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LNG

EXPLORATION

WORLDWIDE:

Global Small Scale LNG Terminals Market 2015-2022 - Technology (Liquefaction and Regasification) & Type (Onshore and Offshore) Analysis

Research and Markets has announced the addition of the "Small Scale LNG Terminals Market by Technology and by Type - Global Industry Analysis, Size, Share, Growth, Trends, and Forecast 2014 - 2022" report to their offering.

This report includes the key market dynamics affecting the overall small-scale LNG industry as well as the construction of such terminals globally. The report also provides a detailed industry analysis of the global small-scale LNG terminals market with the help of the Porter's Five Forces model. The Porter's Five Forces analysis aids in understanding the five major forces that affect the industry structure and profitability of the global small-scale LNG terminals market. The forces analyzed are the bargaining power of buyers, bargaining power of suppliers, threat from new entrants, threat from substitutes, and degree of competition.

The high-level analysis in the report provides detailed insights into the small-scale LNG terminals business globally. Major drivers, restraints, and opportunities of the small-scale LNG terminal market were analyzed in detail and are illustrated in the report with the help of supporting graphs and tables. There are currently numerous drivers for the small-scale LNG terminals industry.

One of the most prominent drivers is the security of gas supply in small demand centers & accelerated development of smaller gas fields. Apart from this, slumping energy prices and a growing interest towards utilizing natural gas as a clean fuel are attracting higher investments in small-scale LNG terminals as compared to megaprojects. Market attractiveness analysis was carried out for the small-scale LNG terminals market on the basis of geography. Market attractiveness was estimated on the basis of common parameters that directly impact the market in different regions.

The small-scale LNG terminals market was further segmented on the basis of terminal type into regasification and liquefaction terminals. For this report, only the terminals with tank sizes lesser than 200,000 cubic meters and throughputs lower than 300,000 tons per annum have been considered. Both liquefaction and regasification terminals have also been further sub-segmented on the basis of type into onshore terminals and offshore terminals.

Key Topics Covered:

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Chapter 7 Appendix - Small Scale LNG Terminals (Plant List) (July 27, 2015)

07/28/2015

CANADA:

LNG market vital to natural gas in Canada

In its 2015 natural gas forecast and LNG report, CAPP has said that Canada needs to connect to the global LNG markets to avoid a decade of decline in natural gas production. CAPP President and CEO, Tim McMillan commented, "accessing the global LNG market can strengthen the long term viability of Canada's natural gas industry and backstop the significant economic benefits it creates for Canadians."

US natural gas supplies are reportedly displacing western Canadian gas in the traditional markets of Central Canada, the US Midwest and US Northeast. Without access to global LNG markets to **stimulate production of Canada's more than 100 year natural gas supply, production will decline steadily over the next decade, then remain flat at approximately 13 billion ft³/d until the end of the current forecast period in 2030.**

Access to the LNG market globally would enable Canadian production to recover to current levels of 14.5 billion ft³/d by the end of this decade. As LNG export facilities are developed, natural gas demand to fuel these plants could increase production to 17 billion ft³/d by 2030. It has been said that Canada needs prompt regulatory approvals and a commitment to competitiveness in order to attract the billions of dollars of investment required to build an LNG business and expand natural gas production to support it.

McMillan said, "proposed LNG projects require timely political and regulatory decisions because global LNG competition is fierce and involves many well established international suppliers. The window of opportunity for Canada's LNG market will not stay open forever."(July 16, 2015)

07/16/2015

PRODUCTION

AUSTRALIA:

Bechtel boosts Australian LNG export capacity

Bechtel, a leading engineering, project management, and construction company in the world, has successfully converted natural gas from coal seams into liquefied natural gas on the second production train at the Queensland Curtis LNG facility in Australia.

The first LNG from the second train of the project has set sail onboard the vessel Maran Gas Posidonia, said a statement from the company.

“Successful production of LNG on the second train of the QCLNG facility is an important milestone for Bechtel’s Queensland team as they continue to deliver an unprecedented LNG capacity,” remarked Alasdair Cathcart, Bechtel’s global LNG general manager.

“This milestone is a testament to our team’s hard work, innovative approach, and successful collaboration with the customer and many subcontractors and suppliers around the world. We are now working towards first LNG production on the other two Curtis Island projects – Santos GLNG and Australia Pacific LNG,” he noted.

QCLNG, one of the three projects Bechtel is simultaneously building on Curtis Island on the east coast of Australia, is owned and operated by QGC, a BG Group company.

Bechtel completed construction on Train 1 in December 2014. The Maran Gas Posidonia was delivering the 27th cargo of LNG, said the statement.

Performance testing of the Train 2 systems and processes continues with full handover of the facility expected in the next few months, it added. (July 23, 2015)

07/23/2015

CHINA:

CNOOC's LNG Terminal in Guangdong province to be commissioned in September

CNOOC Gas and Power Group is expected to commission its LNG receiving terminal in Jieyang city in China's Guangdong Province in September, according to Xinhua Finance Agency.

The company, which is a subsidiary of CNOOC, has finished 92% of the work on the project. A total of 3.3 billion yuan has been investment till date, Xinhua Finance said Tuesday.

In the first phase, the terminal would have a handling capacity of two million tons each year. This is expected to reach four million tons each year.

China's economic planner National Development and Reform Commission approved the LNG project in early 2013, Xinhua Finance reported. (July 27, 2015)

07/28/2015

TRANSPORT - DISTRIBUTION

WORLDWIDE:

Nigeria LNG to take delivery of four carrier ships this year –CEO

Nigeria Liquefied Natural Gas Company expects to take delivery of four LNG carrier ships before year-end and another two next year, its chief executive said, positioning the state-backed gas exporter to expand its share of the growing market.

NLNG signed agreements with South Korea's Samsung Heavy Industries and Hyundai Heavy Industries in 2013 to acquire six LNG carrier ships, costing more than \$1.2 billion, to boost its fleet of 23.

It had tapped South Korea Export and Import Bank and other lenders to fund the construction, CEO Babs Omotowa said.

Omotowa said the global market for LNG - natural gas that has been cooled to a liquid form, which shrinks the volume and makes it easier to store and ship - was forecast to grow to 430 million tonnes per year by 2030 from 230 million now.

Nigeria, with the world's fourth-biggest LNG plant, wants to capture some of that by expanding its market share to more than 10% - a spot it held in 2008 - from 7% now, Omotowa said, without giving a time frame.

"With our growth projects train 7 and train 8, we hope to expand our capacity by 40% and take us back to over 10%," he said in an interview in Lagos, referring to NLNG'S gas liquefaction production lines. NLNG, located on the Atlantic basin, has the capacity for 12 trains.

NLNG, owned by Nigerian state oil firm NNPC, Royal Dutch Shell, France's Total and Italy's Eni , has the capacity to produce 22 million tonnes of LNG a year. The company, set up 15 years ago to produce the gas for export, did not give current capacity figures.

It has long-term supply contracts with Spain's Repsol, Italy's Enel, Britain's BG Group, France's GDF Suez and Portugal's Galp. It also sells on the spot market.

Nigeria, one of the world's top-10 gas rich countries, has estimated reserves of 180 trillion cubic feet, Omotowa said, but it converts only about 1.5 tcf per year to LNG.

NLNG, which generates more than \$10 billion in annual revenue, is also sponsoring the construction of the first major ship yard in Nigeria at a cost of \$1.5 billion, in order to develop capacity for maintaining large vessels at home.

Omotowa said LNG exports had not impacted domestic supply. The domestic gas market had been held back by a lack of infrastructure including a functional rail system to ferry gas around the country and government funding challenges, he said.

Gas demand in Africa's most populous nation is expected to rise to 3 billion scf per day by 2017 as gas-fired power plants ramp up generation, industry officials say. Demand has risen to 1.2 billion scf per day, from 300 million six years ago. (July 29, 2015)

07/30/2015

SUPPLIES - IMPORTS - EXPORTS

EUROPE:

Azerbaijan's reserves enough to supply Europe with gas for decades, president says

Azerbaijan's reserves are enough to supply Europe with natural gas for decades, said Azerbaijani president Ilham Aliyev.

He made the remarks at the joint press conference with the President of European Council Donald Tusk in Baku July 22.

"Azerbaijan's proven gas reserves are about 2.6 trillion cubic meters, Shah Deniz, which is so far the only resource for the Southern Gas Corridor, holds more than 1.3 trillion cubic meters.

"The Southern Gas corridor project, which was launched last September in Baku, is already in the active phase of implementation," said the president.

"Azerbaijan initiated this project, and is actively working with its partners, neighboring countries, investors, to implement the project on time."

President Aliyev went on to add that the Southern Gas Corridor is the project that unites countries and which is to the benefit of investors, transitors and consumers.

"This March, TANAP, which is the part of the Southern Gas Corridor, started to be constructed, and we're on time," said the president.

"TANAP is the project of energy security, and today energy security cannot be separated from national security," said the president, adding that TANAP is also a project of energy diversification.

TANAP project envisages transportation of gas of Azerbaijan's Shah Deniz field from the Georgian-Turkish border to the western borders of Turkey. TANAP's initial capacity is expected to reach 16 billion cubic meters of gas per year. Around six billion cubic meters of this gas will be delivered to Turkey and the rest of the volume to Europe. Turkey will obtain gas in 2018, while Europe will get it in early 2020 after the Trans Adriatic Pipeline (TAP) is constructed. The project's cost is estimated at \$10-\$11 billion.

The president further said that the Southern Gas Corridor is not only the diversification of roots but more importantly, diversification of supply sources.

"Azerbaijan, with its supply sources, infrastructure, and experience of implementing mega energy projects is playing its role here," said Ilham Aliyev.

The Southern Gas Corridor envisages the transportation of gas from the Caspian Sea region to the European countries through Georgia and Turkey. At the initial stage, the gas to be produced as part of the Stage 2 of development of Azerbaijan's Shah Deniz field is considered as the main source for the Southern Gas Corridor projects. Other sources can also connect to this project at a later stage.

As part of the Stage 2 of the Shah Deniz development, the gas will be exported to Turkey and European markets by expanding the South Caucasus Pipeline and the construction of Trans-Anatolian Natural Gas Pipeline and Trans-Adriatic Pipeline. (July 22, 2015)

WORLDWIDE:

Kansai, GDF to Jointly Procure, Sell LNG

Japanese utility Kansai Electric Power and France's GDF Suez plan to jointly procure and sell LNG, according to Nikkei Asian Review.

For Kansai the move would establish a new revenue source ahead of the deregulation of retail energy markets in Japan, Nikkei said

The two companies are in the final stages of negotiations and plan to reach an agreement as early as Tuesday.

Under the plan, the Japanese utility will purchase cheaper North American shale gas and ship it to GDF Suez customers in South America and Europe, Nikkei reported adding that the French energy company will supply Middle Eastern and African gas to the utility's domestic facilities.

Jointly operating LNG transport ships or obtaining gas concessions are also under consideration. (July 19, 2015)

07/20/2015

UNITED STATES:

Liquefied Natural Gas gains export approvals for Bear Head LNG project

Liquefied Natural Gas Limited's proposed Bear Head LNG project in Nova Scotia has received U.S. Department of Energy approval to **export up to 440 Bcf per year** of U.S. natural gas to Canada.

It has also been authorised to export up to 8 mtpa of LNG from Canada to FTA countries.

A final investment decision on Bear Head is expected to be made by LNG during 2016.

Regulatory approvals serve to de-risk this process and enhance the certainty for the proposed development of the facility. The DOE approval is a step in achieving certainty of gas supply for the Bear Head project.

Bear Head LNG expects a decision in the near future on its application for DOE authorization to export LNG to non-FTA countries.

In May 2015, Bear Head LNG Corp. obtained the last of the ten initial federal, provincial and local regulatory approvals needed to construct the facility located on the Strait of Canso in Nova Scotia.

Bear Head LNG is the first proposed Canadian LNG export facility to be recognized by the U.S. Federal Energy Regulatory Commission as an "Approved" Canadian LNG export project.

Bear Head LNG President Maurice Brand pointed to the steady progress toward final regulatory clearance. "Great strides have been made in moving Bear Head LNG toward a final investment decision during 2016 as we continue to receive regulatory certainty for our facility.

"Over the next few months, we anticipate receiving our DOE approval to move Canadian gas through the U.S., the DOE non-FTA export approval and the NEB import and export approvals from Canada."

John Godbold, Bear Head project director said that only two interventions of minor substance were filed during the 60-day comment period on Bear Head LNG's non-FTA application.

Bear Head LNG Corp. has applied to Canada's National Energy Board for authority to import natural gas from the U.S. and **export up to 8 mtpa of LNG in 2019** from Canada, with **expanded authority to 12 mtpa in 2024.**

Authorisations for these are expected in the near future. Bear Head LNG Corp. has also applied to the DOE for authority to import for subsequent export up to **250 Bcf per year** of Canadian natural gas by pipeline that is "in transit" through the U.S., back into Canada for delivery to Bear Head LNG's proposed liquefied natural gas export facility.

This authorization would allow a portion of the Bear Head LNG's natural gas requirements to come from sources in Western and Central Canada, enhancing commercial supply options. (July 20, 2015)

07/20/2015

INDONESIA:

Pertamina pushes for switch from gasoline to LNG

State-owned oil and gas giant Pertamina is pushing forward with its move to shift the country's high usage of oil fuel toward gas, particularly LNG, for the mining sector.

The company signed an LNG purchase and selling agreement on Tuesday with the contractors of Mahakam block, Total E&P Indonesia and Inpex. Under the agreement as many as **660 tons of LNG would be delivered this year** for mining and commercial industries in East Kalimantan.

"We are facing limited oil resources and therefore we need to switch to gas and also from fossil fuels to renewable resources," Pertamina president director Dwi Soetjipto said.

As part of an attempt to support the plan, the company, through its **affiliated firms, has established a filling station at its Bontang LNG plant with a 200 mmscfd capacity. The company has reportedly invested Rp 8 billion (US\$599,274) in the filling station.**

As demand is estimated to grow to 215 mmscfd by 2025, the company is also preparing to develop additional facilities. The planned new facilities — such as the expansion of the filling station and a loading dock at the LNG plant and LNG receiving terminal — are projected to cost US\$156.4 million. **Converting fuel to LNG in the Kalimantan market is expected to help the company save around \$770 million per year and deliver a foreign exchange saving of up to \$2.5 billion.**

Indonesia, which is currently seeking to re-join the Organization of Petroleum Exporting Countries (OPEC), has been struggling to cope with declining oil production as fields have been depleted by exploitation over time. The situation is getting more critical as energy demand soars along with economic growth. To fill the gap between lack of supply from domestic oil output and rising demand, the country has to import a huge amount of crude oil and petroleum products.

Meanwhile, the country also has a significant amount of gas resources that have been sent abroad in form of LNG. The government has been calling for more domestic absorption of gas yet various issues, particularly infrastructure, have disrupted consumption by domestic buyers.

Moreover, as existing gas fields have been in contract with overseas buyers and new significant gas projects are delayed, Pertamina has been seeking supply from fields in other countries to anticipate demand in the near future.

The company's vice president for LNG, Didik Sasongko Widi, estimated that Pertamina would need **6.5 million tons of LNG per year by 2020.**

"Out of the total figure, we have **secured 4 million tons**, which includes deliveries from the US [Cheniere Energy] and Jangkrik [gas field in Kalimantan developed by ENI]," Didik said.

Along with the commencement of operations of the filling plant, Pertamina also launched the operation of seven other downstream oil and gas infrastructure facilities.

