



Vol. 54, n° 22, October 13, 2015

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CEDIGAZ LNG SERVICE

A COMPLETE DATA SERVICE FOR THE LNG ANALYST

The LNG Service provides the LNG analyst with all the data needed to follow the developments of the fast moving LNG market. The LNG Service includes comprehensive, quarterly updated, worldwide databases on liquefaction projects, regasification projects, long-term gas supply contracts and LNG trade between countries, as well as monthly bulletins on traded volumes and prices. The company reports allow for an easy assessment and benchmarking of the main players in the market and the CEDIGAZ LNG Outlook provides CEDIGAZ's views on medium and long-term LNG market perspectives.

FEATURES

DATABASES

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

LNG MONTHLY BULLETIN

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

CEDIGAZ LNG OUTLOOK

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

COMPANY REPORTS

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

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LNG

PRODUCTION

WORLDWIDE:

85 gas projects dying on the vine as LNG's promise falls short

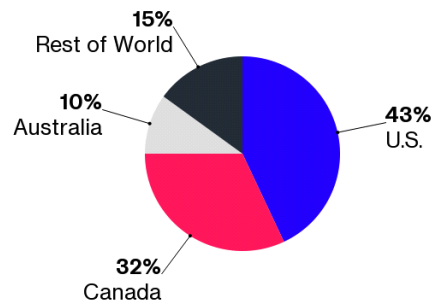
Five years ago, energy companies hungry for the next big thing started planning as many as 90 terminals to send natural gas around the globe. Now, it seems the world only needs five more. Consulting firm IHS Inc. says only one in every 20 projects planned are actually necessary by 2025 as weakening Asia economies, cheap coal, the return of nuclear power in Japan and the ever-expanding glut of shale supply in North America temper demand for the power-plant fuel, putting tens of billions of dollars worth of export projects at risk.

Barring an unusually cold winter in Asia, global LNG supply will outstrip demand by next year, said Trevor Sikorski, an analyst at Energy Aspects Ltd. in London. Seven new plants in Australia will flood the market over the next two years. Cheniere Energy Inc. is planning the startup of its Sabine Pass terminal in Louisiana this quarter.

"The global LNG industry now resembles a game of 'musical chairs' with far more projects than the market can absorb," said James Taverner, an IHS analyst in Tokyo. "There is a very narrow window of opportunity for new projects that want to take final investment decision by 2020."

Planned LNG Capacity Through 2024

Most new supply will come from North America, if proposed terminals are built.



Energy Aspects Ltd.

Bloomberg 

Four years ago, the International Energy Agency predicted global demand for the heating and power plant fuel would climb 16% by 2016. Now, it's projecting 11 percent, and terminal developers are taking note. Excelerate Energy LP's floating terminal in the Gulf of Mexico has been postponed. Inpex Corp. delayed the start of an LNG project in Australia by almost a year to the third quarter of 2017.

"It will be increasingly difficult to convince financial institutions to put major sums of money on the table to construct additional capacity," Tim Boersma, acting director of the Energy Security and Climate Initiative at the Brookings Institution in Washington, said by phone.

North America

More than half of the 38 terminals proposed for the contiguous U.S. may never be built, according to Fitch Ratings Inc. and the Brookings Institution, a nonprofit research group. Besides Cheniere's Sabine Pass, projects in development include Freeport LNG Development LP's terminal in Texas, Dominion Inc.'s Cove Point in Maryland and the joint Lake Charles LNG venture in Louisiana between Energy Transfer Equity LP and BG Group Plc.

Twenty more terminals are planned for Canada, according to Energy Aspects, including the Kitimat project proposed by Chevron Corp. and Woodside Petroleum Ltd. in British Columbia. The higher costs associated with projects there, in part because of environmental opposition, makes it even less likely that they'll be built, Jeffrey Currie, head of commodities research at Goldman Sachs & Co. in New York, said in a Sept. 24 interview.

This deluge of North American gas exports was once seen as displacing some foreign supplies linked to the price of oil. Then the oil market crashed and crude lost half its value, and now that gas from abroad is looking cheap.

The pace of project postponements will pick up as the supply glut expands, Noel Tomnay, head of global gas and LNG research at Wood Mackenzie in Edinburgh, said in a Sept. 3 report. Development of even half of the capacity may keep the Asian market oversupplied through 2025, he said.

Australia's Gas

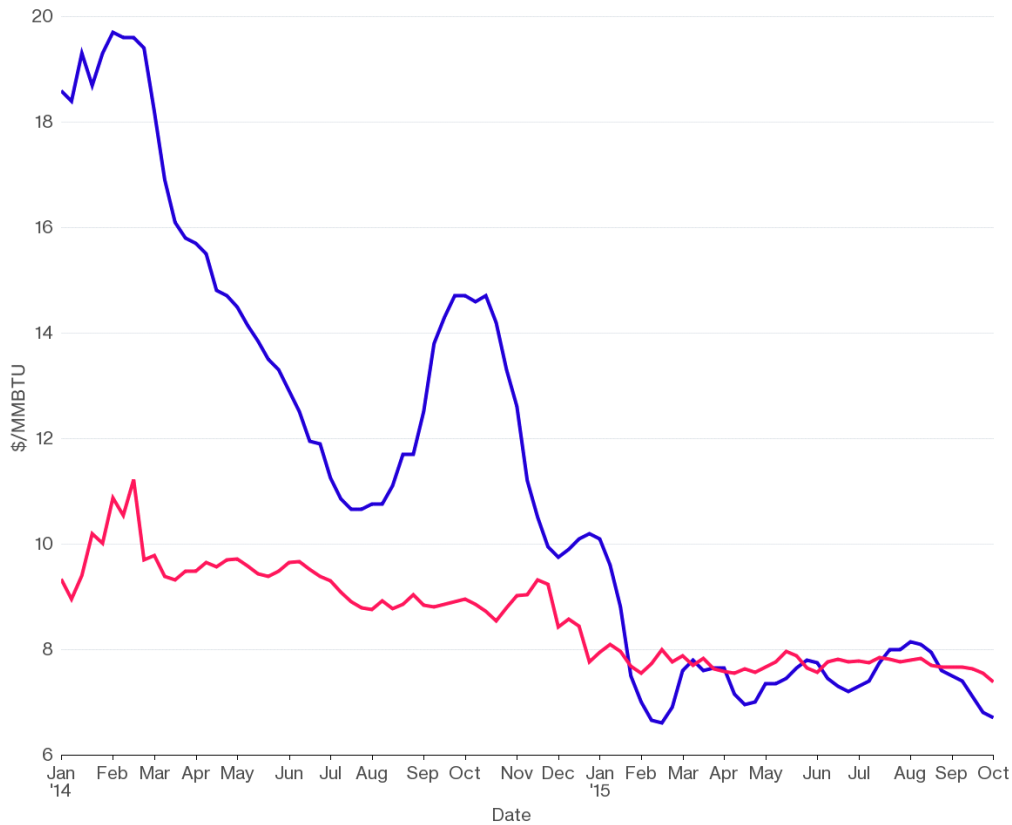
While the U.S. LNG projects already under construction will probably come to fruition, any supply not already contracted will be difficult to find a home for, particularly in Asia where Australian gas is easy to come by, Currie said.

Spot LNG prices for delivery to Northeast Asia have slid 56% over the past year, according to data compiled by World Gas Intelligence. Shipments to Japan will average \$5.80 per mmbtu in 2015, a 65% decline from 2013, according to Energy Aspects.

Gas Wars

Asian LNG valued at twice the cost of U.S. gas exports in January 2014 is now cheaper

■ Asia Spot LNG ■ Spot Henry Hub*



* Liquefaction and shipping costs to send U.S. gas to Asia are estimated at \$5/mmbtu by Engie.

Sources: Engie, Energy Intelligence Group, Intercontinental Exchange Inc.

Bloomberg

The world's demand for gas meanwhile expanded by only 0.4% in 2014, the smallest gain since 2009, because of shrinking imports to Japan, South Korea, India and China, Bank of America said in an Aug. 21 note to clients.

"Given the price environment and the supply that's going to come online in the next five years or so," said Dino Kritikos, an analyst at Fitch in Chicago, "many of these projects are at an inherent disadvantage. (October 9, 2015)

10/09/2015

PROCESSING

EGYPT:

Egypt takes delivery of second FSRU terminal

Egyptian Natural Gas Holding Company (EGAS) took delivery of the second FLNG terminal on Wednesday and operations are expected to start late October, reported Daily News Egypt.

The newspaper said that start-up of the terminal provided by BW Group was delayed till end October as the pier in Ain Sokhna Port where the ship is to dock has not been completed.

A senior official at EGAS told Daily News Egypt that the ship will receive about 700m cubic feet of gas per day to pump into the national network. In August, EGAS inked a five year agreement with BW Group to lease Egypt's second FSRU terminal. Last year EGAS signed an agreement with Höegh LNG to lease the first terminal, which started operation in May this year.

Meanwhile, the official said that a tender to import 45 shipments of liquefied natural gas (LNG) for a period up to the end of 2016 will be completed next week, after the 12 presented offers are evaluated. (September 30, 2015)

10/01/2015

FINLAND:

Gasum stop plans for LNG terminal and Balticconnector pipeline

Gasum will not proceed with the construction of a regional LNG terminal in Southern Finland and the Balticconnector offshore pipeline. Gasum announced this following a thorough study into the economic feasibility of the project, finding that it would not be commercially viable.

Gasum said that this lack of commercial viability is due to a change in the Finnish gas market since 2008, when plans for the projects were first conceived. Further LNG infrastructure in that area would simply lead to the deterioration of LNG prices.

However, Gasum has announced that it intends to remain active in the Nordic gas market. In Finland, there is still a demand for LNG, especially outside of the gas network. Skangas, a Gasum subsidiary, for instance, is in the process of constructing an LNG terminal in Pori, Finland, and co-owns the LNG terminal currently being built in Tornio, Finland. Both of these projects will serve the growing demand for LNG outside of the gas network.

Johanna Lamminen, the CEO of Gasum, said: "Gasum is investing constantly in the development of the Finnish gas infrastructure. Our key objectives are to ensure our customers' access to clean and competitive fuels and at the same time develop the Finnish biogas market and Nordic LNG market." (October 5, 2015)

10/05/2015

CAMEROON:

Golar LNG's Cameroon FLNG project gets final approval

Golar LNG has announced that its Cameroon floating liquefied natural gas (FLNG) project has reached a major milestone with the final approval by all parties of the Gas Convention for the project.

