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- Kuwait have signed a contract to import LNG from Qatar to help meet its energy needs to the end of 2014.

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SUPPLIES - IMPORTS - EXPORTS

FINLAND:

Baltic-course: Iltalehti: LNG terminal will be built in Finland

The Finnish Iltalehti online version claims that Finland has been chosen as the location of the regional LNG terminal finally while the Estonian Economy and Communications Ministry says that the claim is not correct.

Iltalehti wrote at the weekend that European Commission Energy Commissioner's Cabinet Chief Michael Hager, who visited Finland last week, had good news for the Finns since the long-term dispute over the location of the LNG terminal is **close to being solved, in favour of Finland**. "Finland would get a big terminal and the Baltic connector linking pipeline (from Inkoo to Paldiski), Estonia would get reservoir or a small terminal," promised Hager. (April 28, 2014)

04/29/2014

EUROPE:

European ports join forces to promote inland LNG bunkering

The European ports of Rotterdam, Antwerp, Mannheim, Strasbourg and Zwitserland signed on accord recently to introduce LNG in the continent's inland shipping sector. The agreement will see the five ports work together on a number of initiatives to encourage the use of LNG-fuelled vessels within Europe's inland network, including studies, promotion, knowledge transfer, regulations and bunker infrastructure.

In a statement, the Port of Rotterdam Authority said that the cooperation ties in with its own ambition of seeing the market for LNG develop to its full potential so that it can **open an LNG hub in Rotterdam before the end of 2015**. The port authority also reaffirmed its commitment to investing in infrastructure and projects to support LNG bunkering as well as its key role in the formation of the necessary national and international policy and legislation.

The agreements are set up in the framework of the LNG Masterplan for Rhine-Main-Danube, a project in which all five ports are partners. The goal of the LNG Masterplan is to introduce LNG as a fuel for inland shipping along the Rhine-Main-Danube corridor. Through its TEN-T programme, the European Union has granted €40 million in subsidies to aid the project.

Earlier this month, Lloyd's Register released a report claiming that LNG **could account for as much as 13% of the global bunker fuel market by 2020, increasing to 24% in 2025**. (April 28, 2014)

04/29/2014

PAPUA NEW GUINEA:

ExxonMobil in PNG LNG start-up

ExxonMobil has begun producing LNG from its \$19 billion plant in Papua New Guinea and expects to offload its first cargo by the end of June. The US supermajor said LNG output **started ahead of schedule** from the facility's first train despite a complex construction process that faced challenges including massive flooding, steep slopes and, initially, minimal infrastructure.

Work is under way to get the second train operational, after which the project will have a total capacity of 6.9 million tonnes per annum. "Project revenue and profitability are underpinned by long-term LNG sales contracts covering more than 95% of the plant's capacity" said Neil Duffin, president of ExxonMobil Development Company, said in a statement.

The owners are operator ExxonMobil on 33.2%, Oil Search with 29%, PNG government company Independent Public Business Corporation on 16.6%, Santos with 13.5%, Nippon Oil on 4.7%, PNG's Mineral Resources Development Company with 2.8% and PNG national oil company Petromin on 0.2%.

The project draws from gas supplies in five provinces via 435 miles of pipeline, and is positioned to supply Asian markets hungry to import LNG. (April 29, 2014)

04/29/2014

JAPAN:

Japan's Tohoku to buy US Cameron LNG from M'bishi

Japanese utility Tohoku Electric Power Co said recently it has signed a basic agreement to buy 300,000 tons per year of U.S. LNG for 16 years from 2022 from a unit of trading house Mitsubishi Corp. The gas will be sourced from the proposed Cameron LNG project in the United States in which Mitsubishi's venture has a 16.6% stake, Tohoku said, adding this will be its first purchase of LNG at U.S. Henry Hub natural gas-linked prices.

