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LNG

PROCESSING

AUSTRALIA: Australia Pacific LNG awards several upstream contracts – CNR/49/1/1

Australia Pacific LNG announced recently it had signed two key upstream design, engineering and construction contracts for its coal seam gas to liquefied natural gas project, progressing towards a final investment decision at the end of 2010. These contracts were awarded to McConnell Dowell Constructors (Aust) Pty Ltd and

Consolidated Contractors Australia Pty Ltd Joint Venture (MCJV) for the pipeline, and Baulderstone Bilfinger Berger Services (Australia) Pty Limited Joint Venture (BBBJV) for the upstream facilities contract. The agreements with MCJV and BBBJV include key engineering, procurement and construction contract terms. (Australia Pacific LNG press release, January 5, 2009)

BRAZIL: Chiyoda and SBM win FEED Contract for FLNG Project in the Santos Basin – CNR/49/1/2

Chiyoda Corp declared recently the receipt of a Front End Engineering and Design (FEED) deal in Brazil in collaboration with SBM Offshore. The client is Petrobras Netherlands B.V. This FEED contract is reportedly for an Onboard Natural Gas Liquefaction Unit (floating LNG or LNG FPSO), which will monetize the massive pre-salt gas reserves in the Santos Basin in Brazil. Under the FEED agreement, the joint venture partners Petrobras, BG, Repsol and Galp Energia will oversee the Onboard Natural Gas Liquefaction Unit (ONGU) with a capacity of 2.7 million tons per annum of LNG. According to report, the ONGU will process and liquefy natural gas, butane, propane, and condensate with processing capacity of up to 14 million cubic meters per day of associated gas. The processed products, in turn, will be transported to the consumer market via gas carrier vessels and regasification terminals. (M2 Communications, December 21, 2009)

CHINA: Black & Veatch and Chemtex selected to build small scale LNG plant in Guang'an City – CNR/49/1/3

China Natural Gas Co. Ltd, (CNGC) selected recently Black & Veatch and Chemtex to design and build a liquefied natural gas facility in Guang'an City. Li Zhongwei, General Manager of China Natural Gas Guangan Co. Limited said "In addition, CNGC is building 20 LNG gas stations for public transportation and bus fuel and 10 mobile LNG stations resulting in additional jobs for area residents". The facility will provide natural gas supplies to China's West to East gas pipeline during peak usage times or when demand for natural gas is at its highest. Black & Veatch and Chemtex are providing engineering, procurement and construction service for the Guang'an City

project, the seventh LNG project the two companies have won in China during the last three years and second project in the Sichuan Province. Two of the seven projects have already begun commercial operation. These plants are located in Erdos, Inner Mongolia; and Zhuhai City, Guangdong Province. A third plant in Dazhou, Sichuan Province is complete and ready for operation. The Guang'an facility will be a duplicate of the Erdos and Dazhou facilities and produce approximately 700 metric tones per day of LNG. LNG from the Guang'an facility will be trucked out of the plant to local distribution points. Approximately 35 trucks per day will be loaded out of the facility. (Downstream Today, December 22, 2009)

SUPPLIES - IMPORTS - EXPORTS

AUSTRALIA: Woodside Petroleum and PetroChina cancel LNG deal – CNR/49/1/4

Woodside Petroleum and PetroChina said recently that an outline agreement for the Australian energy group to supply liquefied natural gas, estimated to be worth about US\$40.4bn, and had expired without a firm accord being reached. The agreement struck in 2007 to supply up to 3m tones of LNG a year to the Chinese group for up to 20 years. Woodside and its partners are not expected to reach a final investment decision on the proposed Browse venture in Western Australia – the project that would have supplied PetroChina – until the middle of 2012. The first gas shipments are unlikely to come until a few years after that. The Browse project is expected to cost about US\$30bn to build and it is forecast to initially produce close to 12m tones of LNG a year. (Financial Times, January 4, 2009)

INDONESIA: Tangguh plans to Ship 116 LNG cargoes in 2010 – CNR/49/1/5

Upstream oil and gas regulatory agency (BP Migas) spokesman Amir Hamzah said recently that the Tangguh liquefied natural gas plant operated by BP Tangguh in Papua is expected to ship 116 LNG cargoes (around seven million tons) in 2010 depending on the market demand. Head of BP Migas, Raden Priyono said the target is based on the contracts signed with foreign buyers in China, South Korea and the United States. Shipments will depend largely on the economic condition in the three countries. BP Migas spokesman Amir Hamzah indicated that the 116 cargoes include 28 cargoes for China, 24 cargoes for South Korea and 55 cargoes for US West Coast. (Downstream Today, December 28, 2009)

