Balkan and Black Sea Petroleum Association

15th of May – 15th of June 2017

BBSPA Monthly Bulletin

Summary

Oil and Gas Prices

Spot Prices: Between 15 May 2017 and 15 June 2017 US WTI spot crude oil price decreased from $48/bbl to $44/bbl; Henry Hub spot gas price decreased from $124/1000 cbm to $112/1000 cbm (GCV at 0°C). In Europe, at Central European Gas Hub, the average day ahead gas price was $211/1000 cbm.

Gas Supply, Transit and Trade

EU continues its pledge on preserving the gas transit through Ukraine.

Romanian Commodities Exchange threatens to sue the State if the Parliament approves the amendments proposed, regarding its removal from the domestic market of the centralized natural gas platforms. According to the proposals, OPCOM spot market, a branch of Transelectrica, would remain the only trading platform. The Competition Council argues that both trading platforms, OPCOM and BRM, should be maintained.

Ukraine: In January-May Ukraine 2017 doubled its natural gas imports, all of them coming from West, with no gas supplies from Gazprom. During the same period Ukraine increased Russian gas transit by 21.8%, or by 6.859 billion cubic meters.

Iran's oil minister said the country is currently not receiving any money from Turkey for the export of gas as Tehran has to clear its debts under a court ruling on a gas pricing dispute.

Power Producers

Turkey energy regulator has given a power generation license to Akkuyu Nuclear plant for a 49-year period with plans to start operations in 2023.

Legal and Regulatory Framework

_EU_ countries are considering weakening the 30% energy efficiency target by suggesting it should not be binding. * The European Commission said it wants to negotiate a separate legal framework for key Russian energy infrastructure, which was characterized by Gazprom as unnecessary.

Ukraine adopted a new law for its electricity market, which complies with the Third Energy Package and introduces day ahead and balancing markets.

Romania: The Chamber of Deputies has adopted the Law on the introduction of the tax on the extra revenues obtained as a result of the deregulation of natural gas prices. For prices below RON 85/MWh, ($218/1000 cbm) the tax remains 60% and for prices higher than RON 85/MWh, the tax will be 80% of the additional revenues. The Romanian Petroleum Exploration and Production Companies Association (ROPEPCA) argues that by applying the additional tax exclusively to domestic production, this will be disadvantaged in relation to imported sources. Meanwhile the effective average rate of royalties and other similar taxes on revenues have increased in Romania from 15% in 2014 to 17.5% in 2016, the average tax rate in Europe has fallen from 9.3% in 2014 to 7.9% in 2015.

Upstream

Egypt will make a debt payment of $750 million to international oil companies.

Romania: The EBRD is providing a 5-million-USD loan to Expert Petroleum to finance the enhancement of Romanian mature oil and gas onshore fields. * Black Sea Oil & Gas said it aims to start production at two gas fields offshore Romania by 2019. Before that, in Q4 2017 the company will drill two exploration wells located in the XV Midia Shallow offshore block.

Greece: ExxonMobil, Total and Hellenic Petroleum were quoted to plan to trigger a bid for a 20 000 sq km exploration area offshore Greece south of Crete. * The government will soon sign the concession contracts for the Ionian 2 offshore block with the Total-Edison-ELPE consortium and for the Ionian 10 block with ELPE and announce tenders for other onshore and offshore blocks. *Environment and Energy Ministry signed concession agreements, pending since February 2016, for the onshore blocks in Arta-Preveza and the northwestern Peloponnese with Hellenic Petroleum, and in Aitoloacarnania with Energean Oil & Gas.

Croatia plans to launch a second onshore licensing round later this year pending the approval of a new hydrocarbons law.

Pipelines Projects and Supply Options

LNG: The first ever tanker with liquefied natural gas from the United States arrived in Poland. The deal was made with Houston-based Cheniere Energy. The price offered in future contracts by potential U.S. exporters is linked to the Henry Hub in the U.S., and not to the London market.

TAP’s contractors cleared approx. 49% of the project route in Greece and Albania, while overall the project is approximately 41% complete. TAP is on track to deliver first gas from Shah Deniz II in 2020.

Turkish Stream: Gazprom will negotiate will European countries about the entry point to Europe of the second Turkish Stream line.

Krk LNG Terminal: LNG Croatia (LNG Hrvatska), the company developing the floating Krk LNG terminal, and stakeholders involved in the project, have been instructed by the government to speed up the preparation and implementation of the first phase of the project. The project, which has received the backing of the United States, has an initial capacity of around two billion cubic meters of gas per year, a lot less than the 6 billion cubic meters of annual capacity planned for a land-based terminal.

Croatia-Hungary-Ukraine Corridor: Ukraine said it is ready to join the project of forming the new Croatia-Hungary-Ukraine gas corridor, which foresees the use of the LNG terminal capacities on the Croatian coast.

Baltic Pipeline Project: Polish TSO Gaz-System and its Danish counterpart Energinet.dk have launched an 'open season' for the proposed Baltic Pipe project.

Nord Stream 2: The US Senate voted for legislation to impose new sanctions on Russia. If the measure became law, it could expose European companies involved in projects with Russia to fines including the Nord Stream 2 gas pipeline project. Germany and Austria condemned the move, saying the measures sought to bolster U.S. economic interests and included an unacceptable intervention in the region's energy sector. Under the bill, the president gets the right to impose sanctions against companies that make investments or sell goods or services to Russia's export pipelines.

The European Commission asked the member states a mandate to negotiate with Russia an agreement on the Nord Stream 2 gas pipeline project. EU countries are divided concerning Nord Stream 2 project. Poland, the Baltic states and others, including Denmark, argue that Nord Stream 2 would increase the European Union's dependence on Russia's Gazprom. Germany and countries with stakes in the project, say Nord Stream 2 means cheaper gas supplies for Europe. EC recently stated that a compromise for Nord Stream could become a precedent for the second line of Turkish Stream to Bulgaria.

European Commission has confirmed it wants third-party access rules to apply to Nord Stream 2 under a standalone agreement because EU rules under the Third Energy Package do not apply to the route's offshore sections, which are located outside EU jurisdiction. The Nord Stream 2 company objected that such a special regime would be against the principle of equal treatment with other similar pipelines projects.

Kashagan oil export through CPC continued to suffer from low oil prices and Kazakhstan commitments to cut oil output in line with OPEC decisions.

Companies

PPC: Greece will conclude the spin-off PPC's power grid operator ADMIE by mid-June, 24 percent of which will be sold this year to China's State Grid Corporation and a further 25 percent to a Greek state holding company.

Desfa: Greece will launch a new tender competition for the privatisation of its natural gas grid operator DEFSA in June.

Energean signed contracts to supply up to 23 billion cubic meters of natural gas to private Israeli power stations from the Tanin and Karish gas fields off the coast of Israel, with production expected to start in 2020. The Israeli government had forced Delek and its partner Noble Energy to sell the Tanin and Karish fields to open the market.

Transgaz: The European Commission has opened an investigation to assess whether Transgaz has abused its dominant market position to restrict gas exports.

Electrica group is being sued for damages of EUR 800 million due to post-privatization obligations unfulfillment.

Naftogaz: PwC won the tender to advise Naftogaz for unbundling its gas transportation system.

Gazprom: The Supreme Economic Court of Ukraine has dismissed an appeal by Gazprom on collecting a UAH 172 billion fine from the company for abuse of dominant position on the market of gas transit. * PGNiG has called on the European Commission to extract stronger commitments from Gazprom and even impose fines on the company to settle its antitrust investigation. PGNiG said that, in the past, PGNiG had paid nearly twice the price "for the same gas" as German importers. * Gazprom said the Russian company was ready for talks with Ukraine on gas transit to Europe beyond 2019, when the current contract expires. *Gazprom and OMV signed an agreement to develop a small scale LNG terminal on the Russian coast of the Black Sea.