The U.S. Energy Department in February approved exports from Sempra Energy-led Cameron LNG project as the Obama administration moves forward with its goal of expanding the global market for the fuel. (April 24, 2014)

04/25/2014

KUWAIT - QATAR:

Kuwait signs LNG import deal with Qatargas

Kuwait have signed a contract to import LNG from Qatar to help meet its energy needs to the end of 2014, state news agency Kuna reported. The first shipment of LNG will arrive in Kuwait very soon under the contract between KPC and Qatargas, Kuna said. There were no further details on the terms of the deal with Qatar, which.

Rising air conditioning demand in the hot Middle Eastern summer and a lack of domestic supply means Opec member Kuwait needs to import more gas each year to run its power plants. The contract paves the way for greater cooperation between the two companies said Kuna. It added that Kuwait was still looking at ways to supply its LNG needs beyond 2019.

Kuwait began importing LNG in 2009 and signed deals with Royal Dutch Shell and Swiss-based trader Vitol to supply it during the peak power demand period from April to October over the last four summers. Earlier this month KPC said Shell and BP had signed deals to supply Kuwait with LNG over the next five to six years. The combined supply from the two companies will be around **2.5 million tons a year**. (April 27, 2014)

04/28/2014

RUSSIA:

Russia's Yamal LNG chooses gas carriers

The Yamal LNG project in Russia's Arctic has chosen Russian Sovkomflot, Japan's Mitsui OSK and Canada's Teekay LNG to build gas carriers worth \$5 billion, Vedomosti reported recently. The newspaper, citing a source close to Yamal LNG shareholders, said that the companies would **build 16 LNG carriers and ship the supercooled gas**.

Russia's Novatek holds 60% in the \$27 billion project, France's Total and Chinese company CNPC have 20% each. The project is slated to start producing gas in 2016 with a view to supplying **16.5 million tonnes** of the tanker-shipped fuel in 2018. Novatek plans to ship its gas to Asia mostly via the Northern Sea Route as it brings estimated transportation costs down by two-thirds compared to the route via Europe. (April 23, 2014)

04/24/2014

WORLDWIDE:

Shell simplifying LNG bunker vessel order

Energy giant Shell is downgrading the specifications of planned LNG bunker vessels, identifying them as "**barges**" rather than its previous label of "**tankers**," industry news site Tradewinds reports. Shell is looking to order up to four of the vessels, three 6,500 cubic meter (cbm) ships and one 3,000 cbm unit.

The **changes in specifications include switching from a twin screw to a single screw and changing the supply scope of equipment including loading arms and reliquefaction kit.**

Shell is said to be seeking a price of around \$55 million for the vessels, while yard offers are around \$80 million.

Samsung Heavy Industries (SHI) and STX Offshore & Shipbuilding, both in South Korea, and Avic Dingheng Shipbuilding in China are said to be under consideration for the vessel construction, and Shell is believed to be looking for delivery in the first half of 2016. Dutch shipowner Anthony Veder is said to be working with Shell, which is expected to charter the vessels. (April 22, 2014)

04/23/2014

CANADA:

Sinopec, Huadian to buy 15% stake in Petronas's Canadian project

China Petrochemical Corp., Asia's biggest refiner, and China Huadian Corp. agreed to buy a 15% stake in Petroleum Nasional Bhd.'s proposed LNG facility in Canada for an undisclosed amount. China Petrochemical, known as Sinopec Group, will own 10% and China Huadian, a state-owned power generator, will have a 5% stake. Sinopec Group will buy 1.2 million metric tons of LNG annually from the project and China Huadian 600,000 tons.

The acquisition gives Sinopec access to at least 8.35 trillion cubic feet of gas reserves from British Columbia's fields controlled by Progress Energy Canada Ltd. Malaysia-owned Petronas, which acquired Progress Energy in 2012, will hold 62% of the integrated project after the sale.

The LNG export project on Canada's west coast, with an estimated price tag of C\$9 billion (\$8.2 billion) to C\$11 billion, will produce as much as **19.68 million tons of LNG a year for 25 years starting in 2018**, according to an application to Canada's National Energy Board.

