



**Vol. 54, n° 14, June 23, 2015**

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# CEDIGAZ LNG SERVICE

## A COMPLETE DATA SERVICE FOR THE LNG ANALYST

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### FEATURES

#### DATABASES

- **Liquefaction plants:** More than 150 existing and planned liquefaction facilities. Quarterly update.
- **Regasification terminals:** More than 200 existing or planned regasification terminals in the world. Quarterly update.
- **Long-term Supply contracts:** Includes over 200 sales/tolling contracts currently in force plus contracts with projects under development. Quarterly update.
- **LNG trade:** annual LNG flows between exporting and importing countries since 1970.

#### LNG MONTHLY BULLETIN

Monthly LNG import volumes and prices by country of origin for 19 countries representing 90% of the global trade.

#### CEDIGAZ LNG OUTLOOK

CEDIGAZ's medium and long-term perspectives on LNG supply and demand.

#### COMPANY REPORTS

A summary of the information of the LNG database by company.

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# LNG

## PRODUCTION

### UNITED STATES:

#### Cheniere announces two new LNG project developments

Cheniere Energy Inc. has **announced two LNG project developments**. If completed, the LNG projects are expected to **add up to approximately 19 million tpy of incremental LNG production capacity, bringing Cheniere's aggregate nominal LNG production capacity to approximately 60 million tpy by 2025**.

Cheniere is developing **approximately 9 million tpy of incremental LNG production capacity through the addition of two liquefaction trains adjacent to the existing site of the Corpus Christi liquefaction project**. Each of these trains has an expected nominal LNG **production capacity of approximately 4.5 million tpy**, which would increase the expected aggregate nominal **LNG production capacity at the liquefaction project to approximately 22.5 million tpy**.

Cheniere initiated the regulatory process in **June 2015** by filing the National Environmental Policy Act pre-filing request with the US Federal Energy Regulatory Commission (FERC) and the free trade agreement (FTA) and non-FTA approval requests with the US Department of Energy (DOE). **Regulatory approvals would be expected in 2017**.

The company has also agreed in principle to partner with Parallax Enterprises LLC to develop up to **10 million tpy of LNG production capacity** through Parallax's two mid-scale projects, Live Oak LNG and Louisiana LNG. Live Oak is located on the Calcasieu Ship Channel in southwestern Louisiana, and Louisiana LNG is located on the Mississippi River approximately 40 miles from New Orleans. Both projects are expected to have two liquefaction trains designed for LNG production capacity of approximately **2.5 million tpy** each, utilising liquefaction process technology and modular equipment developed by Chart Industries Inc. The facilities are being engineered by Bechtel Oil, Gas, & Chemicals Inc.

Charif Souki, Cheniere's Chairman and CEO, said: "Our latest LNG development projects include two additional liquefaction trains adjacent to our Corpus Christi liquefaction site and four mid-scale liquefaction trains to be developed at two sites located in Louisiana. This next phase of growth would bring our expected aggregate nominal LNG production capacity to approximately **60 million tpy by 2025**. We expect that these liquefaction trains could be funded from internally generated cash flows, which would allow us to continue to be one of the lowest cost suppliers of LNG in the market and give us more flexibility in terms of contracting and selling volumes on a more tailored basis to meet the individual needs of global LNG buyers.

"We continue to market long-term contracts for Train 3 at Corpus Christi and Train 6 at Sabine Pass, and plan to finalise the sale of approximately 3 million tpy of capacity under 20-year agreements before we make a positive final investment decision (FID) on each train, reaching a total of approximately **32 million tpy of LNG** under long-term third-party contracts out of a total of **40.5 million tpy by 2020**. We think we can continue to grow this platform at **10% per year until 2025, and reach approximately 60 million tpy** of expected total nominal LNG production capacity with our new projects while remaining a low cost global LNG supplier."

Cheniere anticipates both project developments could be under construction as early as 2017, subject to receiving all required regulatory approvals and reaching FID. The projects would be targeted to begin production as **early as 2021**, with all approximately **19 million tpy targeted to be in production by 2025**. (June 11, 2015)

06/11/2015

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**MOZAMBIQUE:**

**PTTEP to invest \$1.5 bn in Mozambique LNG project**

PTTEP is willing to invest about **\$1.5 bn in the Mozambique LNG project after the joint venture secured orders for 8 million tons of LNG a year**, The Nation newspaper reported Thursday.

Company's chief executive officer Tevin Vongvanich said the company's investment plan for **2015 and 2016 on the further development of petroleum fields would involve LNG production in Rovuma offshore basin Area 1 in Mozambique**.

The Thai firm has **8.5% equity stake in the project and would contribute its share of around \$1.5 bn over the period of four or five years**, The Nation said. Total investment in the project will be about **\$20 billion**, including the construction of an onshore LNG plant.

The project is expected to produce about **12 million tons of LNG annually** from Area 1 and has **already secured long-term contracts for 8 million tonnes of LNG a year. The remaining 4 million tonnes of annual output could be sold in the spot market**.

As for the land-based LNG production plant, Anadarko, the majority shareholder in the project, has already selected a construction contractor; construction of the plant is expected to begin soon. (June 10, 2015)

*06/11/2015*

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## **RUSSIA:**

### **Sakhalin LNG expansion decision put off until at least next year**

Gazprom put off until at least next year a decision on whether to expand Russia's only liquefied natural gas plant in a project being pushed by its partner Royal Dutch Shell Plc.

Gazprom, the state-run Russian gas exporter, Shell and their Japanese partners need to finish plans for the third unit at the Sakhalin-2 plant before deciding if they will go ahead,

Deputy Chief Executive Officer Alexander Medvedev said in Moscow. While the partners agreed a budget, there need to be enough gas resources to justify new capacity, he said.

Shell has been discussing raising capacity 50 percent since 2013 as it seeks to expand in the growing Asian energy market. It won Russian President Vladimir Putin's support for the plans in April 2014 amid strains with the U.S. and European Union after Russia's annexation of Crimea. The decision to proceed may come as soon as August, Energy Minister Alexander Novak said, according to a RIA Novosti report June 3.

Gazprom and Shell are studying **raising output to 15 million metric tons a year from 10 million tons**. The Russian exporter, owner of 50% of the project, last year said there were alternatives to expansion, including building Vladivostok LNG, a new plant in Russia's Far East. That was Gazprom's preferred option, Medvedev said in March 2014.

It will decide on Vladivostok LNG once the design is ready, Deputy CEO Vitaly Markelov said at a press conference on Tuesday with Medvedev. Shell, owner of 27.5% of Sakhalin-2, argues expanding current capacity is more efficient..

"The FEED stage is in progress now," Medvedev said, referring to so-called front-end engineering design. "As a result of this step -- the preliminary stage of which should be completed in the fall and the main one next year -- we should get the answers on all the questions; economic, technological, related to resources."

Gazprom in 2014 signed a 30-year deal with China to supply gas through a planned \$26 billion pipeline from East Siberia. It is in talks on a second pipeline to the world's biggest energy importer, potentially curbing Chinese demand for more expensive LNG.

A second pipeline contract with China is possible "soon," Elena Burmistrova, general director of Gazprom's export division, told journalists Tuesday. Supplies to China through pipelines have the "very realistic" potential to reach 100 billion cubic meters a year, Medvedev said at the conference. (June 16, 2015)

06/17/2015

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## SUPPLIES - IMPORTS - EXPORTS

### UAE:

#### **Another LNG terminal in UAE is a possibility**

The UAE is thinking of building a new gas importing facility to meet rising domestic demand, The National newspaper reported energy minister Suhail Al Mazrouei as saying.

The minister made these comments as he announced the publication of the second annual State of Energy report. The report will provide a more detailed breakdown energy targets when it is published in October, the newspaper said.

Al Mazrouei reiterated the target was to generate 24% of energy needs from clean energy sources by 2021, adding that actual figures may surpass the target.

#### **The UAE imports about 2 bcf per day of gas from Qatar through the Dolphin pipeline and about 3 million cubic tonnes of LNG a year through the terminal in Dubai.**

According to The National, Mubadala Petroleum and International Petroleum Investment Company – in a joint venture called Emirates LNG – plan to build an LNG intake facility in Fujairah with **capacity to bring in 9 million tonnes a year**. Although there have been mixed signals about whether that **project will go ahead on time, the goal is still that it be built by 2018**, the newspaper added.

“The UAE is today a net importer of gas, so in future we require huge amounts of gas, primarily from imports. Despite the fact that we are developing some of the most challenging reservoirs in the world – sour gas [projects at Al Hosn and Bab] – we are still going to have a huge need for imports,” the minister said.

He said that the tender for the Fujairah plant had gone out “and once that project is approved and functioning we will continue to look at supply and demand balance ... we will definitely require additional LNG to balance the market”. (June 15, 2015)

06/16/2015

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## **EGYPT:**

### **BP signs deal to supply liquefied natural gas to Egypt**

British oil major **BP has signed an agreement to supply 16 cargoes of LNG through 2015 and 2016 to state-run Egyptian Gas.**

The agreement was initially intended to be part of the country's **\$2.2bn tender awarded in January for 70 LNG cargoes.**

However, the deal with BP was put into doubts due to persistent delays as Egypt restructured its plan to meet energy requirements.

As part of the tender, Trafigura, Vitol and Noble Group have secured rights to supply a combined 49 cargoes of LNG. BP was entailed to deliver the remaining 21 cargoes with the first shipments planned from April.

Sources familiar with the matter were quoted by Reuters as saying that the country, however, reduced the number of BP's LNG cargoes shipments to 16 compared to previously planned 21 cargoes due to delays in signing the agreement.

Separately, Algeria's state-run Sonatrach and Gazprom's trading arm have agreed to deliver six and 35 cargoes of LNG to Egypt, respectively.

Last year, BP announced plans to **invest over \$12bn in Egypt in the next five years**, to double its gas supplies to the local market. (June 23, 2015)

*06/23/2015*

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**PAKISTAN:**

**Fifth LNG cargo arrives**

Engro Elengy's floating storage re-gasification unit Exquisite has brought in the 5th load of liquefied natural gas procured by Pakistan State Oil from the open market.

Sources at PSO said the government had not been able to sign a regular procurement deal so far and the state oil company was procuring the commodity from the open market to maintain additional **200 mmcfd** supply into the system.

Without disclosing the value of the consignment, sources at Port Qasim informed that the value of the consignment, as per the declaration of the importer was the same as the previous consignments. The consignment containing **63,000 tons of LNG** attracted duty taxes at the rate of \$440 per ton. However, the importer is in process to get this reduced to \$30 per ton.

It may be mentioned here that the FSRU Exquisite, was to remain anchored at Elengy's terminal, while other carriers had to refill the floating terminal.