Rosneft has postponed plans to upgrade a plant on the Black Sea by around a year, delaying the supply of an additional 5.5 million tonnes of diesel. The new hydro-cracking unit at its refinery at Tuapse, allow it to produce up to 5.5 million tonnes of Euro 5 fuel per year. The influx of Euro 5 diesel onto the Mediterranean market would create additional competition for other suppliers. The launch of the Tuapse unit would also make it harder for Mediterranean refiners to obtain feedstock. At the moment, many of them buy in fuel oil and vacuum gas oil -- the raw material for producing diesel -- from Rosneft. * Rosneft will continue comply with OPEC-agreed oil output cuts by sustaining or reducing production from new fields and keeping production at its mature fields.

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EU

US LNG Imports to Europe

Imports of liquefied natural gas (LNG) from the United States could significantly undermine the dominant position on the European gas market of Russia's Gazprom, Poland's minister responsible for oil and gas infrastructure said on Monday.

Poland imports most of the gas it consumes from Russia's state-controlled Gazprom, which supplies a third of the European Union's gas.

As part of its plan to reduce that reliance, Poland has built its first LNG terminal. The country has long-term contracts on LNG supplies with Qatargas and also has started LNG purchases on the spot market.

In June it expects to receive first U.S. LNG spot delivery.

The United States is expected to become the world's third-largest exporter of LNG next year.

"Due to increased production and export capacities LNG has become a global product. If appropriate decisions are taken, then Gazprom could be excluded or blatantly reduced when it comes to its supplies to Europe," Piotr Naimski, Poland's minister in charge of oil and gas grids, told an LNG industry conference.

"The price offered in future contracts by potential U.S. exporters is linked to the Henry Hub in the U.S., and not, for example, to the London market. This is a problem for Europe - it means that to balance the price with the European one, the U.S. exporters would have to cover the transport costs," he said.

Source: Reuters

Gas Transit Trough Ukraine

The European Commission (EC) is calling on Ukraine and Russia to resume talks on gas transit following the conclusion of the Stockholm arbitration, EC Vice President Maros Sefcovic said after a meeting with Russian Energy Minister Alexander Novak on June 11.

"We discussed the necessity of continuing gas transit via Ukraine after 2019. The Stockholm arbitration will come to an end and should clarify unresolved issues. I confirmed the interest of European Union companies in cooperating with Ukrainian partners for secure and commercially viable gas transit via Ukraine in the future. We agreed that talks on the commercial aspects of transit should be resumed with companies as soon as possible," Sefcovic said.

Ukraine increased gas transit via its gas transportation system by 21.8%, or by 6.859 billion cubic meters (bcm) year-on-year in January-May 2017, to 38.255 bcm.

Source: Interfax

Energy Efficiency

EU countries are considering diluting the Commission's already weak 2030 30% energy efficiency target by suggesting it should not be binding. They are also seeking ways to water down the cornerstone of the EED – the requirement to save energy every year.

Thanks to the EED, member states have to save energy that corresponds to 1.5% of energy sold to consumers every year. On the ground, this can translate into support for home insulation, double-glazing installation, or more efficient appliances and heating systems.

Member states can choose different ways to fulfil this obligation. They can choose to establish an Energy Efficiency Obligation (EEO) scheme.

Under such schemes companies that supply, sell or distribute energy have to deliver the required savings by helping citizens and businesses improve energy efficiency and reduce energy waste at home or at work.

Countries can also enact other policies, such as providing funding opportunities for the renovation of buildings.

The requirement to save energy every year was put in place to accelerate action on energy efficiency. Evidence so far indicates that it is working.

Member states have planned nearly 500 measures to meet the requirement. The majority of them target the building sector. According to national experts, the obligation helped create new business models for energy efficiency.

Current evidence also shows that the cost of saving one unit of energy is much lower than the cost of supplied energy. The multiple benefits of energy efficiency, such as reduced greenhouse gas emissions and air pollution, increased comfort, job creation and improved competitiveness make the case for the savings obligation even stronger.

Source: Euroactive

Legal and Regulatory Framework

The European Commission has said it wants to negotiate a separate legal framework for key Russian energy infrastructure, but the idea has not gone down well with the developers of the €9.5 billion ($10.7 billion) Nord Stream 2 project, which aims to bring 55 billion cubic metres per year of additional Russian gas to Germany by late 2019.

Speaking at a breakfast briefing in Brussels on Tuesday, Sebastian Sass, EU representative for the Gazprom-owned Nord Stream 2 company, said he was only aware of the commission's proposal through the media, but labelled it "completely unnecessary".

Source: Interfax

Croatia

Upstream Activities

Croatia plans to launch a second onshore licensing round later this year pending the approval of a new hydrocarbon law that Zagreb hopes will draw major players to the Eastern European country.

Marijan Krpan, an adviser to Croatia’s Energy Ministry, told delegates at the IRN Mediterranean Oil and Gas summit in Rome on Tuesday the licensing round would likely take place in September or October if the country’s parliament has approved the new law by then.

Ten new onshore blocks will be on offer, six of which are in the Pannonian Basin while the remaining lie in the Dinarides Basin.

Source: Interfax

Egypt

Debt Payment

Egypt will make a debt payment of $750 million to international oil companies on June 1, Central Bank Governor Tarek Amer said on Tuesday.

Egypt has outstanding dues of about $3.5 billion to international oil and gas companies.

Amer said separately that Egypt has received $8 billion in investment from 150 global investment funds over the past six months.

Source: Rigzone

Greece

Upstream Activities

Greece's energy minister held talks on Friday with representatives of U.S. oil major ExxonMobil and France's Total about gas exploration opportunities off Greek shores, the energy ministry said.

A government official, speaking on condition of anonymity, said a consortium of ExxonMobil, Total and Greece's biggest oil refiner Hellenic Petroleum are expected to submit an offer "in the coming period" for exploration south of Crete.

The country is also hoping to find gas off western Greece and last year named a consortium of Total, Hellenic Petroleum and Italy's Edison as the preferred bidder for an offshore gas drilling block in the Ionian Sea. Licensing is expected this year.

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Multinationals ExxonMobil and Total, in cooperation with Hellenic Petroleum (ELPE), will stake a claim for a huge maritime area of 20,000 square kilometers stretching from south of the Peloponnese to Greece’s southernmost island of Gavdos.

Kathimerini understands that the agreement among the three firms has been sealed since last September and since then the boards of the US and the French companies have approved the investment of $5 billion each for the surveying and utilization of hydrocarbons in the Greek area.

At the moment ExxonMobil, Total and ELPE are preparing their bid for a fast-track concession of the area in question in southern Greece, as this is an option that the country’s legal framework provides for when an investor interested in a specific area makes a request to the energy minister.

The ministry is obliged to publish an invitation of expressions of interest in the Official Journal of the European Union regarding the area within a month, offering other interested parties the chance to participate. If it fails to draw interest from anyone else, the concession will be granted to the investor who triggered the tender.

The ExxonMobil-Total-ELPE consortium’s bid is expected to be tabled next month, with the aim of having the entire concession process completed by this fall and the seismic surveys started by the end of the year.

The plans of the two multinationals were presented to no less a figure than Prime Minister Alexis Tsipras himself in Athens last Friday, a meeting that was not made public.

The government only confirmed the meeting with Deputy Prime Minister Yiannis Dragasakis and Energy Minister Giorgos Stathakis, and stressed the emphasis placed on “the terms of environmental protection and of transparency, and the optimum benefit for social security.”

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Environment and Energy Minister Giorgos Stathakis on Thursday signed concession agreements for the onshore blocks in Arta-Preveza and the northwestern Peloponnese with Hellenic Petroleum (ELPE), and in Aitoloacarnania with Energean Oil & Gas. These agreements had been pending since February 2016.

Stathakis announced that the government will soon also sign the concession contracts for the Ionian 2 offshore block with the Total-Edison-ELPE consortium and for the Ionian 10 block with ELPE.

He went on to announce that after the acquisition of new seismic data and the reprocessing of old data – a project that Hellenic Hydrocarbons Resources Management SA will undertake – the ministry intends to gradually announce tenders for other onshore and offshore blocks.