Sinopec Group, the parent of listed China Petroleum & Chemical Corp., will separately buy 3 million tons of LNG a year for 20 years from Petronas, according to a recent statement. (April 30, 2014)

04/30/2014

PRICE

JAPAN:

Japan starts releasing monthly spot LNG prices

Japan recently started releasing average prices for spot LNG to add transparency to an opaque market and amid concern about rising fuel costs in the wake of the shutdown of nuclear plants after the Fukushima crisis. The move by Japan's trade ministry is most likely **the first time that an average spot price has been publicly released based on actual transactions**, Takashi Ishizaki, the trade ministry official in charge of the initiative.

Japan takes in about a third of world LNG shipments, importing a record 87.73 million tons in the year through March. The average spot price is based on about 10% of the super-chilled fuel bought by Japan, according to Ishizaki.

That has helped to push prices for LNG LNG-AS to above \$20 per mmBtu across Asia in early March, as North Asian buyers stockpiled fuel after a cold winter amid supply disruptions, notably in Angola. According to the first LNG survey, prices for spot shipments to Japan contracted in March averaged \$18.30 per mmBtu on a delivered ex-ship basis, the trade ministry said. At the end of March, Asian spot prices were running around \$15.50 per mmBtu.

The survey looks at samples of fixed prices for LNG sold to power companies and utilities, and excludes spot deals linked to benchmark prices such as the U.S. natural gas Henry Hub index. The survey excludes prices for long-term, mid-term or short-term contracts.

The ministry said the average prices will only be announced each month when there are at least two deals reported that meet the survey's criterion. The ministry also said it is releasing the spot average price to pave the way for an LNG futures contract that the Tokyo Commodities Exchange is looking to launch next year. The next monthly survey will be released in late May. (April 25, 2014)

04/28/2014

USE AS AUTOMOTIVE FUEL

ITALY:

Eni unveils Italy's first LNG fuelling station for heavy duty vehicles

Eni announced they have opened Italy's first LNG fuelling station for heavy duty vehicles, located in Piacenza. Eni noted the Piacenza LNG fuelling station is **the first in a series that Eni intends to open over the next four years** along major Italian roads and is part of the company's commitment to promoting the use of environmentally friendly fuels.

Eni is an active participant of the European "LNG Blue Corridors" project, which is focused on the construction of environmentally friendly fuelling stations along four major European trade routes. (April 29, 2014)

04/30/2014

NATURAL GAS

EXPLORATION

KAZAKHSTAN:

Tethys announces third successful gas well in Kazakhstan

Tethys Petroleum has announced the success of well AKK19, the third shallow gas exploration well of its 2014 programme in Kazakhstan. Analysis of data from the well indicates it has a pay zone twice as thick as the AKK15 well which tested gas at a stable rate of approximately 7 million cubic feet per day (195,000 cubic metres or 1,167 barrels oil equivalent), and the AKK19 well is anticipated to test at significantly higher than that rate, said Tethys.

The AKK19 well was drilled to a depth of 800 metres (2,624 feet) some 5 kilometres (3.1 miles) south-east of AKK15 and encountered an 8 metre (26 feet) interval of gas bearing Tasaran sand with an average porosity of 30%.

As per the company, the current shallow gas programme includes the drilling of up to 10 new exploration wells, based on the latest seismic data, as well as workovers and tie-ins, and is targeting a three fold increase in gas production by the beginning of 2015. (April 24, 2014)

04/25/2014

RESERVES

BULGARIA:

Possible gas reserves at Bulgaria's Khan Asparuh block at 100 bcm

OMV Spokesperson Robert Lechner has confirmed potential hydrocarbon accumulations in the Khan Asparuh exploration block in Bulgaria's Black Sea, adding that it was too early to come up with a conclusive statement on the matter.

He said that a detailed evaluation of the gas resources would be conducted after 2D and 3D seismic interpretation and after the drilling of two exploration wells. The wells would be with a depth of boreholes of 1000 - 2000 meters, the well-drilling was to take place in 2015-2016.