INDONESIA: Arun LNG cargoes to decrease by 14% in 2010 – CNR/49/1/6

Indonesia is expected to ship 36 cargoes of LNG from Arun in 2010, down from 42 in 2009, Maman Budiman, a senior vice president at ExxonMobil Indonesia, said recently. "The supply of natural gas to the LNG plant is falling, causing lower LNG production next year," said Budiman. "There are

plans to ship 36 cargoes in 2010 according to our contract," he added. Indonesia also expects to ship fewer LNG cargoes from its Bontang plant in East Kalimantan in 2010. The Bontang plant is expected to produce 279 standard cargoes of LNG in 2010, down from an estimated 296 cargoes in 2009. (Upstream Online, December 22, 2009)

PAPUA NEW GUINEA: PNG LNG inks LNG Sale and Purchase Agreement with Osaka Gas – CNR/49/1/7

Esso Highlands Limited, a subsidiary of Exxon Mobil Corporation and operator of the PNG LNG Project, announced recently that the Project participants have finalized a Sale and Purchase Agreement with Osaka Gas Co., Ltd. for the long-term sale and purchase of liquefied natural gas (LNG) totaling approximately 1.5 million tons per annum (MTA). The agreement is effective for a 20-year period. (Oilvoice, December 22, 2009)

QATAR: Petronet in talks to buy 3.5M tons of LNG – CNR/49/1/8

Finance director of Petronet LNG Ltd. Said recently that the company is in talks to secure up to 3.5 million metric tons of additional LNG from Qatar for its upcoming project in southern India and existing terminal in western India. "We require around 2 million tons of LNG at Kochi and 1 million-1.5 million tons at Dahej," A. Sengupta said. Petronet, which has a 10 million-ton-a-year LNG terminal in Dahej in the western state of Gujarat, gets 5 million tons a year of LNG from

Qatar's Ras Laffan Liquefied Natural Gas Co., under an existing long-term contract. RasGas will also be supplying an additional 2.5 million tons a year of LNG from January 2009, under a contract signed earlier. India gas demand is expected to rise to 275 million standard cubic meters a day by the financial year ending March 2012 from 223 MMSCMD in the current financial year, Goldman Sachs said in a November 30 note. India is currently producing 131.68 MMSCMD of gas. (Dow Jones, December 29, 2009)

STORAGE

JAPAN: Nippon Oil to build new LNG terminal in Hachinohe – CNR/49/1/9

It has been recently reported that Nippon Oil plans to build a new liquefied natural gas receiving terminal in Hachinohe, Aomori Prefecture, in northern Japan. The company plans to build the terminal as early as the next fiscal year beginning April 2010 for completion in 2014-2015. The company plans to use the terminal to receive imports from Malaysia and Indonesia and sell them to gas companies and factories based in northern Japan, media reports said. When built, the new terminal will likely be a 160,000-kilolitres-class tank. (Reuters, December 26, 2009)

MIDDLE EAST: Vopak and Zamil set up joint venture aiming LNG terminal construction – CNR/49/1/10

Saudi-based Zamil Group said recently it has signed a MoU with Vopak to set up a joint venture company that aims to develop independent bulk liquid and liquefied natural gas terminal facilities in the Mena region. The new company will provide tank storage services to the oil and chemical majors, trading companies and

natural gas suppliers, said the two companies. "The Mena area is one of the world's foremost locations for oil and petrochemicals. The next stage of the region's development will be the large scale manufacture and distribution of intermediate and specialty chemicals and high quality oil products," said Ahmed Khan, general manager of Zamil Group Holding. Vopak and Zamil Group said developing world class independent bulk liquid storage terminals at strategic locations would be a significant contributing factor in providing the high quality logistic services required for the region's continuing development. (Trade Arabia, December 26, 2009)

UNITED KINGDOM: South Hook Gas Company and Total Gas and Power in LNG deal – CNR/49/1/11

South Hook Gas Company Ltd, part of Qatargas 2 project to supply gas to the UK, recently signed an agreement with Total Gas & Power Limited to provide import capacity access and regasification services at the South Hook Terminal at Milford Haven in Wales. This agreement allows Total Gas

& Power Ltd to implement the LNG purchase contracts signed with Qatargas as part of the Qatargas 2 project in which Total is a partner. The 25 year agreement with Total will see South Hook Gas providing regasification services to enable Total to import LNG at the South Hook Terminal and to take delivery of gas into the UK gas market. (Qatargas press release, December 23, 2009)

NGL

PROCESSING

UNITED STATES: Targa Resources plans to expand NGL plant at Mont Belvieu – CNR/49/1/12

Targa Resources Partners LP, Houston, plans to expand capacity of its majority-owned Cedar Bayou Fractionators LP (CBF) natural gas liquids fractionation facility at nearby Mont Belvieu, Tex. The maximum gross fractionation capacity of the facility is to be expanded by 60,000 b/d to 275,000 b/d, increasing the partnership's maximum gross NGL fractionation capacity along the Texas and Louisiana Gulf Coast to 439,000 b/d. The CBF expansion is to be supported by a long-term firm space fractionation agreement at market-based fees with Oneok Partners LP. The expansion should be operational in the first quarter of 2011, subject to regulatory approvals, with no disruption of existing operations during construction. (Oil & Gas Journal, December 28, 2009)

