



**Vol. 52, n°4, February 28, 2013**

## **Main news**

### **LNG: Supplies- Imports - Exports**

- Estonia and Latvia don't want Gazprom linked to LNG project because the project's aim would be to cut the region's dependence on Russian supplies
- EDF Trading and EXMAR have announced their intention to jointly look for small-scale LNG export opportunities in North America using barge-mounted natural gas liquefaction.
- LNG export capacity seen at 70 billion cu m/year by 2020
- Putin gave the clearest indication yet recently that he's willing to put an end to OAO Gazprom's monopoly on natural-gas exports by allowing rival companies to ship liquefied natural gas abroad

### **Natural Gas: Exploration & Discovery**

- Total SA's move into Tajikistan is aimed at producing natural gas for export to neighboring China

### **Natural Gas: Production**

- Major Russian gas producer Novatek, decided to exit the Egyptian market and end its production activities due to the country's political instability

### **Natural Gas: Transportation – Distribution**

- NET Midstream to construct new gas pipeline system to Mexico

### **Natural Gas: Supplies- Imports – Exports**

- Woodside Petroleum Ltd., said it's in talks with companies for a potential partnership to enter Canada's natural gas industry to tap rising Asian demand
- Ukraine may quit the European Energy Community in reaction to its lack of support for the country in ongoing natural gas disputes with Russia

### **Natural Gas: Storage**

- Enbridge Gas Distribution announces binding open season for Tecumseh Gas Seasonal Storage Capacity
- The state venture Gujarat State Petroleum Corporation is in talks with Storengy, to explore possibility of underground natural gas storage
- Storengy UK is currently developing the Stublach Gas Storage Project (SGSP), a salt cavern storage facility in Cheshire

### **Natural Gas: General Information**

- The European Union agreed recently its first law to regulate safety in offshore oil and gas drilling across the 27-member bloc and seek to prevent any repeat of BP's catastrophic Gulf of Mexico spill

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LNG

SUPPLIES - IMPORTS - EXPORTS

ANGOLA: Planned project Delay – CNR52/4/1

**Angola LNG start delayed by technical problems**

The start of exports of LNG from the \$10 billion Angola LNG project has been delayed due to technical problems at the plant, a senior executive at state oil firm Sonangol said recently. Sonangol board member Baptista Sumbe told a press

briefing that Angola LNG will announce a new estimated date for the start of exports once reparation works have been completed. The project was initially expected to start exporting LNG in the first quarter of 2012, but following several delays **the date was last pushed back to the first three months of this year.** (February 25, 2013)

ESTONIA & LATVIA: Planned project – Agreement – CNR52/4/2

**Estonia and Latvia don't want Gazprom linked to LNG project**

Gazprom-owned companies should not be involved in any Baltic LNG terminal because **the project's aim would be to cut the region's dependence on Russian supplies**, Latvia and Estonia said recently. Gas companies Gasum in Finland and Vorguteenus in Estonia - both of which are partially owned by Gazprom - inked a deal to promote the Finnish town Inkoo for an LNG terminal and a pipeline to Paldiski in Estonia. Latvia Economy Minister Daniels Pavluts said the goal of the terminal project was to secure real alternatives to gas supplies for the region. The countries have not yet agreed on which LNG terminal and pipeline project to support to boost their chances of getting EU funding for the project. (February 21, 2013)

RUSSIA: Regulation – CNR52/4/3

**Putin signals wider gas exports**

Vladimir Putin gave the clearest indication yet recently that he's willing to **put an end to OAO Gazprom's monopoly on natural-gas exports** by allowing rival companies to ship liquefied natural gas abroad. The move is being considered because Russia, despite having the world's largest gas reserves, continues to lag behind other exporters in tapping the high-value LNG export market. "For the development of this LNG sector, all conditions must be created, including the need to consider the possible step-by-step liberalization of the export of LNG," Mr. Putin said. Ending Gazprom's monopoly on exports would be a blow to the state-controlled company, which is already under pressure from increasing

competition from domestic rivals in the Russian market and from companies like Norway's Statoil ASA in Europe. Gazprom warned recently of a drop in profits for 2012 because of shrinking sales in Europe, where it sells the bulk of its gas exports through a large pipeline network. Other Russian producers such as OAO Novatek and OAO Rosneft are increasing their natural gas output, but have so far been limited to selling it on Russia's domestic market, where prices are much lower than for exports.