During the signing ceremony, the minister said the interest of oil multinationals in Greek hydrocarbon surveying constitutes a vote of confidence in the Greek economy, and added that the ministry is about to supplement the institutional framework on hydrocarbons by taking into account best practices of other states such as Cyprus. In this context, he said, an effort will be made to drastically reduce the time between the expression of interest and the signing of contracts. However, Stathakis noted, the ministry will not compromise its policy to adhere to all environmental rules in hydrocarbon surveying.

Sources: Reuters, Ekathimerini

Desfa

Greece will launch a new tender competition for the privatisation of its natural gas grid operator DEFSA in June, Energy Minister George Stathakis said on Tuesday.

Stathakis announced the tender in an interview with Greek news website liberal.gr without disclosing details.

The privatisation of DESFA is part of a drive by Greece to sell state assets, which is a significant condition of the country's bailout by the European Union and IMF.

Greece and its biggest oil refiner Hellenic Petroleum had previously agreed to sell 66 percent of DESFA to Azerbaijan's SOCAR for 400 million euros but that deal collapsed in November after Athens raised DESFA's tariffs by less than SOCAR had expected and SOCAR demanded a lower price.

Source: Reuters

Energean

Energean Oil & Gas has signed a Lease Agreement with the Greek government for the exploration and exploitation of hydrocarbons at the Aitoloakarnania block, onshore Western Greece.

Aitoloakarnania is an underexplored block which is part of the same system commonly referred to as the Ionian Basin, Energean revealed.

The company said the area is also considered to be the southern-most extension of the greater peri-Adriatic basin, which has proven prolific with oil and gas production in Albania, Italy, and Croatia.

In total, over 10 billion barrels of oil and 30 trillion cubic feet of gas have been discovered throughout this region, an Energean spokesperson said in a company statement.

“Energean is the only producer of oil and gas in Greece where we are developing the 41 million barrels of 2P reserves in Prinos,” Mathios Rigas, chairman and CEO of Energean Group, said in a company release.

“Exploring Ioannina and Aitolokarnania is an integral part of our strategy to create near-term value through acquiring and developing a balanced mix of assets in the Eastern Mediterranean region,” he added.

In March 2017, Energean agreed to farm out a 60 percent interest in the Ioannina and Aitoloakarnania blocks to Repsol, which will be the operator of both.

The two companies have already submitted an application to the Greek Government to approve Repsol’s plans to farm in and undertake a 2D seismic survey over the Ioannina block in 2017/2018, and conduct an FTG and 2D seismic survey over the Aitoloakarnania block in 2018/2019.

Source: Rigzone

PPC

Greece will conclude the spin-off of power grid operator ADMIE by mid-June, meeting a key term of its third international bailout, ADMIE’s chief executive said on Thursday.

Athens and its EU/IMF lenders had agreed that 24 percent of ADMIE, owned by state-controlled utility Public Power Corporation, would be sold this year to China’s State Grid Corporation and a further 25 percent to a Greek state holding company.

“Everything will be wrapped up within the first 15 days of June,” ADMIE CEO Yannis Kabouris told Reuters on the sidelines of an Athens energy conference.

The sale is part of Greece’s slow-moving privatization drive and efforts to open up the country’s energy market. Kabouris said that State Grid’s participation would also help ADMIE to implement a 2-billion-euro 10-year investment plan, which includes connecting the island of Crete to mainland Greece via undersea cables by 2023.

“The strategic investor is a very big company with huge financial caliber that will bring know-how for state-of-the-art technology,” Kabouris said.

Source: Reuters

Iran

Gas Export

Iran's Oil Minister Bijan Namdar Zanganeh said the country is currently not receiving any money from Turkey for the export of gas as Tehran has to clear its debts under an International Court of Arbitration ruling on a gas pricing dispute.

Zanganeh told reporters on Saturday that Iran is currently not receiving any money for exporting gas to Turkey, because a court ruling has forced Tehran to give Ankara a partial refund following a lengthy legal dispute, Tasnim News Agency reported.

Turkey had called for a 62.5 percent decrease in the price of gas it imported from Iran five years ago, but the International Court of Arbitration ruled that the price reduction should stand at 13 percent, the minister added.

Zanganeh elaborated that Iran incurred the debt based on the court ruling and, thus, is not currently being paid by Turkey for gas.

Turkey had brought a case to the International Court of Arbitration against Iran in 2012, claiming that the gas price was too high.

Source: Iran daily

Israel

Energean

Greece’s Energean said on Sunday it signed contracts to supply up to 23 billion cubic meters of natural gas to private Israeli power stations from the Tanin and Karish gas fields off the coast of Israel.

The deals were signed with Dalia Power, which operates Israel’s largest private power station, and Or Power, which is planning to build new power plants, Energean said in a statement.

Financial details of the deals were not disclosed.

Energean, a private exploration and production company in the Eastern Mediterranean, bought the Karish and Tanin licenses from Israel’s Delek Group in December 2016 for an upfront cost of $40 million and $108.5 million in contingent payments.

Delek and its partner Noble Energy, which together control two huge gas fields nearby, were until now the only group to sign gas supply deals in Israel.

The Israeli government had forced them to sell the smaller Tanin and Karish fields to open the market.

“The agreement is a substantial step towards bringing competition and cheaper energy to the market for the benefit of Israeli consumers and the country’s economy," said Energean CEO Mathios Rigas.

The company expects to begin production in 2020.

Source: Ekathimerini.gr

Poland

LNG

The first ever tanker with liquefied natural gas from the United States arrived in Poland on Thursday as part of the country's — and the region's — efforts to cut its dependence on Russia.

It was the first delivery of U.S. gas to eastern and northern Europe, which is building a new network of energy sources and gas transportation. Last year, Poland opened its first terminal for liquefied natural gas, or LNG, in Swinoujscie, on the Baltic Sea coast, to be able to receive such gas from distant suppliers like the U.S. or Qatar, which has already made some deliveries.

During a ceremony welcoming the U. S. tanker "Clean Ocean," Prime Minister Beata Szydlo said it was a historic moment that improves the region's energy security.

"Today Poland can say that it is a safe and sovereign country, also because we have such wonderful investments" like the LNG terminal, Szydlo said. "Days like this go down in history."

She urged the U.S. to develop "further and more efficient cooperation."

The region is trying to cut its reliance on Russia, which has occasionally used its gas exports to exert political pressure. It is planning to bring in gas from the North Sea and also to boost its own production.

The U.S. State Department said in a statement that LNG exports "support American jobs, lower energy prices for our partners abroad, and contribute to Europe's energy security goals using a reliable, market based supplier."

Officials did not reveal the size of the delivery or the cost of the deal, which was made with Houston-based Cheniere Energy, Inc.

The U.S. is rich in shale gas and has been exporting the fuel to southern European nations such as Spain and Turkey, but not yet to nations in the continent's north.

Another U.S. delivery to Poland is expected this summer.

Polish officials have also indicated that the current gas supply deal with Qatar has not been disturbed by recent developments in which some Middle Eastern nations cut diplomatic ties with the country.

Source: abcnews.go.com

Romania

Gas Trade

Romanian Commodities Exchange (Bursa Romana de Marfuri – BRM) threatens to sue the State at the international forums of justice if the Parliament approves the amendments proposed by the Committee for Industries and Services of the Chamber of Deputies, regarding its removal from the domestic market of the centralized natural gas platforms, Septimiu Stoica, BRM President announced.

According to the Committee's proposals, OPCOM spot market, a branch of Transelectrica, would remain the only trading platform. Thus, BRM accuses the Committee for Industries and Services the intention to nationalize the trading of natural gas.

The amendments made in the Committee for Industries would leave the BRM without license.

"BRM expresses its consternation regarding the decision of the Chamber of Deputies' Industry and Services Committee, which, at its meeting on May 16, 2017, on the proposal of the deputy Iulian Iancu Committee's President, adopted an amendment to the Electricity and Natural Gas Draft Law (…) that basically nationalizes the services offered by our organization, in a deep contempt for the European and national legislation on which our company was licensed," Romanian Commodities Exchange stated in a press release.

Stoica points out that the best prices are obtained where the competition is.

