Balkan and Black Sea Petroleum Association

15th of January – 15th of February 2017

BBSPA Monthly Bulletin

Summary

Oil and Gas Prices

Spot Prices: Between 15 January 2017 and 15 February 2017 US WTI spot crude oil price was stabilized at $51/bbl - $53/bbl; Henry Hub spot gas price decreased from $128/1000 cbm to $111/1000 cbm (GCV at 0°C). In Europe, at Central European Gas Hub, the day ahead gas price decreased from $244/1000 cbm to $233/1000 cbm with a peak in the middle of the period reaching $278/1000 cbm.

Bulgaria: Bulgargaz proposed to the energy regulator a 32% increase of the gas price for Q2 2017.

Romanian fuel prices have become the cheapest in Europe after a decrease of the excise duty and VAT.

Ukraine: Naftogaz Ukrainy will raise the price of gas sold to industrial customers on a prepayment basis by 22% from February 1, 2017.

Electricity Prices

Romanian energy regulator ANRE stated that there are no manipulations on the day-ahead market when the electricity prices in Romania increased in January.

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

EU: The cold start of 2017 has caused a 20% increase in the volume of gas transported to Europe compared with the same period in the last three years. *Differences between winter and summer gas prices have decreased due to low demand and increase of LNG and pipeline supplies, which will affect negatively investments in gas storage.* The TSOs of Lithuania, Latvia and Estonia have agreed on a capacity allocation model, which would allow market integration and better competition on the wholesale market as well as better utilization of Klaipeda LNG terminal.

Azerbaijan has reduced oil production to 789,000 barrels per day in January as part of a deal between OPEC and non-OPEC oil producers.* Azerbaijan plans to complete the second phase of Shah Deniz gas field, expected to become operational next year.

Egypt aims to increase its gas output to 192 MMcm/d (70 Bcm/y) in 2019, stop imports and start exporting gas in 2020.

Romania: The Energy Ministry of Romania issued the Energy Strategy of Romania 2016-2030, according to which, gas production will increase in 2025 due to the production from the Black Sea.

Slovenia: Russia will extend its gas supply agreement with Slovenia to 2022.

Turkey's Tuz Lake gas storage facility was opened in an official ceremony. The facility has a capacity of 1.2 bcm gas, which will increase to 5.4 bcm. with further investments.

Ukraine: Naftogaz Ukrainy received a bill for $5.3 billion from Gazprom for 2016 on the take-or-pay grounds, which Naftogaz intends not to clear until the decision of Stockholm arbitration court decision.* In 2016 Ukraine has reduced its natural gas consumption by 4.1% or 1,3 billion cbm, compared to 2015, to 32.361 billion cbm.* Ukraine imported 11.1 billion cbm of gas from European suppliers in 2016, 8% more than in 2015.; Ukrainian oil transit to Europe declined by 8.8% in 2016.

Iran will soon launch legal action against state exporter Turkmengaz. Iran and Turkmenistan had agreed on a new gas contract at the end of 2016, but Ashgabat cut the gas flow suddenly.

Electricity Production & Consumption

EU: Renewable energy made up nearly nine-tenths of all new power added to Europe's electricity grids last year, in a sign of the continent's rapid shift away from fossil fuels.

Turkey's Competition Board has launched a probe into seven electricity companies owned by Sabancı Holding to investigate whether they abused their dominant market position.

Greece: PPC will sell a 24% stake to China's State Grid for €320 million.

Bulgaria is expected to continue the license and extend the life of one of its nuclear reactors by 10 years.* Bulgaria renewed electricity export after it was stopped because of the cold weather.* The European Commission will review a decision of Bulgaria to stop exporting electricity. Bulgarian officials maintain no national energy laws were broken, but the EU Commission will examine whether the step violated common rules.

Romania: Amid weather forecast for severe cold and low level of the Danube, the government approved a decision allowing the ban of electricity exports during crisis situations, allowing Transelectrica to ban export. Fall in water reserves and deficit if electric power in neighbouring countries were also cited as factors for the decision.

Legal and Regulatory Framework

Egypt: The International Monetary Fund said that Egypt was on track to receive the second tranche of the $ 12 billion loan. Egypt has implemented some of the measures planned including an end to energy subsidies. Hopes are the measures will restore of macroeconomic stability after the turbulence of the post-revolution period.

Upstream

Lebanon relaunched its oil and gas exploration and production licensing round for five offshore blocks. The qualifying companies will be announced on April 13.

Israel: Independent Greek producer Energean Oil & Gas has appointed TechnipFMC as the concept and front-end engineering design (Feed) contractor for its Karish and Tanin development offshore Israel. * Israel's first offshore license round would extend to next year. The licensing round is for 24 blocks each of 400 km² and dozens of companies had showed interest in it. The postponement will enable them to prepare their bids.

Cyprus: Preparations of Total to drill in Block 11 offshore Cyprus were in the final stages but there was no date yet when it would begin.

Greece's energy ministry concluded talks with Total-led consortium, moving closer to signing a deal for deep water exploration in one block in the Ionian Sea.

Romania: NIS has started drilling in its Romanian block.* Romanian energy regulator ANRE announced that Black Sea Oil and Gas company will start producing next year 1 Bcm per year gas from its offshore fields in the Black Sea, which will gradually increase to 4 Bcm/y and Romania will become a net exporter of gas.

Albania: Pennine Petroleum Corporation has signed a Production Sharing Agreement (PSA) with Albpetrol Sh.A for the exploration and development of the Velca Block in Albania. The contract is for a six year exploratory lease with a minimum two wells drilled -convertible to a 25-year production lease upon discovery of oil and/or natural gas accumulations.

Iran has imposed no restrictions on U.S. oil firms willing to participate in energy projects in the country but American sanctions make such cooperation impossible. Foreign firms have so far made little inroads into the country despite the lifting of sanctions. President Donald Trump's new U.S. administration imposed fresh sanctions on Iran, which it said were just initial steps.

Pipelines Projects and Supply Options

Krk floating LNG terminal will be ready by 2019 and have 2 billion cbm/year capacity. Initially the plans were for a land based terminal with three-times bigger capacity, but they were left for a later stage depending on future gas demand.

TANAP: World Bank and the government of Azerbaijan January 16 signed a $400mn loan agreement funding TANAP.

TAP: Gazprom could join TAP consortium, according to its deputy chairmen Alexander Medvedev.

Alexandroupolis LNG Terminal: LNG tanker fleet operator GasLog finalised a deal for a 20% stake in Greece's private energy player Gastrade, which plans to develop a floating LNG import terminal at Alexandroupolis in northern Greece. Public Gas Corporation (DEPA) is also considering the idea of acquiring a 20% stake in the project.

South Stream project will be finally realized, Russian diplomatic sources say.

Opal pipeline: Russian gas deliveries to Germany via the Opal pipeline fell by a 30 percent after Poland successfully blocked a deal giving Gazprom a bigger share of the pipeline's capacity. *Gazprom has had to reduce its use of the Opal pipeline back to the 50% limit. Gazprom had reportedly used more than even the maximum 80% it was allowed to use in December.

Companies

Park Place Energy has completed its acquisition of three oil and gas exploration and production companies operating in Turkey.

Tupras refinery has reached its full production capacity utilization, but its 2016 profit was lower than in 2015 influenced by the lower Mediterranean margins.

PPC: The European Union's competition authority is investigating alleged abuse of PPC's dominant position in the wholesale energy market since 2010.

CEZ said it intends to sell its business in Bulgaria – electricity supply and distribution in W. Bulgaria, several hydro plants and one idle coal-fired power plant.

EVN and National Electricity Company of Bulgaria (NEC) reached an out-of-court settlement for unpaid bill by NEC. The agreement envisages offsetting procedure.

Enel: The International Court of Arbitration in Paris ruled that Enel will have to pay the Romanian state EUR 401 million for the 13.5% stake in Electrica Muntenia Sud, for which the Romanian state had requested more than EUR 521 million.

