholders for several years. The new gas grid and storage operator's website will go live at www.Conexus.lv in January 2017.

Source: Natural Gas World

Lebanon

Upstream Tender

Lebanon intends to restart its first oil and gas licensing round after a three-year delay, the energy minister said on Thursday, hoping to kick-start the development of a hydrocarbon industry.

In its first sitting since being formed in December, Lebanon's new cabinet passed two decrees on Wednesday defining the blocks and specifying conditions for production and exploration tenders and contracts.

Lebanon will offer five offshore blocks for exploration and production and is to hold another pre-qualification round for companies interested in bidding, Minister of Energy and Water Cesar Abou Khalil told a news conference.

Beirut estimates it has 96 trillion cubic feet of natural gas reserves and 865 million barrels of oil offshore, but squabbling between parties has prevented the passage of vital laws needed to develop the sector.

In 2013, 46 companies qualified to take part in bidding for oil and gas tenders, 12 of them as operators, including Chevron, Total and Exxon Mobil.

Abou Khalil said he expects these 46 companies to be interested still and that Lebanon will hold another pre-qualification process to increase competition and secure the best deal.

The next stage is for the government to agree a tax regime for the nascent hydrocarbon industry.

On Wednesday, the cabinet also agreed to form a ministerial committee to discuss the draft tax law. Abou Khalil said the committee would meet on Thursday.

"The committee is committed to finalise comments on the tax law (with) the shortest delay," he said.

"It might take a couple of weeks, and then we will go back to the council of ministers and we will transfer the (draft) law to the parliament, where it is expected to be passed in the first legislative session."

Source: Rigzone

Lithuania

Gas Imports

In the closing days of 2016, major Lithuanian gas buyers signed contracts with Russia's Gazprom, which is expected to supply the bulk of the country's gas needs for 2017. Last year, Norway's Statoil was the Baltic country's top gas seller having supplied it 14.3 TWh, or 60%, of the gas demand.

Jonava-based fertilizer producer Achema, which reportedly will acquire around two-thirds, or 870mn m³ of its gas demand from the Russian gas monopoly in the new year, said it would be buying more gas from Gazprom but the remainder will come from Norway's Statoil through the Klaipeda LNG terminal.

The deputy chairman of the board of Achema Group Gintaras Balciunas, did not elaborate on the length of the agreement, but noted that, with the seasonal gas price fluctuations, in winter, it is better value to buy gas from Gazprom. "Then their prices are better and the gas is cheaper. As the gas demand drops after the heating season, the price goes down, too, therefore it makes more sense to buy it at the Klaipeda LNG terminal then," he explained.

He credited the Russian company for providing better supply conditions than those that Achema had last year with Lietuvos Duju Tiekimas (LDT), the gas trade arm of Lietuvos Energija.

Achema is expected to consume about 1.3bn m³ this year, an equivalent to 13.4 TWh. It marks a year-on-year increase of 0.1bn m³. About 700mn m³ last year came from Norway's Statoil and another 500mn m³ came from Gazprom.

Gazprom has had to cut its prices to retain market share in Europe. Access to LNG has enabled Lithuania to argue for lower prices from the Russian monopoly, but the LNG tanker that it uses for Norwegian LNG called Independence, is chartered from Hoegh on a long-term basis and must still be paid for even if not used.

Source: Natural Gas Europe

Gazprom

Russian gas monopoly Gazprom must pay Lithuania a fine of €35.65mn ($37.28mn), which was imposed two years ago for refusing to sign a gas exchange deal with Lithuania's state-owned electricity production group Lietuvos Energijos Gamyba (Lithuanian Energy Production, LEG) formerly known as Lietuvos Energija, Lithuania's Supreme Administrative Court has ruled.

The court upheld the fine imposed by Lithuania's competition council, the antitrust watchdog, in 2014. The sum of fine marks the highest financial penalty in the Baltic country's history.

In mid-2014, the anti-trust agency found that Gazprom‘s reluctance to negotiate with Lietuvos Energijos Gamyba on a natural gas swap deal in 2013-2015 prevented the Lithuanian company from purchasing cheaper gas from another supplier and thus had breached a condition of a 2004 agreement on the acquisition and sale of shares in Lietuvos Dujos (Lithuanian Gas) .

It then said that LEG deal with a western European company would allow lower gas purchasing costs and hence lower electricity prices for consumers.

Gazprom argued in court that the monopoly watchdog had misinterpreted a clause in the 2004 sanction for it to purchase a stake in Lietuvos Dujos and consequently started the probe and imposed the fine without a reason.

Source: Natural Gas World

Moldova

Frontera

Houston-based independent Frontera Resources said January 10 it signed a concession agreement with the government of Moldova January 2.

It said the agreement gives Frontera the exclusive right to explore for, produce and develop hydrocarbon resources within an area comprising approximately three million acres (12,140 km^2 in southern Moldova. The agreement lasts 50 years, including an initial exploration phase of up to 10 years and contains standard royalty and other provisions, said Frontera, adding that its exploration focus is on the onshore Dobrudga Basin.