The FLNG is expected to be commissioned in second quarter, 2017 and would be installed and operated in Cameroon waters offshore of Kribi.

The final investment decision was signed Wednesday between Cameroon's state owned oil and gas company Société Nationale des Hydrocarbures (SNH), Golar LNG, and Perenco.

The binding tolling agreement having already been agreed between Golar and Perenco, is expected to be formally approved by the 25% upstream partner SNH imminently, Golar said. This agreement establishes the terms under which Golar shall provide liquefaction, storage, and off-loading services to SNH and Perenco as upstream joint venture partners.

The FLNG project is based on the allocation of 500 Bcf of natural gas reserves from offshore Kribi fields, which will be exported to global markets via the GoFLNG facility Hilli, now under construction at Keppel Shipyard in Singapore. Golar will provide the liquefaction facilities and services under a tolling agreement to SNH and Perenco as parties of the upstream joint venture. It is anticipated that the allocated reserves will be produced at a rate of 1.2 million tons of LNG per annum, representing approx. 50% of the vessel's nameplate production capacity, over an approximate eight year period. (September 30, 2015)

10/01/2015

TRANSPORT - DISTRIBUTION

PANAMA:

Can the Panama Canal fulfill its global LNG promise?

After delays, strikes, and cost overruns, the Panama Canal expansion is finally set to open in April 2016. But the global energy landscape has changed in the eight years since construction began, with opportunities first expanding and now, potentially, contracting. The question today is whether the new canal can still fulfill a promise to transform global LNG trade.

When Panamanians approved the expansion project by national referendum in 2007, planners could not have predicted the impact of the shale revolution on the production of natural gas in the United States, nor the potential for the Panama Canal to play such an important role in creating a global LNG market. By doubling the waterway's capacity, the new canal will be able to accommodate over 88 percent of the world's LNG fleet, up from just 8.6 percent today.

By 2014, the United States was on track to become a net exporter of natural gas. Operators along the U.S. Gulf Coast clamored to get export terminal proposals approved by the Department of Energy and the Federal Energy Regulatory Commission (FERC). By 2020, when liquefaction projects are completed, the United States will have the third largest LNG export capacity in the world, behind Qatar and Australia.

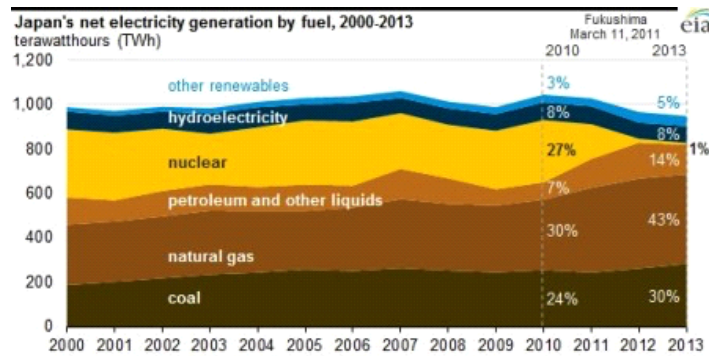
The Panama Canal was now positioned to play a decisive role in shipping this excess capacity to lucrative Asian markets with a growing appetite for natural gas.

In addition to demand, prices were the other major driver behind this LNG market growth. Unlike oil, natural gas markets have always been regional, with prices varying wildly as a result.

The Henry Hub price in the United States has kept well below \$5 per million British Thermal Units (MMBtu) since 2009. Bentek Energy expects the average price to stay at \$2.68/MMBtu for 2015, rising to \$2.84/MMBtu next year.

Prices in Asia, by comparison, generally reflect long-term contracts indexed to the price of oil. Japan LNG prices regularly topped \$16 between 2012 and 2014.

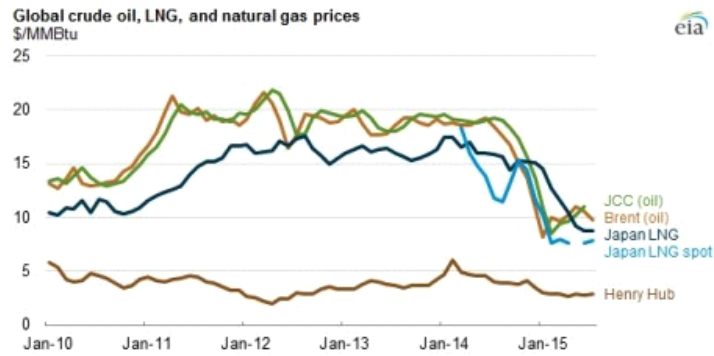
The Fukushima nuclear accident in 2011 also contributed to a spike in natural gas demand - and prices. In the aftermath, Japan's power mix adjusted almost immediately. Nuclear power disappeared and natural gas-fired power jumped from 30 to 43 percent.



These factors combined led experts to predict that with the expansion of the Canal facilitating U.S. LNG exports, regional markets would slowly become global as prices eventually converged.

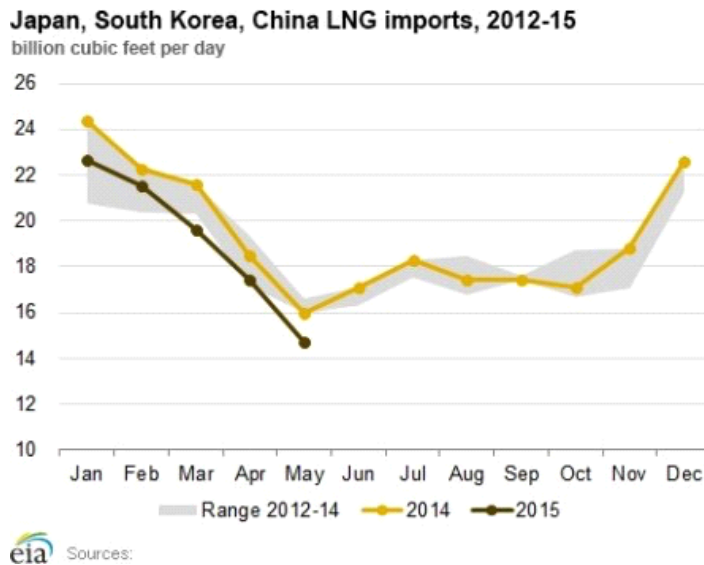
In addition to the United States, the other major regional natural gas exporter, Trinidad & Tobago, could also benefit from the new route. Even smaller producers such as Colombia took notice.

Yet in October 2015, the global landscape has shifted again. U.S. shale production has finally dropped in the wake of plummeting oil prices. Natural gas prices in Asia have followed suit.



LNG imports in China, South Korea, and Japan were also down an average 6.7 percent in the first half of 2015. South Korea is leading the decline. According to the EIA, milder weather combined with government policies favoring coal-fired and nuclear power are major drivers.

A drop in prices, supply, and demand should be major concerns for the Panama Canal Authority.



Despite these challenges, there is still enormous potential for the Panama Canal - and for Panama's economy. The trip from the U.S. Gulf Coast to Asia is 11 days shorter via the Panama Canal, resulting in significant cost savings from fuel to personnel. A lower natural gas price in Asia will eat into profits but the market remains worthwhile.

There are also regional benefits. The journey from Trinidad to Quintero, Chile will be 6.3 days shorter via the Panama Canal than the Strait of Magellan. Chile's growing economy relies on LNG imports to meet its energy needs.

Panama has also set its sights on transforming global shipping in other ways. As more stringent emissions controls come into effect, the global shipping industry is making a transition from fuel oil and diesel to natural gas. Canal authorities are considering the construction of an LNG receiving terminal and bunkering facilities for transiting ships.

Beyond LNG, the new Panama Canal is unlikely to have that much impact on the global oil market. The expanded canal will be able to accommodate tankers carrying 400,000 - 680,000 barrels of crude but that is much smaller than the majority of crude shipments. The only taker is likely to be Venezuela, which sends around 300,000 barrels of oil per day to China. Most petroleum is shipped on very large crude carriers (VLCC), which will exceed the draft limit of the new Canal.

It is undeniable that volatility in the global oil markets will have an impact on global LNG trade and with it, the Panama Canal's fortunes. Still, global LNG markets are changing, and the Canal remains an influential player. (October 8, 2015)

CHINA - PAKISTAN:

China Petroleum pipelines bureau to build LNG terminal in Pakistan

China will build a \$2.5 billion LNG terminal and a gas pipeline in Pakistan, Press Trust of India reported Thursday.

The LNG terminal will be set up in Gawadar in Balochistan province while the pipeline will bring gas from Iran to central Pakistan. Work on the project is expected to commence in November.

"Chinese state firm China Petroleum Pipelines Bureau (CPP) has submitted technical and commercial bids," Mubeen Saulat, managing director of state-controlled Interstate Gas Systems (ISGS) said.

The terminal will have the capacity to handle 500 mmcf (million cubic feet per day) of LNG and a floating storage gasification unit, Press Trust reported.

The Chinese firm will finance 85 percent of the project while Pakistani government will finance the remaining 25 percent.

The CPP will be financed through a loan by the Exim Bank which Pakistan will repay in the coming years. (October 1, 2015)

10/02/2015

FINLAND - ESTONIA:

Estonia and Finland regroup following Gasum decision to scrap LNG Terminal, Balticconnector

Finnish gas transmission network operator Gasum has decided to scrap plans to build a regional LNG terminal in the Gulf of Finland as well as an undersea gas pipeline with Estonia, the Balticconnector.

"Implementation of the projects requires them to be commercially viable. On the basis of the studies Gasum has conducted the Finngulf and Balticconnector projects are not regarded as commercially viable and there is not sufficient demand for them in the Finnish market. Therefore Gasum will give up the implementation of both projects," the Gasum statement says.

Estonia, however, exerted great efforts for both, especially the Balticconnector, and says it is not distracted and will continue pursuing them - through other entities or, if needed, on its own.

"Yes, Gasum has abandoned the project, but Finland is to establish a new state company tasked with construction of the Balticconnector. So, the gas pipeline will be built in cooperation between the two countries. The LNG terminal is not a governmental project and could be developed by private investor," Rasmus Ruuda, chief of the Public Relations department at the Ministry of Economic Affairs and Communications, told Natural Gas Europe.

Gasum noted in the statement that the Finnish gas market and its future outlook have changed "substantially" since 2008 when plans for the projects were drawn. Among the factors to be considered is fallen gas demand and lower gas consumption as a result.

For many years, Finland and Estonia were discussing the site of a joint LNG import terminal of capacity of 2.5 bcm/year by 2015 in Inkoo (Finland) or Paldiski (Estonia), which would supply gas to the neighboring country through the Balticconnector gas pipeline.

