LNG

TRANSPORT - DISTRIBUTION

UNITED STATES:

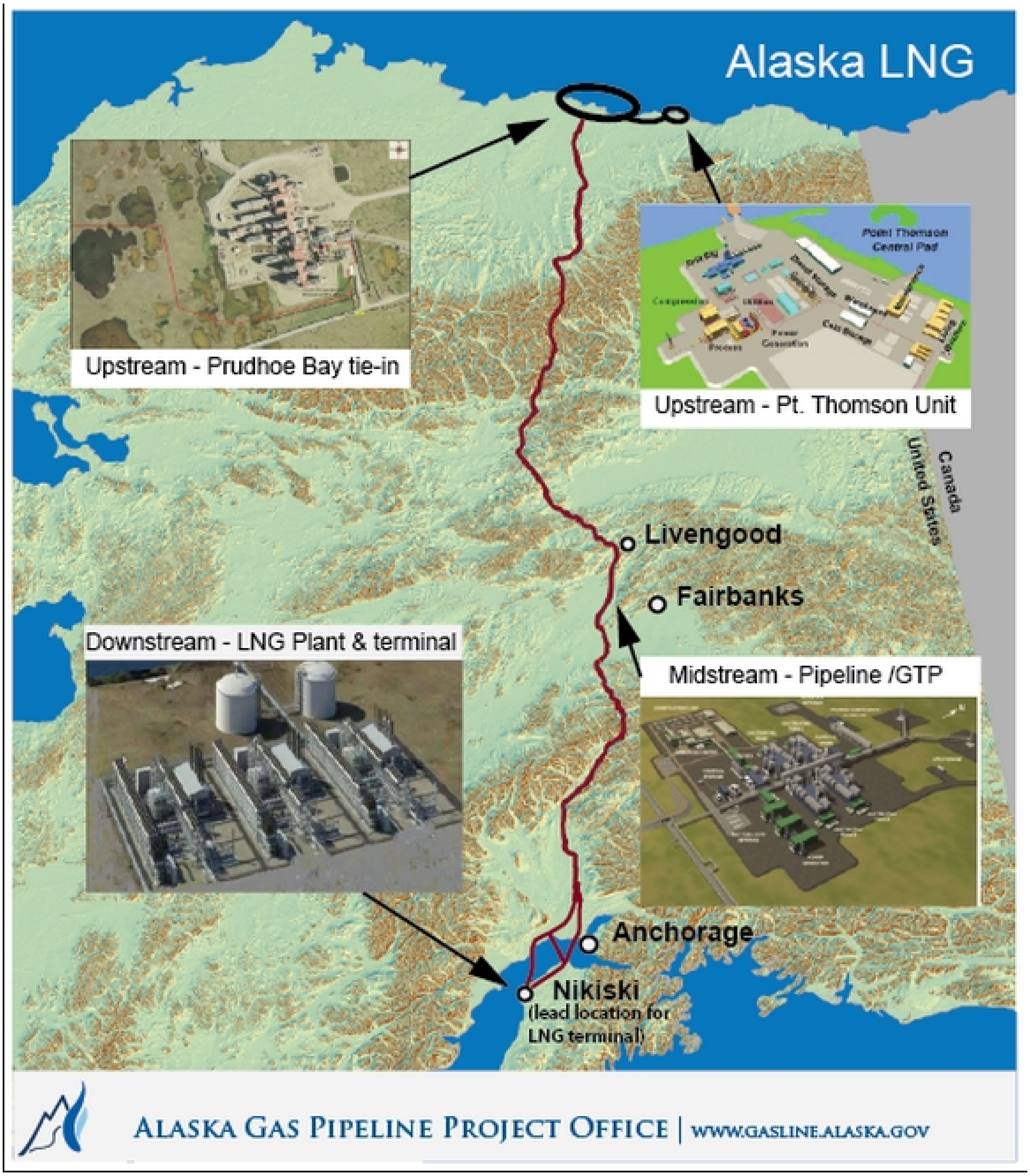
The Alaska LNG project begins

Joined by hundreds of Alaskans, including pipefitters, skilled workers, apprentices, welders, and legislators, Governor Sean Parnell recently moved Alaska one step closer to a gas line by signing Senate Bill 138. Introduced by the governor, SB 138 advances **a large-diameter Alaska natural gas pipeline project** and empowers Alaska to become an owner in the Alaska LNG Project, and get North Slope gas to Alaskans first using local hire.“For the first time, we have alignment among the necessary parties, authorization from the Legislature, and the beginning of engineering and design work on a project that will create thousands of Alaska jobs, and fuel Alaska homes and businesses for decades to come” Governor Said.

In addition to setting Alaska on a path to become an owner in the Alaska LNG Project, SB 138 empowers the Alaska Gasline Development Corporation (AGDC) to carry the state’s interests in the project’s infrastructure, mainly the liquefaction and marine facilities.

The legislation also creates a fund for critical infrastructure development and requires the Alaska Energy Authority to provide a plan to deliver more affordable energy to areas of Alaska that are not expected to have direct access to a natural gas pipeline from the North Slope. SB 138 includes a letter of intent to ensure Alaska residents, contractors and businesses are hired as the Alaska LNG Project progresses. Specifically, the letter supports the “Alaska Hire” language laid out in the Heads of Agreement that was signed in January by the State of Alaska, AGDC, the companies that have Alaska gas under lease, and TransCanada.