Source: Gas Natural Europe

Romania

Fuel Prices

The first day of the year brought a drop in prices by approximately 10 percent for gas and diesel fuel, up to RON 5/litre. This was due to the reduction of VAT from 20 percent to 19 percent, and especially to the elimination of the additional excise of 7 eurocents/litre of fuel. Also, the energy and ticket prices registered a drop on January 1.

However, for the next period, some increases in the price are possible due to the appreciation of the US dollar against the euro and Romanian currency because of the international trading prices for one barrel of oil.

At several gas stations from Bucharest, a standard 95 litre of gas was sold at RON 4.85-4.86 or RON 4.94, depending on the company and location. However, at noon at least one of the gas stations showed the price of RON 5.36 for a litre of gas.

Also the diesel fuel became cheaper, so that a litre was worth RON 4.8 or 4.9.

Source: Business-review.eu

Gas Price

Romania could import 40 percent of the national gas consumption this winter, as the gas price on the international markets will be even by 20 percent cheaper than domestic stocks this winter, Regulatory Authority for Energy (ANRE) President Niculae Havrilet said.

However, the price of gas sold by domestic producers will be liberalized starting with April 1, 2017, but this does not mean tariffs increase for consumers.

Source: Romanianjournal.ro

Gas Supply

Romania has imported in the first 10 months of 2016, some 620,900 tonnes of usable natural gas in oil equivalent (toe), by 720.2% (545.2 thousand toe) more than the amount imported in the same period of 2015, according to centralized data from the National Statistics Institute (INS).

The domestic production of natural gas totalled during January-October 2016 some 6.122 million toe, by 991,800 toe (13.9%) below the one registered during the first 10 months of last year.

According to the draft Energy Strategy of Romania, posted on the ministry's website, the annual production of natural gas is expected to fall slightly to an average of 9-10 bcm for the period 2016-2030.

The document says that natural gas production will decrease, after reaching a new high of 132 TWh in 2025, due to production in the Black Sea, to 96 TWh in 2030 and to 65 TWh in 2050. The small price scenarios anticipate a gas production drop towards zero as of 2045.

Source: Romanianjournal.ro

Oil Royalties

The minister of finance, Viorel Stefan, said during the hearings in Parliament for the approval of the new government, that the authorities will roll out new legislation that changes the way in which the oil and gas firms are taxed in Romania.

Stefan said that on top of the amended royalties scheme, the Romanian state will levy a special tax on the energy production companies, in certain conditions.

"In the scheme for the collection of royalties we will enforce an additional tax of 20 percent of the natural resources that are not processed in Romania. If the natural resource is sent to a processing unit in Romania, this quota will not be applied," said Stefan.

Under the current rules, the oil and gas companies pay royalties starting from 3.5 percent to 13.5 percent, depending on the size of the field.

According to draft version of the new law amending the royalties mechanism, the companies venturing offshore in search of hydrocarbon resources are set to pay less compared to those that are doing onshore production.

Stefan explained that the new royalties law should be completed in the first quarter of 2017, after more than two years of delays.

The National Agency for Mineral Resources (ANRM) expected to collect RON 1.5 billion from mining and oil&gas royalties in 2016, which would be 15 percent lower compared to 2015.

Source: Business Review

Gas and Electricity Distribution

The distributor of gas and electricity E.ON Distributie Romania has, as of January 1, 2017 a new name, Delgaz Grid, according to a company release issued on Tuesday.

The name change has considered the compliance with national legislation and the European one requiring integrated companies in the energy sector to implement a clear division, including the visual identity, for the supply operations and for distribution, in order to avoid confusion between these activities from the consumer's perspective, the release reads.

Source: The Romania Journal

Electricity Prices

Household consumers will pay for electricity tariffs by 1.9 pct lower on average, starting with January 1st, 2017, according to decisions taken by the Regulatory Committee of the National Regulatory Authority for Energy

Source: Actmedia

Renewable Energy

The Government approved in its last sitting a decision in regards to establishing a compulsory share of 8.3 percent for electric power from renewable sources that will benefit next year of green certificates, a release of the Energy Ministry reveals.

The share for the next year will be established according to the National Regulatory Authority for Energy (ANRE) recommendations, at 8.3 percent, so it won't have a negative impact on the final consumers' bill, the Ministry representatives say.

"Therefore, according to the piece of legislation adopted in the Government sitting, in 2017 the same number of green certificates will be traded as in 2016, the subsidy value remaining unchanged, and the impact of green certificates on the final consumers' bill for electric energy will be maintained constant at the 2016 level, which is 42 lei per MWh," the release points out.

Officials of the Energy Ministry explained that, if the share of 2016 would have been maintained, 12.5 percent respectively, the final bill for electric energy would have increased by 5 percent.

"We mention that this Government Decision will take effect only until the new Government approves the Emergency Ordinance draft on the amendments and additions to the Law No.220/2008 for establishing the promotion system of producing electric energy form renewable sources, for which the Decision of the European Commission was obtained, approving the amendments proposed for the aid scheme, that was sent to Romanian authorities," the Ministry representatives added.