Sources said that since no regular procurement and supply agreement has been finalised on government level, Elengy's floating terminal has to lift the cargo from Qatar.

Meanwhile, PSO has received five bids in response to its tender for the supply of LNG, sources said, adding that three foreign suppliers and two local suppliers expressed interest in providing the commodity.

An official at PSO said the process would be completed by June end and the LNG supply agreement would be signed with the successful bidder thereafter.

Pakistan heavily relies on its import of furnace oil and diesel to fuel power stations, and both fuels are relatively expensive as compared to LNG, which is cheaper and a more efficient alternative. LNG is also cleaner and considered environment-friendly. Re-gasification of LNG will allow generation facilities to reach their maximum potential, using a cleaner and more efficient fuel, and will support the country's push for greater energy security and diversification.

The converted fuel will help the government make an estimated savings of about \$1.0 billion per annum on its current fuel import bill of nearly \$15 billion. (June 17, 2015)

*06/17/2015*

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## UNITED KINGDOM:

### How much US LNG will go to the UK?

The UK is likely to be an importer of US LNG, but the amount will depend on how US offtakers handle fixed liquefaction fees and the attractiveness of alternative higher-priced markets.

US LNG to the UK would be profitable in the **first quarter of 2017, first quarter and fourth quarter of 2018, fourth and first quarter of 2019, and first quarter of 2020**, according to Argus calculations of the UK NBP and US Henry Hub gas forward curves.

The reason it works for those quarters is because the spread between NBP winter quarter prices and summer quarter prices are wider, compared with the equivalent Henry Hub winter and summer quarters. **For example, the spread between third-quarter 2017 and fourth-quarter 2017 on NBP is 90¢/mn Btu but for Henry Hub only 15¢/mn Btu.**

But how offtakers handle liquefaction costs will be key to how much US LNG comes to the UK. Also, because US LNG is sold on a fob basis, the LNG can be shipped anywhere so will go to the market with the highest netback, so not necessarily to the UK even if NBP prices are at a profitable premium.

In contracts signed by US LNG developer Cheniere Energy for cargoes from the 18mn t/yr Sabine Pass LNG project and a number of European offtakers, the offtakers have to pay a fixed liquefaction fee, regardless of whether LNG is loaded or not. Offtakers include Shell the UK's BG, Spain's Gas Natural Fenosa, France's Total, and the UK's Centrica.

**The fixed liquefaction fee is between \$2.25/mn Btu and \$3/mn Btu, on a take-or-pay basis.**

Since offtakers will have to pay the **fixed \$3/mn Btu fee** whether they take any LNG or not, if NBP prices exceed Henry Hub prices by more than the shipping cost, it would be better to send LNG from Sabine Pass to the UK to recover some of the **\$3/mn Btu liquefaction cost, even if they do not recover all of it.**

If the \$3/mn Btu fixed liquefaction fee is removed from the calculation and treated as a sunk — a cost incurred in the past that cannot be recouped — then US LNG to the UK would be profitable to the UK all the time between **2016 to 2020.**

But it is unlikely that offtakers would send large volumes of loss-making LNG to the UK. Concerns may include further depressing the NBP price if a large quantity of LNG is shipped, which would result in higher losses from further LNG deliveries from the US to the UK. And European offtakers have gas fields and positions in the European gas pipeline market and would be unlikely to flood the market with US LNG if it were losing money.

US LNG offtakers may take LNG cargoes to other markets at a loss to preserve the UK NBP price. Countries with potential increased LNG demand when prices are low include India and China, which underutilises its LNG import infrastructure. Another option could be to sell the cargoes fob at a better price, but the offtaker would not be able to determine the final destination of the cargo.

For Sabine Pass offtake, BG signed up for **3.5mn t/yr at a \$2.25/mn Btu fixed liquefaction cost and 2mn t/yr at \$3/mn Btu. Gas Natural Fenosa has 3.5mn t/yr at \$2.49/mn Btu. Total has 2mn t/yr at \$3/mn Btu and Centrica has 1.75mn t/yr at \$3/mn Btu.**

The calculations use the Argus US Gulf coast (USGC) fob LNG forward curve compared with the UK NBP gas forward curve and assuming around \$1/mn Btu for shipping.

The forward curves run up to the third quarter of 2020 only. The Argus USGC fob prices are calculated at 115pc of the US Henry Hub gas price plus the volume-weighted average of the liquefaction fee. (June 18, 2015)

**INDONESIA:**

**Indonesia seeks buyers for 79 LNG cargoes loading over 2015-2016**

**Indonesia is seeking buyers for a total of 79 LNG cargoes for loading over 2015-2016** from the Tangguh and Bontang LNG plants, an official said Tuesday.

Excess availability was caused by the inability of domestic industrial customers to absorb the allocated LNG, said SKK Migas' spokesman Zudaldi Rafdi.

"We have allocated the LNG for local industries, but they cannot absorb it," because of an economy-driven reduction in downstream consumption, he said.

"It is difficult for the producers to cut the output, as it would affect long-term gas production in the blocks," he added.

"That is why we prefer to sell the excess cargoes to the spot market or to our existing buyers".

SKK Migas estimates that the **Tangguh LNG plant will produce six excess cargoes in 2015 and 17 in 2016.**

Meanwhile, **Bontang LNG plant will have an excess of 13 cargoes in 2015 and 43 cargoes in 2016.**

**Indonesia plans to export 200 LNG cargoes this year, down from 267 in 2014,** Platts previously reported.

**Fifty-eight cargoes will be allocated to the domestic market, up from 31 in 2014.** (June 23, 2015)

*06/23/2015*

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## **PAKISTAN:**

### **LNG negotiations with Qatar hit a snag**

Negotiations between Pakistan and Qatar over import of the much-hyped LNG – that was to be done on a government-to-government basis – have hit a snag over delays in finalising the mode of payment and issuance of standby letter of credit by independent power producers.

At present, Pakistan State Oil is importing LNG through spot purchases after failing to finalise the government-to-government LNG trade deal with Qatar.

Officials familiar with the development said the issue was raised in a meeting held at the Prime Minister House.

They added that Minister for Petroleum and Natural Resources Shahid Khaqan Abbasi informed the meeting that arrangements for LNG supply had been made. However, he added, negotiations with Qatargas were held up due to unresolved issues of the mode of payment and issuance of SBLC.

He said that the LNG contract was not moving forward due to these issues that are to be resolved by IPPs and the finance division. He said that the power sector could utilise gas to fill the gap, offering to divert the unutilised fuel from out of LNG delivery to four IPPs in Lahore, Kapco and Fauji Kabirwala.

During the meeting, Finance Secretary Dr Waqar Masood was directed to resolve the mode of payments, while Minister for Water and Power Khawaja Asif was told to settle the SBLC issue.

The petroleum minister requested the committee to facilitate and speed up the process of determining the price of LNG-based gas. He informed that the price formula had been worked out by the regulator, the Oil and Gas Regulatory Authority (Ogra), but the government first needed to categorise LNG as a petroleum product.

The secretary for water and power apprised the meeting that all activities regarding the implementation of LNG-based power projects were on track.

Meanwhile, when contacted, Petroleum Minister Abbasi said the payment mechanism was being finalised. “The power sector has not yet provided guarantees for LNG payments, but we are close,” he added.

According to officials, all arrangements with Qatar had been finalised except the payment mechanism and this is proving to be a thorn in taking the agreement forward. Qatar wants the Pakistan government to ensure the payment mechanism, especially given the country’s circular debt issue that has plagued the power sector. (June 12, 2015)

06/12/2015

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**POLAND:**

**LNG terminal ready this year?**

Outgoing Treasury Minister Włodzimierz Karpiński has said that the Liquefied Natural Gas terminal in northern Poland will be **ready by the end of 2015**.

Karpiński added that thanks to this investment, Poland will **increase energy security ten-fold**. "Negotiations are going in the right direction, I can confirm that the terminal will be ready in **2015 and the first ship will arrive this year**, allowing us to prove that we have significantly increased the country's energy security," Karpiński told RMF FM on Saturday.

**Five years ago, 10 of the 16 billion consumed in Poland could have come from the East, like Russia and the Middle East, Karpiński explained. "Today, if we connect all the gas connections, the figure could drop to one billion,"** the Treasury Minister said. "Therefore, we can say, the gas and energy security of Poland and Poles will have increased ten-fold." The LNG terminal in Swinoujście in northern Poland, is one of the largest Polish energy investments in recent years.

It has been recognised by the Polish government as a strategic energy security of the country. The investment will enable the receipt of natural gas by sea from virtually all four corners of the globe. (June 13, 2015)

*06/15/2015*

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**CANADA:**

**Petronas to advance Canada LNG project under two conditions**

Petronas has **decided to proceed with a C\$36 billion (\$29 billion) natural gas shipping project on Canada's Pacific Coast, subject to government approvals.**

The liquefied natural gas project still needs British Columbia lawmakers to endorse a deal on royalties and taxes that the government signed with Pacific NorthWest LNG, the developer. It also needs to pass a federal environmental review, the venture said in a statement.

"We are continuing to move forward," Michael Culbert, president of Pacific NorthWest, said in a phone interview. "This is really a positive step and a positive signal."

The export terminal proposed by Petronas, as the state-run Malaysian company is known, is among 19 under consideration in British Columbia to ship western Canadian gas to growing energy markets in Asia. It's been about six months since the venture deferred a final decision to proceed, citing rising costs and energy market volatility from the oil-price collapse.

"Petronas and the partners of Pacific NorthWest are now in a position to support the commercial aspects of the project and move it forward," Culbert said.

Opposition

In a setback for the project last month, the Lax Kw'alaams band, a British Columbia aboriginal community that claims title to the LNG terminal site on Lelu Island, rejected almost \$1 billion in compensation from Pacific NorthWest because of environmental concerns.

The community can't support the project because of the disruption that the development would cause to salmon habitats near the terminal, said Stan Dennis, the deputy mayor. The 3,600-member group also opposes the facility's location because Lelu Island is culturally significant, he said.

"If things keep going the way they're going and they try to railroad us, so to speak, we'll see them in court," Dennis said by phone. Culbert said he is committed to hold a dialog with affected communities, including the Lax Kw'alaams.

"Can we come to terms?," he said in a phone interview. "The only way you can do that is to continue to talk and continue to work with the First Nations and the other stakeholders in the region." (June 11, 2015)

06/12/2015

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## CONSUMPTION

### JAPAN:

#### Japanese utilities LNG usage fell 7% in May

**LNG usage by Japanese utilities in May fell 7% on year**, reported news agency Reuters citing industry federation data released Friday.