In the coming weeks, formal commercial agreements will be finalized by AGDC, the companies and TransCanada, allowing the project to advance into the Pre-Front End Engineering and Design (Pre-FEED) phase. The Alaska LNG Project will begin pursuing key permits in the coming months. (May 9, 2014)


Alaska LNG
Upstream - Prudhoe Bay tie-in
Upstream - Pt. Thomson Unit
Livengood
Fairbanks
Downstream - LNG Plant & terminal
Midstream - Pipeline /GTP
Anchorage
Nikiski
(lead location for LNG terminal)
United States
Canada
ALASKA GAS PIPELINE PROJECT OFFICE | WWW.GASLINE.ALASKA.GOV

05/13/2014

SUPPLIES - IMPORTS - EXPORTS

CANADA:

B.C., Petronas strike deal on natural gas project

The B.C. government and Malaysia's state-owned Petronas have reached a deal designed to provide lift-off to a LNG project. B.C. Premier Christy Clark and Petronas chief executive officer Shamsul Azhar Abbas signed the **letter of intent** recently.

Petronas has asked the province to hammer out details of a tax to be levied against proposed B.C. LNG export terminals while the government has requested that the Malaysian firm ramp up efforts in the race to export B.C. LNG. Both sides agreed to assign officials to prepare terms of reference by June 30 and then have a project development agreement in place by Nov. 30. A joint venture led by Petronas plans to make a final investment decision by the end of 2014 on whether to forge ahead with multibillion-dollar plans to transport northeast B.C. natural gas to a proposed LNG export terminal on Lelu Island, located near Prince Rupert in northwestern British Columbia.

Petronas will hold a 62% stake in the Pacific NorthWest LNG project after Sinopec joins the joint venture. Sinopec and three others will have a combined 38% interest. Those others are India's state-run Indian Oil Corp. Ltd., Japan Petroleum Exploration and Petroleum Brunei. "Securing this commitment from Petronas shows that our strategy for attracting investment to B.C. is working," Ms. Clark said in a statement from Kuala Lumpur. "Our goal is to be the most competitive jurisdiction in the world for LNG."

Many hurdles remain, including obtaining environmental approvals. But if all goes well, Pacific NorthWest LNG will begin shipping LNG by tankers to Asia in late 2018.

There are 14 B.C. LNG proposals in the works, but industry experts say there is room for only three or four projects at most. (May 5, 2014)

05/05/2014

CHINA:

China LNG demand a bright spot as producers weigh major investments

China's imports of LNG are growing at a record pace as it aims to use cleaner fuels to cut smog in big cities, creating a powerful new source of demand that has the potential to reshape the market for the super-chilled gas. Rising Chinese demand gives LNG producers such as Chevron , Royal Dutch Shell, ExxonMobil and Total a crucial new sales avenue as they weigh whether to go ahead with $180 billion in investments into potential new or expanded LNG projects.

Producers face rising costs in Australia - where many LNG projects are based – and uncertainty about longer-term demand in Japan and South Korea, the world's top two buyers of the fuel.

The Chinese, though, are spending billions of dollars in buying LNG-related interests overseas and in building new import terminals. LNG imports are up 35 percent to 5.62 million tons in the first quarter against the year-ago period, according to customs data. And imports are set to rise by a third this year, according to research firm Energy Aspects. They grew 25% annually over the last four years, Thomson Reuters Point Carbon says. By the end of this decade, China could overtake South Korea to become the world's second-biggest LNG buyer behind Japan.

The consultancy forecasts China's imports to rise to 61 million tons in 2020 from 18 million tons last year, led by supply from Australia. By comparison, South Korea's state-run Korea Gas Corp expects demand to rise to 45 million tons by 2020 from 40 million last year. Japan and South Korea have increased LNG consumption to replace lost nuclear power, but uncertainty remains about the future of idled nuclear plants amid safety and cost concerns.

China's state energy companies, meanwhile, are already competing for supply by securing equity stakes in projects across the globe. Malaysian state-owned oil firm Petronas said in April it will sell a 15% stake in its $11 billion LNG export terminal on Canada's Pacific Coast to China's Sinopec Group and state-owned power group China Huadian Corp . China plans to more than double its natural gas supply capacity to 400 billion cubic meters per year by 2020.

And consistently high LNG prices in Asia LNG-AS since the Fukushima disaster could hamper demand growth in China, as the country remains more price sensitive than Japan and South Korea. Nevertheless, Asian prices are widely expected to fall as a new wave of Australian supply hits the market in the next 3-4 years, further boosting Chinese demand, industry observers say.

China's import needs also depend on how successful it is in developing its own unconventional gas resources. China, believed to hold the world's largest reserves of shale gas, hopes to replicate the U.S. production boom.

Import capacity is slated to rise from the current 31 million tons per year at nine terminals to over 80 million tons by 2018, when another 15 import terminals either approved or already under construction begin operations. (May 14, 2014)

05/15/2014

KUWAIT:

Kuwait is set to sign a six year LNG supply deal with Shell

It was not immediately clear if the contract was the same as an LNG supply deal between Kuwait Petroleum Corp and Shell reported last month in a Kuwaiti newspaper.

