

LNG

PROCESSING

CHINA:

GE, Energas to cooperate on small scale LNG infrastructure in China

GE Oil & Gas and Dalian Energas Gas-System Co., (Energas) last week signed a strategic Memorandum of Understanding (MoU) to build LNG infrastructure in China. According to the MoU, GE, through enCryo, a GE O&G and Maison joint venture in China, will build one **small-scale LNG plant with a daily production capacity of 50,000 cubic meter** in Xinjiang, China. Over the next three years, the companies will work together to build up to **eight similarly sized plants in the region**, GE said.

GE stated that its small scale LNG plants are well-suited for processing and liquefying gas in **remote areas to help complement limited gas pipeline networks** and improve the efficiency of gas usage.

China's unconventional natural gas sources are relatively small and scattered, and the country's limited gas pipeline network leaves much of its natural gas resources untapped and stranded.

"China has abundant resources in natural gas, coal seam gas and shale gas. Using these resources efficiently will reduce CO2 emissions and help address the increasingly hazardous environmental issues we face in China. By implementing GE's Small-scale LNG solutions, we hope to ultimately enable highly-secure utilization of flare gas associated with oilfield drilling in Xinjiang. The LNG we provide will also contribute to China's clean energy initiatives by replacing diesel as a cleaner-burning fuel for long-haul buses and heavy-duty trucking," Xie Bing, Chairman of Energas said. (September 30, 2014)

10/09/2014

INDONESIA:

Wärtsilä plans Indonesia's first bio-LNG plant with local partners

Wärtsilä and two Indonesian partners have recently signed a joint development agreement with the intention of creating the first ever bio-LNG plant in Indonesia according to a Wärtsilä statement. The co-signers of the agreement with Wärtsilä are PT Pertamina and PT Godang Tua Jaya a waste utilization sector specialist company.

Wärtsilä Oil & Gas Systems will conduct a feasibility study for the project to develop a **mini bio-LNG plant with a capacity of .75 tons/hour**. The plant will process **municipal solid waste into biogas for use as a renewable energy source for typical vehicle fuel**. In addition to the feasibility study, WOGS will provide technological support and an economic assessment. If the project is deemed to be feasible then the parties are expected to enter into an execution agreement according to Wärtsilä.

Wärtsilä noted the company has delivered LNG plants with capacities ranging from 20,000 to 85,000 tons per year and has also developed solutions for capacities up to 1 million tons per year. The Wärtsilä biogas liquefaction plant in Oslo, Norway converts household food waste into biomethane that is then used to fuel the local buses. The plant treats 50,000 tons of garbage per year, which produces enough fuel to run 135 buses. (October 8, 2014)

10/09/2014

PRODUCTION

INDONESIA:

Indonesia's Donggi-Senoro LNG project to start up in mid-2015

Indonesia's Donggi-Senoro LNG project will commence production in mid-2015, a spokeswoman for the project said, around **three months later than a previous target** provided by one of its major shareholders.

Indonesia is currently the world's fourth-biggest exporter of LNG. By 2020, however, Southeast Asia's largest economy is expected to **import up to 3.5 million tonnes of LNG per year** as it increasingly turns to gas to generate power for industry and to fuel trains and trucks.

The \$2.8 billion Donggi-Senoro is one of several major gas infrastructure projects that the country hopes will meet mushrooming energy demands at home and around the region. LNG projects often run behind schedule and over budget. Donggi-Senoro, Indonesia's fourth LNG project, was originally expected to come online in 2014, but the target was later pushed back to March 2015.

Donggi-Senoro expects to begin receiving 250 MMscfd of gas committed from the Pertamina Medco Tomori Sulawesi Joint Operating Body by mid-year 2015, Damayanti said, the main feed supply for the plant. Delivery of part of an additional 85 MMscfd committed from the Matindok Gas Development Project is expected to begin in December 2015, with the remainder expected to come on stream in March 2016, bringing the total gas supplied to Donggi-Senoro to 335 MMscfd. Donggi-Senoro has contracts to supply 1 MTPA of LNG to Chubu Electric Power Co Inc, 300,000 tonnes per year to Kyushu Electric Power Co Inc and 700,000 tonnes per year to Kogas.

According to PT Donggi-Senoro LNG Chief Executive Gusrizal, the plant is currently in the utility and safety system commissioning phase.

Shareholders in Donggi-Senoro project include Mitsubishi Corporation, South Korea's Kogas, Indonesia's Medco Energi Internasional and Indonesia's state energy firm Pertamina. (October 8, 2014)

10/10/2014

SUPPLIES - IMPORTS - EXPORTS

ESTONIA - FINLAND:

Estonian-Finnish LNG terminal project gets stalled

The negotiations of Finnish, Estonian and the European Commission representatives in Tallinn over the construction of a LNG terminal along the Gulf of Finland reached an impasse, Äripäev.ee/LETA cite Finnish newspaper Helsingin Sanomat.