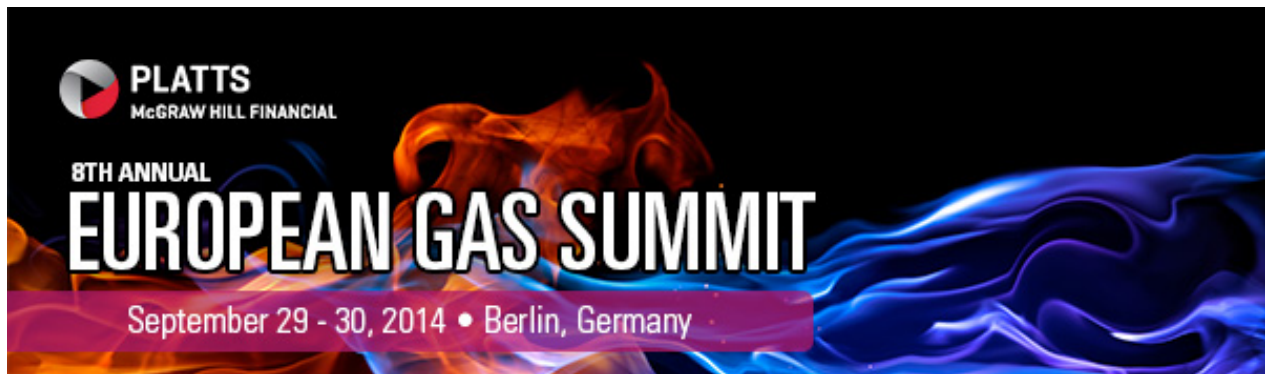
Utilities used **3.99 million tons of LNG in May, a fall of 7% from a year earlier**, and the **biggest decline since February 2013, data** from the Federation of Electric Power Companies of Japan showed, Reuters said.

Japan, world's biggest importer of the fuel, has been importing record LNG in last few year as demand for the fuel continued to see strong rise due to shut down of its nuclear stations since the Fukushima disaster in 2011.

**Country's LNG imports in fiscal year 2014-2015 (Apr-Mar) hit another record with Japan importing 89.07 million tons of fuel, up 1.5% on year**, Ministry of Finance's preliminary data showed. (June 13, 2015)

06/15/2015

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Platts 9th European Gas Summit has been set for September 17-18<sup>th</sup> 2015, and will take place in the wonderful city of Brussels. – **Mark your calendar today!**

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But just what is happening, how are both sides coping? What is happening with the new pipelines? How will Russia monetize its gas after a potential breakdown with Europe?
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**THAILAND:**

**Thai PTT may limit LNG purchases in H2 2015 on lower consumption forecasts**

Thailand's state-owned PTT could limit additional LNG purchases in the second-half of 2015 on lower gas consumption forecasts, a source with direct knowledge of the matter said Friday, June 19.

"PTT expected **gas consumption to increase by around 5% in 2015** compared to last year, but [growth] is lower," the source said. "That is limiting [PTT's LNG] spot requirements."

The change in consumption estimates is the result of an economy-driven slowdown in domestic power demand, and weaker exports due to slow GDP growth in China and other Asian economies.

PTT has stepped out of the market for August, which coincides with the peak of Thailand's rainy season, and is still assessing its LNG requirements for September.

**While gas consumption is expected to grow at a lower-than-forecast pace in 2015, LNG imports are likely to increase sharply year on year.**

In 2014, PTT imported a total of around **1.4 million mt of LNG, mostly from Qatargas through a sales and purchase agreement signed by the two parties in the form of a spot contract in 2011.**

This year, PTT expects to receive **2 million mt of LNG from Qatargas as part of a 20-year contract signed in 2012**, and has so far secured a total of six cargoes through tenders, which account for more than **370,000 mt of LNG**, based on a delivered cargo size assumption of **62,000-64,000 mt.**

The first of these cargoes was sourced from Australia's North West Shelf and delivered aboard the Northwest Swan to PTT's Map Ta Phut terminal April 21.

PTT bought this cargo from an unspecified seller in the **\$7/MMBtu** range through a buy tender held late January to early February.

The buyer also received a Nigeria-sourced cargo from France-based Engie, formerly known as GDF Suez, aboard the Gaselys on May 12.

Engie was heard to have sold this cargo to PTT in the low **\$7s/MMBtu** DES through a single-cargo buy tender awarded by PTT in the week ended February 27.

In addition, PTT received three cargoes in H2 May and H1 June that were awarded at around **\$7/MMBtu** in a buy tender that closed April 6, with validity until April 8.

Malaysia's Petronas delivered two of the cargoes from Bintulu, while Anglo Dutch Shell delivered a third cargo from Nigeria.

Lastly, PTT is expecting the delivery of a single cargo in July 5-7 as part of a tender that closed April 18 and was awarded April 20.

The tender was heard awarded to Qatargas in the \$7/MMBtu range. (June 19, 2015)

06/19/2015

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## PRICE

### UNITED STATES:

#### US exports of LNG to impact global prices

US LNG exports will have an increasingly large impact on worldwide prices and Europe will help balance the market between gas suppliers and demand centers, speakers at Benposium 2015 said in Houston Wednesday.

Andrew Walker, BG Group vice president of Global LNG, said he expected the global LNG market to continue to expand rapidly over the next several years as export projects in the US and other gas-producing countries such as Australia begin to come on line.

"It's driving globalization in terms of geography, and also globalization in terms of market structure," Walker said.

While the total global LNG export capacity is about **240 million mt per year**, "continued **growth in demand will mean the industry will need another 100 million tons of capacity in place by 2025**," he said.

Currently there is about **135 million mt/year of capacity under construction**.

"Most of it is in Australia but an increasing amount is in the US," Walker said.

Asia, which historically has been the largest market for LNG, "is going to continue to be a big deal" in terms of demand in coming years, Walker said. However, the growth in the Asian market for LNG will shift from the traditional demand centers in the developed industrial nations of Japan, Korea and Taiwan to the emerging markets in India, China and the nations of the Southeast Asia region.

**"China, already a big market for LNG, is growing quite rapidly and will emerge as the second biggest market after Japan by 2020,"** Walker said.

Europe will act as a "balancing market" for global LNG volumes, he said. As worldwide supplies of LNG increase dramatically over the next half decade, European imports of the fuel also are expected to increase from current levels.

"Europe imported about **65 million tons in 2010-11**. With imports into Asia increasing, we're down to half the level of imports of 2011," Walker said. "As the capacity under construction starts to come on the world will move back into balance and Europe will get some of its volumes back."

The decline in European LNG imports seen in recent years has "reached the valley" and the downward demand trend has begun to reverse, he said.

"We're not seeing a flood of volumes into Europe just yet, but we're seeing volumes getting back to the level seen in 2010 by about 2020," he said.

Javier Diaz, manager of energy analysis for Platts unit Bentek Energy, predicted that about **9.1 Bcf/d of LNG export capacity would be built along the US Gulf Coast, by 2020**.

**"An additional 1 Bcf/d will come from the East Coast, from Cove Point,"** Diaz said on the sidelines of the conference.

Conversely, Diaz said he does not believe that any of the projects being proposed to export LNG from the West Coast of British Columbia would get built, at least not during the first wave of construction for new North American LNG projects.

**Of the 22 Bcf/d of export capacity proposed to be built in British Columbia, not a single project has reached the final investment decision phase,** Diaz said.

"I don't think there's room in the market for them to get built before the second half of next decade," he said.

In addition, unlike the US Gulf Coast export projects, which are pegging their LNG sales contracts to Henry Hub gas prices, Canadian LNG developers "have not been able to react to the requests from Asian buyers who would like to move from the oil-linked prices to the gas-linked prices," Diaz said.

Exporting gas from BC is expected to be more expensive in comparison to the proposed US export projects, because unlike those US projects, most of which are being built around existing LNG import terminals, the proposed Canadian LNG terminals are all greenfield projects, he said.

The developers of the Canadian projects, which were first proposed to investors when oil prices were much higher than they are currently, are now struggling to ensure the financial viability of their projects, Diaz said.

"It's been a slow process," he said.

He cited the lengthy negotiations the BC LNG developers have been engaged in with the First Nations groups in order to secure pipeline right-of-way and access to the projects sites "and how long it took the British Columbian government to come out with a tax structure for these projects that would be perceived as competitive for them." (June 10, 2015)

06/11/2015

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## PROCESSING

### CHINA:

#### Jereh launches micro LNG solution

Jereh launched its Playwell Micro LNG Solution at the World Gas Conference in Paris, France.

The solution is designed in four standardised packages to achieve LNG production capacity of 1 million ft<sup>3</sup>/d, 2 million ft<sup>3</sup>/d, 4 million ft<sup>3</sup>/d and 6 million ft<sup>3</sup>/d. This ensures a short project period in 20 weeks, resulting in 60% savings in project cycle and 20% in project cost.

#### Other applications

The four packages can also be applied in coalbed methane (CBM), pipeline gas, shale gas, and boil-off gas (BOG) liquefaction applications. All modules are designed in a compact skid-mounted structure with standardised key equipment, including an Ariel compressor and a Caterpillar engine.

For liquefaction processes, the solution offers advanced SMR, N<sub>2</sub> expansion and PCMR processes for better production efficiency.

#### Comments

Li Weibin, VP of Jereh Group, explained: "The standardised design greatly reduces the project cycle in engineering design, product procurement and delivery time by 60%. It could achieve the shortest project period of 20 weeks; 15 weeks for all processes from contract signing to product delivery and 5 weeks from installation to LNG production upon the completion of civil work, thus investment returns six months earlier compared with conventional small scale LNG projects."

"Growing demand for natural gas has made micro LNG solutions more attractive for future investments. However, the long project cycle, complex design and low economic efficiency often deter its development. We are confident that our Playwell Micro LNG Solution will speed up its development, and help customers with shorter project cycle and higher economic returns." (June 18, 2015)

*06/18/2015*

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## USE FOR POWER GENERATION

### VIETNAM:

#### Norwegian firm to build Con Dao plant

The People's Committee of Ba Ria – Vung Tau Province has approved a proposal by the Norwegian company Gravi Float AS to build a LNG-fueled thermal power plant on Con Dao Island.

The thermal power plant includes an LNG warehouse, a wharf for LNG handling and a thermal-power plant with a capacity of 18 MW.

The facilities would be located on 10,000 sq.m of water surface and 13,000 sq.m of land on Hon Troc Island. (June 23, 2015)

*06/23/2015*

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## USE AS MARINE FUEL

### UNITED STATES:

#### **Carnival orders four huge cruise ships powered by natural gas**

The world's largest cruise company plans to build four ships that will have the largest capacity on earth — 6,600 passengers, **and they will be the first ships powered at sea by liquefied natural gas.**

Miami-based Carnival Corp. & PLC said Monday that it has finalized a multibillion-dollar agreement for the new ships with German shipyard Meyer Werft.