Mr. Putin has ordered a **recasting of Russia's gas strategy in order to focus on LNG and deliveries to Asia.** Neither Mr. Putin nor other officials have suggested breaking Gazprom's monopoly on its main method of exporting via pipelines. (February 13, 2013)

RUSSIA: Planned project – Agreement – CNR52/4/4

**Gazprom to build LNG facility in Russia's Far East**

Gazprom's Management Committee has approved the investment rationale for a new LNG plant near Vladivostok in the far east of Russia. This will be built on the Lomonosov Peninsula on Perevoznaya Bay. The plant will have **three process trains, each with an annual capacity of 5 MM tons of LNG**, with the first train expected to come on stream in 2018. Gas will be supplied from fields offshore Sakhalin, and from the Yakutia and Irkutsk gas production centers. Target customers are in the Asia/Pacific region.

Last September, Gazprom and the Japanese government signed a memorandum of understanding to cooperate on the early construction of the plant. Gazprom has already agreed in principle to **build the plant in Vladivostok jointly with Japanese partners**, including Itochu Corp. and Japan Petroleum Exploration Co. The decision is seen as Gazprom's indication that it would like to execute an official agreement on joint construction with these partners. (February 22, 2013)

UAE: Planned project – Construction start-up – CNR52/4/5

**Emirates LNG to start terminal work this year**  
Emirates LNG has leased a plot of land on the east coast of the UAE and will start building an LNG import terminal there later this year, the company said in a statement recently. The joint venture between Abu Dhabi's Mubadala Petroleum and IPIC was set up in 2012 to import LNG into the port of Fujairah. "The Emirates LNG facility will have the **capacity to import 9 million**

**tons per annum of LNG** to help fuel the growing energy demands of the UAE economy," Emirates LNG Chief Executive Ahmed Matar Al Mazrouei said. The UAE has exported LNG since the late 1970s but its own rapidly rising demand and slower production growth have made the OPEC member a net importer of gas over the last five years. Rather than building a full-scale import terminal, Mubadala has said it is planning to use a floating storage and regasification unit to bring LNG into the UAE. (February 25, 2013)

UNITED STATES: Planned project – Export facilities – CNR52/4/6

**Cheniere Energy first LNG export facility to start in late 2015**

Cheniere Energy has reiterated that it will be ready to begin producing LNG at its terminal in Sabine Pass, La., in late 2015, a step that will lead to the first exports of natural gas extracted in the contiguous U.S. The announcement underscores how Cheniere, the only company to possess the necessary government permits to export natural gas to countries not in free-trade agreements with the U.S., is on schedule with its first two processing units while government regulators pore over about two dozen permit applications from competing projects. Cheniere said construction was about 20% complete on the first two Sabine Pass LNG processing trains.

Estimated completion dates for the two trains are running according to Cheniere's advanced schedule, with the first expected to begin LNG production in late 2015. Cheniere in October 2011 signed a 20-year contract to sell 4.2 million tonnes of LNG a year from Train 1 to a subsidiary of BG Group. Overall, **Cheniere has signed contracts to sell 16 million tonnes a year from four process units** at Sabine Pass to customers including Gas Natural Fenosa, Korea Gas and GAIL. Cheniere has also agreed to sell 2 million tonnes a year to Total at a proposed fifth processing train at Sabine Pass. Exxon Mobil, Freeport LNG and other would-be LNG exporters are still waiting for government approval to ship natural gas to countries not in a free-trade agreement with the U.S., a group that includes lucrative markets such as Japan. (February 22, 2013)