GTL

PROCESSING

JAPAN: GTL pilot plant project confirmed – CNR/49/1/13

Oxford Catalysts Group PLC announced recently that it has received confirmation from its partners Toyo Engineering Corp. and MODEC, Inc. that they will be proceeding with the construction of an integrated gas-to-liquid (GTL) demonstration plant. The plant will be based on Oxford's microchannel and catalyst technology. The plant is expected to be constructed, installed, and ready

for operation in early 2011. Oxford Catalysts designs and develops technology for the production of clean synthetic fuels from both conventional fossil fuels and renewable sources such as biowaste. The group is primarily focused on the emerging market for distributed smaller scale production of synthetic fuels via Fischer-Tropsch (FT) synthesis. (Downstream Today, December 18, 2009)

NATURAL GAS

EXPLORATION – DISCOVERY

EGYPT: 520 exploratory wells expected to be drilled in 2010 – CNR/49/1/14

According to Minister of Petroleum Sameh Fahmy, Egypt expects 520 exploratory and development wells for oil and 36 for natural gas to be drilled in 2010. The drilling would be in concession areas awarded by state-owned

Egyptian General Petroleum Corporation, ministry spokesman Hamdi Abdel-Aziz added. Egypt's proven natural gas reserves rose 1.1 trillion cubic feet to about 77.2 trillion cubic feet in the year to June 30, the oil ministry said in July 2009. (Reuters, January 3, 2010)

INDIA: ONGC finds gas in Tripura – CNR/49/1/15

Oil and Natural Gas Corporation Limited (ONGC), recently struck a new gas well at Sundaribari in South Tripura district, about 125 km from here, official sources said. "Preliminary examination shows that the low resistivity sand perforated in the interval of 2164-68 meter, produced gas at the rate of 160,000 million cubic meters per day," officials said. (DNA, December 29, 2009)

UNITED STATES: Contango reports gas discovery in Gulf of Mexico – CNR/49/1/16

Contango Oil & Gas Co. announced recently a successful well at its Nautilus prospect located at Offshore Gulf of Mexico block Ship Shoal 263. The Company's drilling program with its joint venture partner, Patara Oil & Gas LLC, is

proceeding as planned. The first well was successfully fracked with flow-back rates and pressure in line with average curves and is now on-line and flowing at an 8/8ths rate of 1.2 Mmcfed. The production is expected to begin by the end of January 2010 at a similar 8/8ths production rate. (Rigzone, January 4, 2009)

PRODUCTION

CHINA: Four oil and gas fields start production – CNR/49/1/17

China National Offshore Oil Company announced recently that its four oil and gas fields in east China's Bohai Sea area had started production. The four oil and gas fields are Jin Zhou 25-1 South (JZ25-1S), Caofeidian (CFD)18-2, Bo Zhong (BZ) 13-1 and Bo Zhong 34-1 North (BZ34-1N). The JZ25-1S oil and gas field is expected to produce more than 20,000 barrels of oil and 53 million cubic feet of natural gas daily by 2012. (Xinhua, December 30, 2009)

INDIA: Reliance completes assessment of design capacity of KG D6 facilities – CNR/49/1/18

Reliance Industries Limited (RIL) announced recently that it has successfully carried out an assessment of the design capacity of the KG D6 deepwater gas production facilities. A flow rate of 80 million standard cubic meters was achieved through the KG D6 facilities and delivered to

RGTEL's East West Pipeline. Presently, RIL is producing about 60 million standard cubic meters of gas which is being supplied to several priority sectors identified by the Government of India under its Gas Utilisation Policy. Since commencement of production in April 2009, the field has produced over 8.5 billion cubic meters of gas. (Reliance Industries Limited press release, December 28, 2009)

RUSSIA: Gazprom output decreased by 16 percent in 2009 – CNR/49/1/19

Gazprom official Sergey Kupriyanov said recently that Gazprom production shrunk from 550 billion cubic meters of gas in 2008 to 461 billion cubic meters in 2009. According to Kupriyanov the reason for the decline is the downfall in gas demand in both Russia and Europe because of the economic crisis. Gas consumption in Russia fell with 10 percent in 2009, in Europe – with 8 percent. According to the Russian Statistic Service the overall gas production in Russia dropped with a little more than 14 percent in 2009 compared to 2008. (Barents Observer, January 4, 2009)