Albpetrol: Albania's state-owned Albpetrol has reclaimed two oil zones from its output-sharing partner GBC Oil after it failed to pay Albpetrol more than $20 million. GBC Oil's operations at its third oilfield of Ballsh-Hekal were not affected. The company took over the oilfields in March 2016 from Dallas-based TransAtlantic Petroleum.

INA: The Croatian government plans to acquire MOL's 49 % in INA. Ideas of selling 25% of state power board HEP to fund the buyout are considered, as the government doesn't want to raise the public debt. It is not known yet what price MOL would demand for its stake in INA.

MOL Group has expanded its exploration portfolio by acquiring new licenses in Hungary. The company obtained six new licenses in the 4th bid round in Hungary, doubling its exploration acreage in the country.

Gazprom: Gas sold by Gazprom to companies exporting LNG or processed gas products will be exempt from Russian state-regulated prices under a draft government resolution by the Energy Ministry.

Naftogaz contracted Covington & Burling LLP to protect its interests in the litigation concerning the lost Crimean assets.

LUKoil is discussing the development of new oil fields with Iran.* LUKoil added 0.7 billion barrels of oil equivalent to its proved reserves in 2016.

Contents

EU

Gas Consumption

The cold start to 2017 has caused a 20% increase in the volume of gas transported in Europe compared with the same period in the last three years, according to GIE.

Source: Interfax

Gas Storage

Operators of European gas storage facilities must prepare for a wave of closures over the coming five years as the outlook is bleak, delegates heard at the European Gas Conference in Vienna January 25.

This has been a very good winter for withdrawals, thanks to the long spell of cold weather, but this does not generate enough income to allow optimism in the medium term. German utility Innogy has already closed down one plant in recent years, as the cost of modernising it was not justified by the likely revenues.

Low demand for gas in Europe generally has depleted gas pipelines so that there is little concern about available capacity to meet peak day demand. This has led to very narrow differences between summer and winter prices, which determines how much shippers are likely to pay for storage. Uniper's storage manager Michael Schmoltzer said this spread was "putting us under a lot of pressure." In some cases the revenue did not cover their operating costs.

While there have been very high price differences this winter of around €10/MWh ($3.15/mn Btu) between European hubs in Austria and Italy, it is the seasonal difference that matters when shippers book annual capacity, and that is missing, said OMV's storage manager Erik Holzer.

So while storage facilities were well stocked ahead of this winter – there is no talk yet, except possibly in southeast France, of running into difficulties meeting gas demand – this was achieved at a very low price.

Holzer said the upcoming storage year, starting April 2017, had one of the lowest summer-winter spreads, so closures would happen: "There is no way around this," he said. "I am surprised there have not been more, and I know some colleagues are close to making those decisions in the next five years."

As well as storage there are other forms of flexibility too, including deliveries of LNG, and from producers of which the biggest is Gazprom. It has been delivering a lot more gas to Europe than usual over the winter to meet higher demand; indeed Gazprom CEO Alexei Miller said it exported 179.3bn m3 to Europe in 2016, an increase of 12.5% over 2015.

Storage facilities were built to take advantage of low consumption in summer and the ability to inject gas for use later on: the much more expensive option would have been to build bigger pipelines to meet the peak-day demand year-round.

Source: Natural Gas World

Baltic Gas Market

The Baltic states' gas transmission system operators (TSOs) have concurred on a so-called implicit capacity allocation model, which when implemented, will lead to the integration of the gas markets in Lithuania, Latvia and Estonia.

“The implicit capacity allocation method means that short-term cross-border transmission capacities will be allocated on the gas exchange platform simultaneously with the quantities of gas traded on the Baltic states' markets through the gas exchange,” Lithuania’s TSO Amber Grid said after signing the co-operation agreement with Latvia’s Conexus Baltic Grid and Estonia’s Elering.

The model will improve competition in the Baltic gas market and help ensure optimal prices for consumers and gas flows between the Baltic countries, says Amber Grid's chief strategist Danas Janulionis. “This would be the first step toward the integration of the Baltic gas markets," he said. The new model will be implemented by next summer.

The three countries have very small demand and rivalries have so far hindered co-operation, especially in the area of LNG imports. The import terminal in Klaipeda, Lithuania (pictured below), has not been used anything like as much as is needed in order to cover the cost of it.

The three Baltic states' prime ministers signed a declaration on the development of a single regional gas market last December. In the development process, Amber Grid and the other Baltic gas transmission system operators will coordinate the principles and rules of balancing and trade, as well as other principles and rules important for the wholesale market. A single Baltic gas market is expected to become operational in 2020.

Source: Natural Gas World

Renewable Energy

Renewable energy made up nearly nine-tenths of new power added to Europe’s electricity grids last year, in a sign of the continent’s rapid shift away from fossil fuels. Euractiv’s media partner The Guardian reports.

But industry leaders said they were worried about the lack of political support beyond 2020, when binding EU renewable energy targets end.

Of the 24.5GW of new capacity built across the EU in 2016, 21.1GW (86%) was from wind, solar, biomass and hydro. That eclipsed the previous high-water mark of 79% in 2014.

For the first time wind farms accounted for more than half of the capacity installed, the data from trade body WindEurope showed.

Wind power overtook coal to become the EU’s second largest form of power capacity after gas, though due to the technology’s intermittent nature, coal still meets more of the bloc’s electricity demand.

Source: Euroactve

Albania

Albpetrol

Albania's state-owned Albpetrol said on Thursday it had reclaimed two oil zones from its output-sharing partner GBC Oil after it failed to pay Albpetrol more than $20 million.

Complying with a mid-December order by the government, Albpetrol had already initiated procedures to retake control of the Gorisht-Kocul oilfield and over the next few days was going to repossess the Cakran-Mollaj oilfield, Albpetrol said.

Since Albania ditched communism 2-1/2 decades ago and invited foreign bids for oil and gas, GBC Oil is the first company which has its operation taken over by Albpetrol, which represents Albania in the lucrative output-sharing contracts.

"It will take us a few days to take the oilfields under control, and then we plan to start reviving all the wells. They had not drilled any new wells. We think we need to hire 100 more workers," an Albpetrol spokesman, Ened Janina, told Reuters.

GBC Oil took over the oilfields in March 2016 from Dallas-based TransAtlantic Petroleum. Most of the debt, Albpetrol said, had been created during the 2008-2013 period.

GBC Oil's operations at its third oilfield of Ballsh-Hekal were not affected by Albetrol's action.

GBC Oil officials were not available for comment.

Source: Reuters

Pennine Petroleum

Albania and Canada focused Pennine Petroleum Corporation has signed a Production Sharing Agreement (PSA) with Albpetrol Sh.A for the exploration and development of the Velca Block in Albania.

The finalized PSA contains a license agreement signed by Pennine, Albania’s Ministry of Energy and Industry, and Albpetrol, the country’s state-owned energy firm, for a six year exploratory lease -convertible to a 25-year production lease upon discovery of oil and/or natural gas accumulations.

Under the exploration phase of the PSA, Pennine and Albpetrol will conduct an examination of all currently existing geological, geophysical and well data on the Velca Block, and conduct any processing or re-processing of data to select drilling targets.

The Drilling Phase will consist of a commitment to drill a minimum of two wells, to a minimum depth of 8,202 feet.

“This is a very exciting day for Pennine. Albania has a long history of oil and gas development dating back nearly a century, and Pennine is excited to bring its expertise to this region,” Pennine Chief Executive Officer N. Desmond Smith said.

“Albania has mature energy infrastructure, established legislation and regulations, and a recent history of significant foreign investment for the development of its energy sector,” he added.

Source: Rigzone

Azebaijan

Oil Production

Azerbaijan has reduced oil production to 789,000 barrels per day in January as part of a deal between OPEC and non-OPEC oil producers, the Interfax news agency quoted Azeri Energy Minister Natig Aliyev as saying on Wednesday.