The problem still is that both Finland and Estonia want the new regional terminal, that the EU would be willing to finance, to be located in their territory. **The compromises proposed so far have not brought a breakthrough.**

Finnish Gasum claims that the problem is that the size of the investment support has decreased significantly as compared to the previous promises. "Unfortunately, we did not find a suitable for all parties and cost-effective cooperation model. All submitted proposals would have required considerable EU support, which was not available," said chief executive of Gasum Johanna Lamminen. Finnish Ministry of Economy and Labour official Esa Härmälä said that **the terminal will be postponed**. No new meeting time was agreed upon. (October 1, 2014)

10/02/2014

UNITED STATES:

FERC notice of intent to prepare environmental impact statements for two more U.S. projects

The staff of the Federal Energy Regulatory Commission announced it will prepare an environmental impact statement (EIS) that will discuss the environmental impacts for two proposed U.S. LNG projects. The projects are the **Mississippi River LNG project** involving construction and operation of a LNG facility by Louisiana LNG Energy in Plaquemines Parish, Louisiana and the **Downeast LNG Import-Export Project** in Washington County, Maine. The Commission will use this EIS in its decision-making process to determine whether the project is in the public convenience and necessity.

Louisiana LNG Energy would construct, own, and operate a liquefaction terminal for the export of LNG. The terminal would include **four liquefaction trains, each with a capacity of 74,380 cubic feet per day; two 100,000 cubic meter full containment LNG storage tanks; 1.9 miles of 24-inch-diameter pipeline; and 1.6 miles of 12-inch-diameter pipeline.**

Downeast Liquefaction plans to develop, construct, and operate LNG terminal facilities that would convert the proposed Downeast LNG Import Project into a bidirectional import-export LNG terminal and pipeline capable of producing 3 mtpa of LNG and 100 mmscf of regasified LNG. (October 6, 2014)

10/07/2014

LITHUANIA:

Lithuania could begin importing LNG from USA

During his meeting with United States Secretary of Commerce Penny Sue Pritzker on 11 October in Washington, Lithuanian Prime Minister Algirdas Butkevicius discussed the EU negotiations with the US over the **Transatlantic Trade and Investment Partnership agreement (TTIP)** and stressed that once the LNG terminal starts operating in Lithuania, the country could begin importing LNG, informs LETA/ELTA.

The PM told the secretary of commerce that bilateral relations of Lithuania and the US are developing dynamically: compared to 2012, bilateral trade volume in 2013 increased by more than 60%. Butkevicius highlighted that US market opening for Lithuanian meat products would be a sign of economic solidarity as Lithuanian meat producers have lost 25% of their exports market due to Russia's embargo and the US could become an alternative for them. (October 13, 2014)

10/14/2014

RUSSIA/CHINA:

Russia's Gazprom may drop Vladivostok LNG project in favour of pipeline gas to China

Gazprom may drop its Vladivostok LNG project in Russia's Far East in favour of pipeline gas supplies to China, the firm's Chief Executive Alexei Miller told reporters. "We will study the question of supplying pipeline gas from the Vladivostok area to China. This could really be a complete alternative to the project Vladivostok LNG," Miller said, adding that **Gazprom could supply 15 bcm of gas per year to China on top of earlier agreed volumes.**

Russia and China agreed earlier this year that Gazprom would supply gas to China via the yet to be built Power of Siberia pipeline, which is expected to carry 38 bcm of gas to China per year. (October 13, 2014)

10/14/2014

THAILAND - MYANMAR:

Thailand's PTT eyes third LNG terminal in Myanmar

PTT is looking to build a third LNG terminal in Myanmar to help secure energy supply in the Southeast Asian country, a senior executive said. LNG is an important source of fuel in Thailand, which uses natural gas for almost 70% of its power generation and one-fourth is imported from Myanmar.

PTT is studying a plan to **build an LNG receiving terminal adjacent to a gas pipeline already linked to existing gas fields** in Myanmar. The terminal, expected to have **capacity of 5 million tonnes per year**, will offer a more convenient location to ship LNG from suppliers in the Middle East, he added.

The company is also building a second LNG terminal, with the same capacity of the first one, at Map Ta Phut in eastern province of Rayong, which is expected to be completed in 2017.

PTT, the country's only gas supplier, has cut estimates for LNG imports for this year as demand slowed after months of domestic political unrest. PTT, through its upstream business PTT Exploration and Production Pcl, has been operating in Myanmar for 25 years. (October 1, 2014)

10/02/2014

USE FOR POWER GENERATION

JAPAN:

Japan's Tepco to tie up with Chubu Electric in thermal power JV

Tokyo Electric Power Co (Tepco) and Chubu Electric Power Co have entered final talks on a comprehensive joint venture in fossil fuel procurement and electricity generation, the companies said recently. Tepco and Chubu Electric, the dominant electricity suppliers in Japan's biggest and third-largest economic regions respectively, said they will aim to agree on terms of the tie-up by the end of the current business year ending March.

The utilities will discuss joint **procurement of LNG** and the construction of new fossil fuel-fired power plants in a partnership that is likely to be held **on an 50-50 basis**.

The disaster of Fukushima exposed the company to tens of billions of dollars of compensation claims and clean-up costs and led to the shutdown of all the country's nuclear reactors for stringent safety checks. That forced operators to import record amounts of coal and expensive LNG for electricity generation, contributing to a record run of trade deficits for Japan and forcing two other regional monopolies to seek state aid. Under the joint company structure, debt associated with the Fukushima disaster will be continued to shouldered by Tepco, the companies said.

Tepco, the world's second-biggest LNG buyer after Korea Gas Corp, wants to bring in a partner to **jointly purchase between 35 million and 40 million tonnes a year of LNG**. The Tokyo utility currently buys about 25 million tonnes every year, while Chubu Electric, the world's third-biggest LNG buyer, takes in around 14 million tonnes a year. (October 7, 2014)

10/08/2014

USE AS AUTOMOTIVE FUEL

UNITED STATES:

Volvo stalls North American LNG engine program

Adapting to the pace of the North American alternative fuel market, Volvo Trucks has put on hold plans to launch its own compression ignition LNG engine for North America. Field testing of Volvo's dimethyl ether (DME)-powered vehicles will continue, and the company will continue to offer spark-ignited natural gas engines in its VNM and VNL models.