In March 2014, the countries finally agreed after missing a deadline to apply for EU financing on building two small-size LNG terminals on each side of the Gulf of Finland and to be connected by the pipeline by 2019. As the two LNG facilities were not eligible for European funding, the countries resumed discussions and struck an accord on erecting a regional LNG terminal in November 2014.

Gasum says it will continue pursuing active development of the Nordic gas market.

"In Finland there is demand for LNG, particularly among users outside the gas network and in transport, with LNG providing a competitive alternative to oil-based fuels. The Gasum subsidiary Skangas is constructing an LNG terminal in Pori, Finland, and Skangas is also a co-owner of the LNG terminal under construction in Tornio, Finland. The Pori and Tornio terminal projects will serve the growing needs of the market outside the gas pipeline network in industry, shipping and heavy-duty road transport. Additionally, the market for the biogas, which is 100 percent Finnish and renewable, is growing strongly and Gasum desires to be a forerunner in developing the market," the Finnish company says on its website.

Gasum did not answer questions from Natural Gas Europe.

An October 2nd statement by the Finnish Ministry of Employment and Economy Affairs states Finland will apply this autumn for EU subsidies for a gas pipeline between Finland and Estonia.

The application deadline is said to be October 14th. For that purpose, a state-owned company will be established and empowered with the implementation of the Balticconnector.

Minister of Finnish Economic Affairs Olli Rehn emphasizes that, when finished, Balticconnector will link Finland with European gas networks and make Finnish gas market competitive.

"When completed, the Balticconnector pipeline will link Finland with European gas networks and open the Finnish gas market to competition. The project cannot be implemented without substantial European investment funding. To carry out the project, Finland will need 75 percent from the Connecting Europe Facility of the European Union," Olli Rehn, Minister of Finland's Economic Affairs, is quoted as saying in the Ministry's website.

Approached by Natural Gas Europe, Mikhail Krutikhin, a co-owner of energy consultancy company RusEnergy, says neither country is in "necessity" of the pipeline.

"Although Finland depends 100 percent on Russian gas, the supply is reliable and, importantly, cheaper than it would be from elsewhere. As far as Estonia is concerned, it does not feel any shortage of gas and the quantity it is getting fully satisfies its needs. They are pretty low, in fact, as the country does not use gas for electricity generation," the gas market expert stated.

According to EU stats, Estonia is the least energy import dependent country of the 28 EU-member club but that roughly 10 percent of the Gazprom gas imports it continues to receive is a nuisance amid current geopolitical tensions.

Estonia's energy imports also come from the Lithuanian LNG terminal, around 20% of the total foreign energy supply. (October 12, 2015)

10/12/2015

INDIA:

MRPL plans to set up LNG Terminal at Mangalore port

Mangalore Refinery and Petrochemicals will conduct feasibility studies for setting up a liquefied natural gas terminal at Mangalore port.

MRPL, a unit of Oil and Natural Gas Corp, will explore a possibility of setting up a fixed or landbased LNG import terminal as well as a floating receipt facility on high seas.

The company yesterday signed an MoU with New Mangalore Port Trust to study the feasibility of setting up an LNG re-gassification terminal at Mangalore, the company said in a statement.

The MOU, signed by MRPL Managing Director H Kumar and NMPT Chairman P C Parida, "facilitates MRPL to initiate feasibility and other associated studies to identify the most suitable location for the facility, and to consider the option of setting up LNG terminal/ Floating Storage Regasification Unit," it said.

In March 2013, MRPL's parent firm, Oil and Natural Gas Corp along with its partners Mitsui of Japan and BPCL had signed an agreement with NMPT to conduct feasibility of setting up **USD 500-750 million LNG import terminal at Mangalore**.

The outcome of the study is not known.

The ONGC terminal was to have an initial capacity of 2-3 million tonnes, which can be expanded to five million tonnes later.

In 2005, ONGC planned to build a LNG terminal, which was then shelved in 2006 due to change in leadership. But the company in 2013 started looking actively at the plan of LNG import, with the clear idea that **domestic gas availability at 160 mcm per day in 2018 will be way short of demand of 290 mmscmd**.

"The LNG terminal once set up will bring gas -- cleaner, greener energy -- as a fuel option to the entire region, and will be advantageous to industries currently using naphtha as fuel," the MRPL statement said.

MRPL itself will be a big consumer of gas. Also, its petrochemical plants will also use gas.

Additionally, Mangalore hosts an iron ore industry, fertiliser plants and their ancillary industrial units. Currently, these industries are using heavy liquid sources like fuel oil and naphtha for their energy and feedstock needs.

Considering the growing demand of energy coupled with increasing focus on environment, there is a strong case for environment-friendly LNG replacing these polluting fuels, it said. (October 8, 2015)

10/08/2015

SUPPLIES - IMPORTS - EXPORTS

EGYPT - JORDAN:

Egypt begins to import 200m cubic feet of LNG per day from Jordan

Egypt started importing about 200 m cubic feet of liquefied natural gas (LNG) per day by from Jordan since last September, to provide a part of the country's needs of gas during the coming period.

A senior official at the Egyptian Natural Gas Holding Company (EGAS) told Daily News Egypt that an agreement has been signed with Jordan to take advantage of the excess capacity of gas from the gasification ship in Jordan and supply LNG shipments to Egypt.

He added that the gas is imported through the pipeline, through which Egypt exported gas to Jordan in 2004, noting that this was not possible since the first half of 2014 due to the lack of gas.

The official said that this line was bombed more than 20 times, noting that Egypt had signed a 15-year agreement with Jordan in 2004 for the supply of 250m cubic feet of LNG per day at a price of \$ 2.5 per million British thermal units (BTU), and that the government raised gas prices in April 2011 to \$ 5.7 per million BTUs. (October 3, 2015)

10/05/2015

UNITED STATES:

G2 plans for \$11-billion LNG facility

US gas company G2 LNG announced this week that it plans to apply to the Federal Regulatory Commission within the following month for a permit to build a **two-train liquefaction facility estimated to be worth \$11 billion**.

The company has already received approval from the Department of Energy to export LNG to free-trade agreement countries with the US. G2 LNG has applied for permission to export to countries that do not have free-trade agreements with the US.

Once completed, the proposed facility will have a capacity of 14 million tonnes per year and will be located in Louisiana on the Calcasieu River Ship Channel. Pending approval, construction will begin in 2017 with expected delivery in 2020.

"We plan to use advanced technologies in the design and operations of the facility (and) we will use upstream supply of natural gas, both of which will provide a long-term, stable, low-cost supply of natural gas to global customers," Buddy Roemer, G2 chairman, said in a company statement. (October 8, 2015)

10/08/2015

JAPAN:

Japan's Kansai seeks more flexible LNG contracts amid demand uncertainty

Japan's Kansai Electric is looking to add more flexible contracts that will enable the utility to respond swiftly to changes in demand and adjust its portfolio by buying or selling volumes, a company executive said in an interview with Platts this week.

Kansai Electric, whose LNG procurement hit a record 9.44 million mt in fiscal year 2014-15 (April-March), faces growing demand uncertainty as the domestic retail market is set to fully open to newcomers in April next year, a measure which could dent or boost its electricity sales.

Timing of the restart of Kansai Electric's two Takahama 870-MW nuclear units also remains murky, and Japan's slow economic growth is adding another variable to the equation.

Against such backdrop, the Osaka-based power utility struck a deal with BP, under which BP would supply Kansai Electric with up to a total of 13 million mt of LNG over 23 years.

The agreement also allows Kansai Electric to resell the volumes to third parties or ask BP to find alternative buyers by mutual consent, the first of its kind in Japan.

The utility also inked a contract with France's Engie under which Kansai Electric would sell 400,000 mt/year of LNG from its US LNG and buy an equivalent amount of LNG from Engie's portfolio, with the aim to cut shipping costs.

"If we have a existing contract which is about to mature and have to look for alternatives, we would like to consider these kinds of contracts," Tatsushi Fujiwara, general manager for Kansai Electric's office of fossil fuel said.

"It's our basic thinking that we want to cooperate with various sellers, traders and buyers to enhance our flexibility," he added.

The most ideal allocation would be for long-term contracts to represent 70% of Kansai Electric's LNG portfolio with mid- and short-term contracts, including spot contracts, accounting for 30%, Fujiwara said.

Still, Fujiwara said Kansai Electric is not aiming for any specific numerical targets to construct its LNG portfolio and he wants to keep all options available.

"The business environment is shifting and so is our position. We don't want to tie us down," he said. KANSAI TO RECEIVE FIRST US LNG IN 2016

Kansai Electric will be the first Japanese utility to receive US LNG next year when its contract with Cheniere Energy kicks off.

It plans to buy three to four cargoes between 2016 and mid-2017 from the Sabine Pass project.

The utility also has contracts to buy 800,000 mt/year of LNG from the Cove Point project for 20 years and 400,000 mt/year from the US Cameron LNG project for 20 years.

Besides the volume it plans to sell to Engie, Kansai Electric aims to bring the remaining US LNG back to Japan. But Fujiwara did not rule out the possibility of swapping them out, similar to what it has done with Engie, if they could find an appropriate partner.

Fujiwara also said Kansai Electric might sell its US LNG in other markets. The utility is also considering various options in terms of transporting US LNG.

"In times like now, there seems to be a lot of ships available. It's not necessarily a smart thing to build your own ships," he said.

Last month, Kansai Electric signed a 10-year contract to supply 200,000 mt/year of LNG, or three cargoes a year from April 2018, to Hokkaido Electric which is building its first gas-fired plant.

Fujiwara said Kansai Electric has not decided which volume from its portfolio would be sold to Hokkaido Electric yet.

Still, the deal is another step to add more flexibility to the way it manages its LNG portfolio.

"In a broad sense, I think we have already moved into the trading business," Fujiwara said. "If we could get more experience to prepare ourselves or cooperate with others, we would like to expand it." (October 9, 2015)

10/09/2015

POLAND:

LNG terminal launches on Monday

Minister of the Treasury Andrzej Czerwinski said on Sunday that a **new LNG terminal in Swinoujscie will be launched on Monday and the first cargo ship will arrive at the end of November or early December.**

"The gas which arrives now, will not be burnt. It will be gradually pumped into the distribution system," Czerwinski was quoted as saying by the Polish Press Agency.

"The actual, automatic gas distribution will begin in the second quarter of next year," he added.