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Azerbaijan plans to complete the second phase of Shah Deniz gas field, expected to become operational initially next year, as well as keeping the SD1 output high. It is expected more than 10bn m3 of gas to be produced from SD1 in 2017, compared to 9.9bn m3 last year

Source: Reuters, Natural Gas World

Bulgaria

Bulgargaz

Bulgaria's state-owned gas supplier has announced the prices of natural gas will have to go up by nearly a third as of April this year.

In a statement, the company has cited higher supply costs as of the next quarter.

Another argument is the current BGN/USD exchange rate.

The new proposal will be submitted to the Energy and Water Regulatory Commission at its next session on March 10.

Source: Novinite

Power Producers

The Bulgarian Nuclear Regulatory Agency is expected to complete the evaluation of the documentation and issue a license for the Fifth Unit of the Kozloduy NPP by September 2017, which will allow the unit to operate for another ten years, announced the chairman of the nuclear regulator Latchesar Kostov.

“The license for the exploitation of the fifth unit of the Kozloduy NPP expires in November 2017 and, in this relation, we received an application for an extension of the license for exploitation of the fifth unit. The review of the documents will continue in 2017. No discrepancies with a significant effect on safety have been discovered so far,” pointed out Kostov.

Source: Novinite

Electricity Export

Electricity exports from Bulgaria to neighbouring countries will continue as of 01:00 local time (EET) on February 09, the Energy Ministry says.

The flow of electricity abroad was brought to a halt on January 13 amid low temperatures that had put a strain on the electricity grid of the country.

The Electricity System Operator (ESO) of Bulgaria now says the system will not be impacted by the new cold snap expected later this week.

ESO believes its energy reserves, including those generated from coal and the levels of dam water, are enough for the energy system to function properly.

It does not foresee for electricity consumption to surpass 7000 MWh. In the coldest days, consumption in January was around 7700 MWh.

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The European Commission will review a decision of Bulgaria to stop exporting electricity on January 13, an official has said.

The announcement follows Bulgaria's decision to renew exports of electricity as of the small hours of Thursday.

Exports were halted amid harsh winter conditions in January.

The move to renew them angered some businesses which said it would push up electricity prices on the energy exchange.

But Florian Ermacora, who heads the European Commission's wholesale energy and gas trade department, says "shutting borders" on the market is not the best solution when power generation is not good enough.

Bulgarian officials maintain no national energy laws were broken, but the EU Commission indents on checking whether the step violated common rules.

Bulgaria was one of the many countries, including neighbours Greece and Romania, which halted exports to make sure their energy systems would withstand the cold weather.

"As freezing weather triggered energy shortages across southeast Europe at the start of the year, Bulgaria’s refusal to export power was typical in a region where everyone had to fend for themselves," Bloomberg writes in a fresh report.

"The reaction highlights the European Union’s struggle to break down national barriers for power and gas, integrate markets and bolster energy security as it tries to ease dependence on Russian fuel," it says.

Source: Novinite

CEZ

Czech-based holding CEZ said late in January it considered withdrawing from the Bulgarian market. -

CEZ holds the biggest power supply business in Bulgaria (providing electricity to more than 3 million customers), with revenues to the tune of BGN 1.4 B, the biggest electricity distribution company, several hydropower plants, and a now defunct thermal power plant.

Companies from France, Turkey and Romania have already shown interest in a possible deal, alongside "local holdings" with no substantial presence in the energy sector, according to Capital daily, which cites its own sources.

The daily cites constantly changing regulations in the energy sector and low profit as the more likely reasons for CEZ's intention, rather than "interest shown from investors" as the company has suggested.

Having entered Bulgaria in 2004, CEZ went through tumultuous years in its relationship with the Bulgarian regulator, KEVR, and the national electricity utility company NEK.

In July, it took Bulgaria to a court of arbitration over "failure to observe the investment protection provisions of the Energy Charter Treaty."

Petr Baran, a former CEZ director, told the Bulgarian National Radio that if the holding was indeed pulling out of the market that sent a clear signal something was "wrong" in Bulgaria.

"It just means that a foreign investor is looking for stability, for clear rules that, if observed, give certainty that it could pursue its business. If these conditions aren't met, foreign investors would would hardly be interested in investing into Bulgaria."

Source: Novinite

EVN

Austrian energy company EVN has reached an out-of-court settlement with the National Electric Company (NEK) on an old dispute dating back to 2012 – 2013.

The amount is unknown but the Austrian group estimates that the funds agreed will raise its net profit for the current quarter by EUR 38 M.

According to data for May 2013, EVN had an unpaid bill by NEK for the purchase of energy for BGN 192 M. The company implemented an offsetting procedure but the state venture disputed the operation.

Now, the agreement is for an offsetting procedure again.

The agreement reduces the risk of Bulgaria being forced to pay a huge sum by the International Centre for the Settlement of Investment Disputes (ICSID) with the World Bank.

EVN’s suit is for EUR 600 M and at least a part of it is on the issue already settled with NEK.

Two other energy distribution companies have initiated suits of a similar nature – CEZ and Energo.Pro.

Source: Novinite

Croatia

INA

The Croatian government has stepped up plans to take full control of oil group INA by setting up a special body on Thursday to prepare a model for the buyout of Hungarian energy company MOL's 49 percent stake.

The government, which holds 45 percent of INA, has been at odds with MOL for years over management rights and investment policy at the Croatian oil company and said in December that it had approached MOL about a buyout.

Prime Minister Andrej Plenkovic will lead the new body, which includes several government ministers and will conduct talks with MOL on proposals for a buyout of INA shares.

"I call upon those who believe they have a good model for this operation to present it publicly," Plenkovic told a cabinet session. "We will consider all the options and choose the most efficient one, taking into account that we do not want to raise the public debt."

Croatia is struggling to reduce public debt at close to 85 percent of gross domestic product and the government floated a tentative idea to sell 25 percent of state power board HEP in an initial public offering to help to fund an INA buyout, though some analysts doubted that such a move would be sufficient.

INA's current market capitalisation would value MOL's stake at about 2 billion euros ($2.13 billion). However, some analysts have questioned the relevance of the market capitalisation given that the free float is so small and it remains unclear what price MOL would demand from Croatia.

Source: Reuters

Cyprus

Total

France’s Total is preparing to drill for gas off Cyprus, close to ENI’s huge Zohr discovery off the Egyptian coast which in 2015 renewed interest among oil majors for exploration in the Mediterranean.

Cyprus awarded ENI, Total and ExxonMobil exploration licenses near the Zohr field in December.

“Obviously the Zohr discovery has changed the landscape,” Stephane Michel, Total’s president for Exploration and Production in the Middle East & North Africa, told Reuters on Thursday.

“It is clear the decision to drill Block 11 was taken on the basis of the Zohr discovery,” Michel said, adding that preparations were in the final stages but there was no date yet when drilling would begin.

Source: Reuters

Egypt

Gas Production/Consumption

Egypt aims to increase its gas output to 150 million cubic metres per day in 2017/2018 and 192 MMcm/d in 2018/2019.

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Egypt hopes its gas market will be balanced in 2018 and expects to begin exporting gas by 2020, EGAS chief Mohamed Al-Masry said on Wednesday at an oil conference in Cairo.

Al-Masry also said 2018 will be the last year for Egypt to import gas for the domestic market.

Egypt has gone from exporting energy to being a net importer as domestic output has failed to keep pace with rising demand.

Al-Masry said BP's North Alexandria field is on a fast track and will be ahead of schedule by six months.

Source: Interfax, Reuters

IMF

Egypt will scrap its remaining caps on transfers and deposits of foreign currency by the end of June and overhaul its oil sector as part of ambitious efforts to reform the economy under an IMF agreement, the details of which were released on Wednesday.