Development of the natural gas infrastructure to support long-haul trucking has been modest over the last year, and the needs of customers in the primary markets for natural gas vehicles – regional haul and dedicated routes – are being met with the company's current natural gas line-up.

Volvo Trucks continues to believe that DME – which can be produced from natural gas – holds promise as a heavy-truck fuel. Customer field tests of DME-powered vehicles will continue, but the company has decided not to establish a commercialization date as it continues monitoring market and stakeholder interest in the fuel. (October 2, 2014)

10/03/2014

COMPANIES

CHILE:

Spain's Gas Natural to buy Chile's CGE for \$3.3 bn

Spain's Gas Natural Fenosa has reached an agreement to acquire Chile's Compañía General de Electricidad, or CGE, for about \$3.3 billion, the Chilean firm said in a securities filing. CGE's majority shareholders agreed to sell their 54% stake in the electric utility to Gas Natural.

Under the terms of the agreement, **Gas Natural will offer to acquire 100% of CGE's stock, taking a minimum initial stake of 51%**. The Spanish energy company is paying 4,700 pesos (about \$8) for each of CGE's outstanding shares.

Gas Natural must launch its tender offer within 10 days, with the deal having a start date of Saturday, October 18, CGE said in the securities filing.

Gas Natural Fenosa, one of the world's largest natural gas distributors, entered the Chilean market in late May, when it won a contract to supply LNG to the Kellar power plant built and operated by a consortium formed by Korea Southern Power Co. and Samsung C&T Corp. The Spanish company expressed interest in an Oct. 6 filing with securities regulators in acquiring CGE. EFE. (October 12, 2014)

10/14/2014

PUBLICATIONS

WORLDWIDE:

Goldman sees global LNG projects at risk as demand growth slows

LNG projects in Africa, Canada and Australia face delays or even cancellation **as global demand growth slows and U.S. output increases**, according to Goldman Sachs Corp. (GS) Worldwide demand for LNG will grow 5% on an annual compound basis by 2020, and 4% by 2025, Goldman Sachs analysts including Mark Wiseman in Sydney said in a report. The bank previously forecast growth of 6% and 5%, respectively.

Even the U.S., where Goldman expects final approval for more than 40 million metric tons of new gas production annually over the coming years, **will not be spared from the pull-back**, Goldman said. "The window for U.S. LNG is limited," Goldman said in the report. "Given the substantial contracts that have been signed in the last couple of years with U.S. LNG projects, we believe investors should seek exposure to low-cost LNG export capacity, and be realistic about expectations for further contracts."

U.S. supplies will compete with cargoes from Qatar and Australia, two of the biggest exporters, shifting global movements of the super-chilled fuel. Surging U.S. gas production from shale formations including the Marcellus deposit in Appalachia has sent prices tumbling 69% from their peak in 2008.

Factors that may slow demand for LNG include the restart of nuclear reactors in Japan, China's success in shale-gas exploration and production, and economic conditions in the Association of Southeast Asian Nations, or ASEAN.

Several projects in Canada and Australia will probably face deferrals due to uncertain production costs and price-sensitive buyers, according to Goldman. Papua New Guinea has perhaps the lowest risks as it expands LNG production, the bank said. **"Outside of the U.S., we believe Papua New Guinea and East Africa may be the best placed regions to compete on cost competitiveness,"** Goldman said. **"Given the industry's renewed focus on capital discipline in recent times, we are observing a number of high-cost LNG projects deprioritized in the investment queue by major companies such as Chevron, Royal Dutch Shell, BG Group, ExxonMobil."**

The bank expects strong demand growth in Asia to be led by China and ASEAN nations, with modest growth from India, South Korea and Japan. "More than 20 percent of Japan's LNG future import prices are driven by Henry Hub gas prices," Goldman said, referring to the delivery point for U.S. natural gas futures.

China's government policy is driving increased gas use, especially in residential and industrial consumption, as well as transportation, according to the report. Still, gas-fired power generation capacity is not a high priority in China given the lack of competitively priced supply compared with other feedstock, Goldman said.

LNG demand in Thailand, Singapore, Philippines, Indonesia, and Vietnam will continue to grow and reach a combined 42 million tons-per-year by 2025, according to Goldman. "Traditionally an LNG exporting region from Indonesia Malaysia and Brunei, ASEAN has emerged as a large demand center due to strong economic growth, urbanization, and declining local gas supplies," Wiseman said. "In many cases, LNG is reducing fuel costs initially, displacing oil consumption or more expensive pipeline gas." (October 2, 2014)

10/03/2014

NATURAL GAS

EXPLORATION

TANZANIA:

BG Group exits Tanzania block 3 gas licence

British gas producer BG Group said recently it had withdrawn from the development of a gas block offshore Tanzania after finding it was not worth exploring further there. Its partner Ophir Energy in Block 3 off the coast of the east African country said it had applied to the government to take over BG's 60% interest and operatorship of the licence, bringing its stake in the block to 80%. Pavilion Energy, owned by Singapore investment company Temasek, holds the other 20 percent.

"We have applied to the government to relinquish (involvement). Our view of the resource does not support BG Group proceeding to the next phase of development," a spokesman for BG Group said.