The OMV Spokesperson explained that the first extraction of gas, provided that the expected gas reserves were confirmed, could take place in 2017, amid optimal organization of the activities.

He argued that the outlook was optimistic and the possible gas reserves at the Khan Asparuh exploration block had been **estimated at around 100 billion cubic meters, or 5 times less than the forecasts prepared several years ago** when the consortium of Total, OMV and Repsol had been granted an exploration license.

According to sources close to the matter, in the case of proven reserves and a beneficial contract, Bulgaria could receive 55% of the gas produced at the Khan Asparuh exploration block. The Romanian exploration block Neptun, where a gas field containing around 84 billion cubic meters of gas was discovered, is very near to the Bulgarian exploration block. (April 23, 2014)

TRANSPORT - DISTRIBUTION

KAZAKHSTAN:

Kashagan's pipelines need to be replaced

The NCOC, developing Kazakhstan's major Kashagan oil field, has confirmed that oil and gas pipelines need to be replaced, NCOC deputy chairman Zhakyp Marabayev said recently.

Replacing the two 88.5-km long pipelines will add to the costs of the project which is already years behind schedule and billions of dollars over budget. It will also weigh on the consortium's partners, which include major oil companies Eni, Total, Royal Dutch, and Exxon Mobil.

The latest delay is also a blow to the Kazakh Government, which had based its economic forecasts on revenue from the giant Caspian Sea oil field. Output at Kashagan was expected to ramp up to 370,000 barrels a day by 2015 from 180,000 barrels a day initially.

A final report on why Kashagan's gas pipeline began leaking late last year, only weeks after the project first started, is due in June, after which the consortium will decide how the pipes should be replaced, Marabayev said. (April 24, 2014)

04/25/2014

TURKEY:

Turkey, Russia agree on boosting Blue Stream gas pipeline

Turkey and Russia have agreed to raise the capacity of the Blue Stream pipeline, which **brings in Russian gas via the Black Sea, to 19 bcm annually from 16 bcm**, Energy Minister Taner Yildiz said recently. Turkey is due to start discussions very quickly with Gazprom on a series of energy issues including gas price revisions, gas supply and nuclear power cooperation.

Officials said Russia's recent annexation of Crimea had created a risk for Turkey, noting that 12.5% of its gas supplies pass through Ukraine via the Western pipeline. Steps to prevent a potential supply problem will also be discussed with Alexander Medvedev, Gazprom's director general of exports, who is in Ankara for the talks. "We have understood that with little tweaks the gas flow in Blue Stream could be increased to 19 billion cubic meters from 16 billion cubic meters" said Yildiz.

Turkish gas demand has more than tripled since 2000 to almost 47 bcm, with further rises expected as both its economy and population grows. The issue of gas prices will be another priority for Turkey, which is dependent on imports for almost all its energy needs. The contracts we have so far provides a right to Turkey for a price revision," said the minister.

A potential re-routing of Russia's South Stream pipeline will also be discussed after Turkey said it was open to the possibility of letting the controversial conduit pass through its territory if Moscow made such a request. (April 21, 2014)

SUPPLIES - IMPORTS - EXPORTS

EGYPT:

Egypt, a potential export route for Israel

Israel's newly found offshore riches promised a new beginning away from energy vulnerability for the once considered energy-poor country. Once reliant on Egyptian imports to satisfy its natural gas domestic demand, Israel is now in a position to supply the product. In October 2014, its Supreme Court gave way to exports by rejecting an appeal against a 40% export quota decision taken by the Netanyahu Government back in June 2013.

The routes to export Israel's gas are less obvious. Israel is situated in a part of the world historically shaken by political tensions and rivalries. The country suffered from the disruptions in the flow of Egyptian gas in the aftermath of the Arab Spring. The pipeline supplying gas to Jordan and Israel was attacked more than 15 times since the 2011 uprisings.