Source: Actmedia

Rompetrol

National company KazMunayGas Kazakhstan and China Energy Company Limited want to to raise the refining capacity to 10 million tons of oil/year in Romania and to build 200 new fuel filling points and a co-generation station on the Petromidia platform.

Source: Actmedia

Mazarine Energy Romania

The Competition Council (CC) is investigating the deal between OMV Petrom, the largest oil and gas producer in Southeastern Europe and Mazarine Energy Romania for 19 oil fields and three rigs, in order to establish whether it complies with competition rules.

“In order to determine whether the concentration is compatible with a normal competitive environment, the Competition Authority will consider the notified transaction under the mergers regulation,” a press release reads.

Mazarine Energy Romania is part of Mazarine Energy, a private oil and gas exploration and production company focusing on low risk, near-term, conventional exploration, development and production opportunities in Europe, Africa and the broader Mediterranean region.

Mazarine Energy is controlled by several funds managed by companies affiliated to Carlyle Group L.P. Carlyle Group is an alternative asset manager worldwide.

Hague-headquartered, Mazarine Energy is currently active in North Africa, with a majority operating interest in the Zaafrane license in central Tunisia, where two exploration wells were drilled close to existing infrastructure.

In October, OMV Petrom reached an agreement with Mazarine Energy Romania on the transfer of 19 onshore oil fields plus three workover rigs and associated crews for an undisclosed purchase price.

The 19 fields are part of a package which had been available for transfer since 2014 as part of field portfolio optimization. In 2015, the 19 fields had a cumulative daily production of approximately 1,000 boe per day, representing less than 1 percent of OMV Petrom daily production, data from the company showed.

The transaction is expected to be completed at the end of 2016, when Mazarine Energy Romania will assume operatorship of the fields and employment of over 200 staff currently employed by OMV Petrom, the oil and gas group said at the time.

Under Romania’s competition law, mergers exceeding certain turnover thresholds must be notified to the Competition Council which has to give or deny clearance. The capital for the transaction will come from the USD 500 million equity line provided by Carlyle International Energy Partners.

In April 2015, the Carlyle Group agreed to acquire the entire Romanian business of Canada’s Sterling Resources consisting of licence blocks 13 Pelican, 15 Midia, 25 Luceafarul and 27 Muridava.

Source: Romanianjournal.ro

LUKoil

Russian oil company LukOil decided in an Extraordinary General Meeting of Shareholders at end-2016 to take measures in order to avoid the dissolution of Petrotel LukOil Ploiesti refinery.

Thus, Petrotel-LukOil shareholders agreed that the company not to be dissolved under the provisions of the Company Law, according to the information published in the Official Gazette.

The law stipulates that when a company’s net asset reaches, after some losses, less than half of the subscribed capital, the company’s directors must convene the Extraordinary General Meeting of Shareholders to decide whether to be dissolved.

If the shareholders decide that the company shall not be dissolved, the law provides two options to resolve the situation. Thus, the company is obliged that no later than the end of the financial year, following that in which the losses were recorded, to proceed with the reduction of share capital by an amount at least equal to the losses which could not be covered by reserves. The alternative is that in the same period, the net assets of the company to be reconstituted up to a value at least equal to half of the share capital.

In 2015, Petrotel-LukOil Ploiesti had a net profit of RON 15.1 million compared to losses of RON 308 million in 2014. Moreover, the company has accumulated losses of RON 2.2 billion during 2010-2014.

Last summer, LukOil’s president Vagit Alekperov stated in a interview that the Russian oil company is considering “radical solutions” for its operations in Eastern Europe, including the sale of Petrotel refinery in Ploiesti.

Source: The Romania Journal

Serbia

Gas Supply

The Energy Community's secretariat said it sent an 'opening letter' January 12 to Serbia regarding a 2012 agreement between the Serbian and Russian governments on the supply of natural gas to Serbia.

The agreement is implemented via a contract between Gazprom Export and Yugorosgaz. The secretariat has expressed concerns about Article 4(3) of the agreement, which stipulates that the gas supplied is intended for use in Serbia only, which it believes constitutes a 'destination clause'.

The Energy Community brings together the EU's 28 member states with Ukraine and other non EU-member countries in the Balkans. Its treaty is based on EU law, which outlaws destination clauses because they restrict freedom of trade.

The secretariat says its letter gives Serbia an opportunity to react to the allegation of non-compliance with Energy Community law within two months and to enable the Secretariat to establish the full background of the case.

Source: Gas Natural World

EPS

Serbia wants to expand its power and influence in the energy sector, Serbian PM Aleksandar Vucic said on Monday.

Montenegro and Bosnia and Herzegovina are the most significant regional countries for Serbia in this regard, Vucic said.

"We will do our best to become an even more significant partner, and if one of them embarks on privatisation and stocks are listed on the exchange, Serbia will be buying them," Vucic said.

He added he had heard too many stories about the state selling the national electric power company EPS, noting that the current government had sold nothing to date.