Ophir would make no payment to BG as a result of taking over the stake.

The gas group, Britain's third-biggest energy company, is under pressure to rein in costs and reshape its asset portfolio after a series of production downgrades that led to the resignation of its chief executive earlier this year.

BG plans to open a LNG export terminal in Tanzania together with partners Ophir, Statoil and Exxon Mobil, which will be fed with gas from two other offshore blocks. So far, only one well has been drilled on the block, the Papa-1 well, where gas was discovered in 2012. (October 2, 2014)

10/03/2014

TANZANIA:

Ophir, BG find more gas in Tanzania

Ophir Energy recently said that Kamba-1 well in Block 4 has resulted in **gas discoveries of 1.03TCF** in the Kamba and Fulusi prospects offshore Tanzania. BG operates the Block 4 licence and Ophir holds a 20% interest. The well was drilled in a **water depth of 1,379m** to a total depth of 3,969m with the twin objectives of intersecting the Paleocene-aged Fulusi prospect and the primary target of the Cretaceous-aged Kamba prospect, Ophir said.

According to Ophir, Kamba-1 well encountered an 18m gross gas column in the Fulusi prospect and, after sidetracking to test the Kamba prospect, the Kamba-1ST well established another gas column of 140m with high net to gross, good quality, reservoir sands. The Kamba-1 discovery is the JV's 16th consecutive discovery well in Blocks 1, 3 and 4.

This discovery, plus recent volume updates on the earlier discoveries, **increases Ophir's estimate of the total Block 1, 3 and 4 mean (2C) recoverable resource to 17.1TCF.**

The Kamba-1 result provides critical mass for an LNG train to be supplied from the fields in Block 4 and also takes the overall resource volume to the threshold for a future potential third LNG train to be from Blocks 1 and 4, Ophir stated.

"The Kamba discovery has now confirmed sufficient aggregate resource in Block 4 to supply one 5MMTPA train of LNG. In combination with the discovered resource in Block 1, the Block 1 and 4 Joint Venture is now close to the threshold resource volumes for three 5MMTPA LNG trains," Nick Cooper, CEO, commented. The Kamba-1 well represents the Joint Venture's final well in this current drilling campaign. (October 2, 2014)

10/02/2014

BRAZIL:

Petrobras strikes gas at Espirito Santo Basin

Brazil's Petrobras said it has discovered a new gas accumulation at Espirito Santo Basin post-salt. The discovery took place during drilling of well 3-BRSA-1259-ESS (ANP nomenclature) / 3-ESS-222 (Petrobras nomenclature), informally known as Tanganika, at a water depth of 1,043 meters, located in the Malombe Discovery Evaluation Plan (PAD), 72 km off the coast of the Espirito Santo state, a statement by Petrobras said.

The discovery was confirmed through logging carried out in reservoirs located at depth of around 2,880 meters. The well has reached the total depth of 2,996 meters.

The consortium operated by Petrobras (89.89%) in partnership with Repsol Sinopec (11.11%) will proceed with the operations planned, in order to better evaluate the discovery, through a formation test, the statement added. (October 6, 2014)

10/07/2014

ALGERIA:

Sonatrach, Gazprom make third oil, gas find in Algeria

Sonatrach and Gazprom have made new oil and gas discovery in Algeria's Berkin Basin, reported news agency Reuters. The latest find bring the total to three.

The new discovery was made in the El Assel area at Block 236b after drilling reached a final depth of 4,120 metres, Reuters said citing a statement by the Algerian firm. Gazprom and Sonatrach had made two discoveries in the same perimeter following the drilling of RSH-2 and ZERN-1 exploration wells.

Sonatrach holds a 51% stake in the project while the remaining 49% is owned by Gazprom. (October 8, 2014)

10/10/2014

TANZANIA:

Statoil finds more gas offshore Tanzania

Norway's Statoil has found more gas offshore Tanzania, increasing its total for an eventual investment decision on a liquefaction plant with Britain's BG Group, which operates neighbouring exploration blocks, it said recently.

Statoil found another **1.2 trillion cubic feet of gas** in its block, taking its **total volume in-place to 21 trillion cubic feet**, or about 3.8 billion barrels of oil equivalents. BG has also found about **15 trillion cubic feet** of gross resources in nearby blocks. "This discovery has proven the gas play extends into the western part of block 2, which opens additional prospects," Statoil said in a statement. "Opening up a new area will be key to continuing our successful multi-well programme."

Although Statoil and its partner ExxonMobil have released few detail on the project, one of BG's partners earlier said that the volumes in place would support two 5 million tonnes per annum liquefaction units, or LNG trains, with the final investment decision coming in 2016 and production beginning around 2020.

Statoil said that before an investment decision was made, it needed to ensure it had sufficient volumes, managed the technological and subsurface risk and ensured all legal and commercial requirements were in place for the investment. Analysts have said they expect the project to go ahead with the partners focusing on rapidly expanding LNG markets in places such as South Korea and Japan.

Statoil is the operator of block 2 and has a stake of 65%. ExxonMobil holds the other 35%. (October 14, 2014)

10/15/2014

PRODUCTION

RUSSIA:

Russia's Gazprom says gas output to rise 5% in 2015

Russia's top natural gas producer Gazprom expects its gas output to rise by around 5% next year, Vsevolod Cherepanov, a member of the company's management board, said recently.