The projects include the relocation and increase in storage capacity of an LPG (liquefied petroleum gas) depot in Tanjung Priok in North Jakarta and a pipeline project for Avtur for delivering fuel from a terminal in Tanjung Perak to an airplane fuel depot at Juanda airport. There are also three facilities for liquefied gas for vehicles (LGV) stations in Surakarta, Central Java, and in Depok and Bogor, both in West Java. (July 16, 2015)

WORLDWIDE:

U.S. LNG company plans to defy Russia's gas supremacy in Europe

Cheniere Energy Inc plans to deliver liquefied natural gas (LNG) to central and southeastern Europe within a few years, a move that with U.S. supplies would loosen Russia's energy grip on the region, sources told Reuters.

The Houston-based LNG specialist, which is gearing up to launch western European operations this year, is eyeing an eastern expansion, said six sources close to either Cheniere or governments and companies in the region.

Speaking on condition of anonymity, they said Cheniere was looking at bringing a floating regasification terminal to Croatia. The company, which did not reply to emailed questions, operates two LNG export terminals in the United States.

"Central and eastern Europe will become accessible soon," said one source familiar with Cheniere's plans. "The problem right now is that markets exist in places where there is no infrastructure. But that can be solved within two to three years."

"LNG would allow these countries to participate in the fully global gas market," the source added. "Cheniere's goal is not to squeeze out the Russians but to allow for a good mix on the market."

Building an LNG import terminal has long been discussed in Croatia and has won the backing of the United States, which is keen on helping the region diversify away from almost complete reliance on deliveries from Russia's Gazprom.

Croatia has started the process to attract investors for an LNG terminal but many believe the project is too costly and faces too many roadblocks to succeed — making Cheniere's plans for a floating LNG terminal a realistic way to help supply central and southeastern Europe.

"A floating terminal, which can be relocated later, is more realistic on this market," one source said. "This is part of a process."

While Russia has been accused of using gas discounts, supply disruptions and other means to further its political ends, most market sources say Cheniere's plan is viable due to motivation from the West to blunt Russia's impact in the energy sector.

Hungary and Croatia have already discussed Cheniere's plans for the region, officials from the two countries said.

"Hungary will examine all new gas-sourcing options both along business and geopolitical considerations," the Hungarian foreign ministry said in an emailed reply to Reuters questions.

While Europeans have built more internal pipelines and increased the ability to ship gas eastwards following a shutdown of Russian supplies via Ukraine in 2009, broader plans to ensure energy security have failed.

The failure of the Nabucco project to carry gas from central Asia and Russia's decision to pull the plug on the South Stream project — which would have bypassed Ukraine to supply southeastern Europe — were two big blows for a region looking to diversify its sources of supplies and transit routes.

"The problem with these major pipeline dreams is that they have no product to carry," one market expert said. "Without a robust alternative gas source, they make no sense."

The proposed floating terminal could also help unlock EU funds to strengthen pipeline links between countries and improving domestic gas networks — a scenario that would boost Cheniere's ambitions in the region, sources said.

Cheniere's presence would also send a powerful political message of U.S. interest in the region and represent a direct challenge to traditional Russian dominance as the key supplier to southeastern Europe, several sources said.

"Clearly there is a business dimension here, and there is a political dimension," one source said. "Cheniere's role is part of a wider Russian-American struggle." (July 29, 2015)

UNITED KINGDOM:

Britain positions for additional LNG as reloads begin

A global glut of LNG saw deliveries into the British gas market surge over the first five months of 2015, just as the country started re-exporting cargoes for the first time. LNG imports since fell back below 2014 levels in June but could rise later in the year, when new liquefaction plants come online.

A sustained period of oversupply globally

Weak demand from key LNG importers, particularly Japan and South Korea, and additional new supply from Australia, has contributed to a sustained period of oversupply in the global gas market. This has freed up cargoes for delivery into other regions, including Europe.

Coupled with the impact of the fall in the oil price, the excess supply has pushed spot LNG prices in the key East Asian market down by 60% y/y, and to only a small premium on British wholesale prices.

On top of this, over 40 million t of new LNG production is due to start in the next year – adding another 17% to the global market – with the majority coming from Australia and the first US exports.

British wholesale gas prices for the winter 2015 contract are trading at a discount of 10 p/th to the year-ago equivalent at around 48p/th.

Concerns over availability of storage capacity and a cut in Dutch production

Aside from LNG, British gas supply concerns over availability of storage capacity, and a cut in Dutch production have been more than offset by an expected rise in Russian contract flows into Europe in 3Q15. Another mild European winter could set the market up for a period of oversupply.

Reduced incentives

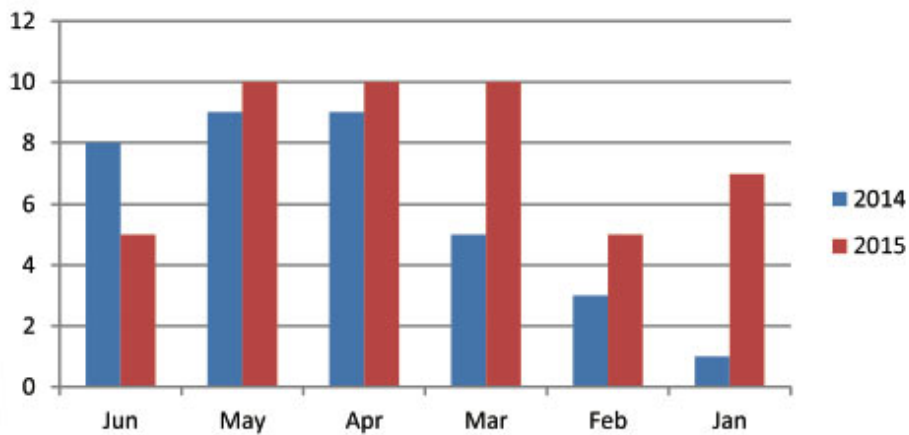
The role of gas within the British power generation mix is still under pressure from coal and growing renewable generation. In recent years, the combination of cheap global coal prices and low carbon prices via the EU Emissions Trading Scheme has meant that there has been more incentive for generators to operate coal-fired plants over gas-fired generation. An increase in the carbon price support – a tax that fossil fuel generators have to pay on emissions – in April, has reduced that incentive and made gas more competitive in the fuel mix, but demand has yet to recover to anywhere near the levels seen before the financial crisis of 2008.

British gas supply

While global spot LNG trade should increase with new production starting up, the majority of LNG delivered to Britain is from Qatar and under long-standing agreements, rather than on a spot basis. Britain's flexible traded gas market and three LNG import terminals make it an attractive destination for spare volume. **A total of 42 LNG cargoes were delivered into Britain's three import terminals between January and May, a 64% increase from 2014**, according to ICIS LNG Edge, a real-time shipping intelligence platform (see figure 1).

Figure 1: LNG vessel arrivals into Britain

(source ICIS LNG Edge)



As a result, LNG has accounted for 13% of total British gas supply so far this year, up from 11% in 2014.

While imports have risen, Britain has recently started to export LNG from the Isle of Grain terminal in Kent for delivery into markets outside Europe. Grain has joined the likes of terminals in Belgium, the Netherlands, France and Spain, which can both import and export LNG, thereby boosting the physical connection between markets in Europe, the Middle East, Asia and the Americas.

A trial run saw LNG transferred from the tanks at the country's oldest import terminal back out onto a waiting LNG vessel – called the Asia Vision – which then travelled to Brazil to deliver the gas to the state-run energy company Petrobras.

A second cargo was reloaded from Grain in May, which was delivered to the United Arab Emirates, while a third vessel reloaded from the terminal in mid-July.

Europe as a popular reloading location

Europe's location between the Pacific and Atlantic has made it a popular choice for reloads, but closing trades out has become more challenging because of the narrower spread between European prices and those in premium importing markets.

The structure of the global LNG market is changing rapidly, with lower Asian demand offset by the entrance of Egypt, Pakistan and Jordan to the import market. Argentina and Mexico have also been major buyers this year with Europe being one source of supply.

A number of these countries will have higher seasonal demand for LNG during the British summer. This competition is one reason for the yearly decline in LNG imports into British terminals over June with greater demand for Qatari cargoes, among others, into potentially higher-priced markets.

LNG still holds a minority share in the global gas market with piped gas produced in the US and Russia accounting for the largest overall share. But LNG's role is expected to grow because of new capacity over the next five years.

LNG demand from the world's two largest importers, Japan and South Korea, has fallen sharply in the past year. A mild winter limited spot demand, with summer temperatures not high enough to boost gas-fired electricity demand for cooling. The drop has come even before the possible restart of Japanese nuclear plants, which would further eat into LNG consumption, although new nuclear generation in South Korea has recently started up.

The ICIS East Asia Index assessment

The current ICIS East Asia Index assessment for August stands at US\$7.1/million Btu, a small premium to Britain. But this time last year the EAX stood at US\$11.64/million Btu, an increase of almost US\$5/million Btu. This means that while some spot LNG cargoes are currently moving to counter-seasonal markets, there is little incentive for cargoes to move away from markets in the Atlantic Basin to East Asia.

As the most liquid and deep gas market in Europe, Britain serves as the global market of last resort, meaning that flexible LNG will continue to flow to the UK as long as the Asian price premium to British wholesale prices is not sufficiently wide to attract cargoes east of the Suez Canal.

The benign global price environment and the expectation of additional LNG availability for the British market has already been a major factor in the softening of British wholesale gas prices. The price of gas to be delivered over the coming winter closed at its lowest point to date on 7 July and a fall of over a fifth from the corresponding period last year, according to ICIS data. With the surge of LNG production scheduled to enter the market and little sign of any immediate uptick in Asian demand to date, the UK may well find itself a more attractive LNG import option through 2015 and into 2016. (July 23, 2015)

07/24/2015

CHINA:

China's June LNG imports rise 28.4% on year to 1.72 million mt

Chinese imports of LNG in June gained 28.4% year on year to reach 1.72 million mt, General Administration of Customs data showed.

Imports were more than 50% higher from May, when volumes had fallen to 1.12 million mt, the lowest levels seen into the country since 2012, according to Platts historical data.

Monthly data showed that almost all imports in June originated from term suppliers, with weighted **average prices reported at \$9.55/MMBtu**.

Only one potential spot cargo delivered during the month. Volumes originating from Equatorial Guinea were received at an average price of \$7.44/MMBtu, according to customs data.

The JKM, by comparison, **averaged \$7.12/MMBtu for June delivery, gaining over the course of the trading month to close above \$7.40/MMBtu**.

The destination of the volumes was unclear, although Platts ship tracking database cFlow showed that Petrochina's Tangshan terminal had taken delivery of the Gaslog Skagen June 1 after the vessel had loaded in Equatorial Guinea.

Sources at Petrochina had previously said volumes originating from Equatorial Guinea LNG had done so under an existing term contract with supplier BG.

Australia, which had the lowest average **price of \$6.22/MMBtu**, provided the bulk of imports over June.

CNOOC's Tianjin FSRU terminal in the north of the country and its Zhuhai terminal in the south received one cargo each from the Queensland Curtis LNG facility in eastern Australia, priced at \$8.50/MMBtu.

By comparison, the highest prices appeared to have originated from Malaysia, although sources in China were unable to account for the average price of **\$14.74/MMBtu** reported by Chinese customs.

This was a 34.5% increase from the same month in 2014, and over 77% higher than the previous month, despite significant reductions in both spot and term contract prices in northeast Asia since the start of the year.

Petrochina's Tangshan terminal in the north of the country took one delivery at a calculated **price of \$15.89/MMBtu**, suggesting Malaysian origin, while volumes delivered into CNOOC's Shanghai terminal were only slightly lower in price, at a reported \$15.08/MMBtu.

Private importer Jovo also took delivery of two partial Malaysian cargoes; one aboard the full-sized Golar Arctic vessel and the second on the smaller Amah Hakata, according to cFlow.

Term prices to the importer averaged **\$8.12/MMBtu**.

Sinopec took delivery of one cargo at its Qingdao terminal, which had originated from the Exxon-led Papua New Guinea LNG facility under a term contract, priced at \$8.79/MMBtu.

Elsewhere, cFlow showed that Petrochina's Macun terminal in Hainan had taken delivery of the Aman Hakata June 2.

The vessel typically runs a regular route between Malaysia's Bintulu and Jovo's Hangpu terminal.

China also imported 1.82 million mt of natural gas via pipeline in June, a decline of 13.7% from the same month last year, which was largely due to an 18.4% year-on-year decrease from Turkmenistan.

Combined with LNG imports, total gas imports totaled 3.5 million mt, a 2.7% jump year on year.

Discounting pipeline gas exports to Hong Kong and Macau, which amounted to **211 million cu m, and adding domestic production of 9.93 Bcm**, China's apparent gas demand in **March totaled 14.53 Bcm, a rise of 4.5%** from the same month last year. (July 24, 2015)

07/24/2015

COLOMBIA:

Colombia awards first LNG terminal concession

Sociedad Portuaria El Cayao SA has been awarded a contract to build and operate Colombia's first LNG regasification terminal on the Caribbean coast.

The facility will require investments of US\$140mn and will receive up to 7.36Bm³ of gas annually, national infrastructure agency ANI said in a statement.

"This is our insurance against energy rationing when El Niño comes," ANI president Luis Fernando Andrade said. "With this plant we make sure that we're part of the global chain of gas and will be able to deliver gas when it is necessary."

Located in the northern city of Cartagena, the terminal will begin operating in late 2016.

Sociedad Portuaria El Cayao will be responsible for the **design, construction and operation of the terminal over 20 years.**

In April, Colombia's energy planning unit UPME said the country would need to start importing **natural gas by January 2017** to meet domestic demand. (July 20, 2015)

07/21/2015

CROATIA:

Croatia gives Krk Gas Terminal 'Strategic' status

The Croatia government on Thursday declared the planned construction of a liquefied natural gas terminal on the island of Krk a "strategic investment project".

Plans to build a LNG terminal on Krk, potentially important for supplying Croatia and Central Europe with gas, date back years. The government has since founded a company, LNG Croatia, responsible for organizing tenders for construction.

According to a law on the strategic investment project, all procedures regarding the project will be expedited and marked as a top priority.

The project is worth around a billion euro in total - the terminal itself around **600 million euro** - and is marked as important for the country's economic growth and development, and thereby for new employment.

Construction will start in mid-2016 and last three years.

Croatia uses around 2.7 bcm of gas a year and the terminal will therefore be in a position to supply EU and regional countries with gas as well, with a capacity of 4 to 6 bcm.

The LNG terminal on Krk has been classified a medium-term project in European energy security strategy, along with the Trans-Adriatic Pipeline, TAP, and its Croatian corridor, the Ionian-Adriatic Pipeline, IAP, to which the Krk terminal would potentially be linked.

The EU backed the project in October 2014, offering 4.9 million euro towards a feasibility study for the project. The EU called it important for "building an infrastructure needed for assuring the energetic security of Europe".

Robin Dunningan, secretary for energetic policy in the US State Department, in December 2014 confirmed American interest in the project as well. She noted that it opened up the possibility of Croatia becoming a regional gas supply hub.

Dunningan added that the US wants TAP to go through Croatia and Bosnia, giving the region an alternative gas supply and so decreasing regional dependency on Russian gas.