In BRM support comes PEGAS, the pan-European gas trading platform, which sent a letter to the president of the Chamber of Deputies Liviu Dragnea, informing him about the "severe consequences" of the amendments to the law in the debate.

In turn, Bogdan Chiritoiu, the President of the Competition Council, says that the authority he represents does not agree with the decision to kick the Romanian Commodities Exchange (BRM) out of the Romanian natural gas market, and he argues that both trading platforms, OPCOM and BRM, should be maintained.

Source: Romania Journal

Gas Taxation

The Chamber of Deputies, as decisional body, has adopted on Tuesday, by a majority vote, the Law for the approval of government ordinance 7/2013 on the introduction of the tax on the extra revenues obtained as a result of the deregulation of natural gas prices. A voted amendment provides higher tax for prices above RON 85/MWh.

Thus, for prices below RON 85/MWh, ($218/1000 cbm) the tax remains 60%, as stipulated by GO 7/2013, and for prices higher than RON 85/MWh, the tax will be 80% of the additional revenues.

Oil companies are unhappy with the form in which this law was adopted, hotnews.ro reports.

The tax due on additional income is 60% of the extra income, of which the royalties related to this income are deducted, as well as the investments for the development and expansion of the existing deposits, for the exploration and the development of new production areas, the joint report of the budget committee and industry committee reads.

Following the adoption of this law, the Romanian Petroleum Exploration and Production Companies Association (ROPEPCA) has stated in a press release that it notices “with great concern the recent amendments in Parliament with the purpose of changing the framework in which the petroleum industry operates, aiming to increase the taxation level from 60% to 80% for prices above RON 85/MWh and to make permanent the temporary tax provided by GEO 99/2016 and which were approved and voted by the Chamber of Deputies on 13.06.2017.”

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

Source: Romania Journal

Black Sea Oil and Gas

Black Sea Oil & Gas (BSOG) said it aims to start production at two gas fields off Romania by 2019.

The Romanian company, controlled by private equity firm Carlyle Group, discovered 10 billion cubic metres of gas in 2008 some 120 kilometres offshore, where it has rights over the XIII Pelican and XV Midia Shallow blocks, reuters.com reports.

“We’re hopeful for the first gas in 2019,” Chief Executive Mark Beacom said in an interview for the Reuters Central & Eastern Europe Investment Summit, conducted at his office on Wednesday.

As ‘Romania Journal’ reported, BSOG has discovered in the Romanian shelf of the Black Sea between 10 and 20 billion cubic meters of natural gas and the investments aiming to start production in 2019 could reach USD 500 million, Mark Beacom, general manager, said at mid-February. He estimated the project will produce about 10% of Romania’s consumption for five years.

Mark Beacom said the total investments in this concession were at the time of about USD 200 million. He added it is difficult to estimate the total amount to be invested until the entry into production because it could include further investments due to future discoveries. The total amount could possibly reach USD 500 million.

In April, BSOG together with its co-venture partners announced the awarding of a contract for the drilling of two offshore exploration wells located in the XV Midia Shallow Block, Romanian Black Sea continental shelf, to the local offshore drilling services provider GSP Offshore SRL (“GSP”).

The cantilever-type jack-up drilling rig “GSP Uranus” has been contracted by BSOG for the drilling of the two exploration wells in water depths up to 100m scheduled to commence in Q4 2017. Auxiliary services such as aviation, logistics and offshore service vessels to support the drilling operations have also been contracted with GSP.

Source: Romania Journal

Expert Petroleum

The European Bank for Reconstruction and Development (EBRD) is providing a 5-million-USD loan to Expert Petroleum to finance the enhancement of Romanian mature oil and gas onshore fields, according to an EBRD press statement released on Wednesday.

"As the domestic oil and gas production declines and commodity prices are lower, several existing onshore oil and gas mature fields requires investments and focus to continue to be economically viable, compliant to the latest environmental regulations and to ensure the recovery of the hydrocarbon reserves is optimized. The EBRD loan will help Expert Petroleum to optimize its capital structure and invest into energy efficiency upgrade and production enhancement projects. The bank's investment will contribute to make the oil and gas assets operated by the company safer, cleaner, more productive and more viable for longer time," reads the statement.

"We are very pleased to support Expert Petroleum as it continues to provide an innovative and unique approach in the rehabilitation of mature oil and gas fields and ensure domestic hydrocarbon resources are more efficiently recovered," Eric Rasmussen, EBRD Director for Natural Resources is quoted as saying in the statement.

"We are delighted to expand our long-lasting cooperation with the EBRD. They are a key partner in our ambition to modernize and optimize mature onshore oil and gas fields in a clean and safe environment," Ghiath Sukhtian, Chairman of Expert Petroleum is quoted as saying in his turn.

The statement says Expert Petroleum is an agile and lean organization specialized in mature oil and gas fields operations optimization, workforce development, energy efficiencies, production and reserves enhancement. The Company operates 18 mature oil and gas fields with 400 producing wells in Romania, employing over 1,000 people. It is part of the GMS Holdings group which is a large private family investment group of diversified international businesses.

Source: Actmedia

Transgaz

The European Commission said on last Thursday it has opened a formal investigation to assess whether Romania's majority state-owned gas transmission system operator Transgaz has abused its dominant market position to restrict gas exports, seenews.com informs.

“The Commission's antitrust investigation will focus on indications that Transgaz has devised a strategy to restrict gas exports from Romania to other Member States,” the Commission said in a statement.

Such a strategy could have been implemented by Transgaz through the use of interconnector transmission fees, underinvestment or delays in the building of relevant infrastructure, as well as unfounded technical arguments as a pretext to prevent or justify delays in exports, the Commission said.

Measures like those could lead to higher prices and less secure supplies of natural gas by decreasing liquidity on wholesale gas market in Romania, the Commission added.

In 2016, the Commission carried out unannounced inspections at the premises of several companies active in the supply and transport of natural gas in Romania.

Romania is the third largest natural gas producer in the European Union after the Netherlands and the United Kingdom.

Transgaz is the sole operator of the natural gas transmission system in Romania.

Source: Actmedia

Electrica

The Administration Company for State Energy Stakes (SAPE) sues Electrica group, the electricity supplier and distributor, for damages of EUR 800 million due to post-privatization obligations unfulfillment.

„On June 8, Electrica received a lawsuit request submitted by SAPE against Electrica, with the former administrators and directors of the company, with the Ministry of Economy and the Energy Ministry,” according to company statement published on the Bucharest Stock Exchange platform.

The damages were the object of the notification transmitted to Electrica in 2015 by SAPE, reported in September 9 2015.

Source: business-review.eu

Turkey

Power Production

Turkey’s energy watchdog has given a power generation license to Akkuyu Nuclear JSC for a 49-year period, starting as of June 15.

In a statement, the Energy Market Regulatory Authority (EPDK) reclled that it had issued a preliminary license for power generation to the company for a three-year period.

Saying the company fulfilled its responsibilities in this period, the regulator added: “A 49-year power generation license for the Akkuyu Power Plant will become operational as of June 15.”

The power plant is slated to meet some 6-7 percent of Turkey’s power needs when it becomes fully operational, said the authority, Reuters reported.

The first unit of the power plant with a planned 4,800 MW installed power capacity was slated to become operational by 2025 according to the agreement, but the company has vowed to complete the work by Oct. 29, 2023, the 100th anniversary of the establishment of the Turkish Republic, read the statement.

Turkey and Russia signed an intergovernmental agreement to build and operate a nuclear power plant in Mersin’s Akkuyu in 2010.

Source: Hurriyet Daily News

Ukraine

Gas Import

Ukraine in January-May 2017 doubled natural gas imports compared to the same period in 2016, to 5.953 billion cubic meters, according to data from PJSC Ukrtransgaz.

In particular Ukraine in January-May 2017 imported 4.929 billion cubic meters from Slovakia, 532.8 million cubic meters from Hungary, and 490.7 million cubic meters from Poland.

In May 2017 gas imports amounted to 1.190 billion cubic meters, which is 12.3 times more than in May last year (96.4 million cubic meters).