Gazprom expects its gas output to fall to 463 billion cubic metres this year due to a pricing dispute with Ukraine. (October 7, 2014)

10/08/2014

TRANSPORT - DISTRIBUTION

KOREA:

Shipbuilders overtaken by Japan

Korean shipbuilders were overtaken by both their Chinese and Japanese competitors in winning orders during September. According to data from international market researcher Clarkson Research Service, Korean shipyards won orders totaling 421,528 compensated gross tons (CGT) in September, accounting for 20.7% in market share, down 23.8% points from a month ago. Chinese shipbuilders in contrast ranked first internationally and accounted for 45.3% of the global market share, receiving orders totaling 922,800 CGT in the same period, up 18%.

Japan ranked second receiving orders totaling 551,850 CGT, accounting for 27.1%, **boosted by a weaker yen that makes Japanese vessels cheaper**. This is the third time Korea has been overtaken by Japan this year. The difference in currency valuation is a major reason behind the gains by Japanese shipbuilders.

LNG carriers made by Japanese shipbuilders also pose a threat to Korean shipbuilders as their gas mileage is similar to those given by Korean companies.

The **recent merger among Japanese shipyards and its government's financial aid** is another aspect bolstering the competitiveness of Japanese shipbuilders. IHI Marine United and Universal Shipbuilding merged last year to become Japan Marine United, the world's fourth largest shipbuilder.

Meanwhile, Chinese shipbuilders are reinforcing their presence in small- and medium-sized container and bulk carriers, as well as trying to expand their portfolio to large-sized container ships. By August of this year, Chinese shipbuilders secured orders worth some \$22.5 billion, surpassing Korean shipyards' orders worth \$20.8 billion.

Some analysts have said the Korean shipbuilders may see a rebound in orders in the fourth quarter, boosted by a rise in orders for container and LNG carriers. "If there is no additional major slump in third quarter performance, they may have passed the worst," Shinhan Securities analyst Kim Hyun said. "I expect a turnaround in orders for container and LNG carriers, which Korea has as its strength, between November and December or in the fourth quarter. He said the Japanese shipbuilders are unlikely to gain sustainable boosts from the weak yen. "It's temporary, and at the same time, the impact of the **Chinese government's financial support** to small and medium-sized shipbuilders won't last long," he said. (October 10, 2014)

10/13/2014

TURKEY:

Turkey, Gazprom to increase Blue Stream gas capacity

Turkey and Russian energy giant Gazprom have agreed to increase the capacity of the Blue Stream natural gas pipeline, which carries Russian gas to Turkey via the Black Sea.

Turkish government sources confirmed recently that the agreement to **increase capacity from 16 billion cubic meters (bcm) to 19 bcm** had been reached during Turkish Energy Minister Taner Yildiz's visit to Moscow.

Turkey consumes 45 billion cubic meters of gas annually, with nearly 60% of it being imported from Russia.

The agreement came as Yildiz held discussions with Russian counterpart Alexander Novak, Gazprom's CEO Alexey Miller, Sergey Kiriyenko, CEO of the state-owned Russian nuclear company Rosatom and Elena Burmistrova, the head of Gazpromexport, during his visit to the Russian capital. (October 2, 2014)

10/02/2014

SUPPLIES - IMPORTS - EXPORTS

ROMANIA:

Chisinau, Bucharest may ink reverse gas supply deal

Moldova's Deputy Prime Minister, Economics Minister Andrian Candu said recently that his country plans to **sign an agreement on reverse gas supply with Romania** this week. Candu added that Romania has promised to deliver to Moldova gas by **20% cheaper than that purchased from Russian gas giant Gazprom**.

Five days ago, Romania's Romgaz and Petrom said they would provide Moldova with gas by 20% cheaper than the Russian one. Romgaz and Petrom have forwarded by an offer on gas supply via the Iasi-Ungheni gas pipeline to the Moldovan state company.

"Two offers by Romanian companies were made to the Energocom Moldovan state enterprise at delivery prices at the border by 20% lower than those practices by Gazprom on this market. The construction and operation of the Iasi-Ungheni gas pipeline created for consumers from the Ungheni area the possibility of an alternative as regards the gas supply," the reply of the Energy Department read.

About **14,000 cubic metres of gas per hour, namely 3% of Moldova's consumption**, may be delivered via this pipeline. "We estimate that we are going to use this opportunity soon, but it is the Moldovan state company's decision when this is going to happen. Romania kept its promises and we managed to complete this important energy infrastructure project in the agreed time and with a final cost budget under the initially planned one," the Energy Department's representative said.

By 2016, we will expand the Iasi-Ungheni gas pipeline to Chisinau, in order to ensure an alternative of gas supply to Chisinau, Candu added. The EU will additionally provide €10 million in order to carry out the works of expansion of the gas pipeline. (October 6, 2014)

10/06/2014

EGYPT:

Egyptian government pays \$350 million to BG Group

BG Group announce it has received a \$350 million payment from the Egyptian government. BG Group noted this reduces the company's domestic receivables balance in Egypt to around \$1.2 billion.

According to a BG Group statement the payment is the result of the government of Egypt raising funds specifically to **help repay debts to the oil and gas sector**. The company will continue to investigate options for increasing the supply of gas and is working with the government of Egypt on resolving the outstanding receivable balance.