In talks with Serbian Prime Minister Aleksandar Vucic in February 2015, US Vice-President Joseph Biden proposed that gas from the LNG terminal on Krk could be used to supply Serbia through a pipeline running through Hungary. (July 17, 2015)

07/17/2015

PAKISTAN:

Engro Elengy receives 130,000 cubic metre LNG

Engro Elengy Terminal **received a shipment of 130,000 cubic metre** of liquefied natural gas through an LNG vessel, the company said on Friday.

“The vessel which was successfully berthe by Port Qasim Operations alongside the FSRU in a double banking arrangement,” Engro said in a statement.

“It will allow for a ship-to-ship transfer of the LNG cargo – a feat which will be performed in the country for the first time.”

Previously, the floating storage and regasification unit was tasked to transport the LNG cargo. Engro said the vessel has brought **130,000 cubic metre of LNG which at current regasification rate of 325 mmscfd will discharge in approximately eight days.**

The LNG is imported by the state-run Pakistan State Oil (PSO). The cargo is the first of the six cargoes PSO has been importing through an international tender.

Sheikh Imran ul Haque – Chief Executive Officer at Engro Elengy Terminal Limited said the Engro Elengy had earlier fulfilled its commitment by constructing all infrastructure facilities of the terminal earlier than committed and in a record time period anywhere in the world.

“The successful culmination of the ship-to-ship transfer for the first time in the country’s history is again a testament to Engro’s expertise in deploying world-class solutions against challenging circumstances,” Huque said. **“This also provides a strong signal to those who doubted the achievement of all stakeholders in creating another source of energy for Pakistan, which has been in operation for only 110-days and is handling the 7 cargoes received to-date.”**

The statement said petroleum ministry’s strategy of spot cargo purchase with long term arrangements **“is starting to pay dividends and the number of suppliers interested in delivering LNG to Pakistan is increasing.”** (July 18, 2015)

07/20/2015

PAKISTAN:

Exceletrate completes STS transfer at Engro Elengy LNG terminal

Exceletrate Energy L.P. has announced that it recently completed the first ship-to-ship transfer of LNG at the Engro Elengy LNG Terminal located in Port Qasim, Pakistan.

Exceletrate’s Exquisite floating storage and regasification unit received 130 000 m3 of LNG from the FSRU Exceletrate using the double-banked LNG transfer system.

The STS transfer is Exceletrate’s 500th commercial STS operation using its double-banked cryogenic transfer system technology.

The Engro Elengy LNG terminal initially employed the Exquisite FSRU for cargo delivery and regasification purposes. The LNG terminal will continue to receive LNG supply via periodical STS transfers, allowing for the continuous flow of gas into the local gas distribution system. (July 22, 2015)

07/22/2015

PUERTO RICO:

Excelerate gets approval to build Aguirre Offshore GasPort project in Puerto Rico

US-based Excelerate Energy has secured approval from the US Federal Energy Regulatory Commission for the construction and operation of the proposed Aguirre floating liquefied natural gas facility, offshore Puerto Rico.

With the approval, which confirms the final environmental impact statement (EIS), the proposed offshore FLNG project, known as Aguirre Offshore GasPort, will be developed in compliance with the FERC's environmental conditions.

Excelerate CEO Rob Bryngelson said: "We are pleased to receive the order from FERC after nearly four years of extensive environmental review.

"During this time, Excelerate has not diminished its efforts to deliver the beneficial Aguirre Offshore project, nor has the company wavered in its support for PREPA's and the Government of Puerto Rico."

The project includes construction of a floating LNG terminal featuring a floating storage and regasification unit (FSRU), infrastructure to moor the vessel, and a subsea pipeline to facilitate gas supply onshore.

The fuel from the facility will be delivered to the Puerto Rico Electric Power Authority's Central Aguirre Power Complex.

PREPA interim executive director Carlos Castro said: "This project is critical for PREPA to reduce the cost of energy in Puerto Rico and to reduce the emission of air pollutants."

The project is aimed at reducing fuel cost and improving environment by enhancing air quality and reducing barge traffic in the environmentally sensitive Jobos Bay in Puerto Rico. Excelerate along with FERC and cooperating agencies will work together in the coming months to begin construction of the project scheduled in the first quarter of 2016.

The terminal is scheduled to be commissioned in the second quarter of 2017. (July 29, 2015)

07/30/2015

INDIA:

India lifts 30% less volume under long-term Qatar LNG deal

India has imported 30% less LNG than it is supposed to under a long-term deal with Qatar as a slide in spot prices has cut demand from local buyers, two sources with knowledge of the matter said on Tuesday.

So far this year Petronet LNG has cut imports by 30%, or up to 24 cargoes, under the deal, said the sources, who declined to be named as they are not authorised to speak to the media.

Petronet has a 25-year deal with Qatar's RasGas to buy 7.5 million tonnes of LNG annually.

Asian spot LNG prices are hovering at about \$8.2 per mmbtu, reflecting a decline in global oil prices.

"Spot LNG prices are about \$5-\$6 (per mBtu) cheaper than those under the long-term deal so customers are not willing to pay higher prices for the gas offered under long-term deal," said one of the sources. (July 28, 2015)

07/29/2015

PRICE

ASIA:

Asian LNG spot prices tumble 30%

Spot prices for liquefied natural gas in Asia have been sluggish, **tumbling 30% on the year to around \$7 per mmbtu.**

As China remains cautious about **LNG purchases due to decreased demand and new LNG projects have started operations this year, there is a growing sense of oversupply in the market.**

China's LNG imports stood at 7.8 million tons in the first five months of this year, down 9% from a year ago. There are no signs of increasing imports even when the prices are down. The country's annual LNG imports are likely to fall below the previous year. Although China built LNG terminals to facilitate imports, "the utilization rate for the terminals is only about 50%," said Hiroshi Hashimoto, senior analyst at the Institute of Energy Economics in Japan.

Japan's LNG imports also fell 2% on the year over the same period. With a high level of domestic inventory, Japan has been unable to procure flexible volumes of LNG even when prices are low.

An economic slowdown and a slump in crude oil prices from the second half of 2014 have pushed down LNG demand in China. Gavin Thompson, an analyst at Wood Mackenzie, a British research company, said prices for diesel and other petroleum products have fallen and the industrial sector is slow in shifting to natural gas.

Pipeline natural gas is also competing with LNG. China imported 10.54 million tons of natural gas via pipelines from Myanmar, Turkmenistan and other countries in the first five months of this year, an increase of 20% from from a year earlier. Last year, China signed a large natural gas contract with Russia. Some 27 million tons of natural gas could be flown into China per year after 2020.

Transportation costs make up a significant proportion of pipeline gas prices, with crude oil prices only accounting for about 10%. Many market watchers predict that pipeline natural gas will become more competitive in price compared with LNG, whose prices are determined by crude oil prices.

As several LNG projects started operations in Australia and the U.S. this year, LNG supply is expected to reach **287 million tons in 2016, a rise of 17% from 2014.** If demand stagnates in China, the supply-demand balance could loosen further. Although China has long-term contracts with many producers in Australia and other countries, it will unlikely consume all the contracted LNG, said a Citigroup representative.

Market attention is focused on how China will handle excess LNG. Thompson of Wood Mackenzie expects China to reduce domestic gas production and resell LNG on the spot market in an effort to avoid breaching contracts. If LNG set contracted to China floods into the market, it will put further downward pressure on spot prices. (July 20, 2015)

07/20/2015

USE AS MARINE FUEL

BELGIUM:

Port of Antwerp requests to build LNG bunkering facility

At present, truck-to-ship bunkering is already possible at the port of Antwerp. However, the port hopes to **further enhance the availability of LNG by setting up a permanent LNG filling station by the beginning of 2019.**

Truck-to-ship bunkering

Truck-to-ship bunkering at the port of Antwerp has been possible since 2012, however, the process involves LNG being collected by truck at the LNG import terminal in Zeebrugge and brought to the quayside in Antwerp to be filled into the barge.

A permanent facility will ensure that LNG is continuously available in the port of Antwerp. Contrary to its original plan of constructing such a facility itself, which would then be operated by an independent company, the port is seeking to build and subsequently operate an LNG bunkering and filling facility on quay 528 itself.

After extensive screening of possible locations within the port area and considering factors such as safety, waterfront access and road access, **quay 528, with an area of approximately 7304 m², has been chosen for this LNG site. Based upon a basic design for a facility with storage capacity of 450 m³, a safety study has shown that up to 45 000 m³ of LNG could be bunkered annually at a filling rate of 100 m³/hr.** (July 16, 2015)

07/17/2015

USE FOR POWER GENERATION

URUGUAY:

Uruguay earmarks \$390 million over four year for LNG terminal project

Uruguay has budgeted \$390 million over the next four year for investment in an LNG regasification terminal to help diversify energy supplies, which is now heavily reliant on imported oil and local hydropower.

President Tabare Vazquez announced the spending Monday as a part of a record \$12.37 billion investment in infrastructure projects between 2015 and 2019.

"The investment is needed to sustain the growth that the country has had in the last 10 years," Vazquez said, according to a statement. "Uruguay will continue to grow."

Of the spending, \$4.23 billion will go to energy projects, mostly for building up power generation and transmission capacity, including with biomass, solar and wind plants, according to a copy of the spending plan.

The state will finance 66% of the spending, while the rest will come from the private sector.

Uruguay plans to invest a total of \$1.1 billion in the regasification terminal, and has already spent \$710 million, with the goal of starting to receive LNG cargoes by the end of 2016. The state has hired a consortium of France's GDF Suez and Japan's Marubeni to build and operate the terminal, which will have 10 million cubic meters/day of send-out capacity. Of the capacity, Uruguay will consume less than 50% during the first three to four years after operations begin. This leaves open the possibility of selling the surplus supplies to Argentina and Brazil. (July 28, 2015)

07/29/2015

GENERAL INFORMATION

IRAN:

After lifting of sanctions, Iran could become major energy country with LNG exports, according to expert

Liquefied natural gas exports from Iran after the nuclear deal would be a dream come true for the country which sits on one of world's biggest oil and gas reserves, according to a professor in the international studies department at Georgetown University on Wednesday.

Iran and the P5+1 group signed a final agreement last Tuesday, bringing to a close nearly two years of contentious talks that focused on providing Iran with crucially needed sanctions relief in return for unprecedented curbs and inspections on its nuclear program.

The lifting of sanctions brought discussions on the possibility of LNG exports from Iran.

"They don't have the technology to do it. After the sanctions are lifted, it will take some time for them to acquire technology," Professor Jean Seznec said, adding that also it will be very expensive, as each LNG train costs around \$5 billion, at a time when prices are down and likely to remain down for a while.

Seznec explained that there is no possibility of Iran competing with global LNG leaders Qatar and Australia, but said that Iran would be better off keeping its gas for local industrialization such as chemicals, water and electricity.

"Iran will first need to redevelop its gas fields, then much of the gas produced will be re-injected to keep the oil pressure up," he said, adding, "It [Iran] will be better off exporting its gas by pipeline through Turkey, getting the new pipeline to Pakistan and maybe to India."

According to the latest BP Statistical Review, Iran holds the world's largest gas reserves with 34 tcm. However in 2014, BP statistics revealed that Iran only produced 173 bcm of natural gas and consumed 170 bcm.

Currently, Iran does not have the infrastructure to export or import LNG. However, the country's aspirations to build a liquefaction facility date back to the 1970s, but the country has yet to build one. This is mainly due to the lack of technology and foreign investment, according to the U.S Energy Information Administration, EIA.

"In the end the amount of capital needed to redevelop the oil and gas sector, in my view, would not pre-empt Iran going into the LNG market in the near future. It would be a major misallocation of resources for the Iranians to do LNG," he said.

The world's largest gas field and Iran's most significant energy development project, the South Pars field, accounted for about 40 percent of Tehran's gross natural gas production in 2013 and around 40 percent of its total proved natural gas reserves.

The field has a 24-phase development plan with many phases already completed. Phases 15, 17 and 19 will be the next to develop.

Natural gas produced from the remaining phases is planned for export via pipelines as LNG. However as yet there are no firm plans to build an LNG export facility in Iran.

According to the IAEA, Iran faces a number of challenges in the supply, and particularly the demand for its gas.

Iran currently exports its gas, which also includes Turkmen gas, to Turkey only.

"It will take time to be major player"

Zubair Iqbal, an expert from Washington-based Middle East Institute, said that the outlook for Iranian natural gas exports is bright in the medium to long term.

"Given that the domestic capacity to collect and export is still limited, it will take time for Iran to become a major player," Iqbal said.

He claims that Tehran will seek to go after the "low hanging" fruit -- the Pakistan-India market -- through the proposed Iran-Pakistan-India pipeline in which India will likely come on board as sanctions are lifted.

"An extension to China will likely remain uncertain, especially in light of Iran linking up with the planned Central Asian route for marketing to China and Europe," he said.

He added that he does not see an early and tangible movement toward rapprochement with Arab producers and suppliers "not least because those countries will be wary of closer relations with Iran. So Iran will go it alone as a competitor resulting in lower real gas prices in the long run," he added.

In March 2013, then Pakistani president, Asif Ali Zardari, agreed with his Iranian counterpart Mahmoud Ahmadinejad to begin the \$1.5-\$2 billion Iran-Pakistan-India pipeline. The U.S. State Department raised eyebrows towards this move given the sanctions on Iran.

In early April this year, it was rumored that Chinese state-owned energy giant CNPC would finance 85% of the project's construction costs with Chinese loans. (July 23, 2015)

07/23/2015

ASIA:

Asia LNG output vs regas capacity mismatch looming

What could go wrong for liquefied natural gas in Asia to derail the current consensus of strongly rising demand being met by supply that is increasing even faster?

One of the assumptions that often remains unspoken when analysing energy markets is the status of the infrastructure needed to ensure products can actually get from one place to another, and then be processed at their destination.

For LNG, there is little doubt about the wave of supply coming onstream in the next few years, with the seven projects in Australia under construction or in the process of starting up largely meeting the timetables set by their operators.

It's much the same with the five projects under construction in the United States, which together with the Australian export terminals will add more than 110 million tonnes of annual capacity to the market within the next four years.

Other projects being built in Russia, Indonesia, Malaysia and Africa will take the total LNG output capacity to 423.7 million tonnes by 2020, up from 301.2 million tonnes last year, according to data from the International Gas Union (IGU).

The supply additions are already starting to overwhelm demand, causing prices to decline sharply. Spot Asian LNG LNG-AS fetched \$8.10 per mmBtu in the week to July 24, down 20% since the start of the year and 60% from the record \$20.50 hit in February 2014.

The market consensus is that the growth in supply will outweigh the increase in demand over the next few years, notwithstanding the expectations of strong growth in consuming nations in Asia, particularly China and India.

LNG demand in Asia will grow by more than 40% to almost 230 million tonnes per annum, according to a research report from Australia's ANZ Bank published on July 23.

This robust growth will be driven by China and India and will be achieved despite the prospect of ongoing low prices for competing fuels such as coal for power generation and oil for transportation, the report said.

LNG demand will be boosted by its status as a cleaner-burning fuel, especially in China, where authorities want to lower pollution while maintaining high economic growth rates.

The big picture painted by ANZ and several other analysts is that LNG has a solid long-term outlook even though supply will rise faster than demand in the medium-term.

This isn't an unreasonable expectation, but the question remains as to whether China and India will be able to physically import the LNG that they are expected to need.

NOT ENOUGH CHINA REGAS BEING BUILT

China currently has 38.5 million tonnes of LNG regasification capacity, and a further 40.9 million either under construction or approved, according to data compiled by Reuters.