The International Monetary Fund approved the three-year programme with Egypt in November, releasing the first $2.75 billion instalment of a $12 billion loan intended to jumpstart an economy battered by years of turmoil that has driven away investors and tourists, key sources of hard currency.

The Fund said on Wednesday that Egypt was on track to receive the second tranche of the loan, pending a visit to review progress at the end of February.

The IMF released on Wednesday the staff report from November outlining its appraisal of Egypt's request along with the details of its planned reform programme.

Some of the toughest measures, including floating the currency and introducing a value-added tax, have already been implemented.

Egypt's pound has more than halved in value against the dollar since the float, trading at almost 19 pounds to the dollar on Wednesday.

"The exchange rate is more depreciated than we expected given the fundamentals," Jarvis said.

The programme sets out a raft of other measures including an end to energy subsidies, reforms to public enterprises and an overhaul of monetary policy that Egypt will make over the next three years to restore economic stability and long-term growth.

"The restoration of macroeconomic stability will allow Egypt to put the economic turbulence of the post-revolution period behind it," the IMF said in its report.

A worsening dollar shortage crippled imports, while the government faced a ballooning public debt, partly due to huge subsidy costs and poor tax collection.

According to the 72-page report, the government has pledged to maintain a flexible exchange rate, intervening only occasionally to prevent excessive short-term volatility.

It has also promised to scrap by June a $50,000 cap on non-priority imports and a $100,000 cap on individuals' transfers abroad while rebuilding its dwindling foreign reserves.

Source: Reuters

Greece

Total

Greece has concluded talks with a consortium led by France's Total for deep sea gas exploration in one block in western Greece, its energy minister, Giorgos Stathakis, said on Wednesday, taking the two sides closer to signing a deal.

In October, Greece named a consortium of France's Total, its biggest oil refiner Hellenic Petroleum, and Italy's Edison as the preferred bidder for the offshore gas drilling block in the Ionian Sea.

The Total-led consortium has bid for one block in the Ionian. Hellenic Petroleum has bid independently for two other blocks in the same region.

Hellenic Petroleum in a venture with Edison, and Energean Oil, Greece's only oil producer, is already searching for oil in three onshore and offshore blocks in western Greece

Source: Reuters

PPC

Shareholders of Greece’s power utility Public Power Corp. (PPC) approved the transfer of a 51% stake in the power grid operator ADMIE, part of a spin-off scheme, which is a major term in Greece’s bailout programme.

Under a legislated scheme aiming at keeping ADMIE under state control, PPC will sell a 24% stake to China’s State Grid for €320 million and set up a special vehicle to transfer a cost-free 51% stake to the state and existing private shareholders.

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The European Union’s competition authority is investigating Greece’s power utility PPC over allegations the utility has violated antitrust rules, PPC said on Wednesday.

Two sources told Reuters on Wednesday that the EU competition watchdog on Tuesday raided PPC and the headquarters of the country’s power grid operator ADMIE. PPC, which is 51 percent owned by the state, owns ADMIE.

PPC confirmed that inspection had begun on Tuesday as part of the EU regulator’s investigation into alleged abuse of PPC’s dominant position in the wholesale energy market since 2010. PPC said it was “providing every possible help to facilitate the inspectors’ work.”

The European Commission said EU antitrust regulators raided several Greek power companies on Tuesday on suspicion that the firms may be involved in anti-competitive practices but did not name them.

It can order companies to stop illegal practices and impose fines up to 10 percent of their global turnover if found guilty of breaking EU rules.

Greece is trying to reform its energy market, a key condition of the country's international bailout, amid a row between PPC and smaller power producers over wholesale market prices.

Under the reform plan, the country has to spin off ADMIE from PPC by the end of March or fully privatize the grid. PPC has agreed to sell a stake in ADMIE to China's State Grid International Development.

Athens also needs to cut PPC's share in the retail market to below 50 percent by 2020 from about 90 percent.

Greece last year launched power auctions to force PPC to sell electricity to rival power producers and help to open up the market but it has been at odds with its international lenders over the effectiveness of the scheme.

PPC has appealed to the country's top court over the auctions, saying the average price of the sales was clearly below the company's production costs.

Smaller power producers have criticized the auctions, suggesting that PPC might need to divest some of its units for the market to open up, a plan that the government has strongly resisted.

Source: Euroactive, Ekathimerini

Hungary

MOL

MOL Group announced Tuesday that it has expanded its exploration portfolio by acquiring new licenses in Hungary.

The company obtained six new licenses in the 4th bid round in Hungary, doubling its exploration acreage in the country.

As a result MOL can start hydrocarbon exploration on nearly 1,621 square miles in the area of Bázakerettye, Bucsa, Jászárokszállás, Mezőtúr, Okány-West and Zala-West in addition to the area covered by mining authority decisions and concessions already acquired. MOL is targeting both proven exploration plays in Hungary as well as new plays.

Last month, the Norwegian Ministry of Petroleum and Energy granted four licenses to MOL Norge on the Norwegian Continental Shelf at the 2016 APA (Award in Pre-Defined Areas) licensing round, including one with operatorship.

“We are very happy that we have successfully competed in the latest bid rounds in two of our core countries doubling our exploration footprint in Hungary and adding exciting prospects in Norway with worldclass partners,” Berislav Gašo, MOL Group upstream executive vice president, said.

“I am confident that the expansion of our Central Eastern European and Norwegian exploration portfolio will support the delivery of organic reserve replacement for the Group,” he added.

Source: Rigzone

Iran

Gas Import

Iran was quoted that would soon launch legal action against state exporter Turkmengaz. Iran and Turkmenistan had agreed on a new gas contract at the end of 2016, but Ashgabat cut the gas flow suddenly.

Turkmenistan says Iran had not repaid a $1.8bn debt after nine years and had taken less than its contracted quantity.

From 2006 to 2016, Iran imported about 74.35bn m3 of Turkmen gas, the official statistics of Iran's oil ministry show. That compares with a contractual requirement to offtake 130bn m^3 over the period.

Source: Natural Gas World

Upstream Developments

Iran has imposed no restrictions on U.S. oil firms willing to participate in energy projects in the country but American sanctions make such cooperation impossible, Iran's deputy oil minister said on Monday.

"Iran has not imposed any restrictions on the U.S. companies, but they cannot participate in our (oil and gas) tenders due to the U.S. laws," Amir Hossein Zamaninia, deputy oil minister for trade and international affairs, was quoted as saying by state news agency IRNA.

"Based on the U.S. Congress sanctions, the American oil companies cannot work in Iran," he added.

Iran said on Saturday that it will hold the country's first tender in mid-February since the lifting of international sanctions to develop oil and natural gas fields.

OPEC's No. 3 oil producer hopes to draw foreign companies to invest in Iran and boost output after years of under-investment. However, foreign firms have so far made little inroads into the country despite the lifting of sanctions.

President Donald Trump's new U.S. administration on Friday imposed fresh sanctions on Iran, which it said were just initial steps. It said Washington would no longer turn a "blind eye" to Iran's hostile actions.

Dismissing the new sanctions, Zamaninia said "such actions have had no effect, and international companies are still keen to do business with Iran."

Anglo-Dutch oil firm Royal Dutch Shell signed a provisional deal in December to develop Iranian oil and gas fields South Azadegan, Yadavaran and Kish.

Source: Reuters

Israel

Upstream Activities

Israel's first offshore license round, which began in November, was thrown into disarray when the energy minister announced February 9 that it would extend to next year.

Speaking at a roadshow in Tel Aviv, Yuval Steinitz said that dozens of companies had showed interest in it and the postponement was to enable them to prepare their bids.

According to the original timetable, bids were to be submitted by April 21, and that deadline was now been extended to July. The final results were supposed to be published by July; however, in the new timetable, there is no mention of the results announcement. The only reference to the results is to bonds that back each bid and are valid until March 2018.

According to a study, which was commissioned by the energy ministry and published with the licensing round papers, there are 2,200 bn m^3 of natural gas waiting to be discovered offshore Israel. The licensing round is for 24 blocks each of 400 km^2.