The cost of the ships and details about their features were not released.

Two of the ships will be built for Carnival's Aida Cruises brand at Meyer's Papenburg shipyard in Germany. The two others will be built at Meyer's shipyard in Turku, Finland.

**The four are among nine orders included in an agreement with Meyer and Italian shipbuilder Fincantieri between 2019 and 2022.**

In October, Norwegian Cruise Line will add its largest ship to its fleet — the 4,200-passenger Norwegian Escape, which will be based in Miami for sailings to the Caribbean region.

Royal Caribbean International, which has the world's two largest cruise ships in its fleet — the 5,400-passenger Oasis and Allure of the Seas — has ordered two more ships in this megaclass of vessels.

The third and fourth Oasis ships are set to be delivered in mid 2016 and mid 2018, respectively.

Italian cruise operator MSC Cruises also plans to add larger ships to its fleet within a few years. The line's MSC Seaside ship is set to debut in November 2017 to carry up to 5,300 passengers. (June 15, 2015)

06/16/2015

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## USE AS AUTOMOTIVE FUEL

### **JAPAN:**

#### **Japan pushes LNG for transport to help climate, energy security**

Japan, the world's biggest importer of liquefied natural gas (LNG), is drawing up plans to get trucks and ships to use the fuel, partly to help cut carbon emissions but also to diversify energy sources in the freight sector for security reasons.

A draft report on energy policy discussed at the trade ministry on Thursday stressed the need for a greater variety of fuels to transport cargo and noted the growing international use of LNG and compressed natural gas (CNG) in the sector.

Ryo Minami, the ministry's director of oil and gas, wants 10 per cent of the 300,000 trucks used for long-distance transport to be fuelled by LNG soon and a "substantial" part of the fleet to use gas eventually.

"By diversifying fuel in the distribution sector, we aim to improve our ability to respond in the event of an energy crisis," he said. "If oil supplies are halted, distribution will come to a stop."

The Japan Gas Association, grouping city gas suppliers, reckons Japan could have 500,000 vehicles running on LNG or CNG by 2030, about 20 per cent of all trucks - if necessary infrastructure is built.

That could add 2 million tonnes per annum of LNG demand and reduce domestic diesel consumption by 49,000 barrels per day.

Carbon dioxide emissions could be reduced by 6.7 million tonnes a year, it says, roughly 0.5 per cent of Japan's total emissions - a help for government emission-cut targets that critics call unrealistic.

LNG trucks emit 20 per cent less carbon dioxide than diesel trucks and fuel costs are about 30 per cent cheaper. They can carry twice as much fuel as CNG trucks.

Currently there are only about 44,000 CNG vehicles on the road and none at all using LNG. There are only about 300 natural gas stations.

CNG vehicles have been sold in Japan since 1995 but are more expensive than diesel trucks, although a government subsidy covers up to half the difference in price.

### **LITTLE STATE HELP YET**

Not everyone in Japan shares the passion for LNG: Yasushi Kimura, head of the oil refiners' association, says energy use should be left to market forces and consumer preference. "Creating new infrastructure would be a big burden on the citizens," he added.

For now, the government is not offering subsidies for LNG trucks or infrastructure except for two LNG and CNG fuelling stations being built by Shell Japan in Tokyo and Osaka next year, but industry officials expect more help to follow.

The government's immediate goals are two-pronged: introduce LNG trucks able to run more than 1,000 km without a fuel stop for long-distance haulage, while promoting CNG trucks for shorter distances. (June 18, 2015)

## ENVIRONMENT

### CANADA:

#### Shell-led B.C. LNG project nears environmental approval

A liquefied natural gas consortium led by Royal Dutch Shell PLC is expected to receive B.C. environmental approval within days as the group positions itself to be one of the first LNG exporters in the province.

LNG Canada's plans to export from Kitimat are being reviewed by two B.C. cabinet ministers, who are slated to announce by Monday whether they will grant a provincial environmental assessment certificate.

LNG Canada, backed by Shell and three Asian partners, submitted its environmental assessment application last November to the provincial regulator. The B.C. Environmental Assessment Office referred the file in early May to Natural Gas Development Minister Rich Coleman and Environment Minister Mary Polak.

Industry observers predict the two provincial cabinet ministers will attach several conditions to their anticipated approval of LNG Canada's application. The broad goal is to decrease potential adverse environmental impacts and emphasize opportunities with First Nations. Civic and

aboriginal leaders say even one major Kitimat project will transform the region.

LNG Canada's proposed export terminal in Kitimat is slated to be on the former site of a methanol plant that was closed in 2006 by Methanex Corp., while the planned dock for LNG tankers is a wharf that formerly belonged to the Eurocan pulp and paper mill that West Fraser Timber Co. Ltd. shut down in 2010. Despite the setbacks, the local economy has been on the upswing since 2012, when construction started on Rio Tinto Alcan's \$4.8-billion (U.S.) modernization project at its aluminum smelter site in Kitimat.

An LNG joint venture led by San Ramon, Calif.-based Chevron Corp. has done significant site-preparation work at Bish Cove near Kitimat since 2013. But analysts consider Shell-led LNG Canada to be in second place among major B.C. LNG proposals, trailing the Pacific NorthWest LNG project led by Malaysia's state-owned Petronas.

LNG Canada selected industrial property on the northern end of Douglas Channel. Analysts expect the group to make a final investment decision by mid-2016 on whether to invest up to \$40-billion (Canadian) on construction.

By contrast, the Petronas-led consortium gave its conditional approval last week to export from Lelu Island, a picturesque location in the Skeena River estuary near Prince Rupert. The Lax Kw'alaams First Nation opposes Pacific NorthWest LNG's Lelu Island plans, citing concerns about the planned terminal's impact on juvenile salmon habitat in Flora Bank.

While members of the Haisla First Nation have been generally keen to support LNG on their traditional lands in the Kitimat area, companies advocating LNG exports to Asia need to pay greater attention to reducing environmental impacts in B.C., said former Haisla chief councillor Gerald Amos. The Haisla's traditional home is on the east side of Douglas Channel in Kitimaat Village, located near the community of Kitimat.

On a recent outing, Mr. Amos and his wife Gail boarded their fishing boat, Suncrest, for a recreational ride along Douglas Channel. He pointed out the sprawling aluminum smelter of Rio Tinto Alcan, whose roots in Kitimat date back to the early 1950s.

The buzz these days is over LNG. "Kitimat is an industrial town," Mr. Amos said. "But that doesn't mean everything about an LNG plant is hunky dory."

LNG Canada, which has months of study ahead to determine whether the project in Kitimat is economically viable, has preliminary support from Haisla leaders. Shell and BG Group PLC announced plans in April to merge, sparking speculation that the combined entity will focus on Kitimat while placing BG's Prince Rupert LNG project on the back burner.

Susannah Pierce, LNG Canada's external affairs director, said the consortium is optimistic about working co-operatively with aboriginal groups. "There will be opportunities for the Haisla and other First Nations to be a part of the construction and at some point the long-term operations," she said in a recent interview.

Kitimat Mayor Phil Germuth said he is heartened by proposals from the Shell-led group and other LNG proponents, but he has taken a stance against the Northern Gateway bitumen pipeline proposal that envisages an oil-export terminal in Kitimat. "I'm supportive of LNG and very hopeful," Mr. Germuth said.

Analysts caution that with a looming global glut of LNG, B.C. proponents will need to hurry or risk being squeezed out of the worldwide competition to export LNG to energy-thirsty customers in Asia.

The Haisla have assembled coastal properties on the rugged western shores of Douglas Channel, including for their own Cedar LNG proposals. One site has been set aside for a much-delayed LNG barge project planned by a joint venture backed by AltaGas Ltd., Idemitsu Kosan Co. Ltd., Exmar NV and EDF Trading Ltd.

The Haisla have reserve land at Bish Cove leased to the Kitimat LNG project owned by Chevron and its new partner, Woodside Petroleum Ltd. of Australia. Kitimat LNG suffered a setback last July when Houston-based Apache Corp. disclosed that it would exit the joint venture. Woodside officially joined the project in April. "Woodside's entry is a positive development for Kitimat LNG," Kitimat LNG general manager Alan Dunlop said in his recent message in a community newsletter. (June 17, 2015)

06/17/2015

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## GENERAL INFORMATION

### **MALAYSIA:**

#### **Petronas to stay focused On 'cool and sexy' LNG business**

Petronas will remain focused on liquefied natural gas business for the long-term and is committed to maintain its leadership in the global LNG arena despite the dramatic plunge in oil prices since the middle of last year.

Petronas Executive Vice-President and Chief Executive Officer of Upstream, Datuk Wee Yeow Hin, described LNG as a "cool and sexy" industry with consistent demand. "Demand for **LNG will always be there and it is expected to triple by 2035, from 210 million tonnes in 2010 to 500 million tonnes in 2030 and reaching 600 million tonnes in 2035,**" he told Bernama.

He said presently, there are about **30 LNG supply projects globally and this was expected to double to 60 projects by 2030. "This year there are about 36 countries importing LNG and by 2030 it is expected to grow to 50 countries.**

"Japan, Korea and Taiwan will remain as large and important markets but the biggest volume growth would come from India, China and ASEAN," said Wee.

LNG supply is a big portfolio in Petronas which has developed a track record of success across every aspect of the value chain, allowing the group to take a long-term view of the business over the short-term vagaries of the market.

Wee said Petronas would focus on supply capacity, diversity, flexibility of resource and pricing, and reliability, which lends the group its competitive edge.

"We have an end-to-end expertise from resource to marketing. We are also growing our diversity of supply geographically and resource types that would provide flexibility in pricing mechanism and contract volume where demand would be uncertain," he said, adding capacity was vital if Petronas wants to remain as a long-term global player.

**Currently, Petronas has a 26 million-tonne LNG capacity and this will grow to 40 million tonnes by 2020.**

"We are quite lucky because our exploration programme in the last three to four years has resulted in a lot of gas discoveries in Malaysia. Our gas reserves in **Malaysia is about 70 tcf and we produce 2.0 tcf a year. With all the discoveries, today we have 100 tcf,**" he said.

**Petronas also has eight LNG trains now operating and will have another train next year.**

**It also has two first-in-the-world floating liquefied natural gas facility (FLNG)** with production of the first drop of on-specification LNG, expected in the first quarter of next year.

"Overseas, we have LNG in Australia and Canada, where we can dispatch to various parts of the world. We have both different types of resources, conventional and unconventional. In Australia, we have coal seam gas and in Canada we have shale gas," he added.