Source: Tanjug

Turkey

Gas Demand

Turkey's state pipeline operator Botaş will cut supply to gas-fired power plants by 50 percent as of Jan. 6, due to increased household demand in cold weather, energy industry sources said on Jan. 5, in a bid to free up more gas for households.

Three industrial sources said private gas-fired power plants were informed of Botaş's measures, before a cold wave, expected to cause heavy snow, hits Turkey over the weekend.

Botaş earlier cut supply to gas-fired power plants in the public and private sector by 90 percent and advised some industrial firms to reduce non-critical production, energy sources said in December.

Source: Hurriyet daily

Gas Distribution

Five companies will compete in Turkey's first Turkish lira-based natural gas tender, according to officials from the Energy Market Regulatory Authority (EPDK).

The first tender was held for the distribution of gas in the Doğubeyazıt district of the eastern province of Ağrı yesterday, and the second is expected to be held for the province of Tunceli in eastern Turkey later this week.

Aksa Doğalgaz Dağıtım, Fernas İnşaat, Akmercan Turizm, Siirt Batman Doğalgaz Dağıtım and Alöz Mühendislik are the five companies to compete in the tender, which are slated to be held this week.

The companies which make the lowest bid in value are slated to win the project and have a 30-year license.

Late yesterday, Aksa was announced to have won the first tender as it gave the lowest price.

The EPDK announced early December that it would hold gas distribution tenders in liras rather than dollars, after President Recep Tayyip Erdoğan urged everyone to keep savings and make transactions in liras rather than foreign currencies. Many institutions voiced support to his call.

Some 78 of Turkey's 81 provinces will be offered natural gas after the new tenders are finalized. The EPDK plans to reach out to all 81 provinces by completing the planned tenders for the provinces of Artvin, Şırnak and Hakkari.

Turkish energy regulator opened tenders for two 30-year licenses for gas distribution areas.

Source; Hurriyet Daily News

FRSU

Turkey's first floating LNG import terminal has arrived at Aliaga, near Izmir on the country's western coast, according to press reports, the ship's owner Hoegh LNG, and ship tracking services. The country already has two onshore LNG terminals.

Turkish newspaper Daily Sabah reported December 14 that the floating regasification and storage unit had berthed at Aliaga. It quoted energy minister Berat Albayrak saying that the FSRU, originally built in 2009, would be inaugurated by Turkish President Recep Tayyip Erdogan on December 23.

Shipowner Hoegh LNG website's Fleet section lists the Neptune as an FSRU chartered to Engie and "in operation" in Turkey. Its regas capacity is given as 750mn ft3/d (7.75bn m3/yr, or 5.6mn mt/yr). The ship was formerly classed as a shuttle and regasification vessel (SRV) named GDF Suez Neptune.

Ship tracking services indicate that Neptune has been berthed at Aliaga since at least December 17, having sailed from Montoir in western France on December 4 to reach western Turkey December 11.

Reports indicated it carried a cargo from Engie and that the FSRU may now be on a medium-term sub-charter to a joint venture of Turkey's Kolin and Kalyon groups. Kolin owns Izmir Gas, a local gas distributor that supplies some 3bn m3/yr.

Turkey has two onshore LNG terminals already in operation: the Marmara Ereglisi terminal (owned by state Botas) with regas capacity of 6.2bn m3/yr which opened in 1994, and the private Egegaz terminal at Aliaga with 6bn m3/yr capacity that opened in 2006.

The two terminals enabled Turkey to import 5.35mn mt of LNG (7.4bn m3) in 2015, mainly from Algeria, Qatar and Nigeria, according to LNG Importers Association GIIGNL.

That equated to one-sixth of Turkey's roughly 44bn m3 consumption that year of which most, according to BP annual statistics, came by pipeline from Russia (26.6bn m3), Iran (7.8bn m3) and Azerbaijan (5.3bn m3).

Source: Natural Gas World

Ukraine

Gas Price

Naftogaz Ukrainy does not intend in the current winter to buy natural gas from Gazprom without signing an additional agreement to the contract for its sale and purchase, head of the state holding Andriy Kobolev has said.

"If the Russian colleagues do not accept the standard terms of the contract [do not sign the additional agreement that is traditional in recent years] by the end of winter, we are unlikely to buy gas from them," he said at a press conference in Kyiv.

As reported, Naftogaz insists that in addition to providing a favorable price offer it is necessary to sign an additional agreement with the abolition of the "take or pay" rule for the period of gas purchases in accordance with the holding's prepayment. In addition, the document should clearly define the points of gas delivery to Ukraine to prevent its supply to the uncontrolled territory of Luhansk and Donetsk regions.

The price of gas under the contract between Russia's Gazprom and Naftogaz Ukrainy is now is $178-183 per 1,000 cubic meters, while from the first quarter of 2017 it will rise to $200-210 per 1,000 cubic meters.

……..

Ukrainian companies imported gas for their own needs at an average price of UAH 6,006.66 ($230.01) per 1,000 cubic meters in December 2016, the press service of the Ministry of Economic Development and Trade has said.