Source: Natural Gas World

Energean

Independent Greek producer Energean Oil & Gas has appointed TechnipFMC as the concept and front-end engineering design (Feed) contractor for its Karish and Tanin development offshore Israel, it said February 2.

This follows Energean’s recent decision to develop the fields using a floating production, storage and offloading (FPSO) unit. According to Energean, this development scheme will facilitate the quickest route to market in line with Israel’s gas strategy.

Discovered in 2011-2013 the fields together contain 2.4 trillion ft^3 (68bn m^3) of 2C gas reserves. The investment into development programme is estimated in around $1.3-1.5bn over the next few years.

Energean, which acquired both fields recently, is intending to fast-track Karish, aiming to bring gas to the market by 2020. The development of Tanin will follow. The development scheme will be submitted to the government in mid-2017.

“We are delighted to have TechnipFMC, one of the leading contractors in the world, working with us on the development of the Karish and Tanin fields. It is a project that will open up the Israeli oil and gas market and both parties intend to play an important part in facilitating a more competitive energy supply for the benefit of Israeli domestic consumers and the economy,” said Energean CEO Mathios Rigas.

Source: Natural Gas World

Lebanon

Upstream Activities

Lebanon relaunched its first oil and gas exploration and production licensing round after a three-year delay, its energy minister said on Thursday, kick-starting the development of a hydrocarbon industry stalled by national political paralysis.

Lebanon has opened five offshore blocks (1,4,8,9 and 10) for bidding in a first licensing round, Minister of Energy and Water Cesar Abou Khalil told a news conference.

Lebanon, along with Cyprus, Israel and Egypt, sits on the Levant Basin in the eastern Mediterranean where new gas fields have been discovered since 2009.

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

But political paralysis, which left Lebanon without a president for more than two years, meant the licensing process was put on hold.

Abou Khalil said these companies will remain qualified to bid and a second pre-qualification round for any more companies interested in exploration and production contracts would run between Feb. 2 and March 31. The qualifying companies will be announced on April 13, he said.

Pre-qualified companies will submit their bids to the Lebanese Petroleum Administration on Sept. 15 where they will be considered for a month before being passed to the energy minister and then to the cabinet for final approval.

Three of the five blocks opened for bidding border Israeli waters. Lebanon considers Israel an enemy state and has an unresolved maritime border dispute with it over a triangular area of sea around 860 sq. km that extends along the edge of the three blocks.

Abou Khalil said the choice of blocks offered in the first licensing round was dictated by the likelihood of finding exploitable quantities of oil and gas, and by the need to protect Lebanon's resources along its border.

Source: Reuters

Romania

Fuel Prices

The fuels in Romania have become overnight the cheapest in Europe. According to Weekly Oil Bulletin on January 16, issued by the European Commission, the diesel fuel in Romania is on average EUR 1.046 per litre, the second cheapest price in all the EU states, after Luxembourg.

Petrol is on average EUR 1.049 per litre, a lower price being found only in Bulgaria.

Oil Bulletin takes into account the average prices for fuel in the first days of the new year, revealing the impact of cancelling of the over-excise of EUR 0.07 per litre and of the so-called ‘pole tax’ (tax on special constructions) on January 1, according to the new provisions of the Tax Code, capital.ro reports.

Before the end of 2016 the petrol and diesel fuel prices were EUR 1.14, higher by EUR 0.10. At the time cheaper fuel than in Romania was found in Bulgaria, Poland, Lithuania, Latvia, Malta, Estonia, Hungary and Austria.

Source: The Romania Journal

Gas Production

According to the draft of the 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 during 2016-2030, Agerpres informs.

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

Source: The Romania Journal

Electricity Prices

The Energy Regulatory Authority (ANRE) has started an investigation on two contracts for electricity concluded on the OPCOM market, having suspicions of law violation and has requested the support of the Competition Council (CC), ANRE representatives said on Monday.

“Suspicious transactions have been reported, ANRE is having talks with the CC to investigate these transactions. The ANRE head has contacted the ANRE representatives so that a common investigation is conducted on these contracts,” officials say, quoted by capital.ro.

ANRE has started the investigation following a notification reading that the contracts were concluded at a higher price than normal.

"If operator OPCOM will notify us on other suspicious transactions, we will certainly start the control and investigation," ANRE representatives said.

The officials have not mentioned the specific transactions and the companies under investigation. "It is an ongoing investigation and we cannot deliver names. It's about transactions concluded on the PZU (spot) market," the officials added. "Right now there are only suspicions. We have no confirmation, the energy exchange is a free market where demand and supply meet, and therefore we need support from the Competition Council."

The prices on the sport market (PZU) of the energy exchange OPCOM reached record highs of over RON 600 per MWh, twice as high than in early January.

On January 15 and 23, 2017, Romania registered the highest energy price in Europe, up to EUR 74.92 per MWh and EUR 96.52 MWh respectively, according to data delivered by OPCOM.

The highest price recorded in Europe this month was in Hungary, of EUR 300 per MWh.

Data posted on the OPCOM website suggest the high price was not caused by the electricity traffic, as the OPCOM futures market were traded in January for 6.8 TWh, higher that the entire country's consumption estimated at 6TWh in January. In addition, on the sport market another quantity of 3.4 TWh is traded.

On the futures market the price in January was of RON 168 per MWh.

According to digi24.ro, the energy exchange has information that the prices were artificially inflated and that the ones to gain were the traders that bought energy and offered very high prices.

The source also reads that the price increase on the OPCOM market was caused by the statement made on January 12 by the Energy Minister who said that the coal stock would last only about 4 days more. The authorities should descramble the contracts on the OPCOM market on the basis of an order ANRE refuses to adopt (although the new energy bill was adopted last summer). The order reads that the signatories of all electricity selling and buying contracts, as well as the contracts for import-export, will be made public, the source reads.

Source: The Romania Journal

Electricity Supply

The price of electric power on the OPCOM spot market has peaked to RON 449 (EUR 100)/MWh Monday morning, during the interval 9.00h-10.00h, similar to the one on the markets in Hungary, Slovakia and Czech Republic, according to the OPCOM website.

The development is the result of the huge increase in consumption in Romania during the part days, of over 9,700 MWh, peaking to 9,730 MWh last Tuesday evening.

The price on Monday on the sport market (for the next day) is by 40% higher than two weeks ago, before the cold wave and snowfalls, when electricity was traded with RON 320/MWh.

The price registered on Monday is almost double against the price last year in the same period, on January 18, 2016 (also Monday) with the highest quotation of RON 239/MWh.

On Monday, at 11.10h, Romania's electric power output was of 10,526 MW, of which 9,027 MW for domestic consumption and 1,499 MW for export.

The government approved last Thursday during the ordinary sitting a decision allowing the ban of electricity exports during crisis situations, in force from January 16-February 15.

The government adopted the above mentioned decision allowing Transelectrica to make tough decisions, such as banning energy exports. On Wednesday Transelectrica, having the monopoly in electricity transmission, notified the Energy Ministry, the Economy Ministry and the National Authority for Energy Regulation (ANRE) regarding the imminence of a crisis situation in national energy system operations.

The notification brings as arguments the weather forecast for severe cold (January 17-20), the deficit in electric energy due to the low level of Danube with flow reaching a minimum of 1,800 cubic metres per second and the fall in water reserves in large hydropower reservoirs following the use of water to offset the system. Another factor is the deficit of electric power in the neighbouring countries, given the cold wave since January 6.

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On January 16, at 18.10h, Romania registered a peak export of 1,866MW, historic record since Transelectrica keeps centralized data on production, consumption and energy exports. The previous record was dated November 27, 2015 when exports reached 1,680MW.

For comparison, the export on January 16 was equal to the electric power produced by both reactors of the Cernavoda Nucler Power Plant and by the two turbines of the Iron Gates 2 hydro plant, cotidianul.ro reports.