Israel's 10 Tcf Tamar and 19 Tcf giant Leviathan could not have been discovered at a more opportune time. Israel's gas wealth came not only to fill the gap in the Israeli market but also to take advantage of the momentum and bring in billions of Shekel to the economy. Israel's immediate neighbors, Jordan and Egypt, are both suffering from energy shortages. While Jordan, like Israel, was the victim of acts of sabotage to the Arab Gas Pipeline transporting Egyptian gas to the two countries, Egypt's national consumption is increasing by the day. Importing Israeli gas would be a relatively simple endeavor for Jordan and Egypt given the proximity of the two countries to Israel.

Egypt desperately needs a new supply of natural gas for electricity generation. Despite its own wealth of natural gas, officials failed to adopt efficient energy policies that would keep the country self-sufficient in terms of energy needs. The energy crisis hitting the country is expected **to cause severe power outages by mid-summer 2014** and increase the public's frustration against the government.

The window of opportunity for Israel is larger than just selling natural gas. Egypt could also facilitate the delivery of Israeli gas to export markets - including the attractive Asian LNG market. **Israel could use the Egyptian LNG export terminals** to reach out for consumers. LNG exports offer flexibility in terms of the choice of the export markets while pipelines have to obey the regional dynamics.

Israel's export policy is still far from being shaped. The landscape of the region is constantly changing since the introduction of the gas factor to the equation. Israel's will not stop at its immediate neighbors. How it will reach further market, with Turkey, Cyprus or Egypt's help, is yet to be revealed. (April 24, 2014)

04/24/2014

EUROPE:

Gazprom says will meet rising gas demand in Europe

Gazprom said it would be able to meet Europe's rising demand for gas **thanks to new projects**, even while the European Union is aiming to reduce its energy dependence on Moscow. "According to most of the scenarios, which have been reviewed, long-term gas demand will increase in the European market, a key one for Gazprom, against the background of its (Europe's) own production decline," Gazprom said in a statement.

Supplies to Europe can be increased via the Nord Stream undersea pipeline as well as through the proposed South Stream link, which is expected to start operating next year, the company specified. Gazprom also plans to build a gas liquefaction plant on the shores of the Baltic Sea, which could then export LNG to European markets.

Partly as a result of the Ukraine crisis, meanwhile, Europe is stitching together a patchwork of measures such as raising power output from coal and renewables to reduce its gas imports from Russia by the end of the decade, easing Moscow's grip over the region's energy market. These steps could **slash imports from Russia by around 45 bcm by 2020**, worth \$18 billion a year, or the equivalent of a quarter of what Russia currently supplies, according to Reuters.

So far, however, Gazprom's gas supplies and its share of the European market have been increasing as flows have declined from other sources such as North Africa and LNG suppliers have sent more cargoes to Asia, where gas prices are higher, instead of Europe. Gazprom's share in Europe's gas market rose to 30% in last year from around 25 percent in 2010. Its supplies to the European Union and Turkey jumped to 162 billion cubic metres. (April 22, 2014)

04/23/2014

SPAIN - NETHERLAND:

How Spain and the Netherlands could ease EU's energy dependence on Russia

The simmering standoff in eastern Ukraine following Russia's annexation of Crimea in March has European policymakers looking for alternatives to Russian gas imports. One obvious strategy would be to boost liquid natural gas (LNG) imports, and when U.S. President Barack Obama visited Europe last month, officials lobbied him to open the floodgates of U.S. LNG as a way to help American allies and weaken Russia's position.

Leaving aside the fact that LNG from the U.S. could not possibly provide immediate relief to Europe, over the long-term, Europe could certainly boost its LNG purchases as a way to avoid having to deal with an unreliable Russian source.