Wee said Petronas has the diversity that provided the group the flexibility to price its LNG and the ability to meet the varying demands from different buyers, thus ensuring its reliability as a supplier.

"As a supplier to Korea, Japan and Taiwan, we're seen as very reliable and that gives us the edge as the preferred supplier. We also have the proximity advantage which means cheaper shipping cost," he said.

With security of supply from a variety of sources, a spread of pricing options and flexibility in contract duration, shipping and delivery, Petronas is set to maintain its position as a key long-term LNG global supplier.

Petronas last week displayed a milestone development in its LNG capabilities during the 26th World Gas Conference in Paris which featured interactive augmented reality scale models of both its FLNG units.

More than 100 countries and 600 organisations attended the industry's most important gathering, with delegates representing technical, engineering, strategic and commercial disciplines, participated at the five-day conference. (June 15, 2015)

06/15/2015

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## PUBLICATIONS

### UNITED KINGDOM:

#### LNG overtakes pipeline gas by 2035

According to a new report by MJMEnergy Ltd, LNG will potentially overtake pipeline gas as the dominant form of international gas trade by 2035.

##### Summary of Key Findings

- World energy demand is expected to grow to between 17,500 – 20,650mtoe (million tonnes of oil equivalent) by 2035
- World gas demand, is forecast to grow to between 4.5 and 5.3tcm by 2035
- The supply of LNG has increased over the last 50 years to 333bcm (242mt) in 2014, accounting for 33% of gas internationally traded and around 10% of total gas consumption.
- By 2035 LNG demand is forecast to be in the region of 540 – 940bcm, (391 – 681mt), with the range of forecasts reflecting the sensitivity of LNG demand to a variety of variables such as the availability and price of pipeline gas.
- Over the period 2015-2035 the forecast is that the LNG market will be comparatively long for much of this time, driven by new supply in Australia, the USA and elsewhere.
- Existing and currently under construction LNG capacity will be sufficient to meet forecast global LNG demand until 2026 in Demand Mid Case and throughout the forecast period in the Demand Low Case. In the Demand High Case additional LNG capacity will be required to meet demand post 2021.

The LNG Supply Handbook 2015-2035

Published by MJMEnergy Ltd June 2015 – 428 pages. Hardcopy with pdf download

The MJMEnergy LNG Supply Handbook 2015-2035, published June 2015, is written by LNG experts for LNG executives, consultants and analysts and provides a comprehensive source of information on LNG supplies over the next twenty years culminating in an LNG Supply Outlook 2015-2035.

Including an in-depth analysis of 28 current and future potential LNG supplier countries operating in the expanding LNG market, providing details of existing and future LNG projects and contracts together with an analysis of future LNG supplies.

##### Authors

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Mike is the Managing Director of MJMEnergy, an international expert in gas, LNG infrastructure and energy markets.

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Nick is Principal Consultant at MJMEnergy. Key areas of expertise include energy market liberalisation, energy trading, LNG, gas storage, regulation, and third party access to infrastructure.

<http://www.mjmenenergy.com/publishing/Ingsh> (June 19, 2015)

06/19/2015

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## LPG

### SUPPLIES - IMPORTS - EXPORTS

#### **QATAR:**

#### **Qatar shifts focus to South Asia from North Asia LPG markets amid US competition**

Qatar, the Middle East's leading exporter of LPG, is expanding its markets in South Asia and Southeast Asia, as it faces growing competition from the US for its traditional North Asian markets, an official with marketing firm Tasweeq said Tuesday.

Shipments to South Asia last year, particularly to major market India, jumped to **3.5 million mt, or 34% of Qatar's 10.7 million mt exports to Asia, up from 500,000 mt, or 7% of its 8 million mt exports in 2010**, Amad Shaikh, Tasweeq's market analysis director said.

The total volume and proportion of exports to South Asia in 2015 are expected to remain stable or slightly more than last year, after the big jump seen over the past five years, he told the IHS Asia LPG seminar.

"Tasweeq's strategic initiative is to increase engagement with South Asia, a growing market with proximity to the Middle East," he said, adding that it takes just five days to move cargoes from Qatar to the Indian west coast, compared with around 23 days to Japan.

"The trend is expanding market share in South Asia and Southeast Asia and reducing Northeast Asian share out of total exports to diversify our customer base."

**While exports to Southeast Asia rose to 2.5 million mt in 2014 from 2 million mt in 2010, the proportion to total exports eased to 22% from 23%**, he said.

**But exports to North Asia fell to 4.7 million mt last year, or 44% of the total, versus 5.5 million mt, or 70%, in 2010**, Amad said.

Apart from India, Tasweeq sees big demand potential in Pakistan, Bangladesh and Sri Lanka, though those markets require large investments to improve their LPG infrastructure to help boost imports, he said.

India's LPG imports are also growing, with state oil companies set to import 8.5 million-8.9 million mt in fiscal 2015/2016 (April-March), 7-11% above the 8 million mt bought in the year-ago period, prompted by lower prices and as customers adjust to government subsidy-trimming measures, industry sources had said.

India imports LPG mainly via term contracts from Middle Eastern producers Saudi Aramco, Qatar, Abu Dhabi National Oil Co. and Kuwait Petroleum Corp., according to sources.

Saudi Arabia has increased the proportion of its LPG exports in 2014 to India, Indonesia and Egypt and reduced the proportion sent to China, while there were no shipments to Europe, an executive with Saudi Aramco said recently.

This was prompted by the rise in US LPG exports, which have better value in West of Suez markets, he said.

**In contrast, Japan's LPG imports from the US are poised to rise to around 20% of its total imports in 2016 from almost 14% last year, if the Panama Canal expansion is completed on time around Q1 2016, an industry official said recently.**

**Japan, the world's top importer of LPG, could import around 2 million mt from the US in 2016, from 1.59 million mt in 2014, which accounted for 13.7% of the total 11.6 million mt it imported in the year, he said.**

Amad said **Qatar's LPG exports are set to hold steady around 11 million mt in the next few years, as two major petrochemical developments** -- the Al Karaana and Al-Sejeel projects which had been expected to consume LPG feedstock and reduce exports -- have been shelved.

Responding to questions, Amad said Qatar would not be exporting ethane, which is mostly consumed by its domestic ethane crackers.

He said the Saudi Aramco term Contract Prices would remain a viable pricing basis in its present form for Qatar and other Middle Eastern LPG producers, even in the face of competition from US cargoes.

Some industry players have called for changes to be made in the Asian pricing basis, with ideas ranging from a hybrid of Mont Belvieu prices and CP to reflect the growing volumes of US LPG in this region, as well as a Saudi CP, which is decided on a bi-monthly instead of the monthly basis for term cargoes.

Some even suggested modifying the pricing basis to reflect a market which is traded on a daily basis, just like the crude market.

Amad said that to remain competitive in an increasingly volatile market, the pricing of Middle Eastern FOB cargoes based on the CPs are seeing smaller premiums built into them. (June 16, 2015)

06/16/2015

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## NATURAL GAS

### EXPLORATION

#### **GHANA:**

#### **World Bank approves \$700m for gas exploration in Ghana**

The World Bank has approved a \$700 million facility for the exploration of oil and gas offshore Cape Three Points in the Western region, Ghana.

A report by the Daily Graphic said Italy's largest oil company, ENI Spa, and its partners are expected to utilise the amount for drilling and other works.

In an interview with the Daily Graphic, the Minister of Energy and Petroleum, Emmanuel Armah-Kofi Buah, said "the government is excited because the development of Ghana's oil and gas fields would go a long way to further boost the economy".

Ghana took another major step towards the realisation of energy and power security with the signing of an agreement for the development of the Offshore Cape Three Points integrated oil and gas project in January 2015 at the Peduase Lodge.

The \$7 billion project, being undertaken by ENI Spa in collaboration with Vitol Energy, would see the development of the Sankofa and Gye Nyame fields to provide substantial gas to operate the thermal power plants for 20 years.

Correspondence from the World Bank to the beneficiaries of the facility indicated that the approval was given following a senior management discussion on the OCTP project late last month.

ENI Spa, Vitol, the Ghana National Petroleum Corporation (GNPC) and the government of Ghana are expected to study the terms and conditions of the proposed World Bank guarantees to pave way for final discussions on the guarantee package. (June 16, 2015)

*06/16/2015*

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## PRODUCTION

### CHINA:

#### China natural gas output drops for 2nd month, price cut eyed

China's **natural gas output fell 2% in May from a year earlier**, official data showed on Thursday, its second straight month of decline as the market expects Beijing to announce another price cut in the coming months to lift slowing demand.

**Output recorded a 2.9% year-on-year drop in April, to 9.4 bcm**, the lowest since July 2014 in outright volumes. Such drops in output have been rare.

Production was **9.9 bcm in May, slightly higher than April on a daily basis**. **Total output in the first five months of 2015 climbed 2.1% from the same period the year before to 53.2 bcm**, the National Statistical Bureau said.

China, the world's largest energy guzzler, is keen to boost the use of natural gas to cut emissions and fight air pollution.

But demand has been hit since last year as domestic prices, which are regulated by the government, were not cut until April, lagging the steep declines in global oil markets that Beijing uses as a benchmark for gas pricing.

In the **first four months of 2015, China burned 62.9 bcm of gas, up a tepid 2.4% from the same period last year**, according to the National Development & Reform Commission.

Industry sources said Beijing may move to cut city-gate, or wholesale gas prices again in the coming months to lift demand.

Factories that produce items such as ceramics and glass have curbed gas purchases, while the use of gas as a transport fuel has also eased as its price competitiveness relative to diesel narrows hugely.

"The sharply slowing demand growth would be the fundamental reason for government to cut prices," said a Singapore-based China gas analyst.

The International Energy Agency said last week China would lead Asia's gas demand over the next five years, with demand rising 10% a year.

The slowing growth in domestic production is partly compensated for by a large increase in pipeline **imports which rose nearly a third in the first four months to 8.82 million tonnes**. (June 11, 2015)

06/11/2015

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## CHINA:

### CNOOC starts production at Dongfang 1-1 gas field

CNOOC Limited has announced that the Dongfang 1-1 gas field phase 1 adjustment project has commenced production ahead of schedule.

The Dongfang 1-1 gas field is located in Yinggehai basin of the Beibu Gulf in the South China Sea with an average water depth of approx. 70 meters.

In addition to fully utilize the existing facilities of Dongfang 1-1, this adjustment project has also built one wellhead platform. There are seven producing wells in total with five wells **currently producing approx. 53 mcf of natural gas per day**. The adjustment project is expected to reach its ODP designed peak production of approx. **54 mcf per day in this year**.