Data from the IGU says China currently has 25.2 million tonnes of regasification under construction, with all of this expected to be completed by 2018.

If all the approved capacity is also built by 2020, it would take China's total import capacity to just under 80 million tonnes per annum.

While it would be theoretically possible to come close to utilising all that capacity, history suggests this is unlikely.

The IGU said that global regasification terminal utilisation was about 33% in 2014. Excluding import facilities in the United States, which are effectively mothballed since the rise of shale gas output, and the total capacity utilisation rises to 41%.

China's capacity utilisation was 51% in 2014, down from 59% in 2013, according to the IGU.

Top LNG importer Japan, which has a regas capacity of 190 million tonnes, had a utilisation rate of 47% last year.

If one assumes China can utilise even 60% of its LNG regasification capacity, and that capacity reaches 80 million tonnes per annum by 2020, it means imports could reach 48 million tonnes by then.

Imports in the first six months of 2015 were 9.5 million tonnes, down 3.9% over the same period a year earlier, and putting China on track for total imports this year of around 20 million tonnes.

Even if this figure does more than double to 48 million tonnes, it still means China will only be able to absorb about 23% of the global liquefaction capacity additions coming online between now and 2020.

India has 13.6 million tonnes of regasification capacity under construction, according to the IGU, which would take its total capacity to about 35 million tonnes.

This implies India could raise its LNG imports from 2014's 14.2 million tonnes, but a realistic target for 2020 would be around 20 million tonnes.

Overall, the IGU details regasification projects under construction globally and planned for completion by 2018 that total 78.7 million tonnes.

That compares unfavourably with the 122.5 million tonne increase in LNG liquefaction capacity that is under contraction already and will be online by 2020.

Even allowing that more terminals may be completed between 2018 and 2020, it seems unlikely enough regasification capacity is being built to meet expected supply increases, particularly in China and India, the two big hopes for demand growth. (July 30, 2015)

07/30/2015

IRAN:

France's Total eyes LNG, oil projects in Iran

French energy company Total is eyeing liquefied natural gas (LNG) and oil projects in Iran, Russian business daily Kommersant cited Total's Chief Executive Patrick Pouyanne as saying.

"We are looking at both gas and oil. When we had to leave Iran in 2006 we were actively working at an LNG project at South Pars (field). So, first of all, we are closely looking at LNG projects," he told the paper in comments published on Friday.

Iran has the long-term potential of becoming one of the world's top gas producers, thanks to its 34 trillion cubic meters of natural gas reserves, or around 18 percent of the world's total.

Iran and six world powers reached a landmark nuclear deal on Tuesday, clearing the way for an easing of international sanctions on Tehran and higher oil exports.

Pouyanne told the newspaper that Total's participation in Iran's oil and gas development would depend on the terms that Tehran offers to foreign investors. (July 17, 2015)

07/17/2015

AUSTRALIA:

WA wins lion's share of Browse field

Federal and State ministers have signed an unprecedented deal giving WA about two-thirds of the royalties from a gas field in the Woodside-led Browse gas project. The agreement has been estimated as being worth \$5 billion to the State over the life of the proposed floating LNG project off the Kimberley coast.

The royalties split swung heavily in WA's favour following the 2014 discovery of three tiny rocky outcrops in the area which prompted a redrawing of maritime boundaries. The Torosa field straddles Commonwealth and WA retention lease areas.

Federal Industry Minister Ian Macfarlane and WA Mines and Petroleum Minister Bill Marmion this afternoon executed a deed of agreement for the field. The deed was also signed by senior representatives of the Browse joint venture. It allocates 65.4% of the resource to WA and 34.6% to the Commonwealth.

"This is the first time an agreement of this sort has been struck between governments and reflects our commitment to securing the next wave of investment in the Australian LNG sector," Mr Macfarlane said.

"It is an example of governments working together to support the development of our offshore resources for the benefit of all Australians," he said. Mr Marmion said the outcome had provided certainty for Woodside to begin the design phase of the project. "Our efforts maintain security of tenure for the titleholders and ensure a fair return to the WA economy if and when the proposed Browse project proceeds," he said.

Woodside plans to make a final investment decision on Browse by the end of next year.

"Minister Marmion and I both recognise that, in this time of increasing competition, there is still much work for the joint venture to complete to make this project viable," Mr Macfarlane said.

"The economic benefits of the proposed Browse project to WA and Australia are enormous and we are committed to seeing our offshore petroleum resources developed.

"Both governments have done what we can to facilitate this development; the onus is on the joint venture to achieve the earliest possible development". (July 22, 2015)

07/22/2015

PUBLICATIONS

WORLDWIDE:

Big cash headed for floating LNG market

Investment in floating LNG vessels will reach \$35.5 billion between 2015 and 2021, according to a report released by market research firm Douglas-Westwood. Floating storage and regasification units are expected to fetch \$22.8 billion in investment over the same period. The projected \$58.3-billion market is expected to be a main driver of growth in the oil and gas industry.

The first FLNG unit has yet to hit the market, however a number of ongoing projects will come to completion in the succeeding years. Malaysian state oil and gas company **Petronas' 365-metre long PFLNG 1 is set to become world's first FLNG at the end of 2016. Shell's FLNG entry, the even bigger 488-metre Prelude, is expected to sail by 2017.** London-based Golar LNG is also throwing its hat in the ring, with a string of three FLNG units that are planned for assignments in 2017, 2018 and 209.

The success of this first wave of FLNG projects will likely shape a second wave of investment, which could take off in 2019, according to the report. At the same time, a number of regasification units are expected to be sanctioned, particularly in countries in Asia and Latin America. (July 23, 2015)

07/23/2015

LPG

CONSUMPTION

THAILAND:

PTT suffocates LPG station expansion programme

PTT Plc, the national oil and gas conglomerate, has shelved plans to have more liquefied petroleum gas fuelling stations after the government's policy to float the LPG price caused demand to plummet.

Senior executive vice-president for oil business Chavalit Punthong said LPG demand in the automobile sector had fallen sharply since the government fully eliminated LPG subsidies in February.

LPG demand for automobiles dipped 11.3% in May to 4.8 billion kilogrammes per day from 5.5 billion year-on-year, reported the Department of Energy Business. "The demand has dropped five consecutive months since January," said Mr Chavalit.

During the period, some 500 LPG refuelling stations have gone out of business, reducing the total to 1,400. Given those numbers, PTT decided to freeze expansion plans for LPG stations, he said. Previously it planned to add 250 stations nationwide this year.

The Energy Ministry started to float the LPG price in September 2014 after Prime Minister Prayut Chan-o-cha set up a new government, increasing retail prices by 50 satang per kg on a monthly basis from 18.13 baht until the price reached the market price in February. The current retail price stands at 23.96 baht.

The decreasing retail prices of diesel and petrol are also influencing consumers to shift from LPG. Diesel and petrol prices have fallen by 30% to below 30 baht per litre.

The ministry wants to discourage motorists from using LPG, gradually increasing the levy collection to the state Oil Fund for LPG to the same level as petrol and diesel. The levy for LPG is three to four baht per kg below diesel and petrol now, depending on the type of fuel. (July 22, 2015)

07/22/2015

NGV

USE AS AUTOMOTIVE FUEL

RUSSIA:

All Gazprom's executives use natural gas vehicles

All Gazprom's executives are using natural gas vehicles, Chairman of the Board of the gas holding Viktor Zubkov said on Thursday.

"All company's executives use natural gas vehicles," Zubkov said. All Gazprom's vehicles will be fueled by natural gas by 2020, he added.

"About 25% of all corporate vehicles have been converted to natural gas fuel for the time being and all of them will use this cost-efficient and environment-friendly fuel by 2020. We purchased natural gas vehicles in the amount of 6 bln rubles (\$100.3 mln)and will annually increase this figure to complete conversion by 2020," Zubkov said.

Programs of transport conversion to natural gas also exist for other companies, Zubkov added.

A total of 205 Gazprom's gas filling stations are currently operating in Russia. 404.8 mln cubic meters of natural gas were sold, 7.4% up against 2013. Natural sales growth are projected to grow by approximately 10% year-on-year in 2015. (July 30, 2015)

07/31/2015

CNG

USE AS AUTOMOTIVE FUEL

INDIA:

'Green' cars grind to a halt in CNG-starved Hyderabad

If you are planning to buy a new car fitted with a CNG cylinder thinking that it will help you save fuel cost, then think again. Hyderabad has only 12 CNG stations and most of them are running dry, thanks to poor supply of piped natural gas to the city.

R Madhu, a resident of Marredpally, is one such car-owner who is now regretting fitting a CNG cylinder to his new Chevrolet Beat. "I was hoping to do a world of good for the environment, and was taken in by people who said the city has enough pumps. I have now realised these are far and few, so I'm now forced to fall back on petrol," he said.

Ratul Roy, a Mumbai-based businessman, who was in the city for the weekend, had to actually drive his CNG-enabled SX4 Maruti car back to Mumbai on petrol. "I could have saved a lot of fuel, but was surprised not to find a CNG pump in Hyderabad," he told TOI.

In a city like Hyderabad where 500 new vehicles are added to the streets everyday - and some fitted with CNG cylinders - there are not enough pumps supplying compressed gas, while the existing ones see serpentine queues of autorickshaws.

"When there are so many people who are eager to take to CNG due to fuel efficiency and the monetary benefits, the shortage of fuel pumps is a big setback. On an average day, we have to wait for at least an hour in long queues to fuel my car," said D Clement, owner of a new Honda Amaze in Sainikpuri.

It's not just motorists who are feeling the crunch, even car manufacturers are ruing the lack of takers for CNG variants.

CNG car sales show a decline

"When we had launched the CNG variant car, there were several bookings. But once customers learnt of the CNG pump crisis, they changed their mind. In the last three months we have hardly sold four CNG-run cars," said a senior sales representative of Honda. Last year, Maruti sold atleast four CNG cars every month, but now it can barely sell one. A Maruti spokesman said that banking on CNG variants has been a "bad experience" and it had an impact on sales of other alternate fuel variants as well.

"I feel I made a mistake by opting for a CNG car. It is a pain for us to fill up the cylinder. Either there is no stock or a huge queue before us," said K Vittal, a resident of L B Nagar.

According to the Bhagyanagar Gas Limited, there are 16 CNG-equipped pumps in the city, but unfortunately two of them shut down recently and there is no guarantee of round-the-clock gas in the remaining ones. While there have been announcements regarding the increase in the number of stations to 20, the haphazard supply mode has ensured putting off the plan. The government attributes the reason to the flimsy modes of CNG availability.

Sources say that the daily demand is more than 50,000 kg, but the BGL has been supplying only about 30,000 kg daily to the stations. "There is a problem when it comes to the supply of CNG to the city -- which is why the number of pumps has remained few," said C H Srinivas, a senior official of HPCL. "This problem will only be resolved once the piped natural gas plan takes off in Hyderabad and we have been given an assurance by BGL," he added. (July 20, 2015)

SPAIN:

SEAT: Sales of CNG-fuelled cars increase six-fold in the last five years in Spain

In the last five years, sales of cars powered by CNG have tripled in Europe, while they have increased six-fold in Spain in the same period. Interest for compressed natural gas as an alternative fuel is still in its initial stages in Spain, and among other factors, the simultaneous launch of the SEAT Leon TGI and the Mii Ecofuel in 2014 has been the driving force behind its growth and development nationally.

Spain has become the third largest market for SEAT in terms of CNG technology after Italy and Germany, and the positive results show no signs of easing. In the first six months of 2015, the Spanish carmaker sold more CNG-fuelled cars in Spain than in all of 2014. The company ended last year as the undisputed leader in CNG vehicle sales in the Spanish market, and six months into this year, its market leadership grew even more, reaching a total share of 80%.

To continue along these lines of development and support, Vice-President for Government and Institutional Affairs for SEAT and the Volkswagen Group in Spain Ramón Paredes, and HAM Managing Director Antonio Murugó have signed a strategic agreement to advance compressed natural gas for vehicle use over the next two years. This is a clear commitment by both companies to this alternative fuel source for ecological, sustainable energy that will ensure a significant short-term improvement in air quality due to its reduced emissions and low cost.

HAM Group Managing Director Antonio Murugó stated that “in our opinion, CNG fuel is the well-established and much less expensive alternative to oil, which guarantees a significant improvement in air quality owing to its low emissions. Our tremendous growth enables us to develop state-of-the-art technology for cleaner energy, and one of our priorities is the new filling station which will soon be opened in Abrera with a definite commitment to supplying natural gas for vehicle use”.

Furthermore, Vice-President for Government and Institutional Affairs for SEAT and the Volkswagen Group in Spain Ramón Paredes pointed out that “SEAT’s commitment to sustainability is unwavering, and this reality is gradually moving into the markets where we operate. 66% of worldwide SEAT sales and 80% of the sales in Spain are vehicles with CO2 emissions below 120 g/km. From 2006 to 2014 we reduced the average CO2 emissions by 21% on all the vehicles we sold in Europe. In addition, we are currently heavily engaged in developing compressed natural gas with a special focus on Spain, the country where we are the undisputed market leader”.

The Leon TGI inaugurates Europe’s newest and largest motorway filling station, owned by HAM

Spain’s HAM Group, the country’s leading company for LNG distribution, LNG regasification plant construction and natural gas refuelling stations, is finalising the implementation of its latest public natural gas filling station in Abrera, near Barcelona, in the same industrial park where the SEAT factory is located. This new station, which supplies natural gas in two end uses, LNG (liquefied) and CNG (compressed), uses pioneering technology and is the largest in Europe. It features a total of eight bays, four of which are intended for refuelling CNG-powered vehicles like the SEAT Leon TGI or the Mii Ecofuel, and another four for supplying LNG to heavy-duty vehicles. They also accommodate diesel fuel pumps. In addition, its completely integrated operation enables running the station with traditional filling station management systems. With this new flagship filling station, HAM now has ten supply points of natural gas for vehicle use.

The HAM Group owns the first corporate fleet of compressed natural gas-powered SEAT Leon TGI vehicles, which left the Martorell factory last year. (July 15, 2015)

UNITED KINGDOM:

UK's first CNG gas station to open

The UK's first CNG filling station is set to open in Lancashire.

HGVs looking to use CNG believed to be the cleanest and cheapest fuel for trucks and buses, will be able to fill up.

CNG Fuels has secured planning permission to **build the UK's largest CNG filling station which is scheduled to open in late 2015.**

It will be located close to junction 28 on the M6 and will be capable of refuelling more than 500 HGVs per day, the company said.

That's as much as 3,500 kg of CNG per hour.

The station's first major customer will be Waitrose, part of John Lewis Partnership.

Philip Fjeld from CNG Fuels said: "Our customers can save more than 40% of their diesel cost, even after the recent drop in diesel prices and cut CO2 emissions by more than 20% by using CNG.

"If fleets choose to fuel their trucks with Bio-CNG, they will be running on 100% renewable gas." (July 16, 2015)

07/16/2015

NATURAL GAS

EXPLORATION

COLOMBIA:

Anadarko makes offshore Colombia discovery

Anadarko Petroleum has announced a gas discovery in the Fuerte Sur block offshore Colombia. The Kronos-1 discovery well was drilled in 1,584 metres of water using the Bolette Dolphin drillship to reach a total depth of 3,720 metres. It encountered 40-70 metres of net natural gas pay, the company has confirmed.

Anadarko will continue drilling at Kronos-1 with the goal of reaching a second, deeper objective. The Bolette Dolphin, which is being leased from Norway's Fred. Olsen Energy, is then expected to move to the company's Calasu prospect, located around 170 kilometres northeast of Kronos in the the Fuerte Norte block.