Ukraine has not been importing natural gas under a contract with PJSC Gazprom since November 26, 2015, purchasing it exclusively on its western border.

Source: Interfax

Legal and Regulatory Framework

The law on the electricity market came into force on June 11 after its official publication in the Uriadovy Kurier newspaper.

As reported, Ukrainian President Petro Poroshenko signed the law on the electricity market on June 8.

Rada adopted draft law No. 4493 on the electricity market of Ukraine at first reading on September 22, 2016. About 1,200 revisions were submitted to the document by a specially created working group by second reading. The first attempt to adopt the document at second reading on April 6 failed, while on April 13 it was supported by 277 votes.

The law on the electricity market provides for the introduction of a new market model, which includes a number of segments: the market of bilateral contracts, a "day-ahead" market, the intraday market, the balancing market and the ancillary services market. The implementation of the law provides for a two-year transition period.

The document implements the norms of the Third Energy Package of the EU, including the issue of separating companies according to the areas of distribution and transmission of electricity.

Source: Interfax

Naftogaz

Naftogaz Ukrainy on June 12 signed an agreement with PricewaterhouseCoopers Polska Sp. Z o.o. (Poland), which won a tender to manage the department for natural gas transportation, according to data in the ProZorro system.

As reported, Naftogaz Ukrainy expects that the services will provide an effective separation of the gas transportation function from Naftogaz Ukrainy Group in accordance with the unbundling plan approved by Cabinet resolution No. 496 of July 1, 2016.

The term of rendering services is till December 31, 2017.

PwC in the course of trading expressed its readiness to become an adviser for UAH 10.785 million, while Boston Consulting Group Sp. Z o.o. for UAH 10.8 million (including VAT). Thus, with the expected cost of services being UAH 24.409 million, PwC reduced the offer by 2.3 times from the initial price.

Source: Interfax

Gazprom

The Supreme Economic Court of Ukraine has dismissed an appeal by Gazprom on collecting a UAH 172 billion fine from the company for abuse of dominant position on the market of gas transit.

"The court established that the ruling of Kyiv Economic Court dated December 5, 2016 and the ruling of Kyiv Appellate Economic Court dated February 22, 2017 will remain unchanged and Gazprom's appeal will not be considered," Presiding Judge Valentyn Paliy said.

We recall that on January 22 last year AMC fined "Gazprom" for 86 billion hryvnia for abuse of dominant position in the market for gas transit.

The notification of payment of a fine was sent on March 4. The Russian company has not paid it on time, so on October 5, when the claim was filed on enforcement, the amount of the fine increased twofold.

Source: www.nrcu.gov.ua

Pipelines and Supply Options

TAP

Activity in each of the three host countries is on time, on track and on budget.

Much has been achieved over the past twelve months. As of early-May 2017:

• The project has a world class site safety record with lost time frequency levels well below international norms.

• TAP's contractors cleared approx. 49% of the project route in Greece and Albania (371km out of 765km). Also, 22.6% of welded steel pipes are already in the ground (backfilled).

• In Italy, work is ongoing with the first batch of olive trees temporarily stored, so that construction of the 1,5km micro-tunnel can start later in the year.

• Approx. 68.5% of the total 55,000 pipes to be used for the construction of the pipeline have been received in Greece, Albania and Italy.

• More than 5,200 people have been working for the project across TAP's host countries, over 85% of which have been locally employed.

• TAP implemented a wide range of social and environmental investment (SEI) programmes in the communities along its route. 70 additional projects with a total value of approximately €15 million are due to be rolled out in the upcoming months. In total, TAP will invest over €55 million in SEI in Greece, Albania and Italy.

TAP Managing Director Ian Bradshaw said: "We are pleased with our performance. In terms of overall project progress, we are approximately 41% complete, including all engineering, procurement and construction scope. We are on track to deliver first gas from Shah Deniz II in 2020, becoming an active part of the European energy network, enabling more competitive and secure energy to reach homes and businesses."

"I am particularly pleased that today approximately 173km of welded steel pipes – around 21 times our project length in Italy – have been put in the ground in Greece and Albania. TAP remains fully committed to reinstate land to its original condition or better. A project of this scale and magnitude will face daily challenges, however, we are well positioned to address and manage them by working closely with our teams, our supply network and alongside communities." Bradshaw added.

TAP has an equally ambitious programme for the next twelve months. By this time next year, it plans to have completed the clearing and grading of the route across Greece and Albania and have approximately 67% of welded pipes placed in the ground (backfilled).

Source: TAP

Turkish Stream

Russia is in talks with European countries to determine the entry point of the second line of the Turkish Stream gas pipeline flow, Russian Prime Minister Dmitry Medvedev has said, TASS news agency has reported.

He recalled that the planned second line of the Turkish Stream is intended for the supply of gas to European states.

"Now we are in talks with a number of European countries, we determine where it is better to establish the entry point to Europe," he said, as quoted by the news agency.

"There are different proposals, in particular this can be Greece and Bulgaria," Medvedev said.

"First of all, when making decisions on this topic, economic factors should be analyzed, because the gas pipeline is not a political project, it is purely an economic project," he said.

Russian gas firm Gazprom said on May 7 that construction had begun for a gas pipeline under the Black Sea to Turkey, which is meant to eventually also serve the European Union.

"The implementation of the project is on schedule and our Turkish and European customers will from the end of 2019 have a reliable new route for importing Russian gas," Gazprom's chief executive Alexei Miller had said.

Source: Hurriyet Daily

Krk LNG Terminal

The Croatian government is determined to expedite the process of setting up the country's first LNG import terminal on the island of Krk.

The terminal has been declared a project of strategic importance in July last year and is seen as a major factor in the diversification and security of supply for the southeastern Europe.

The European Commission has made the Croatian liquefied natural gas terminal a part of its EU LNG and gas storage strategy.

LNG Croatia (LNG Hrvatska), the company developing the LNG terminal, and stakeholders involved in the project, have been instructed by the government to speed up the preparation and implementation of the first phase of the project that entails setting up of the floating storage and regasification unit, according to a document adopted at the government's regular meeting on Wednesday.

A contract with investors for the construction of the first phase of the LNG project could be signed within the next 60 to 90 days, Prime Minister Tihomir Oreskovic said.

Earlier in April, the Croatian government opted to develop the floating LNG terminal as it is expected it could be completed in 2018. The floating LNG terminal would not exclude the following three stages of the project that include the construction of the land-based terminal, if the development is declared feasible.

The project that would reportedly have the initial capacity of around two billion cubic meters of gas per year, a lot less than the 6 billion cubic meters of annual capacity planned for the land-based terminal, has received the backing of the United States.

At a meeting with the Croatian deputy prime minister Tomislav Karamarko in March, U.S. energy envoy Amos Hochstein said the United States are willing to help in the construction of the gas transmission system that would integrate the LNG terminal into the existing Croatian network.

European Investment Bank began its appraisal of the project based on the proposed land-based option, as it could fund up to €339 million of the project’s total cost that is in the region of €678 million.

The land-based terminal on the island of Krk would include a tanker jetty, 2 LNG storage tanks with a total storage capacity of up to 360,000 cbm, and have a throughput capacity of 6 billion cubic meters per year.

Source: LNG World News

Croatia-Hungary-Ukraine Corridor

Prime Minister of Ukraine Volodymyr Groysman has stated Ukraine is ready to take part in the formation of a "gas corridor" with Hungary and Croatia.

According to the press service of the Cabinet of Ministers, Groysman within the framework of the working visit to Croatia met with Prime Minister of Croatia Andrej Plenkovic.

"We are interested in creating the Croatia-Hungary-Ukraine gas corridor. We will do everything to make this project close to full implementation. We are interested in such gas supplies to Ukraine," Groysman said.

According to the report, Ukraine, within the framework of diversification of natural gas supplies and with the aim of establishing new forms of cooperation in the energy sector with the EU countries, is ready to join the project of forming the new Croatia-Hungary-Ukraine gas corridor, which foresees the use of the LNG terminal capacities on the Croatian coast.