The record exports are registered days after the decision to have the energy exports ceased in case of crisis situations. Last week, the government approved a decision allowing the ban of electricity exports during crisis situations, in force from January 16 to February 15.

Transelectrica warned at the time about an imminent crisis in the national energy system operation due to weather forecasts.

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Source: The Romania Journal

Electricity Market

On the day ahead market (DAM) there are no dominant participants and the interconnected operation has virtually eliminated the possibilities of manipulation of this market, say the officials of the regulatory body for the market, ANRE, in an analysis upon the unjustified increase of the energy price in January, quoted by energynomics.ro.

Source: Actmedia.ro

Energy Strategy

The Energy Ministry posted on December 19 the Energy Strategy of Romania 2016-2030, with an Outlook to 2050. It has been a long-awaited document, on which stakeholders have for years pinned hopes about favoured energy policies and from which decision-makers, public and private, expect guidance in the coming years.

Source: Actmedia

East-West Petroleum

International oil and gas producer East West Petroleum announced that has been informed by its partner NIS, subsidiary of Russian giant Gazprom, that drilling operations in the conceded perimeters in western Romania have commenced.

“Drilling of the first well in EX-7 Periam block, in the Pannonian Basin of Western Romania, commenced on January 21, 2017. The well will be targeting conventional oil and gas-bearing zones and will be drilled to a total depth of approximately 2,500 m, consisting of two primary and three secondary geological targets. Coring will be completed on hydrocarbon bearing zones encountered during drilling, followed by wireline logging,” a press release informs.

Drilling and testing of the well is forecasted to take 50 – 60 days in the accordance with the highest ecological standards.

NIS will be funding 100 percent and fully carrying East West through the Phase 1 and Phase 2 exploration periods in return for earning an 85 percent interest in the blocks.

The subsidiary of Russian giant Gazprom, together with Canadian company East West Petroleum has under concession four oil perimeters in Bihor and Timis (EX-2 Tria, EX-3 Baile Felix, EX-7 Periam and EX-8 Biled) with an area of over 4,000 square kilometers in the Pannonian Basin. The area was previously controlled by Petrom, but has not been actively explored in the past 20 years. The perimeters are 85 percent owned by NIS and 15 percent – East West Petroleum.

Source: The Romania Journal

Enel

The International Court of Arbitration in Paris ruled that Enel will have to pay the Romanian state the amount of EUR 401 million for the 13.5% stake in Electrica Muntenia Sud, for which the Romanian state had requested more than EUR 521 million.

In 2012, the Romanian government has requested Enel more than EUR 521 million, plus interest, for the package of 13.5% of the shares in the former subsidiary Electrica Muntenia Sud. The Italian company has not agreed to this amount and offered in EUR 300 million. The two sides have asked the Court of Arbitration in Paris, which established the transaction amount at EUR 400 million.

The arbitration costs will be divided equally between the Romanian state and Enel, according to sources close to the situation.

Source: The Romania Journal

Black Sea Oil and Gas

The company Black Sea Oil & Gas will start the gas production in the Black Sea at the middle of next year, and Romania will become gas exporter, said on Wednesday Niculae Havrileţ, President of the Energy Regulatory Authority (ANRE).

“As of next year, a new important source of natural gas, 4 billion cubic meters per year, will be available, it is about the structure of gas discovered in the Black Sea. The operators and investors in the area showed us that, as of next year, on July 1, a new structure will go into production. So basically, from that moment, Romania will also become an exporter, because this structure adds gas to the normal demand in Romania,” Havrileţ said.

He said that it is the Black Sea Oil & Gas company, which leased two oil blocks in the Romanian Black Sea continental shelf, namely Midia and Pelican blocks.

According to Havrileţ in the first year, the output will be of one billion cubic meters of gas and will increase gradually in the coming years up to 4 billion cubic meters per year.

“In the first year, the production will be one billion cubic meters, and in the coming years will increase gradually to 4 billion cubic meters per year, compared to the consumption (in Romania) of 12 billion cubic meters this year and an import under normal conditions between 500 and 600 million cubic meters per year. Basically, from the very first year there will be no need for imports, but we will have to create the conditions for gas export so that this investor should be able to recover the investment,” Havrileţ said.

Black Sea Oil & Gas (BSOG), wholly owned by Carlyle International Energy Partners is an independent oil and gas company based in Romania which operates exploration, development and exploitation of oil and natural gas conventional resources, according to a release from the company.

Source: The Romania Journal

Slovenia

Gas Supply

Russia is extending its gas supply agreement with Slovenia from 2018 to 2022.

Source: Interfax

Turkey

Gas Storage

Turkey's Tuz Lake gas storage facility, which is expected to increase capacity from 1.2 billion cubic meters (bcm) to as much as 5 bcm per year, was opened in an official ceremony on Feb. 10 in the Central Anatolian province of Aksaray.

President Recep Tayyip Erdoğan thanked officials and businesspeople who took part in the development of the project, noting that another key investment would take place again in the same area.

"In addition to the facility with a 1.2 bcm of gas capacity, which we have opened today, we are also starting a new investment today. With this new investment, the gas storage capacity will increase up to 5.4 bcm. When this investment becomes online, Turkey's daily gas storage capacity will rise to 80 million cubic meters," he said.

The project is composed of 12 wells and is worth $700 million. From each well, a total of 40 million cubic meters of gas can be pumped into the country's gas network on a daily basis.

The drilling of the first of the project's 12 wells began in 2012 by state-run gas grid BOTAŞ and Chinese TTC.

BOTAŞ General Manager Burhan Özcan said Turkey's gas consumption is around 50 bcm per year, from which 10 bcm are distributed to 13 million Turkish households.

"Therefore, we are going to store 12 percent of household consumption here. This has been a long and painful journey," he said in an interview with state-run Anadolu Agency.

Özcan said Turkey's daily demand for the winter of 2016-2017 was 250 million cubic meters of gas.

"This was a record. The amount we can store with the Tuz Lake storage is around 44 million cubic meters per day," he said.

He added that the giant facility will be able to easily support natural gas supplies and provide energy security for the country.

"We will not have any problems related to energy supply in the next chapter of our country," Özcan said.

The daily capacity of the Marmara Ereğli LNG Facility will be increased from 18 million cubic meters to 27 million cubic meters, while at the same time 20 million cubic meters of natural gas can be supplied to the system at the end of 2016 with the FSRU plant that was commissioned in Aliağa in the Aegean province of İzmir.

The BOTAŞ official noted that the daily capacity of the private sector LNG plant in Aliağa would increase from 24 to 40 million cubic meters this year.

Özcan stated that restrictions on gas power plants did not cause electricity interruption because BOTAŞ prioritized supplies to domestic and industrial consumers.

"When the consumption of natural gas increases to a very high amount, we have shortages especially in our power plants so it does not interrupt the gas supplies to residential and industrial facilities," he said.

He stressed that because of the simultaneous increase in coal, hydroelectric and renewable resources to the Turkish grid system at such high gas consumption periods, no power cuts had occurred.

Source: Hurriyet daily

Competition Authority

The Competition Board has announced that it has launched a probe into seven electricity companies owned by Sabancı Holding to investigate whether they abused their dominant market position.

The board opened the probe into the Enerjisa Energy Company, the Toroslar Power Distribution Company, the Enerjisa Toroslar Retail Electricity Sales Company, the Başkent Power Distribution Company, the Enerjisa Başkent Retail Electricity Sales Company, the Istanbul Anatolian Side Power Distribution Company and the Eenerjisa Anatolian Side Retail Electricity Sales Company, according to a statement released late on Jan. 27.

According to the board, the investigation decision was taken after a preliminary probe into similar concerns in late 2016 found evidence serious enough for a further investigation.