SYRIA: Official announces more domestic gas output in 2010 – CNR/49/1/20

Syrian Minister of Petroleum and Mineral Resources Sufyan al-Allaw said recently that Syria's natural gas production has reached 25 million cubic meters per day, producing 18 to 19 million cubic meters of gas in addition to importing 2.5 million cubic meters of Egyptian gas per day. The Minister pointed out that Syria has large reserves of gas currently estimated at around 284 billion cubic meters, adding that new gas fields were discovered in the areas of Deir Attiyeh and al-Kalamoon. According to al-Allaw, the South-Central Area gas plant produced more than 120

million cubic meter of clean gas, around 70,000 barrels of oil and condensates, and more than 350 tons of cooking gas since its opening in November 2009. The plant was designed to produce 7.56 million cubic meters of unprocessed gas per day. The Ebla gas plant, which will begin work in May 2010, will produce around 2.5 million cubic meters of gas, 2500 barrels of oil and 100 tons of cooking gas per day. The plant is currently being constructed in cooperation with Petro-Canada. The Ministry of Petroleum and Mineral Resources provides around 18 million cubic meters of gas to electric power stations each day (SANA, December 20, 2009)

TURKMENISTAN: Petrofac will take part to South Yolotan gas field development – CNR/49/1/21

Petrofac has been recently engaged by Turkmenogas of Turkmenistan, to provide services in relation to the development of the South Yolotan gas field, situated approximately 400km south east of the capital Ashgabat. The first phase of the contract will involve Petrofac completing a front end engineering and design study for the project together with initial planning and set-up studies.

After completion of the first phase, the contract contemplates moving into a second phase which will include the engineering, procurement and commissioning work for a 10 billion cubic meters per annum gas processing facility along with the infrastructure and pipelines for the entire 20bcma development. The feed gas from the field contains around 6% H₂S. The eventual scope for the South Yolotan development is likely to include: well pad facilities; gathering systems; gas processing and sweetening; sulphur handling, storage and export and condensate processing, storage and export facilities. (Energy Business Review, December 31, 2009)

RESERVES

BANGLADESH: Petrobangla to conduct study on Shahbazpur field reserves – CNR/49/1/22

The Energy and Mineral Resources Division asked recently Petrobangla to conduct further feasibility study in Shahbazpur gas field for the real picture of the gas reserve in the field so that it could take decision to permit installation of another gas-fired power plant or a private fertilizer plant in Bhola. The proven reserve of Shahbazpur gas field is now 4.4 trillion cubic feet of gas. Recently, BAPEX claims the reserve is 5.76TCF gas, sources said. "Power Development Board (PBD) has sought Petrobangla's assurance to

install a 150MW-225MW of gas-fired power plant in Bhola," a senior official of the ministry said adding, "If we permit the plant, it would consume 25 million cubic feet of gas per day. Petrobangla has already committed to PDB to supply gas in 150MW-225MW of gas-fired power plant in Bhola, he said. The BAPEX authority would be able to produce 40mmcf of gas from the Shahbazpur gas field after development of two new producing wells in Bhola, sources said. Of the production, 35mmcf of gas would be needed for power plant and the rest for non-bulk sector in Bhola. (The New Nation, December 30, 2009)

PROCESSING

ABU DHABI: Hyundai Heavy Industries to build an integrated gas development plant on Das Island – CNR/49/1/23

Abu Dhabi Gas Liquefaction Co. Ltd., or Adgas, signed recently a deal with Hyundai Heavy Industries Co. Ltd., to build an integrated gas development plant on Das Island in the emirate. Adgas said the whole IGD facilities will be built on reclaimed land due to the limited land availability at Das Island and will involve multiple sites, both offshore and onshore. (Dow Jones, December 29, 2009)

TUNISIA: Hasdrubal offshore gas plant starts production – CNR/49/1/24

British Gas Tunisia and the Entreprise Tunisienne d'Activités Pétrolières (ETAP) announced recently the launch of gas production at the offshore Hasdrubal Gas Processing Plant 106 km from Sfax. Located in the

Gulf of Gabes at a depth of 62 m, the plant will be able to produce 100 million cubic feet per day. The propane will be exported and the butane will be commercialized by the Tunisia gas and electricity company (STEG) on the local market. Liquid gas production should reach 16,000 barrels of oil equivalent per day. (AllAfrica, December 17, 2009)

TURKMENISTAN: LG Corp wins gas processing plant order – CNR/49/1/25

South Korea's LG Corp. said recently that it has won an order valued at US \$1.5 billion from Turkmenistan to build a natural gas processing plant in partnership with Hyundai Engineering Co. The order was awarded by the state-run Turkmen Gas. (Asia Pulse, December 29, 2009)

UNITED STATES: Rex Energy and Stonehenge Energy in partnership to develop gas facilities in Pennsylvania – CNR/49/1/26

Rex Energy Corp. said recently it formed a joint venture with Stonehenge Energy Resources LP to build a high pressure gathering system and cryogenic gas processing plant in Butler County, Penn. The joint venture will operate through newly formed Keystone Midstream Services LLC, a Delaware limited liability company, and will invest

to build the gathering system and processing plant. In conjunction with the formation of the joint venture, Rex Energy has entered into a gathering and processing agreement with Keystone Midstream in which Rex Energy has reserved 20 Mmcf per day of capacity in the Sarsen Gas Plant in 2010 and 40 Mmcf per day of capacity thereafter. (Financial News Usa, December 28, 2009)

Utilising Associated Gas 2010

Addressing the Disposal of Associated Gas in Oil Field Development

24th to 25th February 2010, Crowne Plaza Hotel - St James,, London, United Kingdom

With increasing international pressure (and in many places legislation) to reduce flaring and venting, oil producers must find a way to effectively and efficiently deal with the associated gas that results as a part of normal operations. **Utilising Associated Gas 2010** will allow you to look at ways in which the gas can be utilised and sent to a market where some, if not all, of the cost can be recuperated.