Swinoujscie LNG terminal is a liquefied natural gas import terminal, which features an unloading jetty for large LNG tankers, two storage tanks and a regasification train. The terminal's initial regasification capacity will be 5 bcm per annum.

The project is worth PLN 3.5 billion and is Poland's flagship investment aimed at diversifying gas supplies, reducing a dependence on Russia.

"The investment is very important from the point of view of Poland's security. Our country will be 100 percent independent of one supplier from the East. Not because we will have so much liquefied gas, but because the investment is a part of large-scale investments, including cross-border connections with Germany, Slovakia, the Czech Republic and Ukraine, and the construction of a gas storage system," Czerwinski said.

"Every citizen and every entrepreneur can now be sure that we will never experience gas shortages," the minister added. (October 12, 2015)

10/13/2015

MOROCCO:

Morocco to shortlist three companies for LNG imports

Morocco is likely to shortlist three companies for its new long-term contracts to import LNG within the next two weeks.

The North African nation is evaluating offers from Royal Dutch Shell as well as French, Spanish and American companies, Abdelkader Amara, Morocco's energy minister told reporters in Dubai, news agency Reuters reported Tuesday.

The country is looking to import two million tons of LNG every year starting 2020 as part of the first phase of its LNG import plan.

Earlier this year Amara said that **Morocco's natural gas demand will reach 5 bcm by 2025 from current 1 bcm. Building of LNG infrastructure in Morocco will require investment of close to 5 billion,** he said. The plan is to spend the money on building an LNG terminal in Jorf Lasfar near the western port city of El Jadida within five years. (October 6, 2015)

10/07/2015

CANADA:

Petronas committed to B.C. LNG project

According to Reuters, Petronas has confirmed its commitment to its LNG project in British Columbia, Canada, regardless of the fall in oil and gas prices. **The project, which was agreed to with B.C. in May 2015, includes an LNG export terminal near Prince Rupert, and a natural gas pipeline. The project is just one part of an overall CAN\$36 billion investment from Petronas and its Canadian partners.**

Wee Yiau Hin, the CEO for Petronas' upstream sector, said: "Petronas would like to reaffirm its commitment to deliver long-term LNG supply to its customers through the Pacific NorthWest LNG project in Canada, despite the current market volatility for oil and gas.

"Pacific NorthWest LNG has fulfilled the required technical and commercial components of the project and is looking forward to meeting future LNG market demands."

Reuters reports that Petronas is now merely waiting on approval from the Canadian Environmental Assessment Agency. (October 9, 2015)

10/09/2015

SOUTH KOREA:

South Korea secures 23.5 mil mt in 2027 LNG term deals, 62% of expected demand

South Korea has secured 2027 term contracts for 23.5 million mt or 62.3% of the 37.7 million mt it expects to need that year, state-run Korea Gas Corp. said Thursday.

The country has secured 34 million mt for 2015, above the 33.9 million it needs for the year, according to a Kogas report submitted to the National Assembly.

Kogas, which has a monopoly on domestic natural gas sales, expects South Korea's 2015 LNG consumption to be 34 million mt, down from an earlier outlook of 39.8 million due to weak power demand on relatively higher prices of LNG and rising nuclear power output.

Kogas said its revised forecast was made on the basis on sluggish January-July domestic sales, which fell 8.8% year on year.

Kogas planned to import 33.84 million mt in 2015, down 7.4% from 36.33 million mt imported in 2014, given weaker demand.

"Short-term LNG shortage will be made up by short-term contracts to cover winter demand and spot purchasing if necessary, while long-term shortage would be partly filled by volumes from overseas projects in which Kogas is involved," the report said.

Kogas imported 18.35 million mt of LNG over January-July, including 13.08 million mt or 71.3% from the Middle East and South Asia.

It bought 7.32 million mt or 39.9% of its January-July imports from Qatar and 2.45 million mt or 13.4% from Oman, the report said.

It imported 1.87 million mt from Malaysia, 1.44 million mt from Indonesia, 1.15 million mt from Russia and 790,000 mt from Australia in January-July. The other 3.33 million mt came from 10 minor suppliers, including Nigeria, Equatorial Guinea and Brunei.

Of Kogas' total January-July imports, 15.11 million mt or 82.3% came under long- and mid-term contracts, 2.16 million mt or 11.8% was imported under short-term contracts, and 1.08 million mt or 5.9% came from spot buying. "Under its plans for long- and mid-term contracts, Kogas is seeking more volumes from Australia and North America so as to ease the dependence on Middle East and South Asian nations," the report said.

"In particular, Kogas is pushing to bring in more volumes from projects in which Kogas holds stakes, such as LNG Canada."

Kogas and its partners launched LNG Canada, a project to produce 12 million mt/year of LNG from two trains at Kitimat in the western province of British Columbia in May 2013.

Kogas currently holds a 15% interest in Shell-led LNG Canada after selling a 5% stake to Shell in May last year as part of efforts to reduce its debt.

"Kogas is still pushing to sell additional 5%, which will reduce its stake to 10%," a company official said.

Kogas pushed for sell the 5% stake by the end of 2014 but failed amid the slump in energy prices in the second half of last year.

Kogas, which imported 0.93 million mt from projects in which it holds stakes in 2014, aims to increase the volume to 2.42 million mt in 2017.

The company currently has 15 contracts covering 24.12 million-31.44 million mt/year in imports for 2015-2019.

The deals include 4.92 million mt/year from Qatari RasGas, 2.1 million mt/year from RasGas II and 1.5 million-2 million mt/year from RasGas III, 4.06 million mt/year from Oman's O LNG, and 2 million mt/year from Yemen's Y LNG, among others.

Kogas plans to import 2.8 million mt/year from the Sabine Pass terminal in Louisiana from 2017.

It originally planned to buy 3.5 million mt/year from Sabine Pass, but Kogas signed a deal with Total in January 2014 to resell 700,000 mt/year in a bid to reduce import volumes to South Korea.

Under the deal, Kogas will take 2.8 million mt/year while Total will get the remaining 700,000 mt/year.

Kogas also has three mid-term contracts in which Kogas imports 2.73 million-3.88 million mt/year for 2015-2016, the report said.

Besides Kogas, two more South Korean firms are importing LNG directly from overseas sources.

Posco, the country's top steelmaker, has been importing 550,000 mt/year from the BP-led Tangguh LNG consortium in Indonesia since July 2005 under a 20-year contract.

SK E&S, the country's top city gas provider and an affiliate of the country's top oil refiner SK Innovation, also has been importing 600,000 mt/year of LNG directly from Tangguh since 2005 under a 20-year contract. (October 7, 2015)

INDIA:

Trafigura to deliver two LNG cargoes to IOC

According to Reuters, the commodity house, **Trafigura, has said that it will supply two LNG cargoes to Indian Oil Corp. One cargo will be delivered in October 2015, and the other will be delivered November 2015.**

This follows IOC's recent announcement that it would not enter any long-term fixed-price contracts for LNG, seeking greater flexibility with the pricing. (October 12, 2015)

10/12/2015

USE AS AUTOMOTIVE FUEL

CANADA:

ISL G near zero natural gas engine certified to near zero emissions

Cummins Westport Inc. (CWI) today announced the new ISL G Near Zero (NZ) NOx natural gas engine is the first MidRange engine in North America to receive emission certifications from both U.S. Environmental Protection Agency (EPA) and Air Resources Board (ARB) in California that meet the 0.02 g/bhp-hr optional Near Zero NOx Emissions standards for medium-duty truck, urban bus, school bus and refuse applications.

Cummins Westport ISL G NZ exhaust emissions will be 90% lower than the current EPA NOx limit of 0.2 g/bhp-hr and also meet the 2017 EPA greenhouse gas emission requirements. CWI natural gas engines have met the 2010 EPA standard for particulate matter (0.01 g/bhp-hr) since 2001.

Since it was first introduced in 2007, the ISL G 8.9 liter engine has become the leading natural gas engine for transit buses, refuse trucks and urban delivery trucks, which represent a significant portion of on-highway and urban power in California. ISL G NZ meets the ARB certification 8 years in advance of the 2023 California Near Zero NOx schedule contributing to California Clean Air initiatives. ARB has defined this certified Near Zero emission level as equivalent to a 100% battery truck using electricity from a modern combined cycle natural gas power plant. (October 5, 2015)

10/06/2015

USE FOR POWER GENERATION

PHILIPPINES:

First LNG power plant in Philippines hits new delay

Energy World Corp Ltd does not expect the Philippines' first power plant fired by liquefied natural gas to be ready for commercial operation until the first half of next year, another delay in the country's plans to boost cleaner energy.

Energy World, a Hong Kong-based energy firm listed in Australia, said late last week in its annual report that it now expects to bring the **first 200 megawatts of its power project** in Pagbilao town in Quezon Province **into commercial operation by March and a second 200 MW unit by June.**

It was previously looking to bring the first 200 MW unit into operation by the second quarter this year and the second 200 MW unit two to three months after.

The Philippines is promoting clean energy, seeking increased power supply from renewables and natural gas, but still looks set to remain dependent on imported coal for its electricity needs.

Energy World, which has power and natural gas production projects in Indonesia and Australia, will source regasified LNG for the Pagbilao plant from the LNG import and storage hub it is also building in Pagbilao.

The LNG hub, also the Southeast Asian country's first, is "well advanced" with the storage tank walls and the dome's top roof already complete, the company said in the annual report.

"(But) arrangements are being made to obtain LNG from a temporary floating storage unit," it said, without giving further details. (October 6, 2015)

10/06/2015

NGV

USE AS AUTOMOTIVE FUEL

RUSSIA:

Westport and Gazprom sign NGV development agreement

Westport Innovations Inc. has announced that it has signed a development agreement with a Gazprom subsidiary – Gazprom Gazomotornoye Toplivo – whilst at the St. Petersburg International Gas Forum. This agreement will see a focus put on the expansion of natural gas vehicles in Russia, as well as localising the manufacture of Westport's Emer natural gas products.

Currently, Gazprom has 200 CNG stations, and aims to have 500 by 2020. In addition to this, **Gazprom expects that LNG consumption will grow to 3.8 million tpy by 2020. Already, 31 Russian regions have been targeted for NGV promotion.**

Mikhail Likhachev, the Director General of Gazprom Gazomotornoye Toplivo, said: "Gazprom is investing in initiatives to accelerate growth of the natural gas vehicle market in Russia due to strong demand for emissions compliance.

"We are working with Emer, a Westport company, for its expertise in natural gas vehicle components and market development."