UNITED STATES: Planned project - Small scale – CNR52/4/7

**EDF Trading and EXMAR announce barge mounted U.S. LNG export plans**

Both companies have announced their intention to **jointly look for small-scale LNG export opportunities in North America** using barge-mounted natural gas liquefaction developed by EXMAR, Wison and Black&Veatch. In a statement from EXMAR they noted the aim would be to bring

mobile, self-contained liquefaction units to LNG import terminals in the U.S. using existing pipeline, tank and jetty infrastructure to enable LNG export. EDF Trading and EXMAR have secured the support of the Wison Group for the provision of turn-key engineering, procurement, construction, installation & commissioning services for the barge-mounted liquefaction plants. (February 14, 2013)

UNITED STATES: Production Forecast – CNR52/4/8

**US LNG export capacity seen at 70 billion cu m/year by 2020**

The US likely would build liquefaction capacity totaling 70 billion cubic meters/yr (6.77 Bcf/d) between 2016 and 2020, according to Goldman Sachs analysts. The analysts predicted recently that 48 billion cu m/yr of liquefaction capacity would be added in Canada, as well as 21 billion cu m/yr potentially at a planned Mozambique project by 2022. **In 10 years, Goldman Sachs expects global liquefaction capacity to rise to 660 billion cu m/yr, from the current 400 billion cu m/yr.**

Goldman Sachs said a number of factors could impact how much liquefaction capacity would be built, including the potential that the US Department of Energy would limit how much US LNG could be exported to countries that do not have free-trade agreements with the US, as well as uncertainty of the timing of liquefaction projects now being built and the development of Mozambique's large offshore gas reserves. Even if the US could build more than 70 billion cu m/yr of capacity, the global market would not need more than 80 billion cu m/yr of US liquefaction capacity in the next decade. Assuming that liquefaction plants now being built would come online beginning in 2015, LNG spot markets "will enter a bearish cycle in the 2016-2017 period, but subsequently transition into another bullish cycle from 2020," the analysts said. (February 20, 2013)



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## COMPANIES

[LATIN AMERICA/SPAIN: Assets sale – CNR52/4/9](#)

### **Shell Buys Repsol LNG Assets in Americas for \$4.4 Billion**

Royal Dutch Shell Plc agreed to buy LNG assets from Repsol SA for \$4.4 billion in cash to expand in Latin America and Spain. The deal, which helps the Spanish oil company avoid a credit-rating downgrade to junk, gets Shell export capacity in Peru as well as in Trinidad and Tobago. Shell will take over financial leases and assume debt, bringing the transaction's total value to \$6.7 billion. Repsol's Canaport terminal in Canada, which imports gas into North America, was not

sold. **The LNG asset sale was the centerpiece of Repsol's plan to preserve its credit ratings** by selling 4.5 billion euros (\$6 billion) of assets and take other measures, if necessary, such as swapping preferred shares into convertible bonds. Moody's Investors Service cut its rating to one level about junk and gave the company a negative outlook after Argentina seized Repsol's YPF SA business in April without compensation. YPF made up almost half of Madrid-based Repsol's oil reserves. **Repsol climbed 4.1% to close at 16.1 euros in Madrid trading, the biggest jump in eight weeks.** (February 27, 2013)

## NATURAL GAS

### EXPLORATION – DISCOVERY

[CHINA: Drilling campaign – CNR52/4/10](#)

### **Leyshon Resources begins work on Ordos Basin gas project**

Leyshon Resources' wholly owned subsidiary, Pacific Asia Petroleum Limited (PAPL), has commenced the previously announced \$20 million accelerated exploration and appraisal programme on its Zijinshan Gas Project, located in eastern Ordos Gas Basin in Central China ahead of schedule. **The programme is currently two weeks ahead of schedule** with over 150 kilometres of the planned 300 km seismic lines already surveyed, the company said.