BG Group operates in Egypt through its wholly-owned subsidiary BG Egypt. The company is one of the largest producers of natural gas in Egypt spanning the gas chain from exploration through development and production to LNG. (October 6, 2014)

10/07/2014

UNITED STATES:

Growing U.S. natural gas output spurs exports to Mexico

Natural gas production expanding at the fastest pace in three years will spur exports to Mexico, according to the U.S. Energy Information Administration. Marketed production will increase 5.4% this year to average 73.98 bcf/d, representing the biggest volume and percentage gains since 2011, the EIA said in its Short-Term Energy Outlook. The forecast was raised from last month's projection of 73.93 billion.

The boom in shale drilling at deposits from the Marcellus in the East to the Eagle Ford in Texas will expand natural gas output for the 10th straight year in 2015. **The surge in supply is boosting demand for the fuel from Mexico**. Gross gas exports this year will increase this year by 0.5% to 4.32 bcf/d and then expand by 9% in 2015 to 4.71 billion, the report showed. Mexico's national energy ministry projected that **gas flows across the border will rise to 3.8 bcf/d in 2018, more than double the rate of 1.8 billion in 2013**, the EIA said. The EIA expects gas output to rise 2% in 2015 to average 75.48 billion cubic feet a day, setting a record for the fifth straight year after expanding for the past decade.

Gains in gas production and an unusually mild summer that reduced demand for the power-plant fuel helped U.S. stockpiles replenish at a record rate from an 11-year low during the frigid winter. The EIA expects supplies in the lower 48 states to reach 3.532 trillion cubic feet by the end of October, raised from last month's outlook of 3.477 trillion.

The government trimmed its 2014 gas price forecast for Henry Hub in Louisiana, the benchmark for New York futures, to \$4.45 million Btu from \$4.46 in last month's outlook. **Average prices will drop 14% next year to \$3.84**, the report said. "Even if this winter is as cold as last year's, the net withdrawal from natural gas inventories over the heating season would not be as large as last winter's drawdown," Sieminski said. "Domestic gas production this winter is expected to be significantly higher than it was last winter." (October 7, 2014)

10/09/2014

IRAN:

Iran to increase gas supply capacity

The capacity of Iran's gas transmission will increase as **four pressure booster stations are expected to come on-stream**, managing-director of Iran Gas Engineering and Development Company said. Alireza Gharibi said the booster stations are scheduled to become operational by March 2015. He added that 80 kilometers of Iran Gas Trunkline-10 is also to be constructed by that time.

Earlier, Hamidreza Araqi, the managing-director of the National Iranian Gas Company, said the company has put on its agenda the completion of 10 booster stations by the end of the current year. (October 13, 2014)

10/15/2014

RUSSIA:

Russia signs deals with China to help weather sanctions

Russia and China signed energy, trade and finance agreements on Monday proclaimed by Moscow as proof that a policy turn to Asia is bearing fruit and will help it to weather Western sanctions over the Ukraine crisis. The 38 deals, signed on a visit to Moscow by Premier Li Keqiang, allow for **deeper cooperation on energy and a currency swap** worth 150 billion yuan (\$25 billion) intended partly to reduce the sway of the U.S. dollar. They are among the first clear successes of the eastward shift, ordered by President Vladimir Putin to avoid isolation over the sanctions, since the vast nations reached a \$400 billion, 30-year natural gas supply agreement in May.

For Russia, the agreements offer some relief, with the European Union and the United States showing no signs of lifting sanctions imposed over Russia's annexation of the Crimea peninsula and its backing of separatists in east Ukraine. The sanctions target the finance, energy and defense sectors, restricting some state firms' and banks' ability to raise financing in Western markets.

The currency swap strengthens China's plans to promote international usage of the yuan following pledges by Moscow and Beijing to settle more bilateral trade in roubles and yuan. Spurred by their often fraught relations with the United States, Russia and China have long advocated reducing the role of the dollar in international commerce. China, which has 32% of its \$4 trillion foreign exchange reserves invested in U.S. government debt, would like to cap its vulnerabilities to any fluctuations in the dollar in the near term. Over the longer term, it wants to increase the yuan's clout and turn it into a global reserve currency.

Under the new agreements, cooperation will deepen between state oil producer Rosneft and China National Petroleum Corporation, including in LNG projects and possibly LNG supplies to China. Banks VTB, VEB and Russian Agriculture Bank - like Rosneft hit by sanctions - signed framework agreements with China Exim bank to open credit lines. Mobile phone operator MegaFon and China Development Bank agreed to arrange financing of \$500 million.

Another sign that Russian ties with Beijing are improving was the release of energy ministry data showing crude oil supplies to China rose in January-September by almost 45% year-on-year. Shipments from the Baltic Sea port of Primorsk towards Europe fell almost 20%.

Beijing has made clear **it wants to increase business with Russia and cash in on the crisis in relations between Moscow and the West**, now at their worst level since the Cold War. Beijing is interested in investing in infrastructure, energy and commodities in Russia, but Moscow long had reservations about allowing Chinese investment in strategic industries.

China may also have worries about investing in an economy that is stuttering, with the rouble hit by sanctions and a drop in the price of oil, Russia's most important export commodity. Moreover time will be needed to end mistrust in relations between countries that almost went to war in a border dispute in the 1960s, when Russia was part of the Communist Soviet Union. (October 13, 2014)

10/14/2014

RUSSIA/EU:

Russia’s gas supplies to Slovakia fall due Czech reverse pumping

Lower gas supplies from Russia to Slovakia a growth of gas pumping by the Czech Republic into Slovakian underground storages in a reverse mode, Russia’s National Energy Security Fund Deputy CEO Alexei Grivach told recently.