According to the ministry, the average price of imported gas in January was $231.41 (UAH 5,542.82), in February – $200.39 (UAH 5,352.03), in March – $198.57 (UAH 5,292.39), in April – $188.08 (UAH 4,795.87), in May – $181.50 (UAH 4,595.10), in June - $184.30 (UAH 4,595.21), July - $210.88 (UAH 5,233.264), August – $199.1 (UAH 4,981.339), September – $199.61 (UAH 5,255.29), and October – - $180.55 (UAH 4,652.17) and November - $188.93 (UAH 4,866.26).

Earlier Commercial Director of Naftogaz Ukrainy Yuriy Vitrenko said that the average customs price of gas imported to Ukraine published by the ministry is not representative.

Source: Interfax

Gas Supplies

Ukraine’s state importer Naftogaz said December 7 it has procured a total of 1.8bn m^3 of gas from six European suppliers within the scope of the second round of Gas Purchase Renewable Credit Facility funds provided by the European Bank for Reconstruction and Development (EBRD).

The suppliers are Swiss firm Axpo Trading, Czech utility CEZ, France's Engie, Italy's Eni Trading & Shipping, and RWE Supply & Trading plus Uniper Global Commodities of Germany. All six were prequalified by EBRD in July 2016. The total value of the 30 contracts awarded was \$334mn, of which \$300mn was financed through the credit facility and \$34mn from Naftogaz's own funds.

Weighted average price of the contracts amounted to \$185/'000 m³ (\$5.14/mn Btu) at delivery point.

EBRD in October 2015 opened its \$300mn Renewable Credit Facility, which is intended for gas purchases at Ukraine's western border. One of the conditions of the EBRD loan was that Ukraine's government implement an Action Plan on corporate governance reform for Naftogaz. From December 2015 until March 2016, Naftogaz procured 1.7bn m³ gas from five suppliers under the scheme's first round. The EBRD facility is a renewable loan for a period of three years, during which Naftogaz may partially repay the loan, then again re-borrow the funds to finance more gas purchases from the EU.

Source: Gas Natural World

Oil Import

Public joint-stock company Ukrtransnafta has made arrangements with public joint-stock company Ukrtatnafta (Kremenchuk oil refinery) on the transshipment of Urals crude oil pumped from the Odesa-Kremenchuk oil pipeline to railway tankers to transport it and pump it to the second line of the Druzhba oil pipeline, First Deputy Director General of Ukrtransnafta Andriy Pasichnyk has told Interfax-Ukraine.

"On January 3 we signed a contract on transshipment of Urals oil from the Odesa-Kremenchuk section with Ukrtatnafta. Crude oil will be transported by rail to Brody and then oil will fill in the second line of the Druzhba oil pipeline [now it is filled with preservative agents]. We seek to remove Urals oil in January and start pumping Azeri Light crude oil to Kremenchuk oil refinery from February. Urals crude oil is replaced to Azeri Light in pursuant to the contracts signed with Ukrtatnafta to transport at least 1.3 million tonnes of Azeri Light crude oil to Kremenchuk oil refinery starting from 2017," he said.

Pasichnyk said that the contract has guarantees: if transportation volumes fall, Kremenchuk oil refinery would compensate all expenses on the replacement of Urals oil to Azeri Light to Ukrtransnafta.

The contract to transport at least 1.3 million tonnes of Azeri Light oil to Kremenchuk oil refinery was approved by Naftogaz Ukrainy in December.

The Odesa-Kremenchuk oil pipeline was idle for around five years.

Source: Interfax

Naftogaz

National joint-stock company Naftogaz Ukrainy will pay around UAH 60 billion of taxes to the national budget for 2016, Naftogaz Head Andriy Kobolev has said.

"Our strategic plan is the following: Naftogaz would never receive support from the budget and pay the sums of taxes that a large oil and oil company is to pay. For example, this year this is UAH 60 billion," he said on Channel 5 TV late on Wednesday.

He said that Naftogaz after separation of the gas transport business intends to see profits and not receive subsidies from the national budget as it was recorded in the past years.

"Thanks to the fact that all prices from April 2017 would become unregulated – Naftogaz will operation on the fully open market – we expect to see profit that could be no as large as profit from gas transit, but it [Naftogaz] would be profit making," Kobolev said.

As reported, Naftogaz in January-September 2016 saw a 109-fold rise in net profit, to UAH 25.521 billion.

Source: Interfax

Gazprom

The Kyiv Economic Court of Appeals on January 18, 2016 will consider the complaint of Russia's Gazprom in the case of a UAH 172 billion fine imposed by the Antimonopoly Committee of Ukraine (AMC).

This information has been posted on the Judicial Power of Ukraine (Sudova Vlada Ukrainy) online portal.

Judges Karolina Tarasenko, Oksana Tyschenko and Mykhailo Yakovlev will consider case No. 910/18299/16.