Both wells ZJS5 and ZJS6 are part of an initial programme designed to explore and test the potential for commercial gas production in a highly prospective and unexplored 380 sq. km central depression area that appears to demonstrate good continuity with the neighbouring Sanjiaobei discovery. (February 24, 2013)

[COLOMBIA: Discovery – CNR52/4/11](#)

### **Pacific Rubiales announces natural gas and condensate discovery in Colombia**

Canadian-based Pacific Rubiales Energy Corp. announced the discovery of natural gas and condensate in the Manamo-1X exploration well drilled in the Guama Block in the Lower Magdalena basin, onshore northern Colombia. The Company has 100% working interest in the block and is the operator. Ronald Pantin, Chief

Executive Officer of the Company, commented: "This is an important discovery for Pacific Rubiales, as **it demonstrates the upside potential of both the Guama block and the Lower Magdalena basin** where the Company has a large exploration acreage position. It also validates the geophysical seismic model being used to successfully identify these condensate rich gas accumulations." (February 21, 2013)

[TURKMENISTAN: Drilling campaign – CNR52/4/12](#)

### **Total targets Tajik Gas linked to largest Turkmenistan Field**

Total SA's move into Tajikistan is aimed at producing **natural gas for export to neighboring China**. Total's venture with China National Petroleum Corp. and Tethys Petroleum Ltd., formed in December, is targeting an estimated **114 trillion cubic feet of gas at the Bokhtar license**, twice Norway's proven reserves, according to Tethys. The alliance with Beijing-based CNPC also brings with it a "large market outlet," David Robson, executive chairman at Tethys said. The successful development of gas in Tajikistan, which has little oil and gas output so far, would further hamper Russia's ambitions to supply China. OAO Gazprom has failed to reach a deal with Chinese customers after more than a decade of talks, while other former Soviet republics forged agreements.

The Bokhtar contract covers 35,000 square kilometers, and holds an estimated 27.5 billion barrels of oil and gas resources, according to Tethys. The partners plan to invest about \$80 million to explore Bokhtar in the next two years and expect to sink the first well as soon as 2014. Should a discovery be made, the producers

will pump gas to China through an existing pipeline or via a new link. They may also send fuel through the planned Trans-Afghan pipe as far as India, Robson said. (February 20, 2013)

## PRODUCTION

ARGENTINA: Planned project – Production forecast – CNR52/4/13

### **Total, Wintershall to invest \$2.1 billion in Argentina natural gas production**

Total and Wintershall will each invest about \$1 billion in Argentina over the next five years to boost natural gas production, the Argentine government said in a statement. Total will invest \$1.1 billion, while Wintershall will invest \$1 billion in projects that will **increase the country's annual natural gas output by 3.1% between 2013 and 2017**, according to the statement. Increased output from the investments is expected to total **12 Mcfpd**. (February 22, 2013)

EGYPT: Cessation of activities – CNR52/4/14

### **Major Russian gas producer exits Egypt**

Novatek, decided to exit the Egyptian market and end its production activities due to the country's political instability and the deteriorating security conditions, says Anatoliy Chomachka, a diplomatic representative at the Russian embassy in Cairo. Novatek began exploratory drilling at Al-

Arish offshore prospect in Egypt at the end of 2009 and announced it would pump almost \$40 million in drilling activities up until 2012. The Russian gas producer evacuated some its staff during the events of the Egyptian revolution and its drilling activity was halted at several times in Al-Arish region. (February 23, 2013)

INDIA: Partnership agreement – CNR52/4/15

### **BP& Reliance Industries Ltd. plan major expansion of gas production from offshore India**

BP and RIL. have updated plans for joint development to increase production from block KG D6 offshore India. The **joint venture has a series of projects that aim to develop about 4 tcf (113.27 bcm) of natural gas** from the block. Plans include spending of about \$5 billion over the next three to five years, a field optimization plan to augment production starting in 2014, development of R-Series and Satellite fields, drilling to test possible production below the current reservoirs, and examination of KG D6 infrastructure as a possible hub for the eastern coast of India. (February 20, 2013)