For the full programme and further details on how to register, please visit us at:
<http://www.smi-online.co.uk/agas30.asp>

TRANSPORTATION-DISTRIBUTION

EUROPE: Germany approves Nord Stream Pipeline – CNR/49/1/27

Nord Stream AG received recently the permit to construct the 31 kilometer section of the natural gas pipeline in Germany's Exclusive Economic Zone. The permit was granted by the Federal Maritime and Hydrographic Agency (BSH) in Hamburg. This second and final German permit leaves only the second Finnish permit outstanding. "We are firmly on schedule to start construction of the pipeline in spring 2010 and to start transporting gas in 2011", said Nord Stream's Managing Director Matthias Warnig. (Nord Stream AG press release, December 28, 2009)

GERMANY: Opal receives first building permit from Brandenburg authorities – CNR/49/1/28

Recent planning approval notice cleared the way for construction work in North Brandenburg: with a positive ruling, the local State Office for Mining, Geology and Raw Materials (LBGR) has now completed the first public approval process for the OPAL natural gas pipeline in Brandenburg and issued the permit for a 148-kilometer-long route section. With the planning approval notice, the State Office defined all details for the construction and subsequent operation of OPAL. The natural gas pipeline will pass through Brandenburg on a route with a total length of 273 kilometers. Due to the length of this route, the approval process was subdivided into two sections in Brandenburg: the northern section encompasses the districts of Uckermark,

Barnim, Märkisch-Oderland and Oder-Spree, while the southern section includes the districts of Dahme-Spreewald, Teltow-Fläming, Elbe-Elster and Oberspreewald-Lausitz. Construction work for the OPAL pipeline in North Brandenburg is already set to begin soon. (Wingas press release, January 4, 2009)

TUNISIA: STEG wants to extend national gas grid – CNR/49/1/29

As part of its drive to enforce the use of natural gas in the country with a view to cut down on the country's energy bill, the Tunisian gas and electricity company (STEG) recently launched a project to extend the gas grid to several regions of the country, including Zaghouan, Zriba and Djebel Oust. The project which is part of the country's 5 year plan (2007-2011) also involves the setting up of a 14 km long gas pipeline and the modernization of 4 pressure units. Other projects are also focusing on the greater Tunis area and will concern El Bassatine, El Menzah, El Mahata and Bir Mecherga. The projects will involve expenditures of 1 million 597 thousand dinars, and will enable 1242 inhabitants to be connected to the natural gas network. (AllAfrica, December 29, 2009)

UNITED STATES: Gas pipeline nears completion in North Dakota – CNR/49/1/30

Mid-January 2010 is targeted for the completion of the Prairie Rose Pipeline in North Dakota. The Prairie Rose Pipeline will transport some natural gas from the state's oil patch that is being flared, said Justin Kringstad, director of the North Dakota Pipeline Authority. Pecan Pipeline North Dakota Inc., a subsidiary of EOG Resources Inc. of Houston, will transport natural gas about 75 miles from Palermo to Towner. It will hook up with Alliance Pipeline Ltd.'s pipeline, a 2,300-mile pipeline system that extends from western

Canada to the Chicago hub, where the gas is sold to Midwest and East Coast markets. EOG spokeswoman Elizabeth Ivers said the 12-inch pipeline initially will transport about 40 million cubic feet of natural gas from North Dakota's oil patch. The capacity will double by the end of 2010, she said. In 2008, nearly one-third of natural gas produced in North Dakota was flared as an unmarketable byproduct of oil production. The 26 billion cubic feet of natural gas flared was about twice the annual gas consumption of the state. (Associated Press, December 30, 2009)

UNITED STATES: Spectra Energy to expand pipeline grid in New York and New Jersey – CNR/49/1/31

Spectra Energy Corp said recently that it signed binding deals to expand two existing pipeline systems to deliver natural gas to markets in New York and New Jersey. Spectra's agreements with Chesapeake Energy Corp, Consolidated Edison Inc and Statoil ASA will let it expand its existing Texas Eastern and Algonquin pipeline systems, the Houston Company said. The proposed pipeline could transport up to 800 million cubic feet per day of new natural gas supplies to the region and could be in service in the fourth quarter of 2013, Spectra said. (Reuters, December 28, 2009)