Anadarko holds a 50% operating interest in the Fuerte Norte and Fuerte Sur blocks through its Colombian subsidiary. Together the blocks comprise an area of 18,211 square kilometres. Colombia's state-owned oil and gas company, Ecopetrol, owns the remaining 50%

Anadarko's discovery follows a 5,500-square-kilometre seismic survey of the Fuerte blocks carried out for Anadarko by CGG in 2013. Anadarko has rehired the French company to conduct a new, 16,314-square-kilometre survey in the Grand Col area of the offshore COL-1 and COL-2 blocks, in which it holds a 100% working interest. The data is expected to become available by the fourth quarter of 2015.

The discovery is good news for the Colombian government, which is banking on an offshore push to combat the country's declining reserves. Colombia is estimated to have **6.8 years of oil and 13.7 years of natural gas reserves**, according to BP's 2015 Statistical Review. (July 29, 2015)

07/29/2015

CROATIA:

Austria's OMV gives up Croatia Adriatic oil, gas exploration

Austrian oil and gas firm OMV said Wednesday it has given up its licences to explore for oil and gas in Croatia's Adriatic, where border disputes risked complicating pursuit of the project.

"A consortium formed of Marathon Oil and OMV decided to return its licences since general economic conditions for a long-term investment have not been met," a spokesman for the Austrian group said in Vienna.

The announcement came less than a week after OMV's new chief executive took charge. German Rainer Seele has said he wants to make Russia a key partner in the group's development.

In January Croatia granted OMV and Marathon Oil seven out of the 10 licences it has awarded to explore for oil and gas in the Adriatic. Two were given to INA jointly owned by the Croatian state and Hungary's MOL -- and one to Italy's ENI and MEDOILGAS.

The contracts were expected to be signed in the coming weeks.

Officials in Zagreb confirmed the OMV-Marathon consortium's withdrawal, citing the unresolved border dispute with Croatia's neighbour Montenegro in the southern Adriatic -- where four of the seven exploration areas are located -- as the primary motive.

"The main reason for quitting is the issue of the border with Montenegro," Economy Minister Ivan Vrdoljak said in a statement by the national hydrocarbon agency.

Croatia has yet to resolve border disputes with its neighbours -- Bosnia-Herzegovina, Montenegro, Serbia and Slovenia all of whom were fellow members of the former Yugoslav federation that collapsed in a series of wars in the 1990s.

"The security we have offered was not a sufficient guarantee for the other side at the moment when a problem with the arbitration process with Slovenia has emerged," Vrdoljak said.

Croatia decided Wednesday to withdraw from arbitration on a border row with Slovenia after revelations that a Slovenian member of a tribunal tasked with solving it had breached its impartiality.

The contracts for the remaining three licences for the Adriatic, as well as six licences awarded for onshore exploration for oil and gas, will be signed in September the hydrocarbon agency said.

"Due to a large interest for the remaining exploratory areas both onshore and offshore we are planning to publish a second tender," agency head Barbara Doric said in the statement.

Croatia, struggling with recession since 2008, was hoping that the Adriatic project would help revive its ailing economy and make the country energy independent. (July 30, 2015)

07/30/2015

EGYPT:

Egypt signs update to head of agreement with Eni after new gas discovery

Egypt and Eni on Friday signed an update to the head of agreement reached in March, following **the recent discovery of gas reserves of up to 15 bcm in Egypt's Nile Delta region.**

The Italian gas company said in a press release that the update was signed by Egyptian Minister of Petroleum Sherif Ismail and the company's CEO, Claudio Descalzi.

The release did not clarify the details of the update.

During Egypt's economic development conference in March the company signed heads of agreement with the Egyptian government worth \$5 billion over a period of 4-5 years.

"The investment will lead to the realisation of projects to be implemented in the next four years and directed to the development of 200 million barrels of oil and 1.3 TCF of gas," Eni said in the release.

Eni has been operating in Egypt since 1954 with an equity production of 180,000 barrels of oil equivalent per day.

Prime Minister Ibrahim Mahlab, who attended the signing of the deal, is on a three-day visit to Italy aimed at landing energy deals and reaffirming strong bilateral.

Egypt has been experiencing an energy crunch since the summer of 2008, but the energy sector took a blow following the 2011 uprising as arrears to foreign oil firms accumulated and production slowed.

The Arab country garnered some \$40 billion in energy deals during the development conference held in March as part of the government's plans to boost an economy battered by more than four years of political upheaval.

Italy is one of Egypt's largest trading partners with \$6 billion worth of mutual trading value in the 2014 fiscal year, Egyptian central bank data shows. (July 25, 2015)

07/27/2015

EGYPT:

Eni discovers up to 15 bn cubic metres of gas in Egypt

Italy's Eni has discovered gas reserves of up to 15 bcm in Egypt's Nile Delta region, with production set to start in two months, the Egyptian oil ministry said on Monday.

The discovery was made in Western Abu Madi, 120 km northeast of Alexandria, where Eni holds 75% of exploration rights through an Egyptian subsidiary, with Britain's BP holding a 25% stake.

Eni made the discovery at a depth of 3,600 metres and initial estimates point towards reserves of up to 15 bcm of natural gas and natural gas condensate, an Egyptian oil ministry statement quoted the company as saying.

The oil ministry signed a \$2 billion energy exploration deal with Eni in June.

Egypt raised the prices it pays Eni and Edison for the natural gas they produce in the country in July.

The agreements marked an attempt by Egyptian authorities to improve terms for foreign oil and gas businesses in the hope that more competitive pricing will encourage investment in the energy-hungry country.

Eni has operated in Egypt for more than 60 years through its Egyptian subsidiary IEOC and is one of the main energy producers in the country, with a daily output of around 180 thousand barrels of oil equivalent. (July 20, 2015)

07/20/2015

WORLDWIDE:

The Number of Natural Gas Refueling Stations is Expected to Reach Nearly 39,000 by 2025, According to Navigant Research

A new report from Navigant Research analyzes the market for natural gas refueling infrastructure and the factors expected to influence its deployment, including global market forecasts segmented by fuel type, station type, and region, through 2025.

Due to its abundant supply, low price, and ability to reduce operating costs, natural gas is an increasingly appealing alternative for fueling ground vehicles. As fuel economy and greenhouse gas emissions standards become increasingly stringent in world markets—particularly for medium and heavy duty vehicles, where electrification is less practical—the use of natural gas is also an effective way to reduce carbon emissions. Click to tweet: According to a new report from Navigant Research, the total number of **global natural gas refueling stations is expected to grow from 23,001 in 2015 to 38,887 in 2025.**

“In the arena of alternative fuels for transportation, natural gas has proven to be one of the most popular alternatives to traditional liquid fuels in many global markets, either in the form of CNG or LNG, with the former being by far the more common,” says Sam Abuelsamid, senior research analyst with Navigant Research. “However, in order for any alternative to gasoline or diesel to be viable as a transportation fuel, readily available refueling infrastructure is an absolutely necessary component of the ecosystem.”

Despite the advantages of natural gas, the density of global refueling infrastructure varies widely and is often tied to government incentive programs, according to the report. In addition, without a critical mass of vehicles in need of fuel, station operators are unwilling to invest in equipment, and without ready access to stations, retail customers will not buy natural gas vehicles.

The report, *Natural Gas Vehicle Refueling Infrastructure*, examines the key factors expected to influence the deployment of NG refueling infrastructure, including economic growth, fuel prices, NGV sales, equipment costs, and regulations. The study provides an analysis of how all of these factors are projected to affect station operators, equipment suppliers, and gas suppliers. Global market forecasts, segmented by fuel (CNG and LNG), type of station (private vs. public), and region, extend through 2025. The report also examines the significant technical issues related to NG refueling infrastructure, as well as the competitive landscape. (July 28, 2015)

[07/28/2015](#)

PRODUCTION

CANADA:

Canada expects gas production lift

Technological improvements in drilling into natural gas basins in Western Canada means initial **production rates should increase through 2017**, a regulator said.

The National Energy Board said average initial production rates in gas basins in the area declined from 2000 to 2006 as most operators focused on conventional deposits. Since 2007, operators have started focusing on reserves locked in shale basins, which are harder to exploit.

"Because these tight and shale formations tend to have higher initial production rates than the mature conventional resources of the Western Canada Sedimentary Basin, the overall average initial production rates started increasing," the NEB said in a report. "This upward trend to all initial production rates is expected to continue through 2017."

A forecast from the Canadian Association of Petroleum Producers finds the industry in general is in a downturn, with capital investments in the Western Canada Sedimentary Basin **falling 33% from 2014 to around \$35 billion**.

Energy companies are spending less on exploration and production because of the sustained low price of crude oil. Overall, Canadian drillers are showing signs of durability, with rig services company Baker Hughes showing a weekly 8.4% increase in the number of rigs actively exploring for or producing oil and natural gas for the week ending July 17.

The NEB in its latest survey finds overall Canadian natural gas production in the decline. Regionally, gas production from Saskatchewan is holding steady, British Columbia data show a slight decrease and Alberta's gas production gains just over half percent between March and April, the last full month for which data are available. (July 23, 2015)

07/23/2015

IRAN:

ONGC may bid for Iran's Farzad gas field under new deal

India's ONGC may look to develop Iran's Farzad B gas field under Tehran proposed new deal on hydrocarbon exploration, Businessline newspaper reported Monday.

OVL, the overseas arm of state owned ONGC, along with its Indian partners Indian Oil Corporation and Oil India, had made the Farsi discovery in 2008.

The Indian firm is keen to develop the Farzad-B gas find, which is now open to international competition, because of the **estimated in-place reserves of 21.68 tcf, of which 12.8 tcf of gas** and 212 million barrels of condensate may be recoverable, Businessline reported.

"We will be comfortable working under the proposed Iranian Petroleum Contract. Commercial discussions are going on. We have to wait till the contract model is finalised and formally announced by Iran," Narendra K Verma, Managing Director, OVL, told the newspaper.

OVL and team had started exploration work as a service contractor but, under Iran's old rule, this did not give them any claim on the discovery.

Oil industry sources told Businessline that, under Tehran's new model — Integrated (or Iranian) Petroleum Contract — an international oil company can participate in all segments of the upstream business — exploration, development, and production. While the international oil company will help manage the projects, it will not have ownership of the reserves. But the company will be paid a share of the project's revenue in instalments once production starts, the sources said. (July 20, 2015)

07/21/2015

RUSSIA:

Russia's Gazprom sees gas output fall to record lows as demand slumps

Russian state-owned gas giant **Gazprom faces a record drop in gas production amid a decline in domestic and export demand and growing competition from other Russian gas producers.**

Gazprom, which generates some 10% of Russia's economic output, is battling a slump in demand both from the key export markets of Ukraine and Europe and from consumers in Russia, which is mired in recession. Large planned exports to China will not come online until at least 2017.

The company's output in June fell by 19% compared to the same month in 2014, to a record monthly low of 24.7 bcm, according to a report by analysts from Sberbank CIB, a Russian investment bank. In the first half of the year Gazprom's gas production dropped by 12.9% year-on-year, said the report, which was based on data from Gazprom and Russian monitoring agency CDU TEK.

Exports by Gazprom, which has a monopoly on selling Russian pipeline gas abroad, declined by 8% in the first half of the year compared to the same period in 2014, according to Sberbank.

This is partly due to European buyers delaying purchases of gas, said Yekaterina Rodina, an oil and gas analyst at Investment bank VTB capital. Gas prices move in parallel with oil prices, but with a lag of around nine months, meaning they will likely fall sharply later this year.

Europe is also seeking to diversify away from Russian gas to other suppliers and renewable sources of energy, and Ukraine is fast reducing its dependence imports of Russian gas amid political tensions between the two countries. The share of direct Russian gas exports in Ukraine's consumption, which was 74% in 2014, declined to 37% in the first half of this year as Kiev switched to European suppliers, Sberbank's report said.

Gazprom on July 1 suspended the delivery of gas to Ukraine after failing to agree on a price with Ukrainian state gas company Naftogaz in a dispute that has dragged on for 18 months.

Lower exports will reduce Gazprom's revenues, which Sberbank said would come in this year at **\$105.8 billion, down 27% from \$145.9 billion in 2014.** But a weak ruble will offset the effect on profits, the bank said.

Foreign sales account for two-thirds of Gazprom's revenue, said Valery Nesterov, oil and gas analyst at Sberbank CIB. The company sells around a half of its gas inside Russia, but domestic pricing is kept low by regulation.

With domestic consumption of gas also falling as an economic recession curbs industrial activity, Sberbank said **Gazprom's total production of gas in 2015 would not exceed 410-420 bcm — the lowest output in the company's 22-year history. In 2014 the company produced 443.9 bcm.**

Gazprom said in a May report that it planned to **increase gas production to 471 bcm.** The company plans to increase its production volumes in the second half of the year, anticipating increased demand in the European market, caused by lower gas prices and purchases to replenish European gas storage facilities before the start of winter.

According to Sberbank, Gazprom has slightly improved its export statistics over the last two months, but analysts said the situation on the domestic market was unlikely to improve.

Though the company maintains a monopoly on gas exports, Gazprom is facing growing competition inside Russia from rival companies such as Rosneft and Novatek, which are steadily increasing their gas production.

These companies can attract clients by offering more favorable prices than Gazprom, whose pricing policy is more rigidly controlled by the state, said Ilya Balakirev, a senior analyst at UFS Investment Company.

Gazprom's falling sales could also lead to consequences for the Russian budget through reduced tax revenue. But Balakirev said the problems would only get serious if the slump continued for 5-10 years.

And, he said, "there is a very little possibility for that as we expect the European market to expand in the future." (July 22, 2015)

07/23/2015

MOZAMBIQUE:

Sasol dismisses claims of failure

Chemical giant Sasol yesterday dismissed a claim that the Pande and Temane natural gas project in southern Mozambique that it operates would fail to live up to a promise of delivering about \$3 billion (R37bn) revenue over its lifespan to the Mozambican government.

The Pande and Temane gas fields in the Inhambane province are the only sources of natural gas in Mozambique with an **estimated 3 tcf of gas remaining**.

The project was approved in September 2001 and gas flowed for the first time in 2004 through the 860km pipeline from Mozambique to South Africa.

The Centre for Public Integrity, a Mozambique-based NGO, focused on good governance and transparency, blamed the company of robbing the country of revenue.

Speaking in Johannesburg yesterday, Adriano Nuvunga, the author of *The Verdict on Ten Years of Mozambique Gas: Sasol Wins while Mozambique and South African Consumers Lose*, said the government of that country had lost out when negotiating the project.

John Sichinga, the senior vice-president of Sasol's exploration and production international, dismissed the claims, saying the organisation had selectively used figures to tarnish the company.

Sichinga said that over the past ten years more than \$600 million had been delivered to the government of Mozambique.

“Last year Mozambique received \$136m in revenue from the project, over the next ten years, we expect the number to increase to \$3bn,” he said.

The gas fields were discovered in the early 1960s by US Gulf, now known as Chevron, which was exploring for oil.

The fields are 70% owned by Sasol Petroleum Temane, a Mozambican subsidiary of Sasol, and 25% by state-owned oil company, Empresa Nacional de Hidrocarbonetos.

Nuvunga blamed the firm for removing production sharing from the agreement, and agreeing to an abusive pricing formula, saying the government had given away most of its share from the start.