What would that look like? Where and how would the LNG enter Europe? The first country that comes to mind is the Netherlands, which is a major player in the world of natural gas. It is the largest natural gas producer in the European Union (Norway produces more but is not a member of EU), and its Groningen field is in the top 10 largest gas fields in the world. But declining production has the Dutch government trying to reposition itself as the **"gas hub" of Europe, a role that would see it importing, processing, storing and trading gas to its neighbors.** Its LNG import terminal in Rotterdam is one of the few ports that can handle the world's largest LNG ships.

Another source for LNG would be Spain. When thinking of key energy players, Spain is not an obvious choice. Its production of natural gas has been essentially nil for quite some time. Prime Minister Mariano Rajoy has aggressively supported measures to allow the gas industry to begin exploration of Spain's newfound potential shale gas reserves. If successful, Spain could at some point in the future produce substantial volumes of shale gas. But that scenario is years away.

Where Spain does play an active role is as an importer of LNG; it is fourth largest importer in the world. Spain has six LNG import terminals already in operation. Its strategic geographic position on the Mediterranean allows it to get around half of its natural gas from its close neighbor, Algeria, and the rest from a variety of countries, including Nigeria, and Qatar. As a result, **Spain is independent from reliance on Russian gas.** Spain's sophisticated natural gas infrastructure – the largest liquefaction capacity in Europe and a good distribution system – could allow Spain to come to Europe's rescue, according to Sedigas, the country's gas association.

However, **Spain is not well connected to France via natural gas pipelines,** which means it can't supply the rest of Europe with re-gasified LNG. That has Sedigas pushing hard in Brussels for the European Commission to prioritize the **MidCat pipeline**, a proposed 109 kilometer pipeline that would connect Spain and France and carry **14 bcm/y** of natural gas. The pipeline would run along the Mediterranean Coast and over the Pyrenees. Spain has argued in favor of the pipeline for years, but **France's domestic gas industry has pushed back,** stalling the project. High projected costs have not helped, but supporters of the pipeline see a **window of opportunity** with the renewed determination in Brussels to accelerate energy interconnections and harden Europe's energy security.

Sedigas is also hoping another pipeline will be constructed that **connects Spain's Basque country to France.** If completed, it would add another **2 bcf/y** in potential gas trade.

The Spanish gas association sees MidCat as a no-brainer, arguing that, with the right interconnections, Spain could go a long way toward answering the EU's hopes of reducing its energy reliance on Moscow. "With this pipeline," said Sedigas' Peris, "Spain could **replace 10% of what Europe currently receives from Russia.**" (April 29, 2014)

RUSSIA:

Russian natural gas contract looks likely

Russia and China are highly likely to nail down a natural gas deal during Russian President Vladimir Putin's visit to Beijing in May after years of negotiations, experts from both sides said recently. Alexy Belogoriev, deputy director-general of the Institute of Energy Strategy in Russia, put the possibility that a bilateral agreement will be signed next month at 50%. He said that even if the deal doesn't happen during Putin's visit, it might be finished by this autumn.

Putin has urged Russian companies to **expand their exposure to Asia**. Since Russia's actions in Ukraine have strained relations with the West, the country **needs to be less dependent on energy sales to Europe**, he has said. Russia exports about 160 billion cubic meters of natural gas to Europe annually.

Domestic and international conditions are ripe for completion of the deal, said Sun Yongxiang, a researcher with the Development and Research Institute of the State Council.

Pricing has been the core area of disagreement during the negotiations. Sun said the final price may be around \$400 per 1,000 cubic meters. Russia's top natural gas producer, Gazprom OAO, plans to start supplying China with **38 bcm of gas annually starting from 2018**. Russia has indicated it's willing to **increase the supply to 68 bcm**, using both the western and eastern pipelines.

Xia Yishan, senior research fellow at the China Institute of International Studies, said "if Russia has the ability, it is possible that China's natural gas imports from Russia will account for two-thirds of Russia's total gas exports in future". (April 23, 2014)

04/24/2014

RUSSIA:

Shell still plans Russia projects despite sanctions

Despite sanctions imposed on Russia after its annexation of Ukraine's Crimea region, Royal Dutch Shell CEO Ben van Beurden told Russian President Vladimir Putin the Anglo-Dutch multinational oil and gas company is committed to expansion in Russia. Shell plans to expand Russia's only LNG plant with its partner Gazprom. **"We are very keen to grow our position in the Russian Federation,"** van Beurden said. "We look forward with anticipation and confidence on a very long-term future here in Russia."