INDONESIA: : Planned project – Start up – CNR52/4/16

### **Indonesia's Pertamina and partners to spend \$3.3 bil to develop Cepu gas project**

Pertamina and its partners will spend a total \$3.3 billion to develop gas reserves at Cepu, with first gas production expected by 2017 and condensate by 2019, an official at the country's upstream

regulator SKK Migas said recently. The FID is expected to be made over 2015-2016 while engineering, procurement and construction works are expected to start at the end of this year, he said. Gas production from the **Cepu gas project is expected to come onstream by 2017 with an output of 185,000 Mcf/d** and condensate output of 3,000 b/d by 2019. (February 22, 2013)

## TRANSPORTATION-DISTRIBUTION

IRAK: Planned project – Agreement – CNR52/4/17

### **Baghdad okays Syria-Iran Natural Gas Pipeline**

Iraq has approved the construction of a natural gas pipeline across its territory that will connect Iran to key ally Syria. The Iraqi Cabinet said in a statement recently that it has instructed the country's oil minister to sign a framework agreement for the \$10 billion project, allowing the pipeline to move ahead. The project is designed to **supply gas from the giant South Pars field to Syria as well as other export markets**. Iran signed a preliminary deal to build the 1,500-kilometer pipeline in July 2011. (February 20, 2013)

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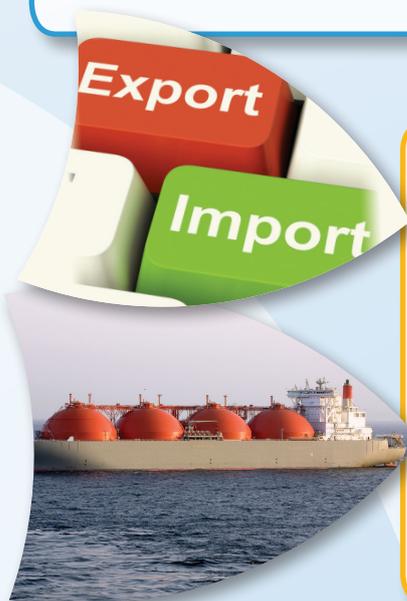
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**IRELAND: Planned project – Expansion – CNR52/4/18**

**£32.5m gas contract awards this year**

The award of the first of £32.5million worth of gas contracts that will see the natural gas network extended to Strabane and other towns in the west will take place at the end of this year. Investment Minister Arlene Foster said construction should begin in 2015. She referred to the Executive's approval last month of £32.5m in financial support

for the **extension of the natural gas network** to Strabane, Omagh, Dungannon, Cookstown, Magherafelt and Enniskillen. "The Utility Regulator is planning to launch a public consultation exercise in early 2013 on the proposed method for conducting a competition for new gas licences in the West and North West area, with the award of new licences anticipated around the end of 2013," she stated. (February 24, 2013)

**LITHUANIA: Planned project – Tender – CNR52/4/19**

Lithuania Reopens Baltic LNG-Link Tender After Procurement Probe

Klaipėdos Nafta AB, Lithuania's state-controlled energy terminal operator, reopened bidding for a contract to **link a natural gas terminal to the country's grid** after complaints about a previous change of the tender terms. A Lithuanian group whose previous winning bid to build the 20-kilometer pipeline was annulled, and Germany's PPS Pipeline Systems, which protested the rejection of its offer, have been invited to present new offers, Klaipėdos Nafta AB Chief Executive Officer Rokas Masiulis said recently. The delay "shouldn't impact" Lithuania's plans to start operating a new LNG terminal by the end of 2014, he said. Lithuania is building a floating LNG terminal on the Baltic Sea coast to diversify its gas imports. (February 19, 2013)