SUPPLIES - IMPORTS - EXPORTS

ARGENTINA: Oxy receives approval for "Gas Plus" sales – CNR/49/1/32

Argentina's government recently authorized Occidental Petroleum Corp. to sell natural gas at higher-than-normal rates under the "Gas Plus"

program, according to the official gazette. The authorization applies to Occidental's Sur Piedra Clavada gas field at the San Jorge basin in the southern province of Santa Cruz. (Rigzone, January 4, 2009)

AZERBAIJAN: Gas exports to Russia may double in 2010 – CNR/49/1/33

Socar Chief Executive Rovnag Abdullayev said recently that Azerbaijan may double natural gas supplies to Russia from a previously planned 500 million cubic meters in 2010. The initial supplies from Azerbaijan will be bought by Gazprom from phase one of Shah Deniz deposit. Gazprom also wants to buy gas from the second phase of the Shah Deniz deposit, which is due to come on stream in 2016. (Reuters, December 26, 2009)

FRANCE: Regulator announces new rules in gas pricing – CNR/49/1/34

The Commission de Regulation de l'Energie (CRE) said in recent statement in France's Official Journal that regulated gas rates won't change on Jan. 1, and are expected to rise when a new carbon tax starts. Supply costs have risen an average of 65 euro cents (\$0.93) a megawatt-hour, or 1.5 percent, since April 1, 2009. Utilities' supply costs are tied to the price of oil, which has gained 75 percent in 2009, while retail gas prices fell as the recession curbed demand. GDF Suez hasn't covered its supply costs in France in four of the past five years because state-set rates were set too low, company documents show. GDF Suez said in August the accumulated shortfall was almost 2 billion Euros. The company recently confirmed it has reached a so-called public service agreement with the government for 2010-2013 that gives partial responsibility for regulating household prices to the CRE. The new rules, set out in the Official Journal, allow GDF Suez to apply for higher rates starting April 1, the company said in a statement. The new rules are more transparent, GDF Suez said, adding that the

state will publish an annual "ministerial order" that will explain the conditions for altering rates over the year. The utility "may request a tariff adjustment from the CRE to take into account changes in index prices included in the formula," according to the statement. Regulated rates should rise by an average of 2.43 Euros a megawatt-hour on April 1, 2009, taking into account gas-transport, distribution and storage expenses, and not counting supply costs, the watchdog said. It didn't give the increase as a percentage. The CRE currently has an advisory role in gas pricing. Under the new plan, it will give a "binding opinion" on whether GDF Suez's rate requests are justified by the cost of supply. "The goal is to make changes in gas prices more predictable," French Finance Minister Christine Lagarde and Environment and Energy Minister Jean-Louis Borloo said in statement. GDF Suez currently uses a methodology published by the CRE to calculate the cost of supplying gas to the French market. The Paris-based utility then submits its tariff requests to the government, which rules on any revisions in rates. (Bloomberg, December 29, 2009)

MIDDLE EAST: Gas exports increased by 54% in 2009 – CNR/49/1/35

The Organization of Arab Petroleum Exporting Countries (OAPEC), in its 2009 statistical report, said the Arab region's total gas exports rose by 54.4% to 161.9 bcm in 2008 from 104.8 bcm in 2004. Arab gas reserves stood at 53.7 tcm at year end 2008, according to the OAPEC report, which said that Qatar has nearly half the Arab gas potential, with more than 25 tcm. The OAPEC report said Algeria remained the leading Arab gas exporter in 2008, with its exports of 59.4 bcm accounting for more than a third of the total Arab gas sales. But the report also noted that Algeria's exports have remained static in 2004-08, while those of Qatar have rocketed to 56.8 bcm from 24.1 bcm during the same period. With 16.9 bcm in 2008, Egypt was the third-largest Arab gas exporter in 2008, followed by Oman 10.9 bcm, Libya 10.4 bcm, and the UAE 7.5 bcm. (Oil & Gas Journal, December 30, 2009)

RUSSIA: Gazprom and Belarus Minister in talks on gas supply and transit – CNR/49/1/36

Alexey Miller, Chairman of Gazprom Management Committee met recently Vladimir Semashko, First Deputy Prime Minister of the Republic of Belarus. The parties discussed the 2009 operating results relevant to Russian gas supplies to Belarus and its transit via the Republic to European consumers, as well as considered the prospects for the cooperation deepening. Alexey Miller said that "pursuant to the Contract, the gas price for Belarus calculated under the formula will stand at around USD 168 per 1,000 cubic meters in the first quarter of 2010. In 2009, the average price for the natural gas supplied to Belarus was 11 per cent lower, around USD 150. Due to the absence of the export duty, natural gas price for Belarus is

considerably lower as compared to other purchasers of Russian gas. At the same time, the previously agreed period of transition to higher prices enables the Belarusian economy to adapt to the new conditions". On December 31, 2006 Gazprom and Beltransgaz signed the Gas Supply and Transit Contract for 2007 through 2011. The Contract, inter alia, set the price formula starting from January 1, 2008 (which is in line with the price formula for Russian gas supply to Europe), and the discount rates to the market price for 2008-2010 (in particular, in 2010 the discount rate will be equal to 0.9). According to the Contract, Belarus, starting from 2011, will pay the gas price equally profitable to Gazprom with the price paid for gas deliveries to Europe. (Gazprom press release, December 30, 2009)