Maurizio Grando, the Executive Vice President of Applied Technologies Group at Westport, added: "In addition to assessing localised manufacturing and building relationships with Russian OEMs for vehicle development opportunities, Westport will advise on regulatory requirements to enable effective use of natural gas in transportation" (October 9, 2015)

10/09/2015

NATURAL GAS

EXPLORATION

UNITED KINGDOM:

Application for East Yorks gas drilling site

An application has been made to the environment agency for exploratory drilling at a site in East Yorkshire.

Rathlin Energy want to test drill for natural gas at West Newton, which will now go out for public consultation until the end of the month. In a statement, the Environment Agency stressed that it is not an application for fracking and any permit, if granted, would not allow fracking. (October 5, 2015)

10/06/2015

EGYPT:

Egypt awards four offshore oil and gas exploration licences

Egypt has awarded four new licences to explore for oil and gas off its Mediterranean coast, weeks after Eni's giant Zohr gas find piqued fresh international interest in the area.

Egypt's state gas company EGAS said in a statement it had awarded one licence to Britain's BP and one to Italy's Edison. A consortium involving BP and Eni's Egyptian subsidiary had also picked up a bloc as had another consortium involving Eni, BP and France's Total.

EGAS head Khaled Abdel Badie told Reuters after the announcement that Egypt was preparing to launch a new bidding round for offshore gas exploration in the Mediterranean in the first half of 2016.

Eni announced in late August it had discovered the largest known gas field in the Mediterranean off the Egyptian coast.

The Italian major predicts the Zohr field could hold 30 tcf of gas, covering an area of about 100 square kilometres (39 square miles). It could be a game-changer for Egypt, whose \$3.5 billion debts to foreign energy companies had made it increasingly difficult to attract major investments.

Egypt, which once exported gas, has become a net energy importer over the last few years as production has failed to keep up with domestic demand.

Not only has Egypt diverted to the domestic market gas originally earmarked for export, but it has failed to keep up payments to the foreign energy companies producing it.

The crisis had discouraged international energy companies from making major investments in Egypt's oil and gas sector at a time when it needed to make new discoveries and boost output.

The Zohr find, however, is likely to encourage oil majors to look more carefully at the eastern Mediterranean region, which has yielded some significant discoveries in recent years.

The EGAS statement said the new concessions would see the companies making total investments of at least \$306 million, conducting seismic studies and sinking eight discovery wells. (October 7, 2015)

10/07/2015

PRODUCTION

UNITED KINGDOM:

Grangemouth owner snaps up 12 North Sea gas fields

CHEMICALS giant Ineos has bought a major share of North Sea gas production in a deal that will see the company **take control of fields that provide up to 8% of the UK's gas.**

In a deal thought to be worth £500 million, the Swiss-based multinational, which owns the Grangemouth oil refinery and petrochemicals complex, will take over all the UK North Sea gas fields owned by the DEA Group, a German-based oil and gas firm owned by the LetterOne Group.

The deal represents the first acquisition of North Sea gas fields by Ineos.

The company said its decision to buy the fields was influenced by them being "well positioned, close to Ineos' assets" in locations such as Grangemouth.

The 12 fields were sold in March by German firm RWE to LetterOne, which is controlled by Russian businessman Mikhail Fridman. They represent some 8% of UK gas production and **include the Breagh and Clipper South fields.**

The UK Energy Secretary before May's general election, Ed Davey, told LetterOne in April that it had to sell them again, saying it was not in Britain's interests to have the fields at risk of sanctions against Russians.

Mr Davey had threatened to revoke the owner's operating licence and said the sale had to take place by 20 October.

Ineos chairman Jim Ratcliffe said the deal would boost the company's key assets such as the Grangemouth plant and strengthen its position in the energy industry. He said: "We are pleased to acquire a strong portfolio of natural gas assets and bring on board a highly successful and experienced North Sea industry team.

"Ineos has been very open about its intention to make strategic investments in the North Sea and this acquisition is our first step in fulfilling this goal.

"It will also help our UK petrochemical assets to have ongoing access to competitive energy."

Mr Ratcliffe is thought to have expressed an interest in buying more North Sea fields as Ineos seeks to reinforce its position as a major force in the energy sector. The firm is also investing in onshore unconventional gas projects in the UK and has bought access to sites in Scotland for potential fracking – the controversial drilling technique used for extracting oil or natural gas from deep underground.

The company has acquired full fracking rights for a 330sq kilometres site in the Falkirk area as part of a deal worth £30 million with the UK's largest shale gas developer.

It announced earlier this year that it would buy out the IGas interest in the shale gas licence, despite the Scottish and UK governments imposing a moratorium on the drilling technique.

The multinational has also invested heavily in the shipping, docking and processing sectors to bring fracked gas from the US to Grangemouth and to a Norwegian processing site as part of a £360m project. (October 12, 2015)

10/12/2015

IRAN:

Iran to trigger natural gas race with Qatar in Persian Gulf

Much of the focus on the impending opening up of Iran has been on what this means for the oil industry. However, even bigger shockwaves could be felt in the natural gas sector, should economic sanctions restricting the Persian Gulf powerhouse be fully lifted.

Tehran's reintroduction to the international community would fire the starting pistol on a natural gas race that could have profound long-term implications for international oil companies such as Royal Dutch Shell, which have ploughed billions of dollars into developing higher-cost gas projects in areas such as Australia.

Iran shares access to the world's single largest natural gas field with Qatar but has so far been unable to fully develop its share of this vast resource. **The South Pars field is thought to hold at least 325 tcf of natural gas, enough to supply all of Europe's needs for the next 16 years.**

Prior to the imposition of tougher economic sanctions on Iran, the country had made progress in tapping into South Pars, which had been broken down into 24 phases of development. The Iranians were able to move ahead with early phases intended to provide energy for the country's domestic market but more lucrative plans to export liquefied natural gas (LNG) have been delayed.

Iran had signed deals with international oil companies to develop LNG projects under a five-year plan that had envisaged exporting 70m tonnes of the fuel each year. However, many of these deals were cancelled, setting back Iran's gas industry by decades as its big rival Qatar pressed ahead with its own developments on the other side of the Gulf.

Qatar's North Field, which is adjoined to South Pars, is estimated to hold in excess of 900 tcf of gas. Combined, the field is the single largest deposit of the energy source to be found anywhere in the world. The Qataris have raced ahead of Iran in terms of developing their share of the deposit, in partnership with companies such as Royal Dutch Shell, Total and Exxon Mobil.

The tiny Arab sheikhdom has the capacity to ship 77m tonnes of LNG per year from 14 so-called LNG trains that stretch along its coast at Mesaieed and Ras Laffan. Since 2005 the Qataris have had a moratorium in place on further developments of its North field but, should Iran begin to suck more natural gas from the adjacent South Pars, this policy may change as both sides race to drain the resource.

Qatar is already predicted to see its income from LNG exports fall over the next decade as output has peaked and global markets become flooded with the fuel source. The moratorium on development of the North Field pushed international oil majors into developing more expensive projects in deep waters close to Australia. Although these projects have been more expensive to develop, they have benefited from being closer to fast-growing Asian markets, where the majority of new demand for LNG is expected to occur.

At the same time, the development of the shale gas industry in the US has shut out growth of LNG imports into the world's largest economy. Many of Qatar's LNG projects were originally aimed to supply the US market before the North American shale revolution reduced the country's need for foreign imports from the Middle East.

This has contributed to the collapse in LNG prices despite rising demand. **Landing prices for spot cargoes in Asia have fallen to \$8 per mmbtu, from \$20 per mmbtu in 2014.** Long-term prices could fall much further should Tehran's reintegration into the international economy provoke Doha to lift its own moratorium on the development of the North Field.

Faced with declining prices, and a market that Citi Research estimates could be oversupplied by as much as 28m tonnes of LNG by 2018, the last thing the industry needs is a flood of cheap Iranian gas to come on stream. Iran's oil minister, Bijan Zanganeh, has already said that he wants to see his country exporting gas to Europe. But for that to happen the country will first need to attract the investment of international oil companies to build the giant facilities capable of freezing the fuel to a liquid before it can be loaded onto tankers.

Even if partners can be found once sanctions are lifted, it would take at least five years to build the infrastructure that would be required for Iran to export LNG on a global scale. However, Iranian gas would have the advantage of being relatively cheap to produce and export when compared with the highly expensive deep-water projects in Australia.

For companies such as Shell, which are betting their future on natural gas, the start of a race between Qatar and Iran to exploit their vast resources could be disastrous. The Anglo-Dutch company and shareholders are poised to commit £47bn to buy BG Group, increasing its exposure to LNG in the long term. Shell has already pulled back on some of its plans for further LNG investments by recently ditching a new \$20bn scheme in Queensland, Australia.

If Iran does open up – and provoke Qatar to lift its moratorium in response – then LNG prices will fall even further, despite forecasts that demand will increase by 5pc annually through to 2025. Given the market's obsession with the impact of weaker crude prices on international oil companies, it is perhaps gas and Iran's ambitions to supply LNG which are a bigger worry. (October 8, 2015)

10/12/2015

NORWAY:

Statoil squeezing more gas out of North Sea

Norwegian energy company Statoil said it may be able to boost recovery rates from the Gullfaks gas field in the North Sea using a novel cost-effective solution.

Statoil and its partners at the Gullfaks field in the North Sea started what they said was the first wet gas compression process on the seabed. Subsea compression gives companies more maneuverability in terms of gas processing and above-ground infrastructure.

When testing the process in mid-2015, Statoil said the compression method could extend the production plateau at Gullfaks by about two years.

"The recovery rate from the Gullfaks South Brent reservoir may be increased from 62% to 74% by applying this solution in combination with other measures," Kjetil Hove, a senior vice president for the operations at Statoil, said in a statement.

Statoil said it already has measures in place to reach a 50% recovery rate.

Statoil submitted production plans to the government in July for early-stage developments at the Gullfaks region in the North Sea, which the company said could add another 18 million barrels of oil equivalent to net Norwegian production.

Subsea compression could add another 22 million barrels of oil equivalent to Gullfaks output.

Norway is among the leaders in gas production and deliveries to the European economy. (October 12, 2015)

10/13/2015

TRINIDAD AND TOBAGO:

Trinidad faces 'unabated decline' in gas, oil reserves and production

Trinidad and Tobago is facing an "unabated decline" in its oil and gas reserves and production, and the country must act quickly to revive the industry, T&T's new energy minister, Nicole Olivierre, said Tuesday in a speech to the Energy Chamber of Trinidad and Tobago.