In a statement KPC said Oil Minister Ali al-Omair had received a delegation from Shell to sign the contract. It did not provide the volume of the super-cooled gas that would be supplied by Shell. Kuwait wants to burn LNG instead of resorting to diesel and crude oil, which have higher harmful emissions, KPC added.

Kuwait began importing LNG in 2009 and signed deals with Shell and Swiss-based trader Vitol to supply it from April to October, the period of peak power demand, for the last four years.

Surging air conditioning demand in the scorching Middle Eastern summer and a lack of domestic supply mean Kuwait needs to import more gas each year to feed its power plants. Kuwait signed an LNG deal with fellow Gulf state Qatar last month.(May 12, 2014)

05/12/2014

UNITED STATES:

Senate Democrats press for speedier LNG export permits

The Obama administration must speed up approvals of LNG exports to help boost global supplies and help U.S. allies, five Senate Democrats said recently. The lawmakers, all from natural gas-producing states, urged the Energy Department to place additional weight on national security matters in its review of LNG export applications. The Democrats said they wanted to show the White House that there is significant Democratic support for speeding up gas exports, even though Republicans typically lead the chorus. The Energy Department should also prioritize consideration of projects with backers that have already made major investments, the lawmakers said.

The Energy Department has approved **six projects in the past year, averaging about six to eight weeks between decisions**, but has so far considered applications in the order they are received. The next in line for approval is A Leucadia National Corp facility in Oregon. Lawmakers have pressured the administration to issue decisions on more than 20 pending proposals in the wake of Russia's seizure of Crimea from Ukraine.

Critics of accelerating the pace of LNG export approvals say the **United States remains years away from shipping significant amounts of gas abroad**, as these projects still have to be constructed. Some chemical companies and others that use natural gas for manufacturing say exporting too much gas will raise costs for domestic users. (May 2, 2014)

05/06/2014

PRICE

LATVIA:

U.S. companies offer Latvia better natural gas prices

Even with transport costs included, the prices of natural gas that are offered by U.S. companies are lower than the current price Latvia pays for gas, Prime Minister Laimdota Straujuma, informs LETA.

During her recent visit to the United States, Straujuma met with representatives from two U.S. natural gas companies, who informed Straujuma about the gas prices the companies could offer Latvia, the technological opportunities and other matters. These initial estimates indicate that the U.S. companies could sell Latvia natural gas at lower prices than that which Latvia pays for imported gas at the moment.

The European Union will consider ways to consolidate its energy independence in the coming month, said Straujuma adding that the EU member states – in particular the Baltic countries, Poland and Finland – have to reach agreement on whether to import natural gas from the United States.

She went on to say that if a decision is made to import natural gas from the United States, a company would have to be selected that would deal with gas imports, as the U.S. government would not be involved in the deal. Straujuma said that **U.S. gas companies could enter the Latvian market in about two years**. In order for this to happen, Latvia must solve **several technical matters** in the ground, like, for example, access to a regional liquefied natural gas terminal. Straujuma added that U.S. exports of gas to European and NATO countries was one of the main topics discussed during her meeting with U.S. Energy Secretary Ernest Moniz in Washington. (May 6, 2014)

STORAGE

CHILE:

GDF SUEZ inaugurates on-shore LNG storage tank in Chile

GDF SUEZ has announced the inauguration of the on-shore storage tank for the GNL Mejillones LNG regasification terminal. The tank was inaugurated by the President of Chile, Michelle Bachelet and the Chairman and CEO of GDF SUEZ, Gerard Mestrallet.

GDF SUEZ noted the on-shore tank has a gross **storage capacity of 187.000 m3** has been built to meet the highest security and anti-seismic standards. The construction was supervised by Tractebel Engineering, an affiliate of GDF SUEZ.

Since 2010, the operating company GNL Mejillones has been closing long-term regasification contracts with the main mining and power generation companies of Chile. The new storage tank also opens commercial opportunities for LNG distribution through trucks and mid-scale ships according to GDF SUEZ.

GDF SUEZ stated the Mejillones terminal was **built as a fast-track solution to guarantee short and long-term security of energy supply in the North of Chile** by GDF SUEZ and Codelco, the world’s main copper producer. The terminal entered into operation in April 2010, using an LNG vessel as temporary storage solution, and has received 37 LNG carriers to date, of which 34 were ship-to-ship transfers which makes GNL Mejillones one of the world’s most experienced companies in this type of process. (May 15, 2014)

05/16/2014

USE AS AUTOMOTIVE FUEL

BELGIUM:

Zeebrugge terminal LNG truck loading success

Recently Fluxys Belgium released a statement regarding key events for the company since 1 January 2014 and their impact on Fluxys Belgium. Fluxys noted the Zeebrugge LNG terminal LNG truck loading has been a particular success and they **may add possible additional transshipment services**. Fluxys stated thanks to its versatile offering, the Zeebrugge LNG terminal enjoyed a comparatively strong first quarter. LNG comments below from the statement. In the first three months of the year, nine carriers were unloaded and five were loaded. This compares with eight and five carriers respectively in the same period last year. Take-up of truck-loading services continues to rise, with 363 trucks loading at the terminal in the first quarter of 2014 compared with 126 in the same period last year. Over 1,900 loadings have been booked for the year as a whole, compared with 819 last year.