RUSSIA: Gazprom and Botas agree on conditions of 2010 gas supplies – CNR/49/1/37

Gazprom and Botas recently agreed on pricing and volumes for Turkey's gas imports from Russia in 2010. "In particular, the sides agreed on the 'take-or-pay' terms of the contract and on pricing, which is based on a basket of oil-product prices," Gazprom said, without specifying volumes or tariffs. The newspaper Milliyet reported that Russia, which supplies almost 65 percent of Turkey's gas needs, may increase its sales price for the country by at least 16 percent in 2010. (Bloomberg, December 31, 2009)

RUSSIA: Gazprom and CNPC sign agreement on major for gas supply to China – CNR/49/1/38

A Gazprom's delegation, led by Alexander Medvedev, recently held in China a round of commercial talks with the China National Petroleum Corporation relevant to arranging Russian gas supplies to China via the western and eastern routes. Based on the negotiation

results and in compliance with the previously reached agreements between Gazprom export and a subsidiary of CNPC, PetroChina International, an Agreement was signed on major terms and conditions for natural gas supplies from Russia to China. The Agreement defines the basic commercial and technical parameters of Russian gas supplies to Chinese consumers. (Gazprom press release, December 28, 2009)

RUSSIA: Moldova likely to pay more for gas in 2010 – CNR/49/1/39

Gazprom announced recently the preliminary price for gas supplied to Moldova in the first quarter of 2010 - 233 dollars per 1,000 square meters of gas. The new price is by about 40 dollars higher compared with the fourth quarter of 2009, Deputy Premier, Economics Minister Valeriu Lazar said. The price for Russian gas supplied to Moldova has been quarterly revised since 2008. This is in line with a five-year agreement signed by Gazprom and the Moldovan government in 2007. (Moldpres, January 4, 2009)

SOUTH KOREA: Fair Trade Commission calls for an open gas market – CNR/49/1/40

The Fair Trade Commission said recently that South Korea should gradually open up its natural-gas import and distribution market, currently dominated by Korea Gas Corp., to ensure competitive pricing of the fuel. South Korea's government said in September 2009 it may allow

private companies to import liquefied natural gas for power generation in 2010. The watchdog also said the government should allow companies to adjust gas prices regularly to reflect raw-material costs. Currently, any price change requires the government's approval. (Bloomberg, January 3, 2010)

TURKMENISTAN: Gas exports to Russia restart – CNR/49/1/41

Russia and Turkmenistan recently reached an agreement on the joint implementation of projects for construction of the Caspian gas pipeline and also on the East-West pipeline. Apart from this, in the presence of the presidents of the Russian Federation and Turkmenistan, Dmitriy Medvedev and Gurbanguly Berdimuhamedow, the sides signed amendments to the long-term gas sale and purchase accord between the two countries. Under the document, Turkmen gas supplies will be resumed from 1 January 2010 in volumes of up to 30bcm annually. In accordance with the document, the price of the gas will completely correspond to conditions in European gas markets. (Itar-Tass, December 22, 2009)

UKRAINE: Gas demand forecasts approved by the Cabinet of Ministers – CNR/49/1/42

Ukraine's Cabinet of Ministers recently approved gas supply and consumption forecasts for 2010. The government expects that gas import volume to be 27 billion cubic meters. 2009 gas supply and consumption forecasts adopted in June projected gas supply at 80.724 billion cubic meters, including 20.613 billion cubic meters of gas to be produced in Ukraine, 33 billion cubic meters of gas to be imported, and 27.111 billion cubic meters of gas to be taken from underground storage facilities. (Kyiv Post, December 30, 2009)

UZBEKISTAN: Gazprom agrees on gas supplies – CNR/49/1/43

A Gazprom delegation, led by Alexander Medvedev, Deputy Chairman of the Management Committee, paid recently a working visit to the Republic of Uzbekistan. As part of the visit, Alexander Medvedev met with Ergash Shaismatov, Deputy Prime Minister of Uzbekistan and Ulugbek Nazarov, Chairman of the Board of Uzbekneftegaz. According to the negotiation results, a contract for Uzbek gas purchase and sale was inked between Gazprom export and Uztransgaz for 2010 in the amount of up to 4.25 billion cubic meters. Pursuant to the agreements reached, the price formula for the natural gas supplied from Uzbekistan will meet the European

gas market conditions. Taking into account the contracts signed earlier, Gazprom's portfolio will additionally receive 15.5 billion cubic meters of Uzbek gas in 2010. The Agreement of Strategic Cooperation in the gas industry between Uzbekneftegaz and Gazprom was signed on December 17, 2002. In particular, the Agreement provides for long-term procurement of Uzbek gas in 2003-2012, Gazprom's participation in natural gas production projects in the Republic of Uzbekistan on the PSA terms, as well as cooperation in the field of Uzbekistan's gas transmission infrastructure development and Central Asian gas transmission through the Republic. (Gazprom press release, December 29, 2009)