“The annual sale value of Mozambique gas in South Africa is now more than \$800m a year, while total government revenue over the first eight years of the project is less than \$50m,” he said.

Undermined

In terms of the pricing, Nuvunga said the company had benefited from low royalty and corporate income tax rates had been undermined by an abusive pricing agreement in 2002, which allowed Sasol to buy gas in Mozambique for a fifth of the price that it sold the gas in South Africa.

"In 2009, for example, Sasol purchased natural gas in Mozambique for \$1.44 a kilojule and sold it in South Africa for more than \$7 a kilojule," said Nuvunga.

Sichinga disputed the claim saying there was no global benchmark price for gas. "Sasol cannot arbitrary set the gas price; it is set on what the market can afford," said Sichinga.

According to Nuvunga, Mozambique's petroleum sector was based on a production-sharing scheme where the main source of revenue was sourced from increases in the share of petroleum produced.

"Yet after gas was found, the government agreed in 2000 to remove the production-sharing component without securing a compensating increase in royalty and corporate increase in royalty and corporate income tax," he said. (July 24, 2015)

07/24/2015

RESERVES

NIGERIA:

Nigeria's gas reserves have potential to last for 79 years – DPR

According to the latest data from the Department of Petroleum resources, Nigeria's gas reserve life index stands at **79 years as of January 1, 2015**, The Punch reports. Out of this figure, some volumes are said to be stranded or not developed. **The country is also said to have 188 tcf in gas reserves as of January 1 this year.**

The Deputy Director, Gas Monitoring and Regulation, Department of Petroleum Resources, Mr. Antigha Ekaluo, disclosed this in a presentation at the 16th Annual General Meeting/Natural Gas Business Forum 2015 of the Nigerian Gas Association held in Lagos on Wednesday.

According to him, capital and operating expenditures are stifling the growth of gas infrastructure, as well as immature/sub-commercial domestic market, disincentive fiscal terms (high risk, low return) and absence of robust legislative and commercial framework for gas.

The existing legal and regulatory framework, written primarily for oil, does not provide robust technical and commercial framework for gas, he argued, adding, "There is, therefore, the need to pass the Petroleum Industry Bill into law, which will underpin the ongoing sector reforms".

On the strategy for monetising stranded gas, the Council Chairman, Society of Petroleum Engineers, Nigeria, Mr. Emeka Ene, said there was the need for the country to identify and secure its closest markets, develop an integrated flare-out model, recognise that associated gas was not non-associated gas, determine the size of the process based on average throughput, and modularise the solution.

For accelerated stranded gas monetisation, he called for the fast-tracking of captive power, adoption of gas-powered public transportation, Liquefied Petroleum Gas substitution programme, and the implementation of pipeline network code. (July 23, 2015)

07/24/2015

TRANSPORT - DISTRIBUTION

RUSSIA - EUROPE:

Bypassing Ukraine will be costly for Gazprom, say analysts

Russia's plans to drop Ukraine as a route for pumping natural gas to Europe will leave **Gazprom facing about \$1 billion in annual transit fees to Slovakia and Bulgaria**, industry sources say.

Moscow wants to circumnavigate Ukraine to pipe its gas to Europe because of pricing disagreements, which at times have led to disruptions in supplies to the European Union, but doing so will come at a cost which some analysts say is too high.

Billions of euros will be needed to build and expand alternative routes, and the route of the existing pipeline means transit fees to Slovakia and Bulgaria will have to be paid by Gazprom, even if Russia manages to bypass Ukraine by 2020.

Under the contracts with the two countries, which ship gas on to Western and Southern Europe respectively, **Gazprom will have to pay Slovakia until 2028 and Bulgaria until 2030 regardless of whether they actually ship any gas through them.**

The route through Slovakia is key for gas flows to some of Gazprom's biggest clients, Italy and Germany.

"This is the biggest issue - no-one knows what to do with this [Slovakia] contract," a Gazprom source said.

Slovakia's Eustream had revenues of €630 million (\$695 million) last year, down from €697 million in 2013, and most of this came from Gazprom, the company's accounts and Reuters calculations show.

Another \$100 million, about €90 million, was charged by Bulgaria, according to Bulgarian state company Bulgartransgaz. The combined transit fees of both countries were about the same as a quarter of Gazprom's net income last year.

Ukraine's state gas firm, Naftogaz, earned about \$2 billion in transit fees from Gazprom last year, according to its reports, equal to about 6% of Ukraine's budget revenues.

Geopolitical concerns

Gazprom's plans to avoid shipping gas through Ukraine - with whom relations have been strained by the overthrow of a Moscow-leaning president, Russia's annexation of Crimea and a separatist uprising in eastern Ukraine - centre around building a pipeline to Turkey.

But Russia still has no firm agreement with Ankara on the Turkish Stream project, announced by President Vladimir Putin in December, and it faces opposition from the European Union.

Gazprom, which generates about 8% of Russia's gross domestic product, has put costs for the first line of the Turkish Stream at €3.3 billion. The pipeline should consist of four lines, each with an annual capacity 15.75 bcm.

Expansion of the Nord Stream pipeline, which goes beneath the Baltic Sea to Germany, agreed last month, is estimated at costing another €9.9 billion.

"It is obvious that from the economic point of view this [Turkish Stream and Nord Stream] is unlikely to be reasonable. But it may be viewed as a cost to lower transit risks," said Andrey Polischuk, an analyst with Raiffeisen bank.

Gas rows with Ukraine in the winters of 2005-2006 and 2008-2009 led to the interruption of Russian gas flows to Europe, Gazprom's key export market where it makes more than half its revenues.

Mikhail Korchemkin, head of the East European Gas Analysis consultancy group, said Gazprom spent \$43 to ship each 1,000 cubic metres via Nord Stream last year, compared to \$33 via Ukraine.

"We think our transit route is the most direct and the cheapest," said Olyona Osmolovska, spokeswoman for Ukraine's Naftogaz.

Some analysts doubt Gazprom will succeed in completely bypassing Ukraine by 2020. It has not yet started laying pipes for Turkish Stream and has cancelled a contract with Italy's Saipem to build a link to Turkey.

Last April, Gazprom bought the shares of its European partner companies in the South Stream gas pipeline company: Eni, EDF and Wintershall, for approximately \$1 billion. By making the payment, Russia has improved its relations with Italian company Eni, which is the main shareholder of the construction company Saipem, whose services Gazprom intended to use for laying pipes on the Black Sea seabed.

As Russia is under Western sanctions because of the Ukraine crisis, it is difficult for Gazprom to find Western partners capable of laying down pipes in the deep waters of the Black Sea.

Gazprom CEO Alexei Miller said last month that the company was ready for talks about continuing to use Ukraine as a supply route. Last year, **Ukraine shipped almost 60 bcm of Russian gas to Europe - or 40% of Gazprom's exports.**

"Totally bypassing Ukraine in the time that has been set is doubtful," said Valery Nesterov, an analyst with Sberbank CIB. **"We believe that in five to 10 years relations with Ukraine will stabilise and some of the transit flows will remain."** (July 17, 2015)

07/17/2015

PAKISTAN:

Fragile infrastructure can't handle imported gas

Pakistan may not be able to import gas from Tehran as the country's fragile gas pipeline network cannot take the load of the 750 mmcf/d Iranian gas and has capacity of transporting only 325 mmcf/d gas, unless it adds additional capacity to its gas transmission line.

If Pakistan is serious about the gas import from Iran it was required to upgrade the capacity of South to North gas pipeline and must add an additional 1000 mmcf/d capacity to its existing supply line, Central leader of All Pakistan CNG Association (APCNGA), Ghayas Paracha told The Nation. Everyone talks about the import of the Iranian gas but no one knows about the condition of our gas pipelines, they don't have space to carry additional quantity of gas, he added.

Due to flawed planning of the gas utility companies the CNG sector in Punjab is compelled to buy expensive RLNG gas as these companies have failed to utilise the full capacity of the LNG terminal due to pipeline constraints which in turn affect the gas supply and prices, he maintained. If you process more LNG in the terminal it costs less, if you process less it costs more, he added.

First they have constructed a LNG terminal with the capacity of 660 mmcf/d and then they discovered that their system cannot transport more than 325 mmcf/d gas, Paracha said adding "I don't know why there is so much adhocism in the policies of these companies". It is pertinent to mention here that the government is planning to install three gas power plants, 1200MW each, in Punjab, to be operated on the imported LNG.

Meanwhile a statement issued by APCNGA central leader Ghayas Paracha said that Pakistan may not be able to import gas from Tehran despite a nuclear deal between Iran and US which has renewed hopes for improved economic ties between the neighbouring countries. **Iran has completed its part of the pipeline to transport 750 mmcf/d gas to Pakistan while Islamabad has started implementation of 880 km of pipeline but it hasn't considered up gradation of gas distribution network**, said the statement.

The existing old-fashioned gas infrastructure cannot sustain the pressure of Iranian gas therefore it must be improved immediately otherwise all efforts to tame energy crisis through Iran gas will go down the drain, the statement warned.

The LNG terminal can handle 660 mmcf/d gas but the pipelines cannot transport over 325 mmcf/d which is another example of mismanagement and incompetence of gas companies for which country and masses are made to pay the price. Ghayas Paracha said that Pakistan initiated efforts to import LNG a decade back but gas utilities didn't upgrade capacity of pipelines which has resulted in under utilisation of LNG.

He said that LNG and Iranian gas is costlier than the locally produced natural gas therefore gas companies should be asked to reduce gas losses, currently standing at 14%, to internationally accepted standard of 1.5 to 2%. He asked the government to take stern action against officials foiling efforts to reduce transmission/ distribution losses. (July 28, 2015)

07/28/2015

INDIA:

India pushing to revive Iran gas pipeline

"A senior oil ministry official will lead a delegation of oil industry executives shortly to Iran to press for India's interest in revival of the pipeline project that was put on the back burner for years as well as developing the Farzad-B block," according to the Economic Times.

The Farzad-B gas field is part of the Farsi block in the Persian Gulf which Iran awarded to India's ONGC Videsh in 2002 but cancelled it after the state-run Indian consortium dragged its feet on starting development.

The Economic Times said energy-hungry India is now hoping to get the block back since it has already spent \$90 million on exploration.

"We will have to present our case for the Farzad block. We also need to discuss all possible ways to evacuate gas from that field so that it can be brought to India for consumption. This will include a discussion on the possibility of laying a pipeline from Iran via Pakistan," it cited an unnamed official who will visit Iran soon.

Like in the case of the Farzad project, India abandoned the Iran-Pakistan-India gas plan, dubbed as the Peace Pipeline, under pressures from the US which ordered New Delhi to source its gas from Turkmenistan via Afghanistan and Pakistan.

After India's withdrawal, Iran and Pakistan decided to go ahead with the pipeline plan.

During President Xi Jinping's visit to Islamabad in April, Pakistani officials said China would build the pipeline to bring natural gas from Iran. Pakistani officials say 700 kilometers of the pipeline will be built by the Chinese and another 80 km by Islamabad.

Iran has completed its 560-mile (900-kilometer) part of the pipeline and has long pressed Pakistan to build its part of the scheme.

Islamabad is contractually obliged to pay fines for delays in beginning the project in the winter of 2014 when gas deliveries were supposed to commence.

Pakistan's Minister of Petroleum and Natural Resources Shahid Khaqan Abbasi said earlier this month that Islamabad was hopeful to revive the stalled project after the finalization of Iran's nuclear talks. (July 31, 2015)

07/31/2015

TANZANIA:

Trials on a new gas pipeline in Tanzania to start next week

The Tanzania Petroleum Development Corporation is **expected to start trials on a new 542-kilometre long gas pipeline from Mtwara to Dar es Salaam next week**, according The East African.

"The gas processing plants and the natural gas pipeline will be ready for trial operation on July 29," said TPDC managing director James Mataragio.

The pipeline will transport 80 mcf of natural gas per day in September and the capacity is expected to rise to 1,002 mcf per day. It will enable gas from Mnazi Bay and Msimbati fields in southern Tanzania — owned by Wentworth Resources Ltd with Maurel Prom — to be delivered to Dar es Salaam under an agreement signed with TPDC.

The pipeline was financed by a \$1.2 billion loan from Export-Import Bank of China.

According to The East African, initial production will be from the Mnazi Bay field wells in Mtwara. **Total output is expected to increase to 130 mcf per day in future. The Songo Songo field wells are expected to start producing 120 mcf per day in October.**

In recent years, Tanzania has discovered large amounts of natural gas in offshore fields. In June, George Simbachawene, Tanzania's energy and minerals minister, said that as a result of ongoing exploration activity, natural gas resources discovered in the country **rose from 46.5 tcf in June 2014 to 55.08 tcf in April 2015**, equivalent to an increase of 18%. (July 25, 2015)

07/27/2015

SUPPLIES - IMPORTS - EXPORTS

CHINA - RUSSIA:

China-Russia second gas deal could be delayed indefinitely

Implementation of China-Russia second gas deal could be delayed indefinitely, Russian officials told Vedomosti Tuesday.

With Chinese economy slowing, Beijing is revising its energy policy, the officials said.

In May, Gazprom and CNPC signed the heads of agreement for pipeline gas supply from Russia to China via the western route. The western route envisages gas supply to China from Western Siberia's fields. On November 10, 2014 Gazprom and CNPC signed the framework agreement related to the pipeline.

Gazprom representatives declined to comment on the story, Vedomosti said.

In addition to western route, Russian and China have also signed a deal for supply of Russian gas via eastern route (Power of Siberia). Work on the eastern route pipeline has begun.

The Power of Siberia is a gas trunkline intended for natural gas delivery from the Irkutsk and Yakutia gas production centers to the Russian Far East and China (eastern route).

On May 21, 2014 Gazprom and CNPC signed the purchase and sale agreement for gas supply via the eastern route. The 30-year contract provides for Russian gas supplies to China in the amount of 38 billion cubic meters per year. (July 23, 2015)

07/24/2015

EUROPE:

Gas transport via Slovakia shrank in 2014

THE GAS transmission company Eustream transported 46.5 bcm of natural gas last year, a drop from 58.5 billion transported in 2013.

This means that its capacity was used at about one half.

“The transport network of Eustream makes up a reliable part of the international transition network transporting natural gas onto the European gas market,” the Slovak Office for the Regulation of Network Industries (ÚRSO) wrote in its annual report as cited by the TASR newswire.

Among users of the Slovak gas transition infrastructure were, based on the ÚRSO's annual report, Slovak and foreign companies, for example from Russia (69.78%), Germany (10.60%), Ukraine (5.74%), the Czech Republic (3.63%), Great Britain (0.33%), Switzerland (0.12%), Denmark and Austria.

“Gazprom Export was the biggest user of the transit network from the viewpoint of the volume of transported gas,” ÚRSO wrote in its annual report as cited by the TASR newswire.

The total length of the transportation network is 2,332 kilometres and consists of a system of four to five parallel pipes leading from eastern Slovakia westwards. The annual capacity of the transit network is as high as 90 billion cubic metres which is more than 15-times the domestic gas consumption. International gas transit makes up more than 71% of the total transport of gas via Slovakia.

Slovakia's ambition, while the route through it is key for gas flows to some of Gazprom's biggest clients, Italy and Germany, is to keep gas flowing via Slovakia while Russia plans to drop Ukraine as a route for transporting natural gas to Europe. Such a step would leave state-run Gazprom facing about \$1 billion in annual transit fees to Slovakia and Bulgaria for years to come, analysts and industry sources say as cited by Reuters on July 20. Thus, according to some analysts circumnavigating Ukraine will come at a too a high cost.