The Dongfang 1-1 is an independent gas field in which the company holds 100% interest and acts as the operator. (June 11, 2015)

06/12/2015

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## IRELAND:

### Corrib gas operator sizing up increased Irish acreage

Shell E&P Ireland, operator of the controversial Corrib gas field off the Mayo coast, is considering adding to its Irish asset portfolio in the Government's upcoming licensing round.

Talking on the sidelines of yesterday's Energy Ireland annual conference in Dublin, Ronan Deasy, Shell E&P Ireland's managing director, confirmed the company has been evaluating options ahead of the September closing date for applications for the 2015 Atlantic Margin Oil and Gas Licensing Round.

During his address, Mr Deasy reiterated that **Shell is aiming to produce first gas from Corrib by late summer, if not sooner**.

He added that the project — **which should substantially improve Ireland's energy security of supply concerns by providing 60% of the country's annual gas needs and substituting the necessity to import gas from Britain** — should encourage other big-name players to look at Ireland, via participation in the upcoming licensing round.

First commercial flow at Corrib is set to be **12 years overdue, with the project's total cost of around €3.6bn set to be nearly four times its original estimate, of €800m. However, Shell says the project will provide €6bn to Ireland's GDP and sustain 175 high-quality long-term jobs for the next 15 to -20 years. It has already employed more than 6,000 people**.

Earlier, Eamonn Confrey, principal officer in the Department of Energy and Natural Resources, referred to the Government's 'white paper' on Ireland's energy policy up to 2030, which is due for publication later this year. He said that the country still has one of the highest reliance rates for fuel imports in Europe and that the **€6.7bn it pays per year**, in this regard, is "unsustainable". (June 19, 2015)

06/19/2015

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## **NIGERIA:**

### **Nigeria looks to quintuple its gas production by 2020**

Corporate Planning Manager, Seplat Petroleum Development Company, Kazeem Raimi, has said that the country aims to quintuple its daily gas production and almost double daily oil production by 2020, Rigzone reports.

Raimi, who made the disclosure when speaking at the recent 2015 SPE London Annual Conference, said that Nigeria's current gas output stood at 4 billion cubic feet per day, with gas reserves at 180 trillion cubic feet, and that Nigeria's current oil production rate was 2.2 million barrels per day, with reserves at 37 billion barrels.

He said the 2020 target for the country's daily gas and oil production is 20 billion cubic feet per day and four million barrels of oil per day, respectively.

Raimi also said that Nigeria's gas reserves are also targeted to increase to 300 trillion cubic feet and oil reserves to 40 billion barrels. (June 17, 2015)

*06/18/2015*

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## **NORWAY:**

### **Norway gas flows up as Troll's maintenance end, partly offset by Kollsnes**

Norwegian gas exports to Europe rose on Friday morning after Troll, the country's biggest gas field, returned to full production capacity after maintenance, outweighing an unplanned outage at the Kollsnes gas processing plant.

Total pipeline gas supplies to Europe were running at a rate of **258 mcm/day by around 0700 GMT, up 7 mcm from the previous day.**

Gassco said maintenance at Troll ended on Friday, increasing **production capacity by 27 mcm/day.**

However, a compressor failure **reduced output from the Kollsnes gas plant by 20 mcm/day.**

The **Kollsnes outage is expected to last for three days,** Gassco said.

**Troll, which has a production capacity of around 120 mcm/day, delivers gas to Kollsnes for export to Europe.** (June 12, 2015)

*06/12/2015*

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## TRANSPORT - DISTRIBUTION

### EUROPE:

#### **Gazprom and European partners to expand Nord Stream gas pipeline**

Gazprom has signed memorandums of intent with three European companies for the expansion of Nord Stream gas pipeline between Russia and Germany.

The decision comes amid declining domestic gas production in Europe and increasing gas demand globally.

The potential agreement with **E.on, Shell and OMV entails the development of two additional gas pipelines, with an annual capacity of 55 billion cubic meters, from the Russian coast to the German coast through the Baltic Sea.**

Gazprom management committee chairman Alexey Miller said: "Upon commissioning of the Nord Stream gas pipeline, Gazprom has been looking into the possibility of boosting the capacity of this route."

Gazprom is seeking alternative routes for transportation of gas to European markets, by avoiding Ukraine.

The four partners plan to establish a joint project company in future.

"Extra gas transmission facilities along the shortest route connecting gas fields in Russia's north to European markets will provide for higher security and reliability of supplies under new contracts," Miller added.

OMV executive board member Manfred Leitner said: "It is an important step towards higher security of gas supplies to Central Europe, and it will enhance the role of Baumgarten in Austria as a gas hub."

The 1,220km-long Nord Stream offshore pipeline project already operates two pipelines with combined annual capacity of 55 billion cubic meters (bcm).

Gazprom has a 51% share in the existing pipelines, with E.on Ruhrgas and Wintershall holding 15.5% each and Gasunie and Gdf Suez owning 9% each.

The Russian giant has also signed a non-binding memorandum of understanding with OMV for a possible participation of the latter in the development of Areas IV and V of the Achimov formation of the Urengoy oil, gas and condensate field in Russia.

Separately, Gazprom has signed a deal with Shell to lay a third line at the Sakhalin-2 LNG project, expanding the plant's capacity by **five million tonnes to 15 million tonnes**. (June 19, 2015)

06/19/2015

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## **SOUTH KOREA - RUSSIA:**

### **Gazprom exec says N.Korean gas pipeline unlikely**

The deputy CEO of Russia's Gazprom told reporters that connecting South Korea to Russian gas supplies is economically attractive but politically infeasible on Tuesday.

The long-gestating pipeline project would extend through the DPRK and provide natural gas to energy-hungry South Korea.

But Alexander Medvedev, speaking from a press conference in Moscow yesterday, said the project was too difficult in the current climate.

"The level of communications, the level of cooperation is not that which would make it possible to speak of advancing to the feasibility study stage, let alone implementing a project to supply gas via North Korea."

Despite the political hurdles, the project is still interesting from an economic standpoint.

"From the economic standpoint, this would probably be the most efficient option for supplying gas to Korea ... There is demand for pipeline gas," Medvedev added.

The pipeline project would also be logistically difficult, both from a construction and maintenance standpoint. Building gas pipeline infrastructure requires specialized knowledge and equipment. The DPRK lacks a domestic oil and gas industry, and is likely sorely lacking in these fields.

A further hurdle would be South Korea's willingness to trust its Northern neighbor with its energy security.

"Massive amounts of construction materials would have to arrive in North Korea, and (large) numbers of non-DPRK personnel will have to work on North Korean soil. How will the DPRK trust the foreign construction workers?" Lee Seog-ki, senior researcher at the Korea Institute for Industrial Economics and Trade told NK News.

"Even if North Koreans decided to install the pipes by themselves, how will the South Korean government trust the DPRK workers?" Lee added.

Despite the numerous roadblocks, the deputy CEO of the world's largest gas producer remained hopeful that political changes could move the project forward.

"The opportunity remains all the same, but it depends on a resolution of the political issues between the DPRK and the Republic of Korea. There are certain positive signals, but there are negative signals too," Medvedev said at the press conference.

Previous NK News investigations indicated that Russia is helping North Korea's energy sector in other ways. Along with running feasibility studies to connect North Korea to Russia's electricity grid, DPRK oil tankers are seen in Russia's far-east terminals with increasing frequency. (June 17, 2015)

06/17/2015

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## **RUSSIA - GREECE:**

### **Greece to receive loan from Russia for construction of Turkish**

Russia and Greece have signed an intergovernmental cooperation memorandum on construction of continuation of the Turkish Stream natural gas pipeline on the territory of Greece. The signing ceremony was held with the framework of St. Petersburg International Economic Forum on Friday.

The document was signed by Russia's Energy Minister Alexander Novak and his Greek counterpart Panagiotis Lafazanis.

The Russian minister said Greece will receive a loan from Russia for construction of the Turkish Stream natural gas pipeline continuation. According to Novak, the construction of Greece's continuation of the pipeline will start in 2016 and finish in 2019.

"The construction will start in 2016 and finish by end-2019," he said.

The minister added that the capacity of Greece's continuation of the pipeline will reach **47 bln cubic meters**.

Greek Energy Minister Panagiotis Lafazanis said the construction of Greece's part of Turkish Stream worth **€2 bln will be financed at halves by a subsidiary of Russia's VEB bank and a Greek company**.

On Thursday, Novak said Russian companies and banks may participate in financing Turkish Stream ground infrastructure construction in Greece. "The project is at the workout stage so far but the Russian side is ready to take part in financing construction of the infrastructure," the minister said. (June 19, 2015)

*06/19/2015*

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## **IRAQ:**

### **STX Group cancels Iraqi gas pipeline project**

A pipeline that was to connect the Akkas gas field in the western Iraqi province of Anbar has been scrapped at the request of the Iraqi government, according to local media reports.

In November 2013, South Korea's STX Group won the contract to build the pipeline. The company was **expected to design, prepare and construct the pipelines within 46 months (by mid 2017)**.

**Kogas is developing the Akkas field, which holds an estimated 5.6 tcf of gas, under a 2011 contract with the Iraqi oil ministry.**

As per media reports published Friday, company officials said the construction of the pipeline has been cancelled. (June 23, 2015)

*06/23/2015*

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## TURKEY - RUSSIA:

### Turkish Stream has 'gotten stuck'

The planned gas pipeline between Russia and Turkey, dubbed the "Turkish Stream," is facing obstacles due ongoing political uncertainties in the latter, Russia's daily Kommersant has reported.

Turkish President Recep Tayyip Erdogan and his Russian counterpart Vladimir Putin met in Baku on June 13, reportedly to discuss the latest developments in the region as well as leading energy projects. Putin also held a closed meeting with Gazprom chief Alexei Miller on June 15 over the company's activities, but no clue was given about the project in the subsequent press announcement.



"At the Kremlin meeting, it was seen that there were some uncertainties over the Turkish Stream project following the talks with Turkey," Gazprom sources told Kommersant.

"We promised to Turkey's gas grid Botas to make a further gas discount in return for a pipeline agreement, but the project is right now on hold at Turkey's part as the new government has not been established yet to offer political guarantees. Despite this, Botas continues to ask for further cuts in gas prices without any intergovernmental agreement between Russia and Turkey for the gas pipeline project. Gazprom will, however, not make any discount on gas prices until a clear and binding agreement is inked between the two countries," they added.

Gazprom announced last May that the construction works had started for the Turkish Stream, though no intergovernmental deal has yet been inked by Ankara and Moscow. (June 16, 2015)

## **TURKMENISTAN:**

### **Turkmenistan plans to complete East-West gas pipeline by year end**

**Turkmenistan plans to complete construction of the East-West main gas pipeline by late 2015**, Trend News Agency reported Thursday citing a statement by country's oil and mineral resources.