As reported, earlier the Kyiv Economic Court fully satisfied the claims of the AMC against Russia's Gazprom on the forced recovery of a UAH 172 billion fine from the said company.

Source: Interfax

Engie

French-based Engie (formerly GDF Suez SA) from January 1 started natural gas imports to Ukraine, supplying 3.9 million cubic meters to the Ukrainian gas transportation system (GTS) in the first days of the month, the public relations department of PJSC Ukrtransgaz has said.

"According to the report of Engie, the daily volume of gas supplies is nearly 400,000 cubic meters," reads a press release of the Ukrainian GTS operator.

Ukrtransgaz said these gas volumes are imported from Poland via the Germanovichi gas metering station.

The company noted in the middle of December 2016 Engie successfully conducted tests of natural gas supplies.

As reported, at the end of October 2016 Ukrtransgaz and Engie signed agreements on cooperation in transportation and storage of natural gas in Ukrainian underground gas storage facilities (UGS), whereby Engie gained the possibility to store gas in Ukrainian UGS.

Ukrtransgaz's parent company, Naftogaz Ukrainy, said signing such framework agreements would enable Engie to independently supply gas to Ukraine with the possibility of further direct sales to Ukrainian traders and consumers, for which Engie has set up a subsidiary, Engie Management Ukraine LLC.

The subsidiary's core business will be imports, transportation, storage and sale of gas in the interests of major industrial consumers.

"The potential second step is trade on the electricity market," it said.

Engie supplied about 3.5 billion cubic meters of gas to Ukraine in 2015, which was delivered primarily to Naftogaz.

Ukrtransgaz, a 100% subsidiary of Naftogaz Ukrainy, operates Ukraine's trunk gas pipeline system, as well as its 12 underground gas storage facilities with combined capacity for 31 bcm.

Source: Interfax Ukraine

Pipelines and Supply Options

ACG

Oil major BP has agreed with Azerbaijan to extend a contract to develop the country's biggest fields by a quarter of a century to 2050 in a move to unlock billions of dollars of fresh investments in the Caspian Sea deposits.

The existing production sharing deal was due to expire in 2024 and talks to extend it have been slow because of disagreements between partners in the BP-led consortium, sources told Reuters earlier this year.

The extension of the Azeri contracts adds to the flurry of deals BP signed in recent weeks, including buying stakes in gas exploration areas off the coast of Mauritania and Senegal, and renewing an onshore oil concession in Abu Dhabi.

BP said the consortium and Azeri state oil firm SOCAR on Friday signed a letter of intent to continue developing the giant Azeri-Chirag-Guneshly (ACG) offshore fields until 2050.

It said it had agreed the key commercial terms for the future development while the deal was due to be finalised in the next few months.

The shareholders in the consortium include BP, Chevron, INPEX, Statoil, ExxonMobil, TPAO, ITOCHU and ONGC Videsh.

"ACG is known as the 'Contract of the Century'. It is very important to Azerbaijan ... We can now look ahead to many more years of ACG's success," the statement quoted SOCAR's president Rovnag Abdullayev as saying.

The existing deal was signed in 1994 and became the first successful agreement between a former Soviet Union republic and oil majors to develop energy resources. BP said the new deal will bring many thousands of jobs in the years ahead.

Source:Reuters

TANAP

The World Bank’s board of directors approved a $400mn loan for Turkey and a $400mn loan for Azerbaijan for the Trans-Anatolian natural gas pipeline (Tanap) project December 20.

Also the Asian Infrastructure Investment Bank (AIIB) approved a $600mn loan for Tanap. The Beijing headquartered bank said December 21 that the loan was granted to Azerbaijan's Southern Gas Corridor Company for building the 1,850-km pipeline.

Tanap will transport gas from the Shah Deniz giant gas and condensate field in Azerbaijan to, and across, Turkey further to Europe, aiming to diversify Azerbaijan’s gas export markets and improve the security of the energy supply in Turkey and southeastern Europe, WB said in a statement.

Source: Natural Gas Europe

FSRU at Alexandroupolis

LNG shipowner GasLog said December 22 it has agreed to buy a 20% stake in Gastrade, owned by Greek conglomerate Copelouzos.

The Gastrade project is still at a preliminary stage, although Gaslog says it is licensed to develop a privately-owned floating LNG import unit offshore Alexandroupolis in northern Greece, using a floating storage and regasification unit (FSRU) and other fixed infrastructure.

Gaslog CEO Paul Wogan said: “The FSRU will be used as a gateway for LNG imports into Southern Europe, where there is a growing demand and a need to diversify existing gas supply."

Prometheus Gas, a leading privately-owned gas supplier to Greece founded in 1991, is 50-50 owned by Copelouzos group’s main owner Dimitris Copelouzos and Russia’s Gazprom Export. The main gas supplier in Greece though remains Depa.

Gastrade intends to take a final investment decision (FID) by end 2017 and have the FSRU operational by end-2019, added Gaslog in its statement.