STORAGE

CHINA: More investments needed in gas storage facilities – CNR/49/1/44

Shortages of natural gas triggered by heavy snowfall in many regions of China are raising questions about whether the country has been slow to invest in storage capacity to meet peak demand. China National Petroleum Corp. said recently it began taking natural gas from underground storage five days earlier than in 2008 to meet the sudden spike in winter fuel demand. In the first 16 days of November, average daily natural gas consumption jumped 56% on year to more than 60 million cubic meters. Structural issues have also played a role in making the shortages worse.

CNPC said that natural gas storage is inadequate in central and southern China. While there are gas storage tanks with a combined designed capacity of 3.03 billion cubic meters in northern China, little more than half is available. China's sensitivity to swings in seasonal demand will become more pronounced as its demand grows, making additional storage critical. To be sure, China has been investing in new storage capacity. It's building terminals to receive LNG cargoes from abroad, though the facilities that are currently operational are mostly in southern regions, where gas demand peaks in summer rather than winter. CNPC is putting the Jing-58 underground tank, which has a storage capacity of 1.15 billion cubic meters, into operation before the end of 2010. Together with two adjacent tanks, it can provide 60 million cubic meters of natural gas daily to north China. China is also developing the Jintan storage base to deliver natural gas supplies to eastern China. CNPC said it will be built in stages and fully completed by 2020.

But experts say more needs to be done. Options include injecting natural gas into depleted oil and gas reservoirs, using saline aquifers. The use of mature reservoirs may be best for China, as 10 of its 11 biggest oil and gas fields are past their production peak. "Our view is that China likely has significant unutilized underground capacity, but of course this requires additional work to be done to make sure these depleted reservoirs can safely and efficiently be used for gas storage," said Gavin Thompson, China country manager at Wood Mackenzie. (Downstream Today, December 22, 2009)

FRANCE: Jacobs awarded renovation project of Storengy's Cere-la-Ronde UGS facility – CNR/49/1/45

Jacobs Engineering Group Inc. announced recently that it received a contract from Storengy to provide engineering, procurement, and construction management (EPCM) services to upgrade an underground gas-storage facility in Cere-la-Ronde, France. This renovation project is

expected to increase storage capacity at the Cere-la-Ronde site up to 1,200 million cubic meters as well as reduce the facility's impacts to the environment. Jacobs will design and install new gas compression, double the gas treatment facilities, and upgrade the control system and utilities. The project is scheduled to be implemented over the next two years. (PRNewswire, January 5, 2009)

GEORGIA: Tender launched for underground gas storage construction plans – CNR/49/1/46

The Millennium Challenge Georgia Fund and the winner of an international tender on designing underground gas storage construction plans will sign a contract worth \$3.5 million. Georgian Energy Minister Alexander Hetaguri, U.S. Ambassador John Bass and other officials will participate in the contract signing ceremony.

According to the tender terms, the contract will be implemented over 12 months. The construction is planned for the Ninotsminda field. (Trend, December 29, 2009)

UNITED STATES: Magnum's UGS plan receives approval – CNR/49/1/47

Magnum Gas Storage, a subsidiary of Salt Lake City-based Magnum Development, that wants to develop eight salt caverns north of Delta to store up to 45 billion cubic feet of natural gas, said recently that its plan has been accepted by the Federal Energy Regulatory Commission.

Spokeswoman Tiffany James said that each cavern will be created over a period of 18 months to two years. Magnum also wants to construct a 61-mile pipeline to link the storage facilities with the Kern River and Questar pipelines near Goshen. (The Salt Lake Tribune, December 23, 2009)

UNITED STATES: NGS Energy LP proposes first UGS facility in Arizona – CNR/49/1/48

A proposal has been recently filed with the Federal Energy Regulatory Commission to develop a natural gas storage facility in underground salt deposits northeast of Eloy in southern Arizona. If approved, it would be the first such facility in the state. NGS Energy LP has set up Arizona Natural Gas Storage LLC (ANGS) to create up to 8 salt caverns under the 1,050 acre site on private and State Trust lands. The facility is intended to eventually have storage capacity of 20 billion cubic feet of natural gas. The project would construct 27 miles of pipelines to connect to regional pipelines to supply gas-fired electric power plants. (Arizona Geology, December 24, 2009)



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