Shell already has an oil-producing project with Gazprom Neft and they have started to tap hard-to-recover oil in Russia. Van Beurden confirmed that Shell had agreed with Gazprom to expand the Sakhalin-2 LNG plant which produces 10 million tonnes of LNG per year. Other shareholders include Japan's Mitsui and Mitsubishi.

The expansion plan is in line with Putin's demand to increase production of LNG and double Russia's global market share to around 10% by 2020. Putin is pushing to add oil and gas routes for Russia to supply Asia, to tap growing demand and ease the country's reliance on Europe.

Shell's commitment comes as the European Union and the United States threaten Russia with increasing sanctions, including against its energy industry.

Gazprom has been considering alternatives to expanding Sakhalin, including construction of a new plant in the Far East. Vladivostok LNG is the preferred option, Gazprom Deputy CEO Alexander Medvedev said in March at an investor meeting in London. Shell, which has been involved in Alaska, can transfer its expertise to the Russian Arctic. (April 24, 2014)

04/24/2014

UKRAINE - SLOVAKIA:

Ukraine to get Slovakia's gas

Ukraine is set to sign a gas deal with Slovakia, as it looks to secure alternative supplies amid ongoing tensions with Russia. Gazprom provides Ukraine with gas, but it has almost doubled its prices after Moscow claimed sovereignty over Crimea last month.

Slovak gas company Eustream said that a **reverse-flow agreement** to ship limited gas volumes to Ukraine "is at the moment the **best possible solution**, from the technical, time and legal nature". The Slovak Economy Ministry and the Ukrainian Energy Ministry have said they expect the pact to be signed shortly in Bratislava. Ukraine needs more gas than Slovakia is offering if Russia cuts off supplies. But Slovakia is wary of breaching contracts with Gazprom. (April 28, 2014)

04/28/2014

PRICE

LITHUANIA:

Gazprom offers to cut gas price for Lithuania -media

Russian gas producer Gazprom has offered to cut gas prices to Lithuanian utility Lietuvos Dujos by some 20% **if it agrees to scrap an arbitration claim**, Lithuanian media reported recently. Gazprom is offering to drop its current oil-linked pricing for Lietuvos Dujos in favour of the German Eastern border price, or German average gas price (BAFA), according to business daily Verslo Zinios.

In exchange, Gazprom wants Lietuvos Dujos to drop its arbitration claim **against the Russian company for overcharging it for gas**. Negotiations are expected to start shortly after the Lithuanian utility's general shareholders meeting, the newspaper said.

Gazprom, now the sole natural gas supplier to Lithuania and the other Baltic states, is due to face competition from the end of this year, when a LNG terminal is expected to come online in the Lithuanian port of Klaipeda. (April 29, 2014)

04/30/2014

STORAGE

EUROPE:

Europe speeds up gas storage to prepare for Russian cut

European utilities are filling up gas storage sites to prepare for a potential Russian supply cut to Ukraine, an important transit route to Europe, taking advantage of mild weather and healthy flows from alternative sources such as Norway.

Amid a growing crisis between Kiev and Moscow, Ukraine's state-run energy company Naftogaz has suspended gas payments to Russia which says it is now owed more than \$2 billion and may have to demand advance payment for any future deliveries. Russian state-controlled gas exporter Gazprom has also increased its gas price for Ukraine to \$485 per 1,000 cubic metres from \$268, saying Kiev is no longer eligible for previous discounts.