The project is included in the package of initiatives by President of Croatia Kolinda Grabar-Kitarovic regarding the formation of the Central European vertical of cooperation "Adriatic-Baltic-Black Sea." It involves not only the organization of fuel supplies, but also a possible integration of the gas transportation systems of the three countries.

Source: Interfax

Baltic Pipeline Project

Polish transmission system operator Gaz-System and its Danish counterpart Energinet.dk have launched an ‘open season’ for the proposed Baltic Pipe project.

Source: Interfax

Nord Stream 2 (i)

The US Senate voted nearly unanimously on Thursday (15 June) for legislation to impose new sanctions on Russia and force President Donald Trump to get Congress’ approval before easing any existing sanctions on Russia.

In a move that could complicate Donald Trump’s desire for warmer relations with Moscow, the Senate backed the measure by 98-2. Republican Senator Rand Paul and Bernie Sanders, an independent who caucuses with the Democrats, were the only two “no” votes.

The measure is intended to punish Russia for meddling in the 2016 US election, its annexation of Ukraine’s Crimea region and support for Syria’s government in the six-year-long civil war.

If passed in the House of Representatives and signed into law by Trump, it would put into law sanctions previously established via former President Barack Obama’s executive orders, including some on Russian energy projects. The legislation also allows new sanctions on Russian mining, metals, shipping and railways and targets Russians guilty of conducting cyber-attacks and supplying weapons to Syria’s government.

If the measure became law, it could complicate relations with some countries in Europe. Germany and Austria said the new punitive measures could expose European companies involved in projects in Russia to fines. This could include the Nord Stream 2 gas pipeline project.

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Germany and Austria condemned a proposed expansion of U.S. sanctions on Russia, saying the measures sought to bolster U.S. economic interests and included an unacceptable intervention in the region’s energy sector.

“Europe’s energy supply is a matter for Europe, not the United States of America,’’ German Foreign Minister Sigmar Gabriel and Austrian Chancellor Christian Kern said in a joint statement. “Instruments for political sanctions should not be tied to economic interests.”

At the center of the criticism is the planned $10 billion Nord Stream 2 gas pipeline from Russia to Germany that to some extent would compete with U.S. exports of liquefied natural gas to Europe. The 1,220 kilometer (758-mile) link, designed to cut Russia’s reliance on gas transit through Ukraine, would double the capacity of an existing route to Europe’s biggest economy.

The Nord Stream 2 pipeline will have “detrimental impacts on the European Union’s energy security,” and on reforms in Ukraine, the U.S. Senate said after voting in favor of tightening curbs against Russia on Wednesday. The U.S. will “continue to oppose the link,” according to the bill posted on the Senate website. The Senate was poised to pass the measure on Thursday after voting to add the Russia provisions a day earlier. The measure still must be considered by the House, where it may be revised.

Germany's BASF SE and Uniper SE, as well as Austria's OMV AG are among five European Union companies that planned to join the Nord Stream 2 project run by the Kremlin-backed Gazprom PJSC before the deal was scuppered last year when Poland's competition watchdog objected to the joint venture.

BASF's Wintershall unit, Uniper, OMV together with Royal Dutch Shell Plc and Engie SA agreed in April to provide loans for Nord Stream 2 to see it ready by the end of 2019. The project meanwhile is still opposed by politicians in Poland, Ukraine, Slovakia and the Baltic States.

Gazprom shares erased earlier losses, trading little changed at 115.46 rubles at 6:05 p.m. in Moscow. Uniper, Engie and Shell were little changed, while OMV slid 3.7 percent.

Gabriel and Kern said they "can't accept" proposed U.S. sanctions targeting European energy companies as part of measures against Russia, according to the statement published Thursday.

The Senate's proposals are a way for the U.S. "to try to favor its own gas" in Europe, Isabelle Kocher, the chief executive officer of Engie, France's former gas monopoly, told reporters in Paris Thursday. "I don't think at all that the United States can stop this project."

The bill approved by the Senate says the U.S. government "should prioritize the export of United States energy resources in order to create American jobs, help United States allies and partners, and strengthen United States foreign policy."

Under the bill, the president gets the right to impose sanctions against companies that make investments or sell goods or services to Russia's export pipelines of $5 million or more during a year.

Gazprom, which supplies about a third of the European Union's gas, has shrugged off the prospect of U.S. liquefied natural gas in Europe for years. While most analysts expected increased U.S.-Russia gas rivalry last year, only a few cargoes from North America have reached southern Europe.

The Moscow-based exporter sees no impact from U.S. curbs on its link. Nord Stream 2 is a European project, developed in partnership with European companies that had already provided over 1 billion euros ($1.1 billion) in funding before the latest U.S. bill was approved, according to Alexander Medvedev, the deputy chief executive officer of Gazprom. The project is in compliance with all existing EU regulations, he said.

Gazprom also sees the U.S. move as an attempt to secure more exports to Europe, Medvedev said.

"If the senators believe that they can block Russian-American cooperation in energy and as a whole -- God is their judge," he said at a conference in Berlin. Trade and political ties between the countries have already dropped "to a very low level."

Sources: Euractiv, Bloomberg

Nord Stream 2 (ii)

The European Commission hopes to bring together the friends and the foes of the Nord Stream 2 gas pipeline project around a mandate which would guarantee that Ukraine would remain a transit country for Russian gas to the EU.

EU countries are deeply divided concerning the Gazprom-favoured Nord Stream 2 project. Poland, the Baltic states and others, including Denmark, argue that Nord Stream 2 would increase the European Union's dependence on Russia's Gazprom, which already supplies about a third of the bloc's gas.

Poland wants the European Union to ban the construction of a second pipeline to pump Russian gas to Germany under the Baltic Sea, alleging it undermines the bloc's strategic interests and violates competition rules.

Conversely, Germany where the pipe from Russia across the Baltic Sea ends, and countries with stakes in the project, say Nord Stream 2 means cheaper gas supplies for Europe. Gazprom's European partners in the project project include Germany's Uniper and BASF/Wintershall, Austria's OMV, UK's Shell and France's Engie.

Germany's Minister of Finance, Sigmar Gabriel (SPD), has aligned himself with Vladimir Putin on the Nord Stream gas-pipeline expansion issue. EURACTIV's partner Tagesspiegel reports.

Under pressure from both sides, last week the Commission asked for a mandate from the member states to negotiate an agreement on Nord Stream 2 with Russia.

The European Commission asked the member states on Friday (9 June) for a mandate to negotiate with Russia an agreement on the Nord Stream 2 gas pipeline project. It is very likely to obtain permission, despite several Central European countries strongly oppose it.

Commission Vice-President in charge of the European Union Maroš Šefčovič met with journalists today (14 June) to inform them of the latest developments and answer questions.

He said he had discussed the issue both with Russia's Minister of Energy Alexander Novak and with Ukraine's Deputy Minister of Energy Natalia Boyko, with whom he met in the capital of Kazakhstan Astana on 11 June, where he visited the Future Energy-themed EXPO 2017 and delivered a speech at the Energy Ministerial meeting on "Meeting the Challenge of Sustainable Energy".

Šefčovič explained that the draft mandate would be first presented to the member states at working and ambassadorial level, and would be then taken to the Energy Council in Luxembourg on 26 June. This would allow the Commission to have talks with Russia at the end of August or beginning of September, he said.

Asked how he saw the way forward, Šefčovič said that judging from past experience, "a couple of months" would be needed for discussions among EU members. He said that in initial reactions, Poland stated that the proposed mandate was too weak, while Germany raised questions as to the legal and political aspects of the mandate.

He said the Nordic countries were pressing the Commission for having this mandate, because they needed to issue various permits for the construction of the pipeline, and that they wanted to know in what public framework they are operating. Nord Stream 2 is passing through exclusive economic zones and territorial waters of Finland, Sweden and Denmark.

Šefčovič stated that he was confident at a compromise with Germany and Poland would be reached, and a mandate would be agreed. Then he said he was also confident that Russia would understand that it would be better to have legal clarity on the project.