**MEXICO: Planned project – Approval – CNR52/4/20**

**NET Midstream to construct new gas pipeline system to Mexico**

US-based NET Midstream has announced that its wholly-owned subsidiary NET Mexico Pipeline will construct a **new 199.5km long and 42in wide natural gas pipeline system from Eagle Ford Shale region in Texas, to the border of Texas**

**and Mexico.** The financial terms of the deal were not revealed. NET Mexico will transport gas from the Agua Dulce Hub in Nueces County, Texas to a point near Rio Grande City, Texas in Starr County. NET co-president Joe Gutierrez said the company is building the pipeline to meet the growing demand of natural gas in Mexico.(February 25, 2013)

**SERBIA: Planned project – Approval – CNR52/4/21**

**Serbians Confirm South Stream Land Use**

Serbia announced its government has passed legislation giving Russia's Gazprom and state owned Srbijagas access to land to build the South Stream gas pipeline. The \$2.3 billion (€1.74bn) Serbian section of the pipeline was described by Serbian lawmakers as "the first and unique project of this kind and size," Bloomberg News reports. That means a South Stream joint venture could claim eminent domain over land along the **290-mile route** of the pipeline to facilitate its construction. This avoids the need to negotiate with individual landowners for compensation. South Stream Serbia is due for completion in 2015. (February 21, 2013)



## SUPPLIES - IMPORTS - EXPORTS

### CANADA: Partnership – CNR52/4/22

#### **Australian gas giant eyes partnerships in Canada**

Woodside Petroleum Ltd., said it's in talks with companies for a **potential partnership to enter Canada's natural gas industry** to tap rising Asian demand. Woodside, expanding overseas as Australia's liquefied natural gas industry struggles with rising costs, is looking at possible deals in North America, Chief Executive Officer Peter Coleman said. We're trying to **understand what is the business model that would make sense for Woodside in Canada**, recognizing that we're starting a couple of years behind some

competitors. "Any entry into North America would require some very knowledgeable and **substantial partners**," said Coleman. Chevron Corp., Royal Dutch Shell Plc and Petroliam Nasional Bhd. are pursuing gas exports from western Canada to Asian markets, where the commodity sells at a premium to North American prices.

Enbridge Inc. is seeking a partnership with Woodside to develop a natural gas **export terminal** in Canada, the Globe & Mail reported in December, citing unnamed sources. Coleman declined to say whether Woodside is talking with Enbridge. (February 21, 2013)

### IRAN: Supply contract – Terms revisions – CNR52/4/23

#### **Iran to supply gas at discounted price**

Iran has agreed to supply natural gas to Pakistan at a discount price while Pakistan has shown its willingness to **change certain provisions of draft agreement pertaining construction of 781 km long gasline** to be laid on Pakistani side. The two countries have also agreed to set up an oil refinery at Gwadar port, which will refine 4-lac barrel crude oil per day. On February 24, Iranian and Pakistani oil ministers inaugurated construction of the Iran-Pakistan (IP) gas pipeline in Pakistan's soil.

Pakistan has also decided to initially buy 10,000 tons of Liquefied Petroleum Gas (LPG) on daily basis from Iran as Iran has offered a low price of \$30/ton of the commodity in comparison to the price of international market. The Iranian LPG would be brought to Pakistan via road and the quantity of importing Irani LPG to the country would be enhanced in second phase, sources added.

The IP gasline project that will be completed by December 2014 will first bring 750 million cubic feet gas per day through 781-kilometre-long pipeline with a diameter of 42 inches, and later on, the gas flow will increase to 1 billion cubic feet per day. The agreement between both brethren states would be functional for 20 years and there would be a five-year extension. (February 21, 2013)

### UKRAINE: Regulation – CNR52/4/24

#### **Ukraine may quit European Energy Community over natural gas disputes**

Ukraine may quit the European Energy Community in reaction to its **lack of support for the country in ongoing natural gas disputes with Russia**, President Viktor Yanukovich said recently. The warning comes two weeks after Yanukovich said he was unhappy that the community had given a green light to Russian gas pipeline projects bypassing Ukraine on the way to Europe. "We, as a member of the community, are extremely dissatisfied with the way the community treats Ukraine."