In February 2014, parent company Fluxys decided to build an LNG truck filling station this year in Veurne on the premises of haulage company Eric Mattheeuws, which has purchased a fleet of LNG trucks. The initiative is a milestone in the launch of LNG as a sustainable alternative fuel for trucks in Belgium: as a pilot installation it serves as an example for other investors to venture into building LNG filling stations as well.

In April 2014, **Yamal LNG and parent company Fluxys signed an agreement outlining the parameters of cooperation on the possible transshipment at Zeebrugge** of LNG supplied from the production plant being built on the Yamal Peninsula in Russia. The transshipment platform in Europe will be an integral part of the logistical chain enabling LNG supply from Yamal to reach the Asian-Pacific countries when winter navigation is closed at the Arctic Ocean's Northern Sea Route, thus ensuring year-round LNG supplies to this region.

If Fluxys Belgium succeeds in attracting LNG transshipment operations to the Zeebrugge terminal, this would be an important project for the company itself and for the port of Zeebrugge. It would bring considerable investment to the terminal, link the facility to an additional source of LNG and entail a significant volume of ship movements. (May 14, 2014)

05/15/2014

USE AS MARINE FUEL

EUROPEAN UNION:

Dual-Fuel vessels ordered for short sea shipping

Two dual-fuel containerships will begin serving European short-sea routes in 2016, according to Containerships Ltd Oy (Containerships),GNS Shipping/Nordic Hamburg (GNS), and Arkon Shipping. **The ships will be capable of running on either LNG or heavy fuel oil (HFO)**. The 45-foot vessels, which will operate in the North and Baltic Seas, will have a total capacity of 1,400 twenty-foot equivalent units (TEUs) with room for up to 300 refrigerated units (reefers).

The ships' generators, as well as its engines, will use **the dual-fuel technology**, providing environmentally friendly power for the reefers and other electrical uses. GNS will be the ships' owner and technical manager, while containerships will charter the ships for the long term, and Akron will be the commercial manager and charter broker.

"Today, after 100 years of using IFO fuel as the main product for running ship engines, and with the upcoming introduction of **new SECA regulations**, we are facing a paradigm shift. "Energy-efficient, eco-friendly ships are the future of shipping." With the delivery of the ships, Containerships says, it will be the first short-sea operator in Europe to run ships on LNG.

In addition to essentially eliminating sulfur dioxide (SOx) and particulate matter (PM) emissions, the companies said, using LNG will cut carbon dioxide (CO_2) emissions by 25%. (May 12, 2014)

05/13/2014

COMPANIES

RUSSIA:

Novatek receives offer for Yamal LNG share

Novatek, a 60% shareholder in the $27 billion Yamal LNG project, announced recently that an as yet-unnamed buyer has offered to purchase their share in the gas complex. Novatek chief financial officer Mark Jetway said in a phone conference that the offer came from "a group in the Pacific region" but did not name a specific party.

Novatek is Russia's second-largest natural gas producer after state monopoly Gazprom. In the first quarter of 2014, Novatek produced 15.36 billion cubic meters of gas and announced a profit of 25.1 billion rubles ($700 million).

The Yamal LNG project plans for a LNG plant with a **capacity of 16.5 million tons of gas per year** and to service the Yuzhno-Tambeyskoye gas field. The plant will be built on Russia's Yamal peninsula. Gas processed at the plant would be largely intended for **markets in Asia**, and will be shipped to the Pacific through the Northern Sea Route in tankers with hulls specially reinforced for through Arctic ice.

Following the imposition of sanctions, Jetway stated that Chinese investors had reaffirmed their commitment to the project and said he was confident that sufficient financial support existed for the project from remaining export credit agencies and Asian investors, Reuters reported. (May 4, 2014)

NATURAL GAS

RESERVES

MEXICO:

Mexican capacity to replace oil, gas reserves falls in 2013

Mexico's ability to replenish proven reserves of extracted hydrocarbons declined sharply last year, according to a document released by a U.S. securities regulator. The so-called **replacement rate of certified oil and gas reserves fell to 67.8% in 2013 compared with 104.3% in 2012**, Pemex said in a report to the U.S. Securities and Exchange Commission.

"The fact that the reserves replacement rate was less than 100% in 2013 represents a decline in Mexico's proved reserves during this period". The decrease was **mainly due to "a significant decrease in the amount of proved reserves** that were added as a result of discoveries, extensions and positive revisions in 2013," the report said.

Pemex cited specifically, "lower levels of field development activities in the ATG," in reference to its Chicontepec project, where Pemex has invested billions of dollars to extract oil from the geologically complex on-shore basin.

Mexican President Enrique Pena Nieto pushed a landmark energy reform through Congress last year that aims to lure private investment to boost oil production in Mexico, which has fallen by a quarter to 2.5 million barrels a day from a 2004 peak. Congress still needs to approve so-called secondary laws hashing out the fine print of the reform expected in a special session that will likely be held next month. (May 16, 2014)

05/16/2014

MOZAMBIQUE:

ONGC's Mozambique gas field holds larger reserves at 50-70 tcf

Oil and Natural Gas Corp's (ONGC) giant gas field in Mozambique holds 50 to 70 Tcf of recoverable reserves, 43% more than the minimum estimated resources when it invested $4.12 billion. ONGC Videsh Ltd, the overseas arm of state-owned ONGC, bought a 16% stake in the offshore Rovuma Area-1 over the past one year. Oil India has a 4% stake and a unit of Bharat Petroleum Corp (BPCL) owns 10% in the block. "Successful appraisal drilling activities in the Orca field increased the total estimated recoverable resources in Offshore Area-1 to a range of 50 to 70-plus Tcf of natural gas," BPCL said.