He remarked that the completion of the pipeline would have an impact “on the whole architecture of the gas networks in Europe”.

“It has a potential to have negative effect on Central and Eastern European countries, and it could have a devastating effect on Ukraine”, the Commission Vice-President said.

This new route, coupled with the Turkish Stream project, is aimed at bringing Russian gas to the EU by bypassing Ukraine and robbing the former Soviet republic of transit tax revenues. Nord Stream 2 and Turkish Stream would also siphon off revenues from EU members Poland, Slovakia, the Czech Republic, Romania and Bulgaria.

“So it’s quite obvious we included in our mandate the importance of the measures which should be undertaken to mitigate, or completely eliminate, the negative impacts on Central and Eastern Europe,” he said. Šefčovič added that the Commission’s probe on Gazprom revealed that in 2014 and 2015 the Central and Eastern European countries were paying the Russian monopolist between 14 to 24% more for gas, compared to the countries of Western Europe.

The Commission Vice-President read from the draft mandate, where are mentioned “appropriate measures to ensure the possibility of mitigating the potential negative market impact of the Nord Stream 2 pipeline, in particular the need for sustainable long-term gas transit after 2019, along a number of existing supply routes, notably via Ukraine”, and also that member states should open up the gas markets according to the EU energy law. He added that there were still interconnectors in Central and Eastern Europe “blocked by Gazprom”.

According to information obtained by EURACTIV.com, one such interconnector is between Romania and Serbia.

Asked what made Nord Stream 2 different from Nord Stream, which was inaugurated in November 2011 in the presence of EU officials, Šefčovič explained that the first Russia-Germany pipeline was a considered project of European interest, when Europe wasn’t sure who was to blame for the 2009 gas crisis. The political and economic context is quite different now, he said.

The Commission Vice President mentioned that he had discussed with the Russian energy minister Gazprom-led projects in Europe’s South “for which the EU learned from the press” and which he didn’t name. But he said he received only “basic information”, and that Russia wanted to know what the EU view is.

Šefčovič said he would discuss the issue with the member states and come back with more information on the occasion of the meeting planned for the end of August or beginning of September.

Gazprom is already laying the pipes in the Black Sea for the first line of Turkish Stream pipeline, to the European territory of Turkey. A second line could be constructed to the Bulgarian shore, where the defunct project South Stream was planned to land.

Russia is in negotiations with Greece and Bulgaria regarding the entry point on EU territory of the Turkish Stream gas pipeline, Russian Prime Minister Dmitry Medvedev is quoted as saying by the Russian press.

Asked if the compromise on Nord Stream could become a precedent for a second line of Turkish Stream to the Bulgarian shore, Šefčovič said indeed, this could be the case.

The Commission Vice-President said he had spoken to the Bulgarian energy minister last Friday (9 June), but added that more details were needed.

Source: Euroactive

Nord Stream 2 (iii)

The European Commission has confirmed it wants third-party access rules to apply to Nord Stream 2 under a standalone agreement, and it seems determined to overcome strong opposition from the project developers to get its way.

The European Commission confirmed last week that it had requested a mandate from the Council of the EU to negotiate a separate legal framework with Russia for the Nord Stream 2 pipeline. This is because EU rules under the Third Energy Package do not apply to the route's offshore sections, which are located outside EU jurisdiction.

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Nord Stream 2, the Gazprom-controlled operator of the planned Nord Stream 2 gas pipeline in the Baltic Sea, has criticized the European Commission's request for mandate to negotiate with Russia an agreement on the project.

The European Commission on Friday adopted a request to the Council of the European Union for a mandate to negotiate with the Russian Federation the key principles for the operation of the Nord Stream 2 gas pipeline project.

The Commission said it sought „to ensure that, if built, Nord Stream 2 operates in a transparent and non-discriminatory way with an appropriate degree of regulatory oversight, in line with key principles of international and EU energy law."

It has been planned that the 1,220-kilometer pipeline will be able to transport a total capacity of 55 billion cubic meters of natural gas a year. It will run from the coast of Russia via the Baltic Sea to Greifswald in Germany, carrying Russian gas to the EU consumers.

Commenting on the EC request, Vice-President for Energy Union Maroš Šefčovič said: “Creating a well-diversified and competitive gas market is a priority of the EU’s energy security and Energy Union strategy. As we have stated already several times, Nord Stream 2 does not contribute to the Energy Union’s objectives. If the pipeline is nevertheless built, the least we have to do is to make sure that it will be operated in a transparent manner and in line with the main EU energy market rules.”

Commissioner for Climate Action and Energy Miguel Arias Cañete said: “As any other infrastructure project in the EU, Nord Stream 2 cannot and should not operate in a legal void or according to a third country’s energy laws only. We are seeking to obtain a Council mandate to negotiate with Russia a specific regime which will apply key principles of EU energy law to Nord Stream 2 to preserve the functioning of the European internal energy market”.

Responding to the EC request Sebastian Sass, EU Representative Nord Stream 2 AG said “Nord Stream 2 believes that this initiative is entirely unnecessary. The German regulator already confirmed that there is no legal void that needs to be addressed. Our permitting procedures have been launched successfully and are being conducted by the competent authorities in full compliance with all applicable laws. As part of these procedures, Nord Stream 2 is now actively engaging in open and transparent consultations with stakeholders in all countries around the Baltic Sea.”

The company said that the European Commission seeks a “special legal framework” that would be applied only to Nord Stream 2 and not to any of the six comparable import pipelines that exist or are planned for transporting gas to the EU from outside the internal market.

“A specific framework just for Nord Stream 2 would discriminate against an individual commercial investment, based on political sentiment. It is unacceptable that among other comparable pipeline projects the European Commission, as the guardian of the EU Treaties, has singled out Nord Stream 2 for a special political treatment. This infringes against the principle of equal treatment, which is a constituting element of the EU Founding Treaties,” Nord Stream AG said.

Furthermore, the company said the Nord Stream 2 project is subject to a comprehensive legal framework based on EU law, international conventions, and national legislation of the countries along the route of the pipeline.

“In Europe, there are six comparable import pipelines that are subject to the same legal regime. The principle of equal treatment is a constituent element of EU law. A “special legal framework” for only one pipeline would infringe upon this fundamental principle. The German regulator Bundesnetzagentur has duly informed the Commission of the risk of a “discriminatory practice” associated with unequal application of legal requirements.

“Gas fields in Western Europe are depleting rapidly, while gas consumption in the EU is expected to remain stable for the next decades. Within the next 20 years, gas production in the EU will drop by around 50%. Even when running at full capacity all the time, Nord Stream 2 will only cover around half of the additional volumes needed by European consumers by 2035. It is therefore wrong to assume that Nord Stream 2 will replace the Ukrainian or any other existing transport route.”

Nord Stream also highlighted the fact that five leading Western European energy companies from Germany, Austria, France, and the Netherlands have already committed to providing long-term financing for up to 50 % of the total cost of the project, which is estimated to be €9.5 billion.

Source: Interfax, Offshore Energy Today

Kashagan

One of the world's fastest growing crude streams, Kazakhstan's CPC, is battling to find new buyers in a market saturated with light grades and with core European customers reluctant to buy more of the pungent oil blend even as its value has plunged.

It is a familiar picture for oil producers which have struggled with oversupply in the past three years, sending oil prices from above $100 a barrel to less than $50 a now.

But it is proving a particular challenge for Kazakhstan, which has joined the Organization of the Petroleum Exporting Countries and other non-OPEC nations in a pact to reduce output.

Under the deal, Astana pledged to keep overall production at 1.7 million barrels per day (bpd). At the same time, it needs to reward investors in its giant Kashagan oil project that produces CPC but which started up last year five years behind schedule.

So Astana is letting oil firms hike output from Kashagan in the Caspian Sea, which means it must cut from elsewhere. But the extra flows are piling pressure on CPC's already falling value.

In 2013, light CPC crude traded at an average annual premium of $0.15 a barrel to dated Brent, then during 2014-2016 it slid to a discount of $0.11-$0.18. In the first five months of 2017, the discount had widened further to as much as $1.23.