Source: Hurriyet Daily

Park Place Energy

Park Place Energy has now completed the acquisition of three oil and gas exploration and production companies operating in Turkey (the "Tiway Companies"). As previously reported, the purchase price for the acquisition of the Tiway Companies from Tiway Oil B.V. was $2.1 million. It tookover a year to obtain all the required regulatory approvals for the transaction. As a result of the acquisition of the Tiway Companies, Park Place now owns interests in three producing oil and gas fields in Turkey, one of which is offshore and the other two are onshore.

At year-end 2016, net production to the Tiway Companies from such fields was 280 barrels of oil equivalent per day or Boe/d; and for the year 2016, net production to the Tiway Companies averaged 390Boe/d. In addition, the Tiway Companies have about US$745,000 in available cash. Due to the acquisition of the Tiway Companies, the Company is now a qualified oil and gas operator in Turkey based in Ankara. With this base of operations in Turkey and its experienced management team, Park Place is poised to exploit these assets and for further growth in the region.

The primary asset of the Tiway Companies is the offshore production license called the South Akcakoca Sub-Basin (“SASB”). Over $450 million has been invested in the SASB to date. The Company now owns a 36.75% working interest in SASB. SASB has four producing fields, each with a production platform plus pipelines that connect the fields to an onshore gas plant. The four SASB fields are located off the north coast of Turkey towards the western end of the Black Sea in water depths ranging from 60 to100 meters. Gas is produced from Eocene age sandstone reservoirs at subsea depths ranging from 600 to1200 meters.

Source: Park Place Energy

Tupras

Tüpraş said it reached full capacity production and record sales volume with residuum upgrade capacity contribution in 2016 on late Feb. 13.

The company also posted a lower-than-expected net profit with the contribution of its high performance in the last quarter of 2016.

The company’s net profit was 30 percent higher in 2015 compared to 2016.

According to analysts, the company’s higher-than-expected fourth quarter performance played a key role in preventing further decrease in its net profit.

Low industrial demand coupled with mild winter conditions have reduced diesel cracks, while gasoline witnessed increased consumption due to low crude oil price environment, it added.

“However, overall the high stocks resulting from the rise in refinery capacity utilizations squeezed profit margins. Normalization on the supply in the last quarter of 2016 via deferred maintenance works being realized in most of the European and Russian refineries affected the sector in a positive manner,” said the company, adding that however, the recent developments have not proven to be sufficient and average Mediterranean margin has slightly decreased compared with last year.

Tüpraş had gone through a $213 million investment expenditure in refining in 2016, while total investment reached $291 million including its partner Ditaş’s new tanker purchases to increase its fleet capacity.

Source:Hurriyet Daily

Ukraine

Gas Consumption

Ukraine in 2016 reduced natural gas consumption by 4.1% (by 1.366 billion cubic meters) compared to 2015, to 32.361 billion cubic meters.

According to the Ministry of Energy and Coal Industry, in particular, industry consumed 9.599 billion cubic meters (15.9% down compared to 2015), households and budget-sustained organizations used 12.457 billion cubic meters (2.3% up), heating companies 7.034 billion cubic meters (1.4% up), while production and processing costs amounted to 3.271 billion cubic meters (2.4% up).

As reported, Ukraine in 2015 reduced gas consumption by 20.9% compared to 2014, to 33.727 billion cubic meters. In particular, industry reduced consumption by 19.2%, to 11.416 billion cubic meters, the population and government organizations by 22.6%, to 12.178 billion cubic meters, heating companies by 19.2%, to 6.938 billion cubic meters, and production and processing costs were down by 15.5%, to 3.196 billion cubic meters.

Source: Interfax

Gas Supply

National joint-stock company Naftogaz Ukrainy has confirmed that the company received a $5.3 billion bill from Russia's Gazprom for gas the company did not order in 2016. Naftogaz does not intend to clear it until Arbitration Institute of the Stockholm Chamber of Commerce issues its final decision, the press service of the company has told Interfax-Ukraine.

"Gazprom refers to the take-or-pay requirement in explanations to the bill. Naftogaz does not plan to clear the bill. Until the decision is made by the arbitration tribunal, the take-or-pay provision of the contract is to apply within the existing arbitration," the company said.

Naftogaz said in 2016 the company several times said that it is ready to buy natural gas from Gazprom on the conditions applied to gas purchases in 2014 and 2015 with signing of supplements to the contract.

Gazprom refused to sign the supplements in 2016 without explaining its refusal. This gives additional grounds to say that Gazprom's claims are groundless," the company said.

As reported, on January 17, 2017, Gazprom billed Naftogaz Ukrainy $5.3 billion for not accepting contracted take-or-pay provisions for gas.

Source: Interfax

Gas Import

Ukraine imported 11.1 billion cubic metres of gas from European suppliers in 2016, 8% more than in 2015.

Source: Interfax

Oil Transit and Supply

Oil transit through Ukraine to Europe declined to 13.822 million tonnes in 2016, 8.8% or 1.331 million tonnes less than in the same period last year, Ukraine's Energy and Coal Industry Ministry has reported.

Oil shipment to refineries in Ukraine in 2016 declined by 12.5% or 200,800 tonnes to 1.406 tonnes.

In other words, transit shipments accounted for 90.8% of all crude oil transportation and refinery supplies accounted for 9.2%.

Source: Interfax

Naftogaz

Naftogaz Ukrainy from February 1, 2017 will raise the price of gas sold to industrial customers on a prepayment basis by 22%, or UAH 1,663, to UAH 9,215 per 1,000 cubic meters (including VAT).

According to a company press release, this price is relevant for consumers buying gas in the amount of more than 50,000 cubic meters per month and under the condition the companies have no debts to Naftogaz.

The price for other customers next month will rise by 21.1%, or UAH 1,766, to UAH 10,141 for 1,000 cubic meters (including VAT).

As reported, the price of gas for industrial consumers on a prepayment basis and without debts in January 2016 was set at the level of UAH 6,940. By May it dropped to UAH 5,910 and then in August for a short period rose to UAH 6,560. After that it was again lowered to UAH 6,040 in September. In October last year Naftogaz raised it to UAH 6,340, in November to UAH 7,380, and in the next two months it stood at UAH 7,750-7,780 (all including VAT).

Source: Interfax

Pipelines and Supply Options

TAP

Gazprom plans to join the consortium behind the Trans-Adriatic Pipeline, which will bring Azerbaijani gas to Europe.

Source: Interfax

Southern Gas Corridor

World Bank and the government of Azerbaijan January 16 signed a $400mn loan agreement funding the TransAnatolian gas pipeline (Tanap) that will deliver Caspian gas to Turkey and Europe.

Source; Natural Gas World

Alexandroupolis LNG Terminal

LNG tanker fleet operator GasLog finalised a deal for a 20% stake in Greece's private energy player Gastrade, which plans to develop a floating LNG import terminal at Alexandroupolis in northern Greece, the companies announced February 9.

Gaslog, which announced its intention of buying the stake two months ago, brings its experience and know-how in the operation of LNG carriers and floating storage and regasification units (FSRU) and will materially contribute in developing the Alexandroupolis FSRU project, said Gastrade. The final investment decision is scheduled for this year; the terminal is planned to become operational by end-2019.

Greece plans to become a regional gas hub by expanding the existing Desfa-run LNG import terminal at Revithoussa, near Athens, and developing the Alexandroupolis LNG project.

The Alexandroupolis FSRU is included on a list of European projects of common interest (PCIs). It will be located southwest of Alexandroupolis harbor and will have an LNG storage capacity of 170,000 m3and have a regasification capacity of 6.1bn m3/yr.

It will be connected to the national gas grid through a 28 km pipeline which will allow to transport the regasified LNG to access not only the Greek market, but also Bulgaria, Romania, Serbia, FYROM (Macedonia), Hungary and potentially even Ukraine, Gastrade said.

The project is designed to work in tandem with the planned Greece-Bulgaria gas interconnector (IGB) to bring gas from Azerbaijan to southeastern Europe via the Southern gas corridor. However Gastrade added that the FSRU will also enable gas to be flowed into other gas transmission systems planned in the region, such as the Trans Adriatic Pipeline (TAP).