The resource estimation is higher than 45 to 70 Tcf range Anadarko had given in March and 35 to 65 Tcf range when OVL bought stake in the block last year. OVL teamed up with Oil India last year to buy Videocon's 10% in Rovuma Area 1 for $2.475 billion. It later bought another 10% stake in the field on its own from Anadarko for $2.64 billion.

The Area 1 consortium's 2014 programme is focused on advancing the development towards first LNG cargo in 2018, Anadarko said. The project, with a **capacity to produce 20 million tonnes of LNG annually**, would be the world's largest LNG export site after ExxonMobil-run Ras Laffan in Qatar. So far, seven gas fields have been discovered in the block. (May 6, 2014)

PROCESSING

GHANA:

Atuabo gas processing plant near completion

The Atuabo Gas Processing Plant is expected to begin the supply of gas to the Aboadze Thermal Plant after the second quarter of 2014. Communications Manager, Ghana National Gas Company Limited, Alfred Ogbamey, said the plant is initially expected to produce **70 MMscfd of gas, with a projected increase to 120 MMscfd by the last quarter of this year.** .(May 5, 2014)

05/06/2014

TRANSPORT - DISTRIBUTION

CHINA:

China drops plan to join Iran-Pakistan gas pipeline

China has dropped plans to join Iran-Pakistan (IP) gas pipeline as the project faces sanctions threat from US, says *Pakistan Tribune* newspaper. The newspaper states that **China has instead looking to join the TAPI gas pipeline project**.

Participating countries are finalizing tender documents for the TAPI pipeline in consultation with the Asian Development Bank that is playing the role of transaction adviser, says *Pakistan Tribune*. However, progress on the pipeline is slow due to some unresolved issues between Turkmenistan and US companies including Chevron and ExxonMobil, the newspaper reports. The two US firms have been shortlisted, which will be given tender documents for vying for the pipeline contract. (May 1, 2014)

05/02/2014

TURKEY:

More companies show interest in TANAP

A number of foreign companies show huge interest in acquiring a share in the Trans-Anatolian (TANAP) gas pipeline project. This was announced recently by Turkish Energy and Natural Resources Minister Taner Yildiz.

TANAP project, being one of the most important economic projects of Turkey, will contribute to the development of the country's regions, the minister noted. "The project is very important and **many foreign companies show great interest in it**."

TANAP, developed by Azerbaijan's state energy company SOCAR in collaboration with Turkish Botas and the energy company TPAO, will deliver Shah Deniz gas to the Turkish-Greek border from eastern Turkey. (May 5, 2014)

05/06/2014

ISRAEL:

Tamar partners to lay 3rd pipeline

The **delivery of natural gas from the Tamar field will be doubled to 20-22 bcm a year** when a third pipeline from the field northwest of Haifa to the production platform offshore from Ashdod is built. The third pipeline will be able to **deliver 6 bcm of gas a year to the Israeli market and the same amount to Egypt's LNG plant** in Damietta, if the partners sign the gas supply contract with the plant's operator, Spain's Union Fenosa SA. The pipeline will cost an estimated $200-300 million to build, and could be completed in 2016-17.

Belying previous reports, it turns out that boosting Tamar's capacity does not depend on turning Yam Tethys's depleted Mari B field into an operational storage facility. The Tamar field, which was hooked up to the Israeli coast in March 2013, can currently supply 10 BCM of gas annually, the maximum capacity of the pipeline from the production platform to the onshore terminal at Ashdod. The double 150-kilometer pipeline connecting the production platform from wellhead has a capacity of 12 BCM a year.

The report by the foreign consultant and the prospectus published by Delek units Avner Oil and Gas LP and Delek Drilling LP for their bond offering last week state that the compressors that will be installed at the Ashdod terminal will boost Tamar's production capacity by 50-60%. However, the consultant's report also states that **in view of the limited capacity of the pipeline from the wellhead to the production platform, only the laying of a third pipeline will allow the gas field's full production potential with the compressors to be realized**. The compressors will be installed by mid-2015, after a cost overrun from $216 million to $262.3 million.

The report states that the partners in Tamar will have to invest $3 billion more in the coming years to develop the field's next stages. This will double the initial investment of $3.05 billion. Tamar's current stage of development, based on five production wells, can pump only half the possible production capacity (5.7 trillion cubic feet or 28.3 BCM). Any additional production requires development of the field's second and third stages, at an investment of $2.9 billion by 2043. This payment includes $300 million that the Tamar partners will pay Yam Tethys for use of its facilities. (May 14, 2014)

05/16/2014

SUPPLIES - IMPORTS - EXPORTS

CHINA:

China aims to imports 65 Bcm of Turkmen gas by 2016

China is aiming to import 65 bcm of natural gas from Turkmenistan by 2016, according to a joint statement by the two countries released recently. The two parties have mapped out bilateral energy cooperation in a joint declaration during Turkmen President Gurbanguly Berdymukhamedov's state visit.

Both China and Turkmenistan have agreed to **ensure the smooth and stable operation of Line A, B and C and that they meet the designed capacity; kick off construction of Line D as soon as possible and try to put it in operation by 2016**, news agency Xinhua quotes from the joint statement.