Ukraine became a member of the European Energy Community in January 2011 in the hope it would help increase investments in the country's energy infrastructure, in particular natural gas pipelines. Russia is not a member of the community and has repeatedly suggested Ukraine should quit the group as part of a deal allowing

Gazprom to acquire control over Ukrainian gas pipelines, according to a Ukrainian government official.

Ukraine is unhappy that the community did not block the construction of **North Stream pipeline**, which has led to a reduction in Russian gas supplies via the Ukrainian gas pipeline system in 2012. Yanukovich also criticized the community for giving the go-ahead, despite Ukrainian concerns, for **South Stream pipeline**, which is supposed to link Russia and Bulgaria across the Black Sea. South Stream threatens to dramatically reduce gas supplies via the Ukrainian gas pipeline system, which until recently has been shipping up to 80% of Russian Europe-bound gas supplies.

Yanukovich was also angry that the community did not publicly support Ukraine after Gazprom recently imposed a **\$7 billion charge** for failing to import the contracted volume of gas in 2012. (February 22, 2013)

## STORAGE

### CANADA: Planned project – Open season – CNR52/4/25

#### **Enbridge Gas Distribution announces binding open season for Tecumseh Gas Seasonal Storage Capacity**

Enbridge Gas Distribution Inc. announced that it is **conducting a binding open season for natural gas storage services starting as early as March 1, 2013** at its Tecumseh Gas Storage facility in southwestern Ontario. The binding open season is for up to a **maximum of 3.8 million gigajoules, or approximately 3.5 billion cubic feet**, of natural gas storage capacity. Contracts will have a **maximum daily injection capacity of 1.5% and a maximum withdrawal capacity of 2%** of the contracted capacity.

Enbridge Gas Distribution Inc. has a more than 160-year history, is Canada's largest natural gas distribution company and owns 105 Bcf of underground gas storage facilities. (Feb. 11, 2013)

### INDIA: Planned projects – Talks – CNR52/4/26

#### **GSPC, GDF Suez in talks for underground gas storage**

The state venture Gujarat State Petroleum Corporation (GSPC) is in talks with Storengy (GDF subsidiary), to explore possibility of underground natural gas storage. GSPC wants to **utilise its depleting oil and gas assets** in Gujarat for storing natural gas to develop strategic reserves. As per the agreement, Storengy will study the GSPC's data bank to identify potential sites. New entrant in Indian energy market, GDF Suez is in process of forging alliances with Indian energy majors.

"Gujarat alone consumes over 50 mmscmd of natural gas and accounts for one third of Indian

demands. However, the state does not have adequate storage capacity in case of disruption in supplies from natural gas fields and LNG terminals," said a government of Gujarat official. Earlier in mid-2011, Gujarat based city gas distribution players could not feed natural gas to 3,000 industrial units for 24 hours as bad weather did not permit LNG terminals to operate for five days. Since then, GSPC is trying to create credible contingency plan. **GSPC and Storengy inked memorandum of understanding early in February for pre-feasibilities studies.** (February 8, 2013)

### TURKEY: Planned project – Approval – CNR52/4/27

#### **Tuz Gölü Underground Natural Gas Storage**

Construction has been approved for underground natural gas storage, in order to avoid possible bottlenecks. Turkey's Ministry of Energy announced that the project tender was won by Tuz Gölü, and construction on the project by the Chinese company China Tianchen Engineering Corporation will begin shortly. The \$640 million project **will be completed by 2015 and have a capacity of 1 billion cubic meters of natural gas**. If needed, 40 million cubic meters can be withdrawn daily. (February 22, 2013)

### UK: Regulation – CNR52/4/28

#### **E.ON fully opens new UK gas storage facility**

E.ON has opened all eight gas storage caverns at its new Holford storage facility in Britain, the company said recently. Two final caverns came into operation earlier in February, completing a seven-year construction and commissioning period at the site in Cheshire. E.ON's Holford gas storage site can now **inject and withdraw up to**