With the pipeline fully complete, Turkmenistan expects to unite all the major gas fields into a single system, as well as create conditions for the export of Turkmen gas to world markets in either direction.

According to Trend, a new regional gas pipeline is being laid from Shatlyk to Belek which will transport natural gas from the largest fields in the eastern regions to the country's other gas pipelines.

Turkmenistan's largest gas field Galkynysh will be the main supply source for the East-West gas pipeline.

**East-West gas pipeline can be used to supply Turkmen gas to Europe. Laying of a 300-kilometer-gas pipeline across the Caspian Sea to the coast of Azerbaijan** would be the most optimal route, Trend said. (June 11, 2015)

06/12/2015

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## SUPPLIES - IMPORTS - EXPORTS

### RUSSIA:

#### Gazprom seeks a way around Ukraine by 2019

Gazprom has vowed to entirely cut out Ukraine as a transit hub for natural gas exports to Europe.

The conflict with Ukraine has scrambled the longstanding energy relationship between Russia and Europe. The European Union imports around one-third of its natural gas from Russia, but having seen those flows cut off multiple times in the past, European officials are pushing to rid themselves of their dependence on Moscow. The violence in Ukraine solidified that motivation.

Russia is also unhappy with the arrangement. In an effort to separate gas exports to the EU (a critical business relationship that Moscow doesn't want interrupted) from its ongoing conflict with Kiev (a geostrategic priority), Russia has a great incentive to cut out Ukraine. About half of Russia's gas exports to Europe must travel through Ukraine.

But that could change within the next four years, if Gazprom gets its way. **"We will not export gas via Ukraine after 2019.** The customers will get gas at (newly) agreed delivery points," Gazprom's Deputy CEO Alexander Medvedev said on June 9.

However, that would require major investments in new infrastructure in order to successfully work around Ukraine. Medvedev is pressing Europe to hurry up and decide on how and where future Russian gas will enter Europe.

Russia has proposed a new pipeline network called "Turkish Stream" that would run through Turkey to the border with Greece.

Some European countries are open to that plan, but others are throwing their weight behind an alternative route. The Trans-Anatolian Pipeline (TANAP) will run from Azerbaijan through Turkey, and connect with the Trans-Adriatic Pipeline (TAP), which will pick up at the Greek-Turkish border and run gas through southern Europe to Italy. Both pipelines are backed by a consortium of private international oil companies as well as the state-owned oil company in Azerbaijan.

To make matters more complicated, the European Union is pursuing an antitrust case against Gazprom, alleging that the Russian company charges different rates to different EU member states, with prices that vary depending on their cooperation with Russia on unrelated political matters. The EU also argues that Gazprom illegally seeks to block the resale of natural gas between EU countries in an effort to maintain its grip, particularly over certain Eastern European countries, such as Ukraine.

The EU has given Gazprom until September to respond to the antitrust charges.

The confrontation between European regulators and Gazprom underscores the animosity between Russia and Europe, and also raises questions about how Gazprom plans on convincing Europe to opt for its pipeline alternative, rather than the TANAP-TAP route.

Moreover, the EU has agreed to work towards creating an “energy union,” which seeks “uninterrupted energy supplies” that European officials think is only obtainable through a common approach. In other words, the energy union is a direct response to Gazprom’s strategy of picking off separate EU members one by one, sealing bilateral deals with unique terms and prices. Brussels sees this as a threat, and while much of its motivation for the energy union is driven by climate objectives, the idea only got off the ground after the Ukraine crisis in 2014.

The EU faces its own challenges. For example, it is far from clear whether Eastern European countries currently paying discounted rates for gas will prefer a collective approach, which could end their pricing arrangements. But it is also hard to see how Gazprom will be able to edge out the TANAP-TAP network.

And if Russia’s “Turkish Stream” Pipeline cannot be constructed, Russia will have a very difficult time in entirely cutting out Ukraine from natural gas exports in a few short years.

For now, tension between Russia and the EU won’t go away, despite their strong commercial ties. The G7 nations just reaffirmed their support for sanctions on Russia as a result of the Ukraine conflict. And the antitrust case against Gazprom could force the dispute over natural gas pricing to a head in the relatively near future. (June 10, 2015)

06/11/2015

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## **RUSSIA - GREECE:**

### **Greece hopes to sign framework for gas pipeline deal with Russia in June**

Athens hopes to sign a framework agreement with Moscow on the construction of a gas pipeline to bring Russian natural gas to Greece and beyond at the International Economic Forum in June, Greek Energy Minister Panagiotis Lafazanis told RIA Novosti Thursday.

Lafazanis is set to attend the International Economic Forum in St. Petersburg on June 18-20, being member of the Greek delegation headed by Prime Minister Alexis Tsipras. "It is highly likely that the document will be signed. It will be a framework agreement," Lafazanis stated.

Tsipras is also due to hold a meeting with Russian President Vladimir Putin on the sidelines of the forum.

Moscow and Athens are currently on the last lap of the negotiations on the Russian gas deliveries to Europe through the Turkish stream pipeline's extension to Greece.

The proposed pipeline will cross Turkey to a gas hub on the Turkish-Greek border from where it is planned that the Russian gas will be supplied to consumers in southern Europe. (June 11, 2015)

*06/12/2015*

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## **IRAN - OMAN:**

### **Iran to build gas pipeline for exports to Oman**

Iranian Offshore Engineering and Construction Company will build a pipeline for exporting natural gas from Iran to Oman, a report said.

The Iranian builder is carrying out the basic engineering studies on the pipeline, added the Oman Observer report, which cited Iran's Tasnim News Agency.

Iran and Oman signed an agreement in 2013 according to which Tehran will supply Oman **28 million cu m of natural gas daily for 15 years**, the report added.

Iran's total gas exports to foreign countries have reached more than **9.6 bcm in 2014, according to the 64th Edition of the BP Statistical Review of World Energy**.

Iran has been classified as the world's top gas reserves holder with **33.8 trillion cu m, according to a recent statistical review**.

Discussions are going on to finalise the route for the proposed 230-km gas pipeline project with Iran and the following phases will include the design of the pipeline, the report quoted a senior government official as saying. (June 22, 2015)

*06/22/2015*

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**IRAN:**

**Iranian natural gas finding new customers**

IRNA – Managing Director of Iran's Gas Transmission Company Mohammad-ali Emam said in Tehran on Saturday that three countries are now Iran gas customers and more bidders are to join the list. Emam told IRNA that at present **Turkey, Nakhichevan and Azerbaijan are receive Iran's natural gas.**

He said extension of the sixth gas supply line to Dehgolan border from Ahvaz and establishment of five stations in the eighth nationwide line and a station in the 10th line are among his company's projects for this year.

Speaking on the sidelines of 20th International Oil, Gas, Refining and Petrochemicals Exhibition in Tehran recently, Emam had said the length of Iran's gas pipeline network will rise to **62,000 kilometers in 2025.**

Emam added that the number of **gas pressure stations will reach 136** as well.

IGTC's managing director also said the company seeks to deploy new software to facilitate management and operation in a way that it will be able to **transfer as much as 1.1 bcm of gas per day in the future.**

Emam pointed out that the company also plans to provide more training to its manpower so that it can adapt itself to new situation.

In order to achieve the target of transferring clean, safe, sustainable and economical gas the company should build necessary infrastructures, he told Shana.

He said that the volume of **daily gas transfer is expected to hit 1.1 bcm by 2025 but the company plans to prepare most of the required infrastructures in next three years.**

In the next three years, the volume of gas production will **rise by 100 mcm a day annually so that by 2018 the total daily gas production will have reached one bcm per day with a part of it being exported to neighboring countries,** he added. (June 13, 2015)

*06/15/2015*

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## **RUSSIA - SERBIA:**

### **Russia' Gazprom, Serbia's Srbijagas discuss gas deliveries to Europe**

Gazprom stated that chief executives of the Russian and Serbian state-run energy companies met in St. Petersburg to discuss natural gas supplies to Europe.

Chief executives of the Russian and Serbian state-run energy companies, Gazprom and Srbijagas, met in St. Petersburg to discuss natural gas supplies to Europe, Gazprom said in a statement Wednesday.

"The sides discussed urgent issues and outlooks for future bilateral cooperation on energy. They discussed Russian gas supplies to Serbia and other European countries in the medium- and long-term, as well as cooperation in the area of underground gas storage on the republic's territory," Gazprom said.

The meeting of Gazprom's Alexei Miller and Srbijagas' Dusan Bajatovic took place on the margins of the St. Petersburg International Economic Forum, which officially kicks off on Thursday.

In 2014, the Russian energy giant supplied Serbia with 1.5 billion cubic meters of gas under a 10-year deal with Belgrade that was signed in 2013.

Russia and Serbia run a joint underground gas storage facility on Serbian soil – one of the largest in southeastern Europe, according to Gazprom. (June 17, 2015)

*06/18/2015*

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## IRAN:

### South Pars to let 200mcm/d gas export

Development of new phases of South Pars gas field would allow export of 200 mcm/d of gas in four years, director for international affairs of National Iranian Gas Company said.

"We are currently in talks and making plans for this enhanced production," Azizollah Ramezani said in a Shana report.

He added that Iran would be **exporting 200 mcm/d of gas to neighboring countries.**

Ramezani said **talks have been started with Afghanistan for gas exports** to this eastern neighbor of Iran. He added that **Afghanistan is not yet ready to receive gas.**

South Pars gas field is estimated that the Iranian section of the field contains **14 trillion cubic meters of gas** and 18 billion barrels of condensates in place.

South Pars is part of a wider gas field that is shared with Qatar. The larger field covers an area of 9,700 square kilometers, 3,700 square kilometers of which are in Iran's territorial waters (South Pars) in the Persian Gulf. The remaining 6,000 square kilometers, referred to as the North Dome, are in Qatar's territorial waters. (June 21, 2015)

06/22/2015

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## TURKEY:

### Turkey imported 49 bcm of natural gas last year

Turkey imported 49.2 billion cubic meters (bcm) of natural gas in 2014, up 8.82 percent on year.

The biggest supplier was Russia which exported 26.9 bcm, corresponding to 54.7 percent of all imports, Daily Sabah reported Wednesday citing Energy Market Regulatory Authority (EMRA) data.

Other important supplier were Iran and Azerbaijan exporting 8.9 bcm and 6 bcm of natural gas respectively.

Turkey's 7.2 bcm of LNG imports in 2014 constitutes 14.78 percent of all natural gas imports for the year, the data showed. Of LNG imports, little over three fourth was bought by state-owned energy company BOTAS from Algeria and Nigeria, while the rest was imported on a spot basis.