"Now it is more expensive to delay Kashagan again rather than sell discounted CPC Blend. Shareholders need the project to work now," said one trader.

Kashagan oil field has been developed by a consortium of China National Petroleum Corp [CNPET.UL], Exxon Mobil, Eni, Royal Dutch Shell, Total, Inpex and KazMunaiGas. Phase one cost $55 billion.

Rising output from Kashagan has pushed up oil flows through the Caspian Pipeline Consortium (CPC) pipeline to the Black Sea port of Novorossiisk.

The pipeline, which also transports oil from other parts of Kazakhstan and Russia, pumped an average of 700,000 bpd in the past decade. But after Kashagan production began at the end of 2016, volumes rose to 900,000 bpd last year.

That figure could rise this year to 1.2 million-1.3 million bpd, according to Caspian pipeline consortium which manages the pipeline.

"The CPC Blend market is tough," said one trader in the Mediterranean, traditionally the biggest market for the crude. "What's frightening is that we will have about 10 million tonnes extra of the grade to handle soon."

Selling any light crude has been made tough due to cuts by OPEC, whose members have tended to reduce output of heavier oil preferred by some refiners, leaving the market awash with lighter grades. But CPC has characteristics that add to the challenge.

Unlike Russia's main Urals export blend, CPC is a more difficult fit for refiners because it has a high level of mercaptans, a group of pungent gases.

"In some Mediterranean refineries, CPC Blend processing is simply restricted due to the smell and harmful emissions, while it is also corrosive, so you can only process it if you have anti-corrosive coat on refinery units," another trader said.

In addition, larger Suezmax crude carriers are being used to ship CPC as exports from Novorossiisk increase while the number of loading time slots remains limited. Some European ports will only take smaller Aframax vessels, traders said.

"Mediterranean refiners are not very keen on CPC, so the grade is now flowing worldwide, from Poland to Japan," a source with a big European refiner said.

Reuters Eikon data shows CPC Blend supplies to Asia increased sharply since the start of 2017, heading to markets where bigger Suezmax vessels help reduce transport costs.

South Korea, India and Japan bought 800,000 tonnes, 700,000 tonnes and 600,000 tonnes of CPC respectively in January-May 2017. In the whole of 2016, those three countries bought 400,000 tonnes, 500,000 tonnes and 600,000 tonnes respectively.

Elsewhere in Europe, Poland's PKN Orlen bought 700,000 tonnes of CPC this year for its Polish and Lithuanian refineries for the first time.

But rising CPC shipments beyond its core Mediterranean market have not been enough to support its value. The grade that formerly balanced between premium and discount to BFOE has been traded far below dated Brent crude for six months, the longest period in its history, Reuters Eikon data showed.

"I don't think CPC Blend differentials will bounce back to a premium to Brent anytime soon. Not in the current market," one trader in the Mediterranean market said.

Source: Reuters

Companies

Gazprom

Polish incumbent PGNiG has called on the European Commission to extract stronger commitments from Gazprom and even impose fines on the company to settle its antitrust investigation.

Speaking at a press conference in Warsaw on Thursday, PGNiG Chief Executive Piotr Wozniak outlined a proposal for commitments in the Gazprom case that go far beyond those welcomed by the commission in March. He also said the commission should impose financial penalties on Gazprom because of alleged malpractice on European gas markets.

PGNiG’s set of proposals include granting Gazprom customers a one-time right to set a price formula in medium- and long-term contracts. Wozniak said that, in the past, PGNiG had paid nearly twice the price “for the same gas” as German importers.

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Ukrainian state energy firm Naftogaz is prepared to attend talks with Russian gas giant Gazprom provided negotiations are not held in Russia, Naftogaz said on Thursday.

Gazprom and Naftogaz have been locked in a bitter legal dispute since 2014, a byproduct of worsening relations between Kiev and Moscow since Ukraine's pro-European uprising and Russia's annexation of Crimea.

Gazprom Deputy CEO of Gazprom Alexander Medvedev said this week the Russian company was ready for talks with Ukraine on gas transit to Europe beyond 2019, when the current contract expires.

He did not say where any talks should be held.

"The Russian Federation is an unacceptable location for negotiations between Naftogaz of Ukraine and Gazprom," Naftogaz said in a statement.

"Naftogaz remains open for discussions with Gazprom in Brussels or other city of the European Union," it said.

The two companies lodged multi-billion-dollar claims against each other with a Stockholm arbitration court, which resolves commercial agreement disputes.

In two separate cases Kiev has demanded a higher tariff for the transit fee it charges Russia to transit to Europe and to cancel the requirement "take or pay" for the gas supply deal signed in 2009.

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Russian gas holding Gazprom and Austria's OMV signed a framework agreement on small capacity LNG in the Black Sea within the framework of the St. Petersburg International Economic Forum (SPIEF), TASS reports on Friday from the signing ceremony.

The document was signed by chief executive officers of Gazprom and OMV Alexei Miller and Rainer Seele.

"According to the document, the parties intend to interact in implementation of a joint comprehensive project on construction of a small capacity LNG terminal for production, transportation, marketing and sales in the area of the Russian coast of the Black Sea," press service of Gazprom said.

OMV is Gazprom's main partner in Austria. Companies are interacting in the sphere of production, transportation and sales of gas.

Source: Interfax, Reuters, Tass.com

Rosneft

Russia's Rosneft has postponed plans to upgrade a plant on the Black Sea by around a year, delaying the supply of an additional 5.5 million tonnes of Russian diesel per year, industry sources told Reuters.

Rosneft is building a new hydro-cracking unit at its refinery at the Black Sea port of Tuapse, to produce Euro 5 diesel fuel intended for export, primarily to the Mediterranean.

The new plant, together with other upgrades underway at the refinery, will allow it to produce up to 5.5 million tonnes of Euro 5 fuel per year. At the moment, the Tuapse refinery does not produce any diesel of that grade.

The latest plan envisaged that the unit would start up in the first quarter of 2018, but that timetable has slipped, four industry sources said, because of construction delays.

Three of the sources, who all spoke to Reuters on condition of anonymity, said the unit will now only start operating in mid-2019. A fourth industry source said that in the best case scenario, start up could be at the end of 2018.

Rosneft declined to comment.

Euro 5 is a grade of diesel with a low sulphur content and is widely used in diesel vehicles in Europe.

The influx of Euro 5 diesel from the Tuapse plant onto the Mediterranean market would create additional competition for other refiners supplying the market. These include European refiners, and Saudi Arabia.

Annual demand for Euro 5 diesel in southern Europe is around 80 million tonnes, according to traders' estimates, so the Tuapse plant, once running at full capacity, would account for just under 7 percent of that demand.

The launch of the Tuapse unit would also make it harder for Mediterranean refiners to obtain feedstock. At the moment, many of them buy in fuel oil and vacuum gas oil -- the raw material for producing diesel -- from Rosneft.

Once the Rosneft hydro-cracker is up and running, at least some of those volumes are likely to be diverted to Tuapse instead. (Additional reporting by Natalia Chumakova; Writing by Tatiana Vodyanina and Kevin O'Flynn; Editing by David Evans)

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Russia’s Rosneft is ready to resume full oil output quickly once OPEC-led cuts end as the country’s top producer has focused its own cuts on newer fields, its chief executive has said.

Those cuts run until June 30, though oil ministers from OPEC and non-OPEC countries meeting in Vienna this week are expected to agree to extend a deal that has seen 22 countries reduce global output by 1.8 million barrels per day (bpd) since January 1.

“Restrictions (under the OPEC deal) are mainly applied to greenfields,” Rosneft Chief Executive Igor Sechin told reporters last week, referring to newer oil fields.

“We will maintain mature fields as they are and won’t cut production there,” he said. “Our priority will be maintaining mature fields.”

Mature fields require the pumping of gas or liquid to increase crude flows and once that is halted, it takes time to restore the pressure. That is less of an issue at new fields, where the flow rate is usually higher.

Sources; Reuters, Offshoreenergytoday.com

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