Billions of euros will be needed to build and expand alternative routes, and the route of the existing pipeline means transit fees to Slovakia and Bulgaria will have to be paid by Gazprom even if Russia manages to bypass Ukraine by 2020.

Under the contracts with the two countries, which ship gas on to western and southern Europe respectively, Gazprom will have to pay Slovakia until 2028 and Bulgaria until 2030 regardless of whether they actually ship any gas through them, wrote Reuters.

“This is the biggest issue - no-one knows what to do with this (Slovak) contract,” a Gazprom source said as cited by Reuters. (July 21, 2015)

07/21/2015

AUSTRALIA:

Household gas bills to jump 30%: ANZ

Households will pay 30% more for gas over the next five years as domestic supply tightens due to an export boom.

Consumer gas prices are tipped to surge by 30% over the next five years as a boom in Australian LNG exports puts pressure on local supply.

LNG exports are likely to triple to an annual value of \$20 billion by 2020 due to strong demand from Asia, with Australia predicted to rival Qatar as the world's biggest LNG exporter by 2018, an ANZ report out Thursday predicts.

In bad news for consumers, the ANZ report said the growth of Australia's LNG export industry would put a strain on domestic supply, "which will lead to substantial price increases for Australian industry and households".

ANZ economist Felicity Emmett said wholesale gas prices were expected to double as domestic supply tightened, which would translate to a 30 per cent increase in household gas bills over five years.

"Clearly in some states they will be more affected, Melbourne is going to be most highly affected," Ms Emmett told reporters.

ANZ said gas bills for medium-use households in Sydney were expected to rise by 33%, while in Brisbane they were likely to increase 29%.

Manufacturers, especially in the chemicals and metals industries, would also be impacted by rising strain on domestic supply.

"Without mitigation strategies in place, aggregate profitability of heavy gas consumers could drop by 20 per cent, with return on equity halved," ANZ said.

For state and federal governments, the gas export boom would lead to higher taxation receipts through growth in mining company taxes, higher petroleum resource rent taxes, as well as increased state royalties.

However, the report noted that "high levels of foreign ownership in LNG companies means the bulk of profits will flow offshore".

It also pointed out that with Australia's LNG development phase winding up, investment in the sector would fall sharply resulting in fewer LNG-related jobs.

"Real household incomes will also be reduced by higher gas prices," the report added. (July 23, 2015)

07/23/2015

UKRAINE:

Naftogaz official forecasts imports of no more than 20 bcm of gas in 2015

Ukraine in 2015 is unlikely to import more than 20 bcm of natural gas, according to Director for Business Development at Naftogaz Ukrainy Yuriy Vitrenko.

"We honestly told Frontera that last year we imported 20 bcm of gas, we don't know how much we will import this year, but it is likely to be less," he said at a press conference in Kyiv.

Vitrenko also said that Ukraine intends to continue its policy of **maximum reduction of natural gas imports and by 2020 buy no more than 3 bcm of gas abroad**. To achieve the reduction in import purchases, increases in domestic production energy efficiency are planned.

The forecast balance of natural gas receipt and distribution for 2015, approved by the Cabinet on April 15, states that this year Ukraine will import 25.985 billion cubic meters of natural gas, which is 33.5% more than in 2014 (19.466 billion cubic meters.). In particular, it is planned in the first quarter to import 6.891 billion cubic meters (actually 5.771 billion cubic meters), in the second quarter - 6.963 billion cubic meters (actually 4.305 billion cubic meters), in the third - 7.128 billion cubic meters, and in the fourth - 5.003 billion cubic meters. (July 20, 2015)

07/21/2015

RUSSIA - UKRAINE:

Russia won't renew gas contract with Ukraine

The bitter divorce between Ukraine and Russia continues. Russian prime minister Dmitry Medvedev reportedly said Saturday that Kyiv can forget signing any natural gas delivery deals with state-owned Gazprom solely on its terms.

"We won't extend the transit contract with Ukraine on disadvantageous terms," Medvedev said in the interview with Slovenian newspaper Delo, published on Saturday. He is heading to the country on Sunday for a two day official visit.

Ukraine's deal with Gazprom will expire on Jan. 2, 2020. If it isn't extended, there will be no legal framework for gas deliveries to and through Ukraine, the PM said.

The country is an important transit hub for Russian natural gas heading for the European Union. Some 40% of Russia's E.U.-inbound gas comes from Ukraine. But a bitter split between Kyiv and Moscow have threatened the security of that transit route, with Russia now inking deals with Turkey to build a new pipeline into Europe.

Ukraine and Russia have been locking horns since 2014 following the ouster of pro-Russia president Viktor Yanukovich in February. A pro-Western government was installed, led by Arseniy "Yats" Yatsenyuk, and Kyiv quickly moved to sign trade deals with Europe, something Russian president Vladimir Putin was successful at getting Yanukovich to side-swipe in favor of a below-market price for Gazprom gas.

Those days are gone. The subsidy is over. Russia and Ukraine have gone their separate ways, for the most part, and Europe has been thrust in the middle as peace broker, both on the natural gas front and on the military front.

Russia annexed Crimea in March 2014 and has been backing rebel fights in eastern Ukrainian cities for over a year now. Russia denies it is backing separatist groups, but various reports on the ground by the Associated Press have shown that local rebel commanders in regions like Donetsk speak of their off-the-reservation support by "Uncle Putin".

Sanctions followed Crimea and have been tightening the screws on the Russian economy, all the while strengthening Putin at home. His approval rating is over 75%.

Ukraine has been trying also to move away from its dependence on Russia for natural gas. The country is trying to privatize and reform its energy sector, but has not had many bites from big energy firms that could every replicate Gazprom's importance there. (July 25, 2015)

07/27/2015

TURKMENISTAN - RUSSIA:

Russia's Gazprom files lawsuit over Turkmen gas supply contract

Russian gas company Gazprom said on Friday it had lodged a case against Turkmenistan's Turkmenengaz at the international arbitration court in Stockholm over the price in a supply contract.

The move came two weeks after Turkmenistan accused Gazprom of not paying for gas supplied from the Central Asian country this year.

Gazprom, the world's top natural gas producer, buys gas from Turkmenistan for its own use or resale. But the amount has fallen this year as relations between Moscow and the reclusive former Soviet Union republic are increasingly strained by a competition to supply the large Chinese gas market.

A spokesman for the Russian company said: "A lawsuit has been filed in Stockholm. The demand — a revision of prices."

The spokesman declined to elaborate.

Earlier on Friday, Forbes magazine reported that the **purchasing price stood at \$240 per 1,000 cubic meters — lower than the price Gazprom charges its customers in Europe.**

Turkmenistan so far has the upper hand in the fight for the Chinese market, supplying around 30 bcm of gas annually with plans to double that volume by 2020.

Gazprom plans to start gas sales to China in 2018, gradually increasing flows to 38 bcm per year from east Siberia. Talks over gas flows to China from west Siberian fields have so far failed to gain traction.

The state-controlled company announced at the end of last year that it would cap its purchases of Turkmen natural gas at **4 bcm this year, way below its imports of around 11 bcm in 2014.**

In 2008, Gazprom bought more than **40 bcm of the fuel.** In 2009-2014, **Russia's annual gas imports from Turkmenistan stood at 10-11 bcm.** (July 24, 2015)

07/24/2015

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 the National Iranian Gas Company said.

"We are currently in talks and making plans for this enhanced production," Azizollah Ramezani was quotes by shana as saying.

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. (July 26, 2015)

07/27/2015

UKRAINE:

Ukraine to cut gas imports from Europe by 28% in July compared to June

Ukraine in the period from July 1 to July 27, 2015 imported 471 mcm of natural gas from Europe (only from Slovakia), the press service of public joint-stock company Ukrtransgaz reported on Tuesday.

The press service said that gas supplies from **Slovakia to Ukraine as of Tuesday morning totaled 24.5 mcm.**

If the volume of gas imports remains at this volume in the last couple of days of July Ukraine will **import around 570 mcm of natural gas less than in June 2015.**

In June 2015, Ukraine imported 789 mcm of gas from Europe, including 716 mcm from Slovakia and 73 mcm from Hungary.

Earlier Energy and Coal Industry Minister Volodymyr Demchyshyn said that Ukraine plans to boost natural gas imports from Europe to **40 mcm a day from August 1, from 23-24 mcm a day at present.**

Ukraine expects to be pumping **53-55 mcm into underground storage by August 1,** in line with the plans to boost imports.

In January-June 2015 **Ukraine imported 6.3 bcm of gas from Europe and 3.7 bcm from Russia.**

Ukrtransgaz, which is 100% owned by Naftogaz Ukrainy, operates a system of trunk pipelines and 12 underground storage facilities in Ukraine. (July 29, 2015)

07/29/2015

UZBEKISTAN:

Uzbekistan increases exports of natural gas to Kazakhstan

Uzbekistan has exported 1,772.8 billion m³ of natural gas to Kazakhstan in the first half of 2015 with 39.4% growth in comparison to the same period last year, AKI Press informs.

In monetary terms, the exports in the reporting period made \$158.8 million, which is 46.9% more than the same period of 2014, according to the State Revenue Committee of the Ministry of Finance of Kazakhstan.

Uzbekistan also exports natural gas to Russia, Kyrgyzstan, and China. (July 30, 2015)

07/30/2015

STORAGE

UKRAINE:

Ukraine accumulates 12.8 bcm of gas in underground storage facilities – Ukrtransgaz

Natural gas stocks held in the underground storage facilities of Ukraine have **increased to 12.8 bcm**, the press service of public joint-stock company Ukrtransgaz reported on Monday.

The press service said that **from July 1 to July 26, a total of 800 mcm of gas was pumped to the underground storage facilities, and as of the morning on July 27 some 40.8 mcm of gas a day is being pumped.**

Since early 2015, around 5.2 bcm of gas has been pumped to Ukrainian underground storage facilities.

Ukrtransgaz, which is 100% owned by Naftogaz Ukrainy, operates a system of trunk pipelines and 12 underground storage facilities in Ukraine. (July 27, 2015)

07/28/2015

GENERAL INFORMATION

ISRAEL - CYPRUS:

Cyprus and Israel agree to strengthen ties on energy, security

Israel and Cyprus agreed on July 28 to expand their cooperation on energy issues, including the use of pipelines and electricity grids to link to European markets, as both countries develop natural gas fields off their coasts.

Israeli Prime Minister Benjamin Netanyahu and Greek Cypriot President Nicos Anastasiades said they would seek to tap the potential of natural gas in the sea bed beneath both countries.

"There is palpably renewed energy in our relationship, I mean that figuratively and literally," Netanyahu said.

"... We think that by cooperating with each other we can take it out more easily, we can market it better, to the betterment of both our societies."

Israel has reported some of the largest natural gas discoveries worldwide in the past decade. Cyprus found gas offshore in 2011.

Netanyahu said the two countries were exploring various options on collaboration, but did not elaborate. Anastasiades said among the options were an east Mediterranean pipeline and the Eurasia interconnector, a private project to transport to Europe electricity powered by natural gas.

"With the Prime Minister, we agree exploration and exploitation of hydrocarbon assets is a sovereign right that is instrumental in the wider regional context and as part of a reciprocally beneficial relationship," Anastasiades said.

Netanyahu said the two countries would also explore tightening security cooperation. Last month, a Lebanese man was jailed in Cyprus on charges of hauling ammonium nitrate on the island, which both countries blamed on a plot by the Islamist group Hezbollah.

"We want to achieve peace, peace depends on security and ultimately if you don't have the capacity to defend that peace it collapses very rapidly in our area," Netanyahu said.

Although Cyprus is considered sympathetic towards Palestinians, its relations with Israel have grown in recent years. Anastasiades and Netanyahu enjoy particular rapport, with Anastasiades referring to the Israeli Prime Minister as his "dear friend Bibi" at least once. (July 28, 2015)

07/29/2015

UNITED STATES:

Gas awakening from U.S. Shale Slumber as LNG shipments near

After years of languishing in a shale-induced coma, the U.S. natural gas market is waking up.

Seasonal price swings will intensify as the country begins shipping liquefied natural gas cargoes to Asia and Europe later this year, said Bank of America Corp., RBC Capital Markets LLC and Wood Mackenzie Ltd. While that's good news for traders yearning for volatility, it could be bad news for consumers.

Exports will help prices rebound from the slump caused by the U.S. pumping record amounts from shale formations. Growing domestic winter demand is already causing spikes and trading volumes in futures markets have rebounded to the highest level in three years. Average retail gas prices also will rise with LNG exports, according to Bloomberg New Energy Finance.

"Connecting U.S. natural gas prices into the global market could result in wider spreads at home," said Francisco Blanch, the head of commodities research at Bank of America Corp. in New York. "Global LNG spot prices are notoriously seasonal."

Cheniere Energy Inc. will start operating a liquefied natural gas terminal this year in Louisiana, the first new export site in 46 years. The U.S. will be the third-largest supplier by 2020, the International Energy Agency says.

In a sign of what may be coming, futures for January 2017 are already trading at a 35.7-cent premium to October 2016 contracts, the biggest premium for this time of the year since 2012. That seasonal spread may widen to as much as a dollar as LNG exports expand, Blanch said.

Price Volatility

Natural gas for September delivery fell 0.5 percent to \$2.849 per million British thermal units in electronic trading on the New York Mercantile Exchange at 9:29 a.m. London time.

Demand growth, including LNG exports, will lead to greater seasonal price volatility, said Breanne Dougherty, a natural gas analyst at Societe General SA in New York.

Prices have fallen 79 percent in the past seven years as new wells opened in the Marcellus shale deposit across Pennsylvania, Ohio and West Virginia.

Cheniere won approval to export as much as 3.5 billion cubic feet of gas a day from its Sabine terminal, with the first of six liquefaction plants starting by the end of this year and the

rest staggered through 2018.

Sempra Energy, Freeport LNG Development LP, Energy Transfer and Dominion Resources Inc. will bring 5.67 billion cubic feet of capacity online from late 2017 through 2019.

LNG shipments might remove enough supply from the market that volatility will rise during particularly cold winters, according to Michael Mitton, the director of the commodity investor team at BNP Paribas SA in New York.

Capture Profits

A rebound in volatility, which makes it easier for traders to capture profits from price swings,

has already boosted trading. Futures volume in June rose to 7.71 million contracts, the most for the month since 2012.

New York residents experienced how volatility and price spikes in the cold months can directly affect their costs. More than half of U.S. homes rely on gas for heating.

Consolidated Edison Inc., which owns New York City's utility, said home gas bills jumped 17 percent in February 2014 from a year earlier because of higher wholesale gas prices during a storm that dumped snow across the East Coast. Spot prices rose to a record on Jan. 21, 2014, as pipeline bottlenecks limited deliveries and demand reached a record.

LNG export terminals in the U.S. will be taking as much as 8.5 billion cubic feet a day out of the domestic gas market by the end of 2019, said Charles Blanchard, a Bloomberg New Energy Finance analyst in New York. Producers will have to drill wells in costlier areas, raising prices by about 35 cents and increasing retail prices by 5 to 10 percent, he said.

"Always and ever, more demand leads to higher prices," Blanchard said. "The question of whether LNG exports will lead to higher U.S. gas prices is a fairly easy one to answer." (July 30, 2015)

07/31/2015

EUROPE:

Greek LNG as a strategic priority, not a conditional one

“A well-connected EU energy market where energy flows freely across borders and no Member State remains isolated from the EU energy networks is a pre-condition for creating a resilient Energy Union with a forward-looking climate policy.”