So far this year, oil production is about 81,000 b/d, the "lowest level ever in this country," Olivierre said, while natural gas production averages 3.86 Bcf/d. Gas production peaked in 2010 with production of 4.3 Bcf/d and production of oil and condensate averaged 98,100 b/d in 2010, she said.

"There is need to reinvigorate the industry to accelerate production, to build back reserves and to provide the certainty of gas supply to domestic industry to enable it to move from the current short term planning to a longer horizon," said Olivierre, who was appointed energy minister last month.

The oil production decline stems from a lack of new discoveries and a reduction in condensate production, she said. With the exception of the lease operators, oil production has been stagnant, she added.

Trinidad and Tobago's state-owned Petrotrin, which owns the rights in the most prospective land and marine acreages, "has failed to engender any significant increase in production in its portfolio," Olivierre said. "It is therefore time to take a serious look at Petrotrin to determine its capability to effectively exploit its hydrocarbon resources." A new board overseeing the company will assess Petrotrin's capability and chart a way forward, "understanding that the country cannot wait forever for the company to get its act together," Olivierre said.

Petrotrin, which runs the nation's 168,000 b/d Pointe-a-Pierre refinery, has been struggling to cope with lower oil and product prices and decreased production.

Regarding the gas situation, including ongoing supply shortfalls that have negatively impacted the nation's LNG production, the government plans to focus on alleviating the imbalance between the supply and demand for gas, Olivierre said.

"At present, the industry is characterized by inadequate supply which has led to short-term contractual arrangements and a state of uncertainty, given that the contracts between the upstream operators and [National Gas Co.] are due to expire over the period 2015 to 2018," she said.

"Accordingly, I have instructed NGC to take immediate steps to expedite these negotiations and complete in the earliest timeframe," she said. "This should provide a level of comfort and certainty to the domestic gas based industries in relation to the gas available from existing reserves." (October 7, 2015)

10/07/2015

UNITED ARAB EMIRATES:

UAE's Shah gas project attains full capacity

The Shah gas project in United Arab Emirates has reached full capacity, Reuters quoted a top official as saying.

"We have ramped up to full production, which is 1 bcf per day," Saif Ahmed al Ghaffli, chief executive of Al Hosn Gas, told reporters on the sideline of a conference in Abu Dhabi. Operations at the gas projects started earlier this year, the news agency reported Tuesday.

Al Hosn Gas is the joint venture between Abu Dhabi National Oil Company (Adnoc), which holds a 60% share and Occidental Petroleum which has the other 40% share.

The project is designed to process approximately 1,000 MMSCFD of feed gas. The main processing facility will consist of the gas treatment facilities, Sulphur Recovery Units, Utilities and Off-sites including main control room and plant buildings.

UAE plans to invest \$35 billion dollars to diversify energy sources and reduce dependence on imports of natural gas to generate electricity, Suhail bin Mohammed Faraj Faris Al Mazrouei, Minister of Energy said Sunday. He said the UAE will aim to reduce its dependence on imported natural gas from current 100% to 70% by 2020-21. (October 6, 2015)

10/07/2015

TRANSPORT - DISTRIBUTION

INDIA:

GAIL India unlikely to put more than 10% equity in TAPI pipeline

India is unlikely to take more than 10 percent stake in Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline project considering the associated with the project, reported Press Trust of India Monday.

"Turkmenistan's state-owned TurkmenGaz will be the leader of the consortium and will take a minimum 51% stake. India will be represented by (state gas utility) GAIL India," a senior government official said.

TurkmenGaz was selected as the TAPI pipeline consortium leader in August.

According to the official, GAIL is willing to put in 10 percent equity as the company feels the project has inherent security and geo-political risks as it passes through some of the world's most dangerous places.

The 1,800-kilometer TAPI natural gas pipeline will export up to 33 billion cubic meters of natural gas a year from Turkmenistan to Afghanistan, Pakistan, and India over 30 years. (October 4, 2015)

10/05/2015

LITHUANIA:

New Lithuanian gas pipeline to be kick-started

The new gas pipeline between Lithuania's Baltic seaport Klaipeda and Kursenai (Kiemenai), a settlement in the northern part of the country, will speed up the LNG flow from the country's LNG terminal in Baltic seaport Klaipeda to neighboring Latvia, which Gazprom-controlled national gas company was forced to allow foreign gas exports. **The 64 million euro 110-kilometer pipeline completed over a record-short time will also allow the transportation of higher volumes of gas to domestic consumers.** But experts warn that Lithuanian officials are mum of the price that Lithuania will be paying both figuratively and literally.

New gas pipe will hike gas delivery capacity

Seen as a new milestone in the Baltics' energy independence, the new 800-mm diameter pipe will enable Lithuania's gas system operators to significantly boost gas delivery capacities domestically and abroad, as the old 300-mm in diameter pipeline could accept only up to 40 percent of the gas volume.

The new pipeline, finished over a record-short course of two years and three months has nine line block valve sites, two intelligent in-line inspection tools and four cathodic protection stations.

With the new pipeline expected to be launched at the end of the year, Amber Grid, the pipeline administrator, will be able to start supplying LNG 24-hours a day. Fully integrated into Lithuania's natural gas transmission system, it is expected to 100% satisfy the Lithuanian gas needs and cover over 80% of the Baltic region's annual gas demand.

"The pipeline will secure gas supply security, increase competition in the gas market and provides a possibility to employ the Klaipeda LNG terminal capacities at the fullest," Rokas Masiulis, the Lithuanian Energy minister told. "From now on, any gas consumer in the Baltics gets a possibility of obtaining the gas from the terminal. In other words, the pipeline along with the terminal opens access for Baltic gas consumers to the global gas market."

Saulius Bilys, AB Amber Grid director general, also notes that the gas conduit will "significantly" boost the gas transmission capacities from Klaipeda LNG terminal to the Lithuanian-Latvian border.

"No any other state-supported natural gas infrastructure object has been built so rapidly, organized and efficiently as this one," the CEO praised the project.

Agreeing on the project's importance, the European Commission has allotted 27.6 million euros for its implementation.

High significance amid developments in Latvian gas sector

The laying of the pipeline is particularly important amid the changes in neighbouring Latvia's gas sector.

With the European Union exempting Latvia until 2017 from EU's 3rd Energy Package requirements, which envision unbundling supply, distribution and management of energy resources, Latvia, where Gazprom co-owned Latvijas Gaze retains until then the grip on the country's gas network, has been as if a splinter in the region's liberalized gas sector.

"With the situation in Latvia, our possibilities to get access to the Latvian gas system, including the underground gas repository in Inchukalns, were limited and opaque until now...But things started changing a year ago when Latvia's sector players submitted new rules for the gas sector," says Dominykas Tuckus, director general of JSC Litgas, Lithuania's natural gas supplier and trader.

In September 2015, Council of Latvia's Public Utilities Commission has approved the "Rules on the Use of Natural Gas Transmission System" and the "Rules on Use of Inchukalns Underground Gas Storage Facility", which lay down the procedure how users are provided with system services including the specification of entry and exit points of the transmission system in the territory of Latvia and towards cross-border connections.

In other words, it means that Latvian consumers can choose from now on their natural gas supplier and third parties can get access to the gas transmission and storage network, now controlled by Latvijas Gaze.

Referring to the exemption valid through 2017, it urges to stick with the legislation and demand to scrap the new regulation.

Although the company mulls legal actions, it is very much in doubt whether a Latvian court will heed the complaint under the new circumstances in the national gas sector.

With the legislative hurdles for gas export removed, now all boils down to the gas price Lithuania can offer Latvia.

"Technically, the infrastructure is here. We have a very important pipeline that physically will ensure all the capacities that are necessary towards the Latvia direction. Now it's all about the prices, because prices are an important factor. We need supplies with a competitive rate and that is so far the issue, Dana Reizniece-Ozola, the Latvian minister of Economy, admitted recently when visiting Klaipeda.

Lithuanian officials skip the topic of price

Lithuanian officials are eager to praise the new gas export possibilities, but reluctant to speak of the price, though.

Mantas Dubauskas, advisor to the Lithuanian Energy Minister, was opaque when asked by Natural Gas Europe what the gas price to Latvia might be.

"You see, not only Litgas will be able to sell the gas - other sellers can use the terminal obviously, too, and come with their gas suppliers, certainly. And if it comes at some point to sale of the Norwegian gas we deposit in the facilities, the price will be up to negotiations," the advisor told. He added though: "However, it is still has to be cleared whether Litgas can resell

Norwegian gas."

Always straightforward Vidmantas Jankauskas, a former chief officer in Lithuania's National Commission for Energy Control and Prices, now a lecturer and sought-after energy expert, told Natural Gas Europe that Lithuania, so far, has not another choice than rely on the Norwegian gas supply.

"What is good about the pipeline is that it will provide access to Latvia's Inčukalns underground gas repository," says Jankauskas. "This is especially important in summer, for example, when there's LNG surplus and essentially no one needs then gas from the Klaipeda terminal," the expert underlined.

Otherwise, he insists, there is "nothing particularly good" about the pipeline.

"It will definitely hike the LNG terminal support costs and they will be added, in one way or another, to the gas consumers and heat users' bills. Few speak about it now," Jankauskas told.

Speaking of the price, Latvians, he has no doubt, will be buying Klaipeda LNG terminal's LNG "way cheaper" than Lithuania pays Norwegians.

"Now their price is around 50 percent higher than that of Gazprom," he says.

He also brings attention to the proposed amendments to Lithuanian Law on Liquefied Natural Gas Terminal, which he says, were "shrewdly proposed in summer" when the legislators are more preoccupied with their vacation more than anything else.

They envision that both power producers and gas consumers -even low-end gas consumers - will have to bear the price burden on their shoulders.

"Tersely, with the LNG support costs higher, the bills will be edging up, too,"- the expert says.

"Latvia and Estonia must be all over the moon"

Although the amendments are yet in the drawers, but they will undoubtedly go into force, Jankauskas does not hesitate: "Again, it will be done arguing that the country's LNG terminal is guarantor of Lithuania's energy security. Getting Latvians on board is a boost for the project, but I don't hear anyone talking about the price," Jankauskas emphasized.

The amended law also foresees that Achema, the Baltic country's largest gas guzzler, will be paying not for the actual LNG consumption from the enactment, but for the gas consumption capacity.

Lithuania consumes around 3 billion cubic meters of natural gas yearly, and nearly half of it- 1.3 billion cubic meters of gas, to be precisely- is used by the fertilizer producer, Achema.

"So, again, at the end of the day, the legislative changes aim to support the terminal and FSRU facility at any cost. I kept repeating from the start that, economically, the project is not viable," the expert said. "It could have been such if it had been developed as a regional project."