Russia supplies around a third of Europe's gas demand, some 40 percent of which currently transits Ukraine, but Moscow has threatened to cut supplies if it continues to fail to pay its bills, and warned there could be a reduction in onward deliveries to Europe. Although the European Commission has called on Russia to respect its gas commitments and urged Ukraine to respect its transit agreements, there have been several emergency meetings in Brussels to prepare for disruptions.

"The Commission is discussing with Ukraine the possibility for companies in the EU to store gas in Ukraine for next winter," one source with the Commission said. "Utilities are telling us that storage sites are likely to be filled sufficiently in order to deal with a cut this summer, but Ukraine and some southeastern EU countries which rely largely on Russian flows coming through Ukraine may struggle once demand rises again next winter," he added. Several major utilities, such as Germany's RWE and France's GDF Suez have said they are in talks with Ukraine on possible gas deliveries from their storage sites.

Traders and analysts say that **this spring's conditions are good to inject gas into storage**. Reuters data shows that France, Germany and Italy, the countries with the biggest gas stock capacities, have all stepped up storage injections during the past five days, potentially enabling gas to be pumped to central Europe and Ukraine should a Russian cut happen. A mild winter across most of Europe has left inventories unusually full for this time of year, and a warm beginning to spring has lowered demand further.

At the same time, healthy gas supplies from Norway and an increase in LNG imports have created oversupply, allowing utilities to bolster storage to supply Ukraine as well as member states in the event Moscow turns off the taps. "Spot gas prices are quite low, while prices for delivery this summer have risen, so this allows us to buy gas cheaply now and inject it into storage and sell it profitably in summer, should Russian supplies to Kiev be cut," one gas trader said. **The gas curves in Britain and The Netherlands are both in contango, meaning near-term contracts are at a discount to those further out on the curve. This encourages utilities to buy gas to inject it into storage and sell it when prices are higher.** (April 14, 2014)

04/23/2014

CONSUMPTION

INDIA:

India's gas demand likely to jump 55% by 2016-17

India's natural gas demand is expected to reach 378 million scm/day by 2016-17, a rise of 55% from the figures recorded in 2012-13. According to study commissioned by India's Petroleum and Natural Gas Regulatory Board (PNGRB), by 2021-22 demand is likely to be 516.97 million scm/d, reports Press Trust of India.

However, gas availability in the country will fall short of demand, the study says. Domestic production of 101.1 million scm/d in 2012-13 will rise to 182 million scm/d by 2021-22 while import of LNG is projected to jump from 44.6 million scm/d to 188 in 10 years.

The total availability of gas in 2016-17 at 299.7 million scm/d will be way short of the demand. In 2021-22, the study says cross border pipeline may start flowing 30 million scm/d of fuel raising the total availability to 400 million scm/d, still short of the requirement. (April 24, 2014)

04/25/2014

USE FOR POWER GENERATION

KENYA:

Kenya to seek natural gas from Qatar for 700 MW power plant

Kenya will negotiate the import of natural gas from Qatar Gas to fuel a power station it wants built in the Indian Ocean port city of Mombasa, the president's office said recently. The gas-powered power plant is part of the government's plans to **add 5,000 MW to Kenya's existing 1,664 MW generation capacity by 2017** to accelerate economic growth, which is expected to push Kenya's power demand up to 15,000 MW by 2030. The Ministry of Energy and Petroleum is evaluating bids from investors interested in **developing the 700-800 MW natural gas-fired plant** near Mombasa, as well as a 900-1,000 MW coal-power plant at Lamu.

The announcement was made during a visit by President Uhuru Kenyatta to Qatar. "The President noted that Kenya Pipeline had already signed a Non-Disclosure Agreement with Qatar Gas to start negotiation for the supply of 1 million metric tonnes per annum of LNG to Kenya to power the 700-megawatt gas plant in the port city of Mombasa," Kenyatta's press office said in a statement.

The Nairobi government wants to halve the cost of electricity within three to four years from between 17 and 18 U.S. cents per kilowatt hour, mainly by increasing supply from cheaper energy sources, phasing out diesel generation. (April 22, 2014)

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