Source: Natural Gas World

Zohr Gas Field

Eni and the Egyptian government have agreed a plan to resume natural gas exports from Egypt, according to a report in Daily News Egypt, an Egyptian website. There has been no confirmation from other sources and it is not clear how Egypt will cover its energy deficit if it goes ahead.

The gas for the LNG plant will be supplied from Eni's Zohr gas field, now under development, and will be liquefied at the 5.5mn mt/yr Damietta liquefaction plant. Production from Zohr is planned to reach 28bn m^3/yr, almost four times the Damietta plant capacity.

Source: Natural Gas World

Romania-Moldova Gas Pipeline Project

The European Union (EU), the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB) are providing a EUR 92 million financing package for the construction of a natural gas pipeline from Romania to Chisinau, in a joint effort to strengthen Moldova’s energy security, a press release informs on Tuesday.

The EIB and the EBRD are each lending EUR 41 million and the EU is providing a EUR10 million grant. The funds will be extended to Î.S. Vestmoldtransgaz, a state-owned company which will build and operate the gas pipeline and the Romania-Moldova interconnector.

“The decision of our partners at the EBRD, the EIB and the EU to support the Moldovan government in the construction of the Ungheni-Chisinau gas pipeline is very important to our country as it is a vital step towards ensuring the country’s energy security and overcoming the situation where we are dependent on one source to supply the population with energy. Furthermore, the implementation of this project will allow us to connect to the EU energy system which will ensure energy stability for a long period of time and promote free competition on the market,” Octavian Calmic, Moldovan Deputy Prime Minister and Economy Minister, stated.

The project will complete the connection of the gas transmission systems of Romania and Moldova by linking Chisinau, a major area of gas consumption in the country, to the interconnector between Iasi and Ungheni.

Additional support comes from the Swedish International Development Cooperation Agency (Sida) which has provided nearly EUR 600,000 for a comprehensive feasibility study conducted by the engineering consultancy Fichtner GmbH to assess technical, market, regulatory, economic and environmental and social aspects of the project.

The EBRD is also providing EUR 1 million grant financing from its own funds to support the implementation of the project, including legal and regulatory assistance.

Source: The Romania Journal

TAP

Switzerland-based Trans Adriatic Pipeline AG has chosen US firm Honeywell to provide its telecommunications and security systems.

The SCADA (supervisory control and data acquisition) and security systems will monitor and control the entire 878km pipe system, with data transmitted back to TAP’s control centre in southern Italy.

TAP managing director Ian Bradshaw said: “With this appointment, TAP has completed the award of all major strategic contracts for pipeline construction.” Honeywell's Italian business will fulfil the contract. TAP shareholders are BP, Socar, Snam, Fluxys, Enagas and Swiss Axpo.

Two weeks ago Honeywell was also chosen by the 1,850km Tanap pipe, that will carry gas from Turkey's eastern border with Georgia to its western border with Greece, to provide its control and security system.

Source: Natural Gas World

Nord Stream/ Opal Pipeline

The European Union Court of Justice has suspended the execution of the European Commission's decision of October 28, 2016 with respect to the Opal gas pipeline, said the applicant PGNiG in a statement December 27.

The EC's decision allowed Gazprom to access 80-90% of the capacity from January 1, compared with half now.

The request to suspend the execution of the EC's decision for a full investigation was submitted by the Polish firm's German subsidiary, PGNiG Supply & Trading on December 4 and the Polish government on December 16.

The applicants said the EC's decision did not comply with the regulations of the Treaty on the European Union, the Treaty on the Functioning of the European Union, and the EU - Ukraine Association Agreement, or other EU gas market rules. They said the decision would have a "serious and negative impact on the security, stability and competitiveness of gas supplies to Poland."

The court has ruled that the EC must present detailed explanations for the proposed way of allocating capacity and it asked PGNiG Supply & Trading to submit an in-depth analysis of the EC decision's impact on the security and competitiveness of gas supplies to Poland.

Citing Russian news agency Interfax, on December 26, PGNiG said Gazprom had used as much as 81% of Opal, breaching the EC's 2009 ruling as well as the court's decision of December 23, 2016 that suspended the execution of the EC's decision of October 28, 2016.

In a statement December 27, PGNiG CEO Piotr Wozniak said: "Gazprom, by using faits accomplis, is striving for complete dominance on the German, and subsequently central European, gas markets, as well as the termination of gas transit through Ukraine." He said his company and others in the region looked to the EC for protection from any violation by Gazprom of competition law and the third energy package regulations.

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Russian deliveries of gas to Europe through Nord Stream rose 'significantly' from December 22 while the overall volume exported remained constant and transit volumes through Ukraine fell, said Naftogaz Ukrainy in a statement December 30.

Citing data from the European gas transmission system operators lobby group Entsog, it said that the use of Nord Stream/Opal rose from 57.1mn m^3/d to 80.5mn m^3/d, or 41% more over the week. This means Gazprom was using more than 80% of the capacity of Opal, compared with 50% before. The limit was set at 50% but allowed to go up to 80% from next year, a decision that Poland has sought to reverse.