Meanwhile, natural gas production declined by 10.8 percent to 479 million cubic meters, Daily Sabah reported citing the data. (June 17, 2015)

06/18/2015

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## STORAGE

### **BULGARIA:**

#### **Bulgaria proposes gas storage facility for Turkish Stream**

Bulgaria wants to build a storage facility for natural gas from the Turkish Stream pipeline project, according to Russian Energy Minister Alexander Novak.

Russian President Vladimir Putin announced the cancellation of the South Stream gas pipeline project on Dec. 1, 2014. Instead, he proposed a new natural gas pipeline route through Turkey's northwestern Thrace region to reach Greece. The route is commonly referred to as the Turkish Stream.

"Bulgaria has renewed desire to build a natural gas storage facility," Novak said on June 19, adding that the facility would be located on Bulgarian soil and not on the border between Turkey and Bulgaria.

Novak addressed the media during the International Economic Forum (SPIEF) held in St. Petersburg and spoke of his meeting with Temenuzhka Petkova, the Bulgarian energy minister.

The same proposal was made six months ago, he said without providing further information regarding Russia's position on the project.

Turkish Stream is expected to have a capacity of 63 billion cubic meters of natural gas per year. It will deliver 47 billion cubic meters of gas to Europe, while the remaining amount will be allocated for Turkey's domestic use. The agreement for the Turkish Stream gas pipeline's construction may be signed by the end of June, Novak said. (June 21, 2015)

06/22/2015

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### **UKRAINE:**

#### **Ukraine's underground storages contain over 11 billion cubic meters of natural gas**

The country plans to have **19 billion cubic meters of gas in its underground storage facilities for the new heating season.**

The **natural gas reserves in Ukraine's underground storage facilities are estimated at more than 11.1 billion cubic meters**, the Ukrtransgas state company said on Monday.

Ukraine **pumps around 60 million cubic meters of gas into the facilities daily. "A total of 3.5 billion cubic meters of "blue fuel" have been pumped in the gas storage facilities this year,**" the company said.

The natural gas is accumulated in seven gas storage facilities "in an optimal technological regime," the press service said.

Ukraine's Minister of Energy and Coal Industry Vladimir Demchishin said earlier the country plans to have **19 billion cubic meters of gas in its underground storage facilities for the new heating season.**

The success of the pumping effort will depend on the amount of funding, the minister said. Kiev is in talks with the European Commission, the EU executive body, on a new financial package needed for purchasing gas, he added. (June 15, 2015)

06/15/2015

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## COMPANIES

### UNITED KINGDOM:

#### **BG, Shell merger passes a regulatory hurdle**

The takeover of natural gas firm BG Group by oil giant Royal Dutch Shell PLC has passed its first hurdle in the U.S., securing anti-trust regulatory clearance from the Federal Trade Commission.

BG said the deal still needs review and approval by relevant anti-trust and regulatory authorities, and support from both sets of shareholders. BG and Shell confirmed that they were well underway with the relevant anti-trust and regulatory filing processes.

Shell's Chief Executive Ben van Beurden said: "Securing early termination of the U.S. antitrust waiting period from the FTC at this early stage is a clear demonstration of the good progress we're making on the deal."

"We're well underway with the anti-trust and regulatory filing processes in relevant jurisdictions around the world and we're confident that, following the usual thorough and professional review by the relevant authorities, the deal will receive the necessary approvals. We remain on track **for completion in early 2016**," he added.

**The two companies agreed the \$70 billion cash and share deal in April**, in the latest sign of how tumbling energy prices are shaking up the global oil-and-gas industry.

The combined group is expected to make substantial disposals of noncore operations following completion of the deal, the companies said at the time. Subject to achieving what the Shell board considers to be reasonable value for such operations, **Shell expects these disposals to reach \$30 billion during 2016 to 2018.**

Under the deal, BG shareholders will get 383 pence in cash; and 0.4454 Shell B shares for each share held, giving them 19% of the enlarged group. (June 16, 2015)

06/17/2015

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## GENERAL INFORMATION

### GREECE:

#### Energy, foreign ministers divided on Russia gas deal

A rift appeared to have emerged Monday between Energy Minister Panayiotis Lafazanis (photo) and Foreign Minister Nikos Kotzias as regards the country's energy policy, with the latter declaring that the government is fully in line with European policy in spite of a recent Russian gas deal that has ruffled feathers in Brussels.

The memorandum signed by Lafazanis and Russian officials in Saint Petersburg earlier this week foresees that third parties could be permitted to reserve the full capacity of the pipeline, something that runs counter to EU competition laws.

In comments Monday, Kotzias remarked that Greek energy agreements cannot include terms and conditions that "go beyond the legal framework and agreements of the [European] Union."

A memorandum of understanding co-signed by Lafazanis last Friday foresees the continuation of the Turkish Stream pipeline which has yet to be built but, according to plans by Gazprom, would carry natural gas from the Black Sea to Western Europe.

According to the initial agreement signed by Lafazanis and his Russian counterpart Alexander Novak, **Russia's VEB development bank will own 50% of the 2-billion-euro route and provide all financing**, while Greece will own the rest. (June 23, 2015)

06/23/2015

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**FRANCE:**

**France plans to sell \$420 Million Engie Stake to lower debt**

France plans to sell as much as a **0.9% stake in Engie**, the natural-gas utility formerly known as GDF Suez SA, as part of a privatization plan.

The government has hired banks to sell as many as **22 million shares in Engie over the next three months “depending on market conditions,”** Finance Minister Michel Sapin and Economy Minister Emmanuel Macron said Tuesday in a statement. The state also sold an interest in the utility a year ago.

At Monday’s closing price of **16.89 euros**, the stake is valued at about **372 million euros (\$420 million)**. **Engie shares fell as much as 1.4% on Tuesday, extending their decline in the past year to 18%.**

European utilities have been hurt by falling power prices as renewable-energy output expands and economic growth remains sluggish. France’s move to sell more shares, part of a privatization program unveiled by Macron last year, will help it lower debt and provide cash to invest in growth industries.

“The sale is within the framework of active management of state holdings,” the ministers said. **The government, which owns 809.4 million shares, or 33.2% of Engie**, will keep a “strategic” interest, they said.

**France plans to sell 5 billion euros to 10 billion euros of assets. It has stakes in 74 companies, of which 13 are listed entities whose state holdings were valued at about 80 billion euros as of June 5**, according to the agency that manages the portfolio.

**Shares in Engie traded down 0.7% at 16.78 euros** as of 10:39 a.m. local time. The Courbevoie-based utility produces, trades and distributes gas and operates atomic reactors in Belgium. (June 16, 2015)

*06/16/2015*

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**VENEZUELA:**

**Venezuelan firm PDVSA plans gas venture with Russia's Rosneft**

Venezuelan state oil company PDVSA said it had signed a raft of investment agreements with top Russian oil producer Rosneft, including a plan to create a joint venture to produce natural gas in the South American country.

The venture would include the fields of Mejillones, Patao and Rio Caribe — all part of the large offshore Mariscal Sucre gas project.

Venezuela's natural gas projects have languished for years, stalled by pricing issues and industry fears of expropriations that made it hard for PDVSA to attract experienced partners.

The "Strategic Plan for Investments" also includes development of new infrastructure to improve the existing oil joint ventures of PetroMiranda and PetroVictoria in the OPEC country's heavy crude Orinoco Belt, PDVSA said in a statement.

PDVSA and Rosneft agreed to build PetroMiranda's first upgrader once investment for the venture has been decided, the Venezuelan company added.

"The president of PDVSA, Eulogio Del Pino, and his counterpart at Rosneft, Igor Sechin, subscribed to various agreement in the context of the International Economic Forum celebrated this week in the city of St. Petersburg," PDVSA's statement read.

News of the agreements came on the heels of an announcement that Rosneft had signed a preliminary contract to supply oil to refineries operated by PDVSA, as the Russian oil major seeks to raise its international presence.

A source said Wednesday that the companies were negotiating a deal that could see Rosneft disburse \$5 billion gradually, with some funds used to shore up its joint ventures and some going to PDVSA. (June 22, 2015)

*06/22/2015*

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## PUBLICATIONS

### WORLDWIDE:

#### 2015 BP Statistical Review of World Energy

##### Consumption and production

- World natural gas consumption increased by only 0.4% last year, well below the 10 year average of 2.4%.
- Growth was below average in both the OECD and emerging economies.
- Consumption in the EU experienced its largest volumetric decline in the world in Germany, Italy, Ukraine, France and the UK.
- Globally, natural gas accounted for 23.7% of primary energy consumption.
- Global natural gas production increased by 1.6%, below its 10 year average of 2.5%.
- Growth was below average in all regions except North America.
- The US recorded the world's largest increase, accounting for 77% of net global growth.
- The largest volumetric declines were seen in Russia and the Netherlands.

##### Trade

- Global natural gas trade registered a rare contraction in 2014, falling by 3.4%.
- Pipeline shipments declined by 6.2%, the largest decline on record, driven by falls in net pipeline exports from Russia and the Netherlands.
- Global LNG trade increased by 2.4%.
- International natural gas trade accounted for 29.4% of global consumption.
- LNG's share of global trade rose to 33.4%.

(June 11, 2015)

06/11/2015

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**QATAR:**

**Qatar's vast gas reserves can last 138 years**

Qatar's gas reserves are so vast it can maintain production at **current rates for another 138 years**, according to an official report published on Sunday.

An "Economic Commentary" from the Qatar National Bank said the vast reserves of Qatar will ensure it maintains its prominent position in the hydrocarbon sector "for years to come".

"Looking forward, Qatar is expected to maintain its dominant role in the global hydrocarbon sector," read the QNB estimate as reported by AFP.

"Global demand for clean energy is expected to continue rising, and Qatar is a leader in the Liquefied Natural Gas market."

The QNB report was using figures contained in BP's Statistical Review of World Energy, released earlier this month.

**Qatar is the third largest producer of natural gas in the world behind the United States and Russia.** Globally, it accounts for just over 5% of the market.

The country is also the **world's top exporter of LNG with 31% of total global exports in 2014.**

Heavy investment in LNG facilities over the last 20 years and a vast ramp up in production has made Qatar the world's largest LNG exporter, driving the establishment of a global LNG market.

Qatar shares its largest gas reserve - which is located in Persian Gulf waters - with Iran. Called the North Dome by Qatar and South Pars by Iran, the reserve is one of the world's largest gas reservoirs. It is believed to hold an estimated reserve of **51 trillion cubic meters of in-situ natural gas** and some 50 billion barrels of condensates. (June 22, 2015)

06/22/2015

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