Since September 8, gas pipeline operators in Poland, Slovakia, Germany, Austria, Romania, and Italy have separately reported on declines in Russian gas supplies varying from 5% in Romania to 45% in Poland and 50% in Slovakia.

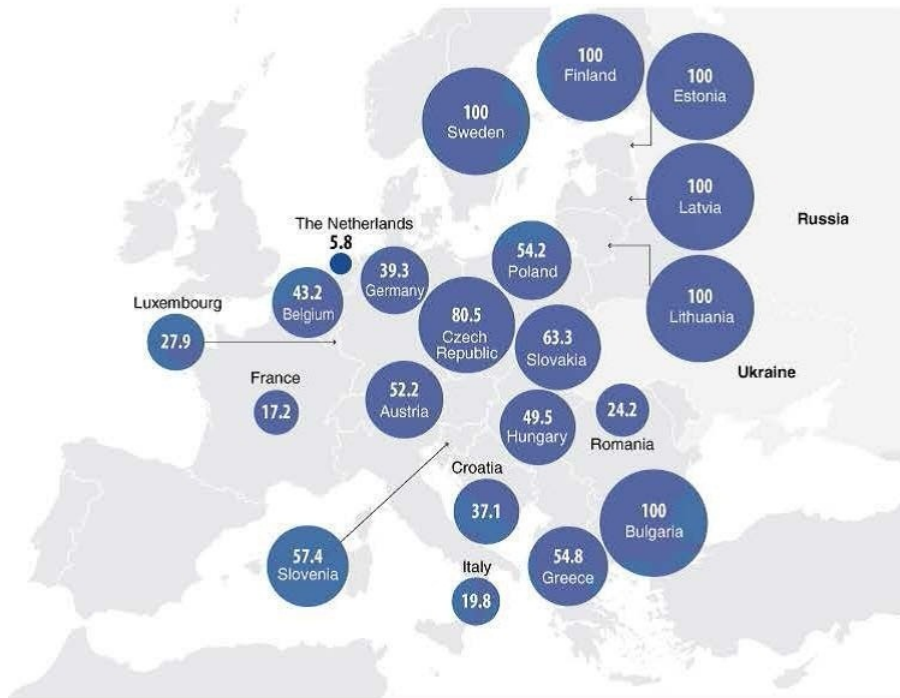
Russian gas supplies to Romania decreased 13% of the agreed volume, the country’s Energy Department said in a statement. “There is no cause for concern and (Russia) should get used to such situations,” Romania’s Energy Minister Rezvan Nikolesku said. Romania satisfies 80% of its gas needs by inland gas production and Russia’s gas giant Gazprom supplies the remaining 20%. (October 2, 2014)

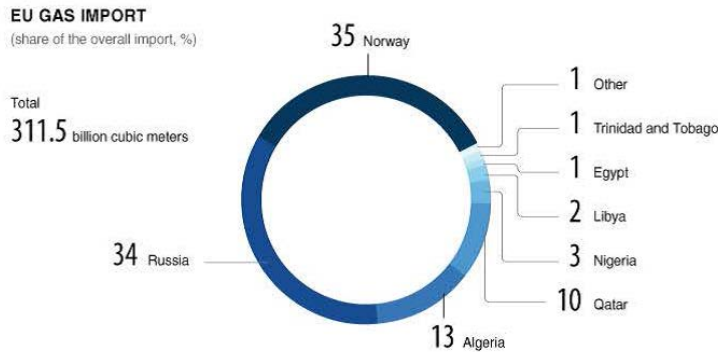
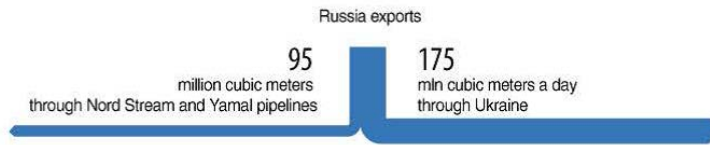
Russian gas in Europe

One-third of gas consumed in EU comes from Russia

EU COUNTRIES’ DEPENDENCE ON RUSSIAN GAS

(share of Russian gas in the overall amount, %)





Source: Gas Infrastructure Europe, BP Statistical Review of World Energy 2013, Eurogas, Fas.org



10/03/2014

SLOVAKIA:

Slovakia opens pipeline to ship natural gas to Ukraine

Slovakia has helped Ukraine in its attempt to overcome natural gas supply problems stemming from its difficulties with Russia. Slovakia opened a pipeline in the eastern part of that country to ship natural gas to Ukraine. The natural gas will be sent via a previously unused pipeline to Ukraine's western city of Uzhorod. (September 15, 2014)

10/08/2014

UNITED KINGDOM - NORWAY:

SSE signs six year gas supply deal with Statoil

The UK energy company SSE said it has signed a long-term gas supply contract with Norwegian oil and gas provider Statoil. Starting on 1 October 2015, the six year deal secures the provision of **500,000 therms of gas per day** – approximately 6% of SSE's average daily gas demand – at prevailing market prices and conditions.

The contract strengthens SSE's existing relationship with Statoil and provides it with a secure supply of gas, enabled by the physical links between Norwegian gas resources and the UK, SSE said in a statement. (October 6, 2014)

10/07/2014

STORAGE

RUSSIA:

Russia's Gazprom buys Europe's biggest gas storage facility

Russia will acquire Europe's largest **underground gas storage facility this autumn from Germany's BASF**, continuing the development of its Nord Stream operations. **In return, the Germans will get access to large gas reserves in Western Siberia.**

Gazprom and the Wintersall subsidiary of German chemical company BASF are putting the final touches to the **asset swap**, which will see Gazprom getting the facility in the small German town of Rehden, Deutsche Welle reported recently.