Line A was launched in December 2009, and Line B in October 2010. They have a combined transport capacity of 30 bcm/y. The transport capacity of Line C is 25 bcm/y.

Xinhua adds that the two countries will speed up design and construction of the second phase of the Fuxing gas field in Turkmenistan with a capacity of 30 bcm/y. (May 13, 2014)

05/14/2014

CHINA:

China committed to Russian gas project, says Novatek

Chinese investors are committed to financing part of Novatek's $27 billion Russian gas project, ensuring it has sufficient backing despite losing U.S. support because of sanctions, the company said.

Russian corporate bond and loan issuance this year has languished on lenders' concern over becoming caught up in U.S. and EU sanctions imposed on Russian individuals in retaliation for Moscow's annexation of Crimea and support for separatists in eastern Ukraine. But the scramble for funds is driving businesses to Asia, where cash-rich investors and governments are less critical of the Kremlin's actions.

Novatek's Yamal LNG project is being developed in partnership with Total and CNPC. **The project recently lost U.S. export credit agency Ex-Im Bank** as a sponsor after sanctions were imposed, Novatek said. Ex-Im, which has about $1.7 billion of exposure to Russia, said it suspended consideration of the freezes and visa bans is Novatek shareholder and billionaire businessman Gennady Timchenko, an ally of Russian President Vladimir Putin. Timchenko owns 23% of Novatek via his investment vehicle Volga Resources, which is also subject to U.S. sanctions.

CNPC and a consortium of Chinese banks signed a memorandum on project financing for China Development Bank Corporation , Industrial and Commercial Bank of China, Bank of China and China Construction Bank were considering actively participating in the external project financing transaction, Novatek said.

Yamal LNG is slated to start production in .2017, targeting output of 16.5 million tons of LNG a year by 2020. The $27 billion project is key for Russia's aim to double its global LNG market share to 10% by the end of the decade and will help Moscow in its efforts to diversify energy supplies away from Europe to Asia. (Apr 30, 2014)

05/02/2014

EGYPT:

Egypt wants arbitration resolved to allow gas exports from Israel

The Egyptian government linked possible agreement to an arrangement whereby partners in Israel's Tamar gas field would export gas via a LNG plant in Egypt to resolution of outstanding international arbitration.

The partners in Israel's Tamar natural gas field would export up to **2.5 trillion cubic feet of gas over 15 years via the plant**, according to a letter of intent signed earlier this month with Union Fenosa Gas – a joint venture between Spain's Gas Natural and Italy's Eni, that operates the plant in Damietta.

The Union Fenosa Gas plant went idle in 2012 due to a lack of gas supply from the Egyptian government. The LNG plant filed a complaint with the International Chamber of Commerce last year alleging that a state partner had failed to comply with the contracts. In a statement issued by the oil ministry, an official linked Egypt's agreement to the letter of intent to "resolution of all pending trade arbitration cases". (May 14, 2014)

05/15/2014

IRAN - KUWAIT:

Iran ready to supply gas to Kuwait through pipeline

Iran is ready to supply natural gas to Kuwait through pipeline, according to a senior trade official. "We are ready to export gas to Kuwait through pipeline and at a price palatable to both sides," head of Iran's Trade Promotion Organization (TPO) Valiollah Afkhamirad said, addressing the 12th Iran-Kuwait Joint Trade Committee in Tehran recently, reports Fars News Agency.

The official said that the two countries have sought to expand bilateral ties. Kuwait has been looking to source gas to meet local demand. Last month, the Gulf nation inked LNG deals with Qatargas. As per the deal, Kuwait Petroleum Corporation (KPC) will import LNG till the end of 2014. Kuwait also agreed to buy LNG from BP and Shell. (May 4, 2014)

05/05/2014

RUSSIA:

It’s all about South Stream

The **aim of the current Russian-Ukrainian crisis is to push through the construction of the South Stream gas pipeline that would bring Russian gas to Europe outside Ukraine**, former Czech Prime Minister Mirek Topolánek said at a meeting held by the Public Discussion Institute recently. It is similar to 2009, when the main aim was to push through the Nord Stream gas pipeline, he added. The energy crisis in 2009, when gas supplies via Ukraine to Europe were interrupted, had similar features as this year's crisis. "While in 2009 one of the crisis's main goals was to weaken the resistance of Sweden, Baltic countries and Poland to the construction of Nord Stream, which was then completed immediately, the main aim of this Russia-Ukraine crisis can be expected to be the enforcement of the South Stream construction," said Topolánek (prime minister in 2006–09), who headed the Czech government during the gas crisis at the time.

He added that the energy security had not increased since 2009. "**We are making the same mistakes all over again**," Topolánek, current president of the Czech Association for District Heating, pointed out.

Russia's effort to create a protective zone from the surrounding countries has become apparent in the Russia-Ukraine conflict, Topolánek said. He also mentioned the strategic importance of the area around Slavyansk, which allegedly has large deposits of shale gas. Other possible centers of Russian interest are Moldova, Belarus and the Azerbaijan-Armenia conflict, Topolánek noted.

Marek Príhoda, from the East European Studies Institute of Charles University's Faculty of Art, also agreed that Russia was striving for support in surrounding countries and control of Ukraine. "I do not think that some division of Ukraine would be a priority goal, which would be hard to materialize as well, but rather the preservation of a certain instability," he added.