The Lithuanian lawmakers are expected to vote on the amendments yet in October.

They will also remove legislative obstacles for Klaipeda LNG sales to any purchaser abroad.

"Politically, to get Latvia on the buyer list seems to have been more important than anything else, including the gas price Lithuanian intends to sell the gas for," Jankauskas told.

He paid attention that Lithuania talking about the gas interconnector with Poland, GIPL, has hinted that it would like to see other countries benefiting from it to be paying "interconnector utility tax."

"With the same token, we perhaps should ask Latvia to pay it, too but, because of the "energy politics", it is out of question, obviously" the expert said. "I am sure that Estonians and Latvians are over the moon and will thank Lithuania eternally that their energy security has come to them at no cost to them. Lithuania is paying the bill alone," the Lithuanian expert insisted. (October 8, 2015)

10/08/2015

EUROPE:

Nord Stream celebrates milestone

Nord Stream has celebrated having transported 100 billion m3 of Russian natural gas to the European Union. The pipeline's transport capacity of 55 billion m3/yr can provide more than 10% of the current gas demand in the EU, making Nord Stream a key part of the European supply infrastructure.

"This milestone was reached due to the commitment and vision demonstrated by the Nord Stream team and our shareholders, through all phases of the project", says Matthias Warnig, Managing Director of Nord Stream AG, "Natural gas demand is projected to grow, yet EU's gas production is rapidly declining. The EU needs access to additional gas imports in a secure, environmentally sound way and under sensible economic conditions. Nord Stream is making a major contribution to meet these import requirements, yet more is needed in the future. I look forward to the next 100 billion m3 milestone."

Construction of the twin pipeline system began in April 2010, and was completed with the inauguration of the second line in October 2012. Nord Stream will constitute a reliable supply of Russian natural gas to Europe for at least the next 50 years. (October 7, 2015)

10/07/2015

RUSSIA:

Russia gas link plan will hurt East EU security

Russia's push to expand a natural-gas pipeline that circumvents Ukraine would undermine energy security in eastern Europe, according to European Commission Vice President Maros Sefcovic.

The commission is analyzing the legal and political implications of the Nord Stream-2 project, which export monopoly Gazprom PJSC is pursuing with western European companies ranging from Germany's EON AG to Paris-based Engie. The EU's regulatory arm needs, among other things, more details on the justification for the expansion given that the existing infrastructure uses only around half of its capacity, according to Sefcovic, who oversees the bloc's energy policies.

"We need to know if there is some kind of intention to close down the Ukrainian transit, what this project may mean for Ukraine and central Europe," Sefcovic told a conference on Thursday in Sopot, Poland. "The eastern European countries will clearly have their energy security decreased."

The planned expansion of pipelines carrying Russian gas to the EU drew criticism earlier this year from east European nations including Slovakia and Poland. The project hurts EU cohesion and weakens the bloc's Energy Union strategy aimed at integrating the region's gas and power markets and ensuring adequate supplies, a group of Polish members of the European Parliament said in a written question to the commission last week.

Gazprom, EON, Engie, Royal Dutch Shell Plc, OMV AG and BASF SE signed an agreement in September to expand Nord Stream by 55 billion cubic meters a year, which would double its capacity to almost 30 percent of current EU demand. Ukraine, struggling to avoid a default amid a conflict with Moscow-backed separatists in the country's east, would be deprived of \$2 billion a year in transit fees while Slovakia would lose hundreds of millions of euros, according to the leaders of the two nations.

Russia currently ships about a third of its Europe-bound gas via Ukraine, down from about two-thirds in 2011, when the Nord Stream pipeline under the Baltic Sea started supplying Germany directly. Eastern members of the EU suffered shortfalls at least twice in the past decade during price spats between the two former Soviet partners.

Nord Stream-2 is set to start deliveries in 2019, when the current agreement between Russia and Ukraine on gas transit ends. Gazprom head Alexey Miller said in June that Russia is ready to discuss a new contract with Ukraine once the current one expires.

While the new route under the Baltic Sea won't need any approval from the commission, the onshore links connecting the pipeline with the region's network will need to comply with EU laws on energy markets. Gazprom is currently able to use only half of a pipeline called Opal in Germany that's linked to Nord Stream because European rules require access for competitors.

"We hope very much that the European Commission will not put a spoke in our wheel but, on the contrary, will support us," Gazprom deputy head Alexander Medvedev said in an interview on Tuesday. (October 1, 2015)

10/02/2015

NORWAY:

Statoil completes final stretch of Polarled natural gas pipeline in Norwegian Sea

Statoil has laid the last pipe in the 482.4km-long Polarled Pipeline at Aasta Hansteen field, at a 1,260m depth in the Norwegian Sea.

The 482.4km long Polarled Pipeline crosses the Arctic Circle and opens up a new route for gas from the Norwegian Sea to Europe.

Laid by pipelaying vessel 'Solitaire' from Allseas, the pipeline extends from Nyhamna in Møre og Romsdal to the Aasta Hansteen field and will have a capacity of up to 70 million standard cubic metres of gas per day.

Statoil projects head Torger Rød said: "The original investment budget for the pipeline project was Nkr11.1bn. We now expect an investment level of around Nkr7.5bn.

"This is due to good planning, good market knowledge and good execution, and the fact that we could combine several large projects when we went to the market and negotiated for pipes and vessels. Based on this, we were able to achieve favourable conditions in the market with regard to capacity and price."

According to Statoil, the pipelaying work began in March. Comprising more than 40,000 pipes, each pipe is 12m in length.

Initially, the pipeline will be used to transport only the gas from Aasta Hansteen field.

Statoil marketing, midstream and processing business area asset management head Grete Haaland said: "Tying in a new Norwegian Sea area to the gas transportation network Polarled will be an important link for further gas export, thus strengthening Norway's position as a reliable supplier to the European gas market."

The new 480km gas pipeline from Aasta Hansteen to Nyhamna in Møre og Romsdal county, Polarled, aids the development of Aasta Hansteen and other fields in the Norwegian Sea. (September 30, 2015)

10/01/2015

TANZANIA:

Tanzania inaugurates China funded gas pipeline

Tanzania on Saturday officially inaugurated a 535-kilometer China funded gas pipeline, reported Xinhua.

The pipeline built with a \$1.33-billion concessional loan from the Export-Import Bank of China transports natural gas from Tanzania's southern region of Mtwara to Dar es Salaam. Construction started in June 2013 and was undertaken by China Petroleum Technology and Development Corporation, a subsidiary of China National Petroleum Company.

The Chinese firm has also constructed a natural gas processing plant at Madimba in Mtwara region, Xinhua said.

The Tanzania Petroleum Development Corporation Director General, James Mataragio, said the pipeline has capacity to **transport 210 cubic feet of natural gas a day from Msimbati in Mtwara to Kinyerezi in Dar es Salaam.** (October 11, 2015)

10/12/2015

SUPPLIES - IMPORTS - EXPORTS

UKRAINE:

All key gas traders in Europe show interest in Naftogaz's tender to buy gas using EBRD's funds

A tender to buy natural gas by national joint-stock company Naftogaz Ukrainy in Europe on the western border of Ukraine using the three-year revolving loan of \$300 million issued by the European Bank for Reconstruction and Development (EBRD) has aroused the large interest of potential sellers, Deputy Finance Minister Artem Shevlev has said.

"All key European traders are participating in the tender process under the EBRD rules, where the re-qualification was started last week," he wrote on his Facebook page from London where he took part in a meeting of the Board of Directors of the bank on the approval of the loan facility.

Shevlev said that a very ambitious action plan for corporate governance at Naftogaz which is being implemented jointly with the World Bank and the EU is linked to this financing.

The Finance Ministry said that the loan agreement would be signed next week.

As reported, the re-qualification for the tender to buy gas in the period from October 2015 to January 20, 2016 was announced on September 18 and will last until October 2. (October 1, 2015)

10/02/2015

ETHIOPIA:

Ethiopia to export gas by 2018

Ethiopia will export natural gas within the next three to five years, the government's mines minister Tolossa Shagi told the Associated Press.

Chinese upstream operator China Poly Technology has invested almost \$5 billion in the country, following its discovery of about 133 bcm (4.7 tcf) of gas, the company said to the state news agency. China Poly will build a pipeline connecting the feedstock in the southeastern region of Ogaden to Djibouti, where the gas can then be exported.

Shagi projects the country will earn more than \$1 billion annually from gas exports, once operations are on line. (October 2, 2015)

10/05/2015

RUSSIA:

Gazprom seeks further business in South East Asia

Gazprom has announced that Alexander Medvedev, the Deputy Chairman of Gazprom, and Elena Burmistrova, the Chief Executive of Gazprom Export, will promote Russian gas to emerging gas markets in South East Asia when they speak at the Gastech Conference in Singapore in October 2015. They will be joined by other Russian executives, such as Gazprom's Executive Director for Oil, LNG and Shipping, Frédéric Barnaud, who will initiate discussions with these new markets, following tension in Russo-European relations.

Russia's potential gas sales agreement with China would also see two sets of pipelines deliver 68 billion m3 of gas annually, which would, based on 2014 figures, represent approximately 38% of China's total gas demand. Nonetheless, this is not guaranteed, so Gazprom is keen to promote gas sales at Gastech. (October 2, 2015)

10/05/2015

RUSSIA - AZERBAIJAN:

Gazprom starts gas supply to Azerbaijan

Russia's Gazprom has started the supply of 6 million cubic meters per day of gas to Azerbaijan as of September 29, according to a report from Ria Novosti today.

Neither Gazprom Export LLC, or Azerbaijan Methanol Company (AzMeCo) which entered into a deal on September 11th, 2015 officially confirmed report.

The Russian based media reported that under the recent five-year deal, Gazprom would supply up to 2 billion cubic metres of gas per year to Azerbaijan with the possibility of extension.

The report added that "the imports of Russian gas will meet the additional domestic natural gas needs of Azerbaijan due to economic growth".

Russo-Azeri gas trade commenced in October 2000 when Azerbaijan started gas imports from Russian company Itera. Gazprom provided deliveries to Azerbaijan from 2004 to 2007.

Azerbaijan stopped gas import from Russia in the beginning of 2007, following the commencement of Shah Deniz Stage 1 project.

Then, SOCAR started gas export to Russia from 2010 to early 2015.