Flows through Ukraine to Slovakia, by contrast fell, from 148.9mn m^3/d to 120.8mn m^3/d, or 19% less. Combining the daily totals gives a similar volume over the week: from 206mn m^3 on December 22 to 201.3mn m^3 on December 28, or down 2%.

Entsog’s data throws into doubt the assertion that the European Commission’s decision to allow Gazprom greater use of Opal and its rejection of the standard European regulations would not lead to a drop in transit flows across Ukraine, said the state-owned company.

“The resulting situation gives grounds for believing that Gazprom is doing what it can to reduce transit flows through the Ukrainian transit system,” it concluded.

The European Commission has not given reasons for its decision to allow Gazprom to use more of Opal, perhaps owing to confidentiality commitments. To refuse it though might have exposed it to legal action from the other side. Gazprom is challenging the third energy directive which it says violates World Trade Organisation rules, among others.

Gazprom has never pretended that Nord Stream 1&2 were anything but a way to avoid Ukraine, in order to deliver gas to major customers more cheaply and securely than would be possible by going through the Soviet-era Ukrainian system. Nord Stream 2 is still in the early construction phase.

According to the Russian Federation, the third gas directive – which mandates non-discriminatory third party access and the separation of ownership of energy supply from energy infrastructure – is inconsistent with a number of obligations and specific commitments of the European Union. These refer to the General Agreement on Trade in Services, the Agreement on Subsidies and Countervailing Measures and the Agreement Establishing the WTO.

Source: Gas Natural World

Nord Stream 2

Russian natural gas company Gazprom has reported that basic engineering is underway for the Nord Stream 2 gas pipeline’s offshore section and the landfalls in Russia and Germany.

Gazprom said on Wednesday that the project was going according to the approved schedule. In early September, the project operator Nord Stream 2 AG signed a contract with a subsidiary of Wasco Group for concrete weight coating, logistics, and pipe storage. At the end of that month, first pipes manufactured by United Metallurgical Company and Chelyabinsk Pipe Rolling Plant were delivered to the coating plant in Finland.

In late October, first pipes produced by Germany’s Europipe GmbH arrived at the coating facility in Germany. At the end of that month, first pipes manufactured by United Metallurgical Company and Chelyabinsk Pipe Rolling Plant were delivered to the coating plant in Finland. In late October, first pipes produced by Germany’s Europipe GmbH arrived at the coating facility in Germany.

Furthermore, basic engineering is currently underway for the Nord Stream 2 gas pipeline’s offshore section and the landfalls in Russia and Germany. Additional geotechnical surveys are carried out in the Bay of Greifswald’s offshore and onshore areas traversed by the pipeline. National Environmental Impact Assessment (EIA) reports are also under development, along with the consolidated EIA report, Gazprom added.

Earlier in December, the offshore contractor Allseas was chosen to lay the first string of the gas pipeline. Nord Stream 2 AG and Allseas inked the letter of intent for laying the first string's offshore section, with the option to collaborate on the second string.

Several days later, Nord Stream AG informed there was a possibility for the authorities of the Swedish Region Gotland and the municipality Karlshamn not to sign an agreement for the utilization of their respective harbors – Slite and Karlshamn – for the storage of the piping for the project. The consequence of the decision would be that Wasco Coatings GmbH, the German unit of Dutch Wasco Coatings, would not be able to sign contracts for the use of these harbors for pipe transshipments.

Nord Stream 2 AG is a project company established for planning, construction and subsequent operation of the Nord Stream 2 pipeline. The company is based in Switzerland and is currently owned equally by Gazprom Gerosgaz Holdings B.V., the Netherlands, an affiliate of PJSC Gazprom, and PJSC Gazprom.

Source: Offshoreenergytoday.com

Companies

OMV

Today, OMV, the international integrated oil and gas company based in Vienna, closed the sale of 100% of the shares in its wholly owned subsidiary OMV (U.K.) Limited to Siccar Point Energy Limited, Aberdeen, following the fulfilment of the agreed conditions, including regulatory approval. The transaction was signed on November 9, 2016.

Siccar Point Energy Limited made a firm closing payment of approximately USD 870 mn. The transaction documentation provides for further contingent purchase price elements depending on the co-venturers' approval of the Rosebank project final investment decision.

The sale of OMV UK fits with OMV´s strategy of rebalancing and optimizing the upstream portfolio.

Source: OMV

Gazprom

The price at which Gazprom will sell gas to non-FSU countries in January has risen to $197/Mcm from $189/Mcm in December.

Source: Interfax

Rosneft

Russian oil major Rosneft has concluded a deal with a company linked to Qatar and commodities trader Glencore to supply up to 55 million tons of crude in total over a 5-year period, Rosneft said in a statement on Tuesday.

The agreement follows the acquisition of a 19.5 percent stake in Rosneft by Qatar Investment Authority (QIA) fund and Glencore last month for around 710 billion roubles ($11.8 billion).

Currently, Rosneft's largest buyer of oil is Swiss commodities trader Trafigura with estimated annual purchasing volumes of around 20 million tons.

Source: Rigzone

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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