Gazprom plans the South Stream project. In April, it signed agreement with the Allseas Group, a Swiss firm, about the construction of the second string of gas pipeline in the Black Sea and a preliminary agreement with the Austrian OMV on the construction of part of the gas pipeline that ends in Austria. The project is sharply opposed by European Union officials who are trying to lower Europe's dependence on Russian gas. The EU halted the project's approval procedure after Russia’s annexation of Crimea. (May 13, 2014)

05/14/2014

RUSSIA:

Russia set to cut off Ukraine’s gas supply next moth

Russia’s state gas giant Gazprom has threatened to cut off its supply of natural gas to the Ukraine starting from June 3rd, unless the Ukrainian government pays $1.7 billion in advance for future shipments.

In a statement Gazprom gave Ukraine a June 2nd deadline to pay the bill, or it would no longer provide any natural gas to the country, which relies on Russia for one - third of its gas needs. "Taking into account non - working days, Naftogaz should pay this bill by June 2 and, starting from June 3, the company will be getting gas ... only at the volumes paid for," Gazprom spokesman Sergei Kupriyanov said. Gazprom’s chief executive Alexey Milller had recently warned that Russia may cut off the gas supply if Ukraine did not pay up to $3.51 billion in past debt. However the statement suggested that Russia could temporarily overlook the past repayment, as long as Ukraine paid upfront for future gas supplies.

Ukraine is refusing to pay up for the moment, as it wants to change the conditions of a 2009 contract, signed by the last regime, that locked Kiev into buying a set volume of natural, whether it needs it or not, at $485 per thousand cubic metres (tcm) – the highest price paid by any country in Europe. Moscow dropped the price to $268.50 after then - President Viktor Yanukovich turned his back on a trade and association agreement with the European Union last year but reinstated the original price after Yanukovich was ousted in February.

Ukraine’s Energy Minister Yuri Prodan said that his nation would immediately repay Russia if they dropped the price back to $268.50. “Ukraine in 10 days will urgently repay gas bill arrears,” he said. Prime Minister Arseny Yatsenyuk added that he would make a "final call" to Russia to sit down and negotiate a solution to the gas dispute; and would likely take the case to an arbitration court in Stockholm if the two sides failed to agree on a price by May 28. (May 13, 2014)

05/14/2014

PRICE

LITHUANIA:

Deal with Gazprom on gas price cut is reached

Lietuvos Dujos (Lithuanian Gas), Lithuania's gas distribution and supply company, announced it has finally reached a deal with Gazprom on a **"significant" reduction - up to 20% - on the natural gas import price**.

It is said unofficially the proposed price of gas Gazprom would be **370 US dollars per 1 000 cubic meters**, 24%, or around 118 US dollars lower than the current price at $ 488 dollars (per 1 000 cubic meters).

The agreement is expected to lay out the basic principles for gas pricing from late 2015, when the current long-term gas supply contract expires, and thereafter, with the focus being made on the preconditions for the contract's renewal.

"The agreement will create the preconditions for a marked reduction in the price of natural gas for consumers. Under the agreement, the new formula for calculating the price of gas imported by Lietuvos Dujos will be in effect until the expiration of the long-term contract on Dec, 31, 2015," he said in a press release. Importantly, he stressed, if the price were cut, Lietuvos Dujos would not pursue the international arbitration over the Gazprom gas price in the Stockholm Court of Arbitrations.

Meanwhile, Lithuanian Energy minister Jaroslav Neverovic announced this week that Qatar Liquefied Gas, the world's largest LNG supplier, is "a serious candidate" for a mutual contract to supply 0.5 billion cubic meters of natural gas per year to Lithuania for five years.

The deal is said to be in the final stage of talks, which, if successful, would wrap up the minister's recent visit to Qatar and the ensuing talks with the Qatari LNG officials. Neverovic told the offers Lithuania is getting are lower than the current Gazprom gas price. **How much Lithuania will be buying from Gazprom will depend on the price the Russian gas giant will offer**. (May 13, 2014)

05/13/2014

EUROPEAN UNION:

EU wants one price for Russian gas

The EU wants a uniform price for Russian natural gas for all its member states, said Energy Commissioner Gunther Oettinger recently. Oettinger had a meeting with Polish Prime Minister Donald Tusk who lobbies for the idea of an EU energy union. Oettinger also said that **Europe should have pan-European grids for natural gas and electricity**, including more power links between countries, more LNG terminals and more diversification with partners such as Norway.

Currently the EU member states buy gas from Russia based on bilateral agreements and pay different prices.

A common bulk purchase would give the EU more leverage in the negotiations with Russia. "The prices vary a lot," Oettinger said. "The larger the share of Russian gas, the larger the Russian monopoly on orders and the higher the prices." (May 2, 2014)

05/02/2014

STORAGE

EU - UKRAINE:

Ukraine can’t guarantee full transit of gas to Europe

Russia’s energy minister has warned that the situation concerning the injection of natural gas into Ukraine’s **underground gas storage facilities is very critical**, and Kiev, along with the EU, must take measures to ensure uninterrupted supply to Europe.