The framework for the deal was signed in December 2013 and was approved by the European Commission. Both the EU and Russia say **the deal will not be sidetracked by sanctions.**

The storage facility in Rehden covers eight square kilometers, storing some gas at depths of 2,000 meters. It can hold **4.2 billion cubic meters of natural gas, or about 7 percent of Germany's 60 billion cubic meters of annual consumption.**

In terms of sheer size the storage center is a crucial element in energy security both for Germany and the nearby Netherlands. In 2012, it represented about one fifth of the Germany's entire storage capacity.

The deal will help Gazprom get a footing in the gas market in Northern and Western Europe after opening its Nord Stream double pipeline that runs under the Baltic Sea to Germany. The twin pipes were launched separately, the first in 2011 and the second in 2012.

BASF also owns a 15% stake in Gazprom's South Stream pipeline, which will deliver Russian gas to central Europe via the Black Sea and the Balkans. In 2013, Russian natural gas exports to Germany increased to 40.2 bcm up from 33.3 bcm the previous year.

It is common practice for Gazprom to use European gas storage facilities. It currently stores gas in Austria, the UK, Germany, Serbia, Latvia, Belarus, and Armenia. (October 8, 2014)

10/10/2014

UKRAINE:

Ukraine will not have enough stored gas to sustain winter

Ukraine will **not be able to fill its underground gas storage facilities with 18-20 billion cubic meters of natural gas necessary to sustain winter and ensure uninterrupted transit**, Gazprom CEO Alexey Miller said recently.

Earlier, Russian Energy Minister Alexander Novak said the date of the next round of Russia-Ukraine-European Union gas talks could be announced "in the next day or two". Russia and Ukraine have been negotiating the date of the next meeting for the past few days, as Kiev is unsatisfied with the winter package proposed by Moscow and the European Commission during a ministerial gas meeting held in Berlin on September 26.

According to the plan, Ukraine would have to repay \$3.1 billion of its gas debt to Russia and pay in advance for the **delivery of five billion cubic meters of gas over a period of six months at a discounted price of \$385 per 1,000 cubic meters**. Kiev, however, rejects Russia's offer of the discount in the form of an export-duty exemption and wants the contract price to be reduced instead.

Ukraine also wants to agree a debt repayment schedule and insists on amending the current gas contract with Russia in order to formally authorize reverse supplies of Russian gas to Ukraine from Europe.

The European Union has repeatedly highlighted the importance of trilateral talks over the gas issue, fearing potential troubles with gas transit via Ukraine. (October 8, 2014)

10/08/2014

CONSUMPTION

CANADA:

Saint-Hyacinthe, Gaz Metro sign gas supply agreement

The city of Saint-Hyacinthe and Gaz Métro concluded a draft agreement for the purchase and injection of renewable natural gas produced in the city's biomethanation centre.

Under the agreement, Gaz Métro will purchase up to **13 million cubic metres of renewable natural gas per year for a 20-year period**. Throughout the same period, Saint-Hyacinthe will **inject the gas into Gaz Métro's distribution network through infrastructure to be built** by the company. A proposal is soon to be submitted to the Régie de l'énergie for approval.

Under the terms of the agreement, the surplus will be sold to Gaz Métro, thus generating income that can be put toward improving municipal services. (October 8, 2014)

10/08/2014

COMPANIES

AZERBAIJAN:

Statoil sells 15.5% share in Shah Deniz to PETRONAS for USD 2.2 billion

Statoil has sold its 15.5% participating interest in the Shah Deniz production sharing agreement, 15.5% share in the South Caucasus Pipeline Company (SCPC), 15.5% share in the SCPC holding company, and 12.4% share in the Azerbaijan Gas Supply Company (AGSC) to the Malaysian oil and gas company PETRONAS. The transaction value is USD 2.25 billion.

"The divestment optimizes our portfolio and strengthens our financial flexibility to prioritise industrial development and high-value growth," says Lars Christian Bacher, executive vice president for Development and Production International in Statoil. In recent years Statoil has strengthened its resource base and industrial opportunity set. To prioritize high potential future developments, Statoil has realized substantial value from transactions on the Norwegian continental shelf and internationally. This portfolio optimization continues to increase financial strength and flexibility to deliver on our strategy for high-value growth.

Statoil's 2014 second quarter production from the Shah Deniz field was 38,000 barrels of oil equivalent per day.

Following the divestment, Bacher says, "We remain committed to our business in Azerbaijan, which continues to play an important role in Statoil's international portfolio." The effective date is 1 January 2014. The transaction is expected to be closed early 2015, subject to approval from the relevant authorities.

The Shah Deniz field was discovered in 1999. It is located on the deep water shelf of the Caspian Sea, 70 kilometres south-east of Baku, in water depths ranging from 50 to 500 metres. Shah Deniz Stage 1 began operations in 2006. The Shah Deniz partners are currently producing approximately 26 million cubic meters of gas and 53,000 barrels of condensate per day, approximately equivalent to 225,000 barrels of oil equivalent per day.

The Shah Deniz field is operated by BP (28.8%) and the other partners are TPAO (19%), SOCAR (16.7%), Lukoil (10%), Nico (10%). (October 13, 2014)

10/13/2014