Azerbaijani gas exports to Russia reached 1.37 billion cubic meters per annum (bcm/a) in 2013, but plunged to 0.206 bcm/a in 2014. (October 1, 2015)

10/02/2015

IRAN - ARMENIA:

Iran ready to increase gas exports to Armenia

Iran is ready to increase natural gas exports to Armenia, head of Iranian gas export company said on Sunday.

His remark came after a meeting between Iranian Oil Minister Bijan Zangeneh and Armenian Minister of Energy and Natural Resources Yervand Zakharyan in Tehran, Press TV reported.

The pipeline connecting Armenia and Iran is capable of transmitting more than six million cubic meters of natural gas per day, but is currently taking only one million cubic meters of gas, he said.

"Since necessary infrastructure is lacking in Armenia, the country is currently unable to take full advantage of the capacity of the pipeline," Kameli said.

Minister Bijan Zangeneh also said that the matter was discussed during the meeting with Armenian official.

He added that Iran's First Vice President Es'haq Jahangiri has been invited by the Armenian Prime Minister Hovik Abrahamyan to pay a visit to the country in the near future. (October 5, 2015)

10/05/2015

UKRAINE:

Naftogaz to lose monopoly as gas supplier and seller after law on gas market takes force on Oct 1

When the law on the gas market takes effect on October 1, 2015, national joint-stock company Naftogaz Ukrainy will lose its monopoly as a natural gas supplier and seller, Ukrainian Prime Minister Arseniy Yatseniuk has said.

"Naftogaz is losing its monopoly, both in supplies and sales of natural gas. We're actually building the fully European demonopolized system of the natural gas market where suppliers defines themselves to whom sell gas and buyers defines themselves from whom buy," he said at a cabinet meeting in Kyiv on Wednesday. (October 1st, 2015)

10/01/2015

RUSSIA - UKRAINE:

Russia resumes gas supply to Ukraine

Russia's gas monopoly Gazprom resumed supplies to Ukraine Monday, in a development that will help the country meet its energy needs through the harsh winter months.

Gazprom CEO Alexei Miller said supplies, which were suspended in the spring, recommenced earlier after the company received **\$234 million out of a promised \$500 million prepayment from Kiev.**

The deal, which was signed last month with the help of the European Union, will ensure that Ukraine will receive Russian gas for six months through March 2016.

Past gas disputes between Russia and Ukraine have led to cutoffs of supply. One standoff in 2009 caused serious disruptions in shipments EU countries in the dead of winter. Temperatures in Ukraine can drop to as cold as -4 degrees Fahrenheit (-20 degrees Celsius) in winter, and most homes in Ukraine rely on piped gas for central heating.

Last winter, Russia and Ukraine struck an emergency deal on gas prices, but that expired.

EU-sponsored talks seeking a similar accord for the coming winter began in March. **Under the deal, Russia lowered the price it charged Ukraine to the same level granted to neighboring countries, from \$251 per 1,000 cubic meters to about \$230.**

The European Commission has pledged at least \$500 million of aid to Ukraine for the gas supplies.

Russia's annexation of Crimea from Ukraine and its support for separatist rebels in the east soured relations between the two countries. Ukraine has since been trying to cut its dependence on Russia gas, buying shipments from European nations which had bought it from Russia at a lower price. (October 12, 2015)

10/12/2015

RUSSIA:

Russian gas major Gazprom reviews its export projects

Russian gas major Gazprom is reviewing its projects on gas export to the European Union. The company has reduced the project capacity of Turkish Stream natural gas pipeline to the benefit of the 3rd and 4th lines of Nord Stream (Nord Stream 2 project), its Chief Executive Officer Alexey Miller said at a gas forum in St. Petersburg. Gazprom also does not rule out shifting Turkish Stream project for a year, and is preparing tenders on Nord Stream 2 project.

North prior to south

The virtual capacity of Turkish Stream pipeline will **total 32 bcm of gas instead of the earlier planned 63 bcm**. Gazprom CEO said construction of only 2 lines of the pipeline is now being discussed. According to Miller, Turkish Stream capacity has been reduced due to construction of Nord Stream pipeline.

"The decision is related to the agreements with our European partners on construction of Nord Stream-2," he said. "In this regard we took a look at total gas needs of the European market, at streaming charts and now we see that it is not necessary to build a gas pipeline with the capacity of more than 32 billion cubic meters a year in the southern direction. These are two lines," Miller said.

No time crunch

Gazprom still hopes to enhance talks on Turkish Stream with government of Turkey though the company does not rule out the timeline of the project's implementation may be shifted. Gazprom CEO said the text of the Russia-Turkey intergovernmental agreement on the 1st line of the pipeline is ready while the 2nd line is now being negotiated.

Nevertheless, the company does not consider shifting of the timeline of the project's implementation for a year as a serious problem.

"It's no big deal if it /the project - TASS/ is shifted for a year," Gazprom Deputy Chairman Alexander Medvedev said, adding that the date of the intergovernmental agreement's signing does not depend on Gazprom.

"Formation of the government /of Turkey/ will take some time and it's difficult to fix upon," he added. On October 6, Miller said the project faces no political risks.

All proceeding as planned

Implementation of Nord Stream 2 project, which stipulates construction of 2 lines of the pipeline with **total annual capacity of 55 bcm from Russia to Germany across the Baltic Sea** in addition to 2 lines already in operation, is going within the schedule, Alexander Medvedev said. The company is already preparing a pipeline tender and plans to hold a tender among pipe-layers.

"We are within the schedule. We are preparing a pipeline tender. Next year we will hold a tender among pipe-layers," he said.

The technical concept of Nord Stream 2 will be similar to that of Nord Stream 1, Gazprom CEO said earlier. The project does not fall within the European regulation as gas will be supplied to European companies solving the problem of the Third Energy package limitations.

New market challenges

In a move to meet new market challenges Gazprom is developing mechanism of exporting gas at auctions. Alexey Miller said the company plans to hold its **second auction for gas exports in December of 2015 /first auction was held in September 2015, 1.23 bcm of gas were sold for 250 mln euro**.

Miller also did not rule out that future auctions will include gas volumes with expiring contracts. "As of now we are thinking about additional volumes, although we also think about the volume with contracts that will expire soon," Miller said.

Gazprom will increase gas offer at auctions in **2016 to 6 bcm**. Also, the company plans to expand the geography of gas supplies. According to Alexander Medvedev, Gazprom will hold a gas auction in **January-February of 2016 for the delivery starting from April 2016 through March 2017**.

"We will hold an auction in January-February. We will offer greater volumes than we did this year. The time of delivery will be increased possibly up to a year - from April 2016 through March 2017," Medvedev said.

He added that the company does not plan to decrease gas supplies to Europe.

"Export volumes are substantially higher - **159-160 bcm versus 146.3 bcm**," he said. According to Medvedev, Q2-Q3 supplies "are substantially higher.". (October 7, 2015)

10/08/2015

PRICE

NETHERLANDS - EUROPE:

Plummeting Dutch gas output can't stop European price slump

Plummeting natural gas production from Europe's biggest natural gas field hasn't stopped prices sliding to a six-year low at the start of the winter heating season.

Output in The Netherlands, the European Union's biggest gas producer, slipped 58% from a year earlier in May to the lowest level since at least 1982 as extraction was capped at its Groningen field to prevent earthquakes, data from the nation's statistics office show. Gas in the UK, the region's biggest market, is trading at a six-year low and may fall another 8% this winter amid near-record storage and more imports, Bloomberg New Energy Finance said.

Increased shipments through pipelines from Norway and Russia and by ship from Qatar have helped Europe refill its gas storage sites at the fastest rate since at least 2009. That means the market has taken lower output from the Netherlands, which supplied 14% of the European Union's gas last year, "in its stride," according to Barclays Plc.

"With Groningen production expected to be particularly low this fall, we expect imports to continue to be called upon," BNEF analysts led by Meredith Annex said in a Sept. 28 research note. "Prices will remain depressed throughout the winter due to the combined effect of cheap oil-indexed Russian gas, weakening global LNG market fundamentals and high storage volumes."

Winter natural gas in the UK rose 0.3% yesterday to expire at 42.51 pence per therm (\$6.43 a million British thermal units) on the ICE Futures Europe Exchange, paring this year's loss to 20%. That was the lowest price for the time of year since 2009 for a contract for the six months through March.

January gas will fall to about 40 pence a therm in a mild winter to stimulate demand in power generation, BNEF said. The contract fell 0.6% to a record 43.2 pence a therm by 8:42 a.m. in London. Temperatures across most of Europe will be near normal in October, rising to warmer than usual in November, according to MDA Weather Services.

Buyers in Europe are sourcing more fuel from Moscow-based Gazprom PJSC, the supplier of about a third of the continent's gas, after crude's collapse fully filtered into oil-linked contracts this quarter. An EU-brokered agreement Friday to ensure Russian gas supplies to Ukraine for the six-month period from Oct. 1 has reduced risks that westward-bound flows will be disrupted, as they were during similar disputes in 2006 and 2009.

On top of that, lower demand for LNG in Asia has diverted cargoes to Europe, where spare capacity and liquid hubs can absorb cargoes searching for homes even with no additional demand. LNG imports into northwest Europe rose more than 60% year-to-date, and the arrival of more super-chilled fuel to global markets from Australia to the U.S. next year means the wave will continue, Barclays said in a Sept. 7 research note.

"We will see more LNG coming in," Thierry Bros, a European gas analyst at Societe Generale SA, said by e-mail Sept. 28, adding that he doesn't expect Russia and Norway to flood the region with fuel. The two nations, the biggest suppliers to Europe, will probably set a floor of \$6 per million Btu, he said last week.

The EU's 28 members pumped more than 51 billion cubic m (1.8 trillion cubic ft) into storage since mid-April, the biggest jump in the period since at least 2009, data from lobby group Gas Infrastructure Europe show. They contained 74.6 billion cubic m on Sept. 28, and are on course to match the record of almost 79 billion cubic m reached last year by the end of the injection season, according to BNEF.

Russia will probably boost supplies to Europe by 7% this year to 158 billion cubic meters, close to the 2013 record of 161.5 billion cubic meters, according to Gazprom. Norway has supplied an average of 284 million cubic m a day to Europe in the year to Sept. 28, up from 261 million a day in the same period of last year, according to data from Gassco AS.

"Everything at this moment suggests that we may see another winter of oversupplied gas," Elchin Mammadov, a European utilities analyst at Bloomberg Intelligence, said by e-mail Sept. 28. "Even with reduced production from Groningen, the risk of a gas shortage will be minimal." (September 30, 2015)

10/01/2015

EUROPE:

Six reasons natural gas prices are staying down