**22 million cubic metres per day (mcm/d) and has space to store 160 mcm of gas**. Noble Clean Fuels last year signed a five-year contract to lease all of the storage capacity at Holford. E.ON's gas storage business operates storage capacity of over 12 billion cubic metres (bcm) in Germany, Austria, Hungary and Britain. (February 20, 2013)

### UK: Planned project – Start up – CNR52/4/29

#### **Stublach Gas Storage Project**

Storengy UK is currently developing the Stublach Gas Storage Project (SGSP), a **salt cavern storage facility in Cheshire**. Once completed, the scheme will be one of the main storage facilities in the country and will enhance the security of supply to the UK market.

**20 caverns will be created** in total, the first 2 of which will be online in winter **2013**. The remaining caverns are expected to be fully developed by **2018**. Storengy UK will operate the first ~40 million cubic metres of

natural gas in 2013. By 2018 the total **storage capacity could reach 400 million cubic metres**. Thanks to very high injection and withdrawal rates – up to 30 million cubic metres per day – the store benefits from flexible services along with fast cycling products, allowing users to churn their gas many times during the year. (February 26, 2013)

### GENERAL INFORMATION

EU: Regulation – CNR52/4/30

#### **Europe to get its first EU-wide offshore oil and gas law**

The European Union agreed recently its first law to regulate safety in offshore oil and gas drilling across the 27-member bloc and seek to prevent any repeat of BP's catastrophic Gulf of Mexico spill. Some environmental campaigners said the law, which **still needs final endorsement from member states and the European Parliament**, was not robust enough. Others argued it could help to protect Arctic waters from oil spills.

Politicians from Britain were among the first to welcome it. They argue British standards of safety, based on decades of experience in the tough environment of the North Sea, are already excellent and the new law would oblige others to follow suit. The Commission reviewed existing national safety rules in the aftermath of the U.S. Gulf of Mexico accident in May 2010 and said it wanted to guarantee the world's highest safety,

health and environmental standards throughout the European Union.

The legislation covers the criteria for awarding operating licences and penalties for breaching safety standards, which could lead to loss of licence. Companies will also have to carry out emergency planning and risk assessment and will be fully liable for any environmental damage up to about 370 km (200 nautical miles) from the coast. Although the new rules will only apply to EU waters, the Commission says it will work with international partners to promote such standards across the world.

In a statement, Green members of the European Parliament urged the assembly not to give final approval. But **environmental campaigning group Greenpeace said the preliminary deal was positive and its demand for risk assessment could deter unscrupulous operators**. (February 21, 2013)

EU: Regulation – CNR52/4/31

#### **Most of Europe's gas supplies still linked to oil prices**

Europe's natural gas supplies are still mostly paid for by contracts that are linked to oil price, despite moves by utilities to switch payments towards prices based on openly traded gas hubs. Europe's natural gas suppliers have traditionally sold through long-term deals linked to oil prices, which are relatively high. Power companies want more flexible pricing based on spot gas markets.

Based on data accumulated from gas supply companies, energy consultancies and Reuters research, only 35 to 38% of all major European gas supplies are now priced off openly traded hubs such as Britain's National Balancing Point. This means that **around two thirds of supplies remain under increasingly oil-indexation contracts**.

**Norway is switching its marketing model and sells almost half of its gas to Europe on a spot market basis**. But most major suppliers such as **Russia, Qatar and North Africa continue to rely predominantly on oil indexation**. Only suppliers in **Britain and the Netherlands already supply most of their gas on a spot basis**.

While oil indexation still dominates Europe's gas supply contracts, the **market is shifting in favour of spot pricing**. Around half of Europe's long-term gas supply contracts, which can extend up to 25 years, are up for renewal between 2018 and 2020, sources say. (February 22, 2013)



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