Aleksandr Novak reminded that during recent Warsaw meeting, Ukrainian Energy Minister Yury Prodan stated Ukraine can’t guarantee the injection of the required amount of gas into its underground gas storage facilities (UGS) during the summer months, which means that Ukraine no longer guarantees the transit of gas to Europe in the amounts agreed in contracts between Russian gas giant Gazprom and EU customers.

Russia, Ukraine, and the European Union **failed to reach an agreement on gas supply issues** during three-party talks in Warsaw last week. The parties gathered to search for a solution to the “crisis situation” around Ukraine's payments for Russian gas, according to the Russian Energy Ministry.

Novak estimated that **Ukraine needs to inject 12 billion cubic meters of gas during the summer period** to be all set for winter use and its transit obligations. The summer gas injection will ensure gas transit to Europe via Ukraine flows without interruption all year round.

According to EU energy commissioner Guenther Oettinger, the sides have agreed to hold two more rounds of consultations, in two and four weeks. During their next meeting in mid-May, the sides will focus on gas prices for Ukraine, Oettinger told. (May 04, 2014)

05/07/2014

UNITED STATES:

Watkins Glen gas storage project gets OK

A company’s plan to **expand its natural gas storage facility** near Watkins Glen has been **approved by the Federal Energy Regulatory Commission**. The facility is owned by Crestwood (previously Inergy, before a corporate merger).

The gas storage facility - acquired several years ago from NYSEG - uses **salt caverns** beneath the U.S. Salt plant on Seneca Lake to store natural gas. The facility hooks up with the Dominion and Millenium pipeline systems.

Crestwood won federal approval to **expand the working gas capacity from 1.45 billion cubic feet to 2 billion cubic feet by expanding into unused salt caverns,** and to build related infrastructure on the site. Crestwood also plans to build a large-scale LPG storage and distribution facility nearby. That project - which has generated fierce local opposition since it was proposed in 2009 due to concerns about safety and impact on local wine and tourism industry - remains under review by the state Department of Environmental Conservation. (May 15, 2014)

05/16/2014

COMPANIES

SPAIN:

Spanish Union Fenosa in talks to buy 20% of Israeli Tamar gas

Spanish gas company Union Fenosa SA is in talks with the Tamar partners to buy 20% of the natural gas in the field. The Tamar natural gas field partners are Noble Energy Inc., Delek Group Ltd. units Avner Oil and Gas LP and Delek Drilling Limited Partnership, Isramco Ltd. and Alon Natural Gas Exploration Ltd.

The talks with Union Fenosa were reported in the 2013 financial statements of the Tamar partners. If the agreement is signed by the Tamar partners, then **the natural gas will be exported through Union Fenosa and ENI's LNG installation in Egypt**.

Such a contract would be worth $1.3 billion annually for the Tamar partners. The Tamar field contains 10 trillion cubic feet of gas. (May 1, 2014)

05/02/2014

GENERAL INFORMATION

LEBANON - ISRAEL:

The Lebanese-Israeli maritime border conflict explained

The maritime border dispute between Israel and Lebanon remains unresolved. The neighbouring countries are technically in a state of war. The discovery of substantial amounts of natural gas off the coast of Israel (with the 10 tcf Tamar field and 19 Tcf Leviathan discovered respectively in 2009 and 2010) triggered third-party efforts to mediate the dispute in order to allow for the effective development of the hydrocarbon riches in the Levant basin. **All attempts towards getting Lebanon and Israel to agree on the delimitation of their maritime borders have failed thus far**.

Lebanon has not yet started drilling in its exclusive economic zone, delayed by a political deadlock. Results from seismic surveys suggest that its waters contain large quantities of natural gas (up to 95 tcf - according to a statement from previous energy minister Gebran Bassil). Neighbouring Cyprus also recently encountered natural gas in its Aphrodite field in Block 12 discovered in 2011. The estimated gross mean of the field is 5 Tcf, less than originally anticipated.

Amos Hochstein, U.S. deputy assistant secretary for energy diplomacy, is leading the US efforts to solve the dispute. He recently said that talks were moving forward without disclosing further details on the progress achieved.

The maritime border conflict - if unresolved - could eventually lead to another military confrontation between Lebanon and Israel that would add to the instability of the region. The two countries both claim a maritime triangular area of 850 square kilometers as their own. In 2011, they submitted their respective claims to the UN. The claims overlap and are incompatible with the previous accords negotiated between Lebanon and Cyprus in 2007 and Israel and Cyprus in 2010. The Lebanese-Cypriot agreement remains unratified to date while the Israeli-Cypriot agreement came into force in 2011.

While both countries can pursue exploration activities in their respective EEZs without conducting any drilling in the disputed area before a resolution is achieved, a solution would be beneficial to attract investors that may be reluctant to participate in disturbed waters. The fact that Israel and Lebanon have historically had tensed relations that never existed under normal diplomatic conditions renders the task of mediating their dispute difficult to say the least. However, optimists may argue that given that hydrocarbon riches are at stake, the two states would benefit from reaching a settlement. (May 5, 2014)


TURKEY
Prospective gas fields
Disputed maritime territory
SYRIA
CYPRUS
Turkish Cypriot claim
LEBANON
Aphrodite
Tamar
Leviathan
Dalit
ISRAEL
Mediterranean Sea
Mari-B
WEST BANK
JORDAN
Marine
GAZA STRIP
EGYPT
100 km

05/05/2014