These were the words used by the European Commission in the opening statement of the press release published following the meeting of the Central Eastern and South-Eastern European Gas Connectivity High Level Working Group (CESEC) meeting which took place in Dubrovnik on the 10th of July.

Energy ministers and officials from 15 EU Member States and members of the European Energy Community came together for what was the second meeting of the CESEC. The objective: to propose next steps for the development of South East Europe's energy market and agree on a concrete list of priority projects. The key outcomes of this milestone meeting were: the signing of a Memorandum of Understanding, the outlining of Terms of Reference for CESEC, a List of 21 Projects, as well as a clearly defined Action Plan with specific steps to be taken by the Governments, National Regulatory Authorities (NRAs), Project Promoters and Transmission System Operators (TSOs).

The 21 projects listed in the Appendix have been assessed and – to varying degrees – are considered to provide benefit to the region, particularly in terms of contributing to security of supply and facilitating price alignment between markets and, with it, establishing competitive wholesale prices and affordable prices for end users. These are achieved – fully respecting EU legislation – via the development of reverse flows in existing pipelines and the establishment of new interconnectors, the development of new indigenous resources, the development of LNG regasification capabilities and storage capacity, as well as the introduction of the Southern Gas Corridor.

The build-up to the Dubrovnik meeting

The CESEC meeting has been eagerly anticipated both by the energy industry, as well as policymakers eager to strengthen their countries positions on the evolving energy chessboard of South East Europe. In light of the Ukraine crisis and the EU's stressed relations with Russia, the dealings of the CESEC have become crucial for transatlantic energy cooperation – both US Assistant Secretary of State, Victoria Nuland and the US Special Envoy and Coordinator for International Energy Affairs, Amos Hochstein, were present in Dubrovnik. From a Greek perspective, the CESEC meeting was also the battle ground for discussions concerning the future of LNG development in Northern Greece, as it had been rumoured in past weeks that Greece's LNG projects would be side-lined by the European Commission.

Initially, Greece had submitted two LNG projects for EU funding, one backed by Greece's state-owned natural gas company (DEPA) in Kavala, and one by Gastrade S.A in Alexandroupoli – both cities are coastal and strategically located near the existing DESFA pipeline network with close proximity to neighbouring countries. Both LNG projects featured in the EU's Projects of Common Interest (PCI) list of 2013, which sparked a head to head competition.

The project proposed by DEPA for the Aegean LNG import terminal had figured in the 2013 PCI list to receive funding of 252,500 EUR for a study relating to the permitting procedure. Similarly, the project proposed by Gastrade S.A was recognised as a PCI with funding of 1,755,000 EUR for a FEED study, preparation of the engineering procurement and construction process, as well as an invitation to tender. These projects remained in the spotlight when they featured in the European Commission's Energy Security Strategy Communication of May 2014, where they received further political support from the EU, by being listed as a key security of supply infrastructure projects in the medium term.

However, driven by the current economic situation and market environment in Greece, and considering DEPA's difficulties in accessing financing, a suggestion was made for the two project sponsors to pool resources and jointly propose the construction of a single facility, taking the form of a Public-Private Partnership (PPP).

Such an endeavour would make economic sense, and would overcome a number of challenges that the two projects would struggle with if maintaining an individual approach. First of all, the PPP would see the project built in Alexandroupoli and not

Kavala - a city with intense environmental sensitivities. Secondly, financing hurdles would be surpassed with the support of both DEPA as well as private capital and EU funds. This suggestion, however, has not managed to secure the support of the Greek Ministry, mainly due to the fact that the concept of PPP's is not aligned with the political ideology of its current leadership.

It is now clear following the outcomes of the CESEC meeting that the European Commission has shifted its focus away from the prospect of LNG in Northern Greece. Croatian LNG on Krk Island, which has been discussed for the past two decades, has been rubber stamped as a priority project. Responding to Greek dismay at the labelling of LNG in Northern Greece as 'conditional', the European Commission has on the one hand stressed that the upgrading of the existing Revithousa LNG terminal – located close to Athens – will cover the capacity requirements of Greece. On the other hand, the European Commission's hesitation to give clear support to a new LNG facility could be interpreted as another signal of the growing disparities between the energy strategies of Brussels and Athens. It would appear that the mistrust characterising Eurozone discussions has spilled over to the energy world.

Do not ignore Greece's role in LNG

In spite of this; exploring scenarios for the development of the natural gas market in South East Europe and the East Mediterranean region, Greece – at a minimum – is going to have an important role in the the transit of natural gas. When coupled with the involvement of the Greek shipping industry in the LNG market, one can immediately see the potential not only from an energy security perspective, but also in terms of economic growth, job creation and competitiveness. In particular, a lot of discussion has taken place regarding the functioning and commercialisation of East Mediterranean natural gas sources, and whether a trading hub, be it virtual of physical, will be established in one or more countries of the region.

Greece's role in this equation is secured due to its comparative advantage in the region when it comes to LNG. Its geographic location makes it a preferential location for minimising the high LNG shipping costs for cargoes originating from North Africa, the East Mediterranean and the Middle East; it already has a functioning terminal that receives both contract and spot cargoes, while it also enjoys a dominant role in the LNG shipping industry.

From the outset, the LNG capacity of Greece provided by the Revithousa will be enough to cover the domestic demand for the years to come. However, there are significant complications with regards to the transmission network and regulatory framework that govern the gas flows from Revithousa. Specifically, gas molecules from Revithousa cannot travel north in the absence of a new compressor station. The Revithousa terminal is also linked to the Koula-Sidirokastro pipeline, which pumps Russian gas towards the South. As long as regulatory hurdles and Bulgaria's position on the issue of the Koula-Sidirokastro pipeline remain unclear, LNG from Revithousa cannot contribute towards the goals of CESEC and the broader scope of the Energy Union.

On the flipside, the joint project of DEPA and Gastrade offers strategic advantages for Greece and the region, and fits perfectly into the timeline of upcoming regional and mega projects as well as existing infrastructure. Unlike Croatia, Greece already has a network of pipelines and planned interconnectors that can be utilised for gas transmission and facilitating cross border gas trade, thus minimising total costs needed to improve the interconnectivity of the region. Croatia on the other hand is severely lacking sufficient infrastructure to link LNG to other markets and will require substantial investment to develop a new energy network. The Greek LNG terminal in Alexandroupoli will facilitate flexible LNG supplies which could join the existing DESFA pipeline network and also TAP – with whom completion dates are aligned. TAPs capacity can be extended from 10bcm to 20bcm after 2020, so theoretically, it could transport gas from Greek LNG in Alexandroupoli. Furthermore, TAPs cooperation with the Interconnector Greece-Bulgaria (IGB) - long identified as a priority project of transatlantic interest- could enable direct access of new gas supplies to Bulgaria and the rest of the Balkans. The possibilities for synergies between these projects are immense, and LNG can be the key to balancing the supply of natural gas in these markets, thus contributing to security and diversification of supplies.

There is a significant strategic opportunity that could potentially be missed if support for this project were to evaporate. LNG is a game changer for the global energy market and Europe is a sellers market. Knowing that LNG volumes will be flooding the markets fully by 2020 when US LNG will be added on top of supplies from North Africa, the Middle East, and Australia, the European Commission should consider all the variables before selecting the LNG projects which it is going to support in the EU LNG strategy expected to be published in the beginning of 2016.

A pragmatic and strategic approach has to be applied in considering which projects are branded as priority and which conditional projects. While the construction of a wider regional network may be the long term objective, it's impossible to neglect that these projects are to be financed mainly by the industry based on their commercial viability and potential. Thus, issues such as feasibility, financing, inter-connectivity, flexibility and profitability are all critical factors that should not be overlooked. (July 15, 2015)

07/16/2015

EUROPE:

Norway's Statoil to leave TAP

Norway's Statoil is to sell its 20% stake in the Trans Adriatic Gas Pipeline (TAP) project that will carry gas from Azerbaijan to Europe, the president of SOCAR Rovnag Abdullayev told ANS TV.

"Statoil has decided to leave the TAP project completely, and there is a company which is ready to buy its stake," he said.

He also added that several companies have expressed an interest in buying Statoil's stake, and it would be better if several companies would buy it.

TAP project is a part of the Southern Gas Corridor that will allow Europe to diversify its hydrocarbon supply sources and strengthen energy security. Azerbaijani gas is designed to open the Southern Gas Corridor.

TAP will transport natural gas from the giant Shah Deniz II field in Azerbaijan to Europe. The approximately 870 km long pipeline will connect with the Trans Anatolian Pipeline (TANAP) at the Turkish-Greek border at Kipoi, cross Greece and Albania and the Adriatic Sea, before coming ashore in Southern Italy. (July 21, 2015)

07/21/2015

RUSSIA:

Putin's energy giant falls on hard times

Years of mismanagement and politically driven expansion are catching up to the Russian state-owned natural gas company Gazprom. Output this year is forecast to be the lowest in its history, pipeline projects are floundering and it's not doing well in Europe, its key market.

In June 2008, when Gazprom's market value reached \$360 billion, Chief Executive Officer Alexei Miller predicted the company would be the world's biggest enterprise, worth \$1 trillion, in seven or eight years. Miller, who worked with President Vladimir Putin in the St. Petersburg mayor's office in the 1990s, was proud of what he had achieved since taking over in 2001. He returned valuable assets stripped from the company by previous managers, expanded production and increased Gazprom's revenue to \$94 billion from \$21 billion. Miller could be excused for thinking the sky was the limit.

He was wrong. Seven years after his prediction, Gazprom is worth \$55 billion. It's not even in the top 100 of global companies. And it's looking like a fish out of water.

The Russian economics ministry predicted this week that Gazprom's output would drop to 414 billion cubic meters of gas this year, lower than ever and one-third below capacity. The company had been counting on growth in both domestic consumption and exports. But the former has slumped because of Russia's recession, and the latter have shrunk because Europe, Gazprom's biggest export market, has diversified its energy sources. In 2014, Gazprom's exports were 90 billion cubic meters lower than in 2008. As exports dropped, the company kept investing in extraction and pipelines.

The Russian business daily Vedomosti estimated that Gazprom, under Miller, may have spent 2.4 trillion rubles (\$40 billion) on unnecessary expansion. He may have done this to benefit Gazprom's billionaire contractors, including Arkady Rotenberg and Gennady Timchenko, both Putin friends who are living under international sanctions.

The Russian edition of Forbes says their companies made \$1.9 billion just on the abortive South Stream pipeline, which was supposed to supply gas to southern Europe without crossing Ukraine. That investment can still be recouped if the replacement pipeline, Turkish Stream, is built, but so far Gazprom's negotiations with the Turkish gas company Botas haven't yielded a final deal.

Stalled negotiations and scrapped deals are a constant nuisance to Gazprom, which Putin's Kremlin has used as the vehicle for its European expansion. Europe has long been wary of this Gazprom role, especially as it watched the gas company twist Ukraine's arm repeatedly to draw it into Russia's sphere of influence. Ukraine has recently made a special effort to diversify. Last year, according to the energy consultancy Enalytica, it increased European gas imports to 28 percent from 8 percent in 2013. The increase is partly due to Gazprom's overeager expansion: It's pumping more gas into Germany than the Germans and neighboring countries need, allowing them to export to Ukraine.

At the same time, Gazprom is locked in a battle with the European Commission, which accuses it of overcharging clients in Eastern Europe, where Gazprom is the monopoly gas supplier. Gazprom is also struggling to find another way into Europe to carry out its plan to bypass Ukraine by 2019 since the European Union's resistance killed South Stream late last year.

There are lots of smaller setbacks as well. In its just-released 2014 annual report, Gazprom Germania, a Berlin subsidiary responsible for about 14 percent of revenue, revealed a 31.6 million euro (\$34.5 million) net loss after a profit of 286 million euros in 2013. A planned asset swap, in which Germany's Wintershall received an interest in Gazprom's Russian gas fields and Gazprom got Wintershall's shares in the two companies' joint ventures, fell through. Gazprom Germania has also been banned from selling natural gas at German gas stations (it has 25 such outlets); it's appealing the decision.

In the annual report, the company warned that more trouble might be coming:

Current regulatory intervention in the energy sector has the potential to have huge consequences on the group's income and is therefore considered to be a significant factor. The current direction of energy policy in favor of renewable energies -- particularly in Germany -- may severely limit the competitiveness of natural gas. Both current price regulation for grid usage and potential future price regulation for underground storage facilities will have negative consequences on the marketing and trading of natural gas and may limit Gazprom Germania's investment and project activities.

Europe is no longer a friendly market for Gazprom, both for political and regulatory reasons. And while the Russian supplier is still able to sell gas at competitive prices, it can hardly count on growth there. The economic slowdown in China, meanwhile, is undermining Gazprom's grand, costly diversification plans. The company has already scrapped a liquefied gas project in the Russian Far East, which was meant for the Chinese market. Its plans for the Altai pipeline to China, tentatively announced this year, was delayed indefinitely this month (although another pipeline project, agreed to in May 2014, is still in the works).

Last year, 9 percent of Russian government revenue came from Gazprom. The company is still a cash cow, but it appears strategically challenged, squeezed from all sides by dropping prices, falling demand, unfriendly regulators and politicians suspicious of Putin and his friends. To replace Miller's 2008 dreams of global dominance, it needs a tough cost-cutting plan and a vision of how to proceed in an all-around hostile environment. Soon, it won't be able to shower lucrative orders on Putin's cronies and get involved in political games: It'll be fighting for survival.

This column does not necessarily reflect the opinion of the editorial board or Bloomberg LP and its owners. (July 31, 2015)

07/31/2015

RUSSIA - TURKEY:

Turkey and Russia postpone talks on gas project

Talks between Russia and Turkey on construction of the Turkish Stream gas project have been postponed for an unidentified period of time, Reuters reported quoting sources in the Turkish government.

Ankara insists on 10.25 % discount for the supplies of Russian gas with delivery of up to 28-30 bcm of gas.

Russia demands Turkey's immediate agreement on key provisions of the deal, but it is impossible, one of the sources said. (July 30, 2015)

07/31/2015

UNITED KINGDOM:

UK awards new licenses for oil and gas exploration in North Sea

The UK Government has awarded 41 new licenses for oil and gas exploration in the North Sea, closing the 28th Offshore Licensing Round.

In one of the largest rounds of licenses in the UK Continental Shelf, the country has issued **175 licenses covering 353 blocks.**

The first trench of 134 licenses was issued in November 2014 to companies including Statoil, Enquest and Highland Petroleum.

Eni was granted three licenses in 23 blocks, while Shell and OMV received one license each, covering ten and nine blocks, respectively. BP, Total and Maersk also received licenses.

Launched on 24 January 2014, the 28th offshore licensing round received 173 applications.

UK Oil and Gas Authority CEO Andy Samuel said: "The UK Continental Shelf remains a world-class hydrocarbon province where significant resources and economic value remain to be realized.

"Licenses are however just a start and industry, government and the OGA now need to work together to revitalize exploration activity across the basin and convert licenses into successful exploration wells."

The oil and gas sector in the UK supports 350,000 jobs while meeting the primary energy demand of nearly half of the nation.

UK Energy Minister Andrea Leadsom said: "The 28th offshore licensing round comes after the Government announced a major package of support in March to encourage £4bn of additional investment in the North Sea which will prolong the life of this vital industry." (July 28, 2015)

07/28/2015