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Public Gas Corporation (DEPA) is weighing the idea of acquiring a 20 percent stake in the project of the planned liquefied natural gas (LNG) terminal off Alexandroupoli, in northern Greece, after the project received a fresh boost from the completion of the entry of GasLog (which belongs to shipowner Peter Livanos) with another 20 percent stake.

DEPA's interest was originally expressed by the corporation's previous management, but that later subsided. However, Kathimerini now understands that this interest has been revived, with DEPA's new management, led by Theodoros Kitsakos, locked in discussions with Gastrade (a member of the Copelouzos Group), which is promoting the construction of the Alexandroupoli terminal.

DEPA's interest is also associated with the Interconnector Greece-Bulgaria (IGB) pipeline, as together the two projects could strengthen Greece's ambitions of operating a natural gas hub that could serve as an alternative source of supply for the countries in the broader region. Apparently, DEPA is setting the implementation of a market test to certify the sustainability of the project as a condition for its participation in the terminal project.

Bulgaria is also interested in the terminal, through Bulgarian Energy Holding, as Sofia is eager to obtain an alternative source of gas given its 100 percent dependence on Russia's Gazprom.

Sources: Natural Gas World, Ekathimerini

South Stream

The abandoned South Stream gas pipeline project designed to pump Russian gas into Central Europe via Bulgaria "will probably be carried out," Russia's commercial attaché to Bulgaria has said.

At a Russian-Bulgarian business forum in Bulgaria, Igor Ilinkin has recalled that South Stream's alternative project, Turkish Stream, will only consist of two pipes.

South Stream, on the other hand, was designed to have four pipes, news website Dnevnik.bg quotes him as saying.

He has cited Russian President Vladimir Putin, who last year announced Moscow would demand "iron-clad guarantees" if the project were to be revived.

Ilingin has announced Russian investors are interested in the Port of Varna as it has been recently operating at a profit, "due to the fact it has business contacts and projects with Russia. This does not only concern the type of cargo, but also the South Stream pipes stored at the port."

Ilingin has also made a reference to the Balkan Gas Hub, whose feasibility study is to be ready by the end of the year or the beginning of 2018. So far Russia has shown its skepticism about the project launched by the previous government.

Some of the South Stream pipes were taken away from the country, but others remained at the port after Russia ditched the project in December 2014, citing EU opposition to the project.

Pointing a finger at Bulgaria, Russian President Vladimir Putin then accused it of succumbing to pressure from Brussels and blocking the issuance of construction permits for the area of the pipeline within its exclusive economic zone.

Putin blamed Bulgaria again during a visit to Hungary earlier in Februry.

South Stream was to carry 63 billion cubic meters of gas per year to Austria and Hungary via Bulgaria and Serbia, its landfall designed to be in the Black Sea city of Varna.

Initially, its substitute Turkish Stream was designed to have the same annual capacity, but it was cut in half during talks between Moscow and Ankara.

Earlier, another Russian official had argued a "pipeline to Varna" might be built after all.

Source: Novinite.com

Krk LNG Terminal

Croatia's floating liquefied natural gas terminal in the northern Adriatic will take a year longer to complete, Energy and Environment Minister Slaven Dobrovic told an energy conference on Wednesday.

The capacity of the terminal, now expected to be finished in 2019, is seen at around two billion cubic meters of gas a year, with Croatia targeting central European markets as well as domestic.

"Our current plan is to realize the project in 2019," Dobrovic said without elaborating further. Croatia had aimed to finish the project in 2018.

The terminal, to be built on the northern Adriatic island of Krk, is among projects the European Union sees as important to its efforts to enhance energy security and reduce dependence on Russian gas.

Croatia had originally aimed to construct a land-based terminal with three times higher capacity than the floating one, but such plans were now left for a later stage depending on future gas demand in the future.

Source: Natural Gas Europe

Opal Pipeline

Russian gas deliveries to Germany via the Opal pipeline fell by around 30 percent on Wednesday after Poland successfully blocked a deal giving Gazprom a bigger share of the pipeline's capacity.

Gazprom sends gas through the Nord Stream pipeline which runs along the Baltic seabed and links up with Opal in Germany but the Russian gas exporter faces curbs imposed by the European Union on how much of Opal it can use.

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Gazprom has had to reduce its use of the Opal pipeline back to the 50% limit set around seven years ago by the European Commission (EC), according to the German regulator Bundesnetzagentur. A spokesman told NGW January 5 that a court in Dusseldorf was to decide the matter on an urgent basis but that there was no statutory deadline even in urgent cases: it depends on when the court receives all the information it needs, he said.

Gazprom had reportedly used more than even the maximum 80% it was allowed to use in December, following a decision by the EC in October, although the Russian giant did not auction any capacity for that month, NGW understands. The EC decision is now being challenged in the European Court of Justice (ECJ), following a claim by Polish state-run gas supplier PGNiG that it contravened a number of important European Union principles.

However Gazprom did launch an auction December 19 for January 2017 and nearly all the capacity was sold. This was before the suspension order by the European court. So, while the case is being decided, there will be no new auctions nor will as much gas flow as planned.

Gazprom's use of Opal is distinct from its proposals to settle the anti-trust case which the European Commission is deciding. The EC told NGW that it has received proposed commitments from Gazprom and said that it will assess if they address, “in a forward looking manner, the EC's competition concerns in line with EU antitrust rules. To be effective, the commitments would have to ensure the free flow of gas in central and Eastern Europe at competitive prices."

It will not publish the commitments themselves, it said.

Source: Reuters Natural Gas World

Companies

Naftogaz

National joint-stock company Naftogaz Ukrainy on January 11 signed a contract for $6.31 million with Covington & Burling LLP (New York, the United States). The company will represent the interest of the Ukrainian company in arbitration against Russia under a claim to refund losses over the annexation of Crimea by Russia.

Naftogaz in February 2016 initiated a negotiating process regarding the loss of its assets in Crimea by formally notifying Russia of an investment dispute under the bilateral investment protection agreement.

The six-month negotiating period ended in August 2016. Thus, the negotiating process produced no results, which entitles Ukraine to start arbitration proceedings against Russia regarding the investment agreement.

Naftogaz contracted Covington & Burling LLP (New York, the United States) to protect its interests in the litigation concerning the lost Crimean assets.

Source: Interfax

LUKoil

Lukoil, hopes to reach a decision on developing two new oilfields in Iran and wants to expand its operations further in the Middle East this year, a senior executive said on Sunday.

Lukoil is talking with the National Iranian Oil Company (NIOC) on taking part in development of the Abe Timur and Mansuri fields in central-western Iran, said Gati al-Jebouri, vice president and head of upstream operations in the Middle East.

"We are in active discussions with them with respect to budget cost structure, and subsequently we will start negotiations on contractual terms if the development plans that we proposed are accepted and agreed by the Iranian party," Jebouri told reporters on Sunday.

Lukoil signed several memorandum of understanding with NIOC last year, and "had site visits and have done significant amount of analysis as to how we potentially can develop the project," he said.

"We have presented our technical proposals and our views. We are discussing their feedback ... we would like to have some decision during the first half of 2017 from the Iranian side but there are no strict deadlines to this process," he said.

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Based on the geological exploration results and the revision of previous estimates, LUKOIL (hereinafter also the “Company”) added 0.7 billion barrels of oil equivalent to its proved reserves in 2016. The reserve replacement ratio reached 81% for proved hydrocarbon reserves, including 85% for crude oil. This performance was achieved despite the average annual oil price sliding to its minimum in 13 years and an increased tax burden.

Source: Reuters, LUKoil

Gazprom

Gas sold by Gazprom to companies exporting LNG or processed gas products will be exempt from Russian state-regulated prices under a draft government resolution by the Energy Ministry.

Source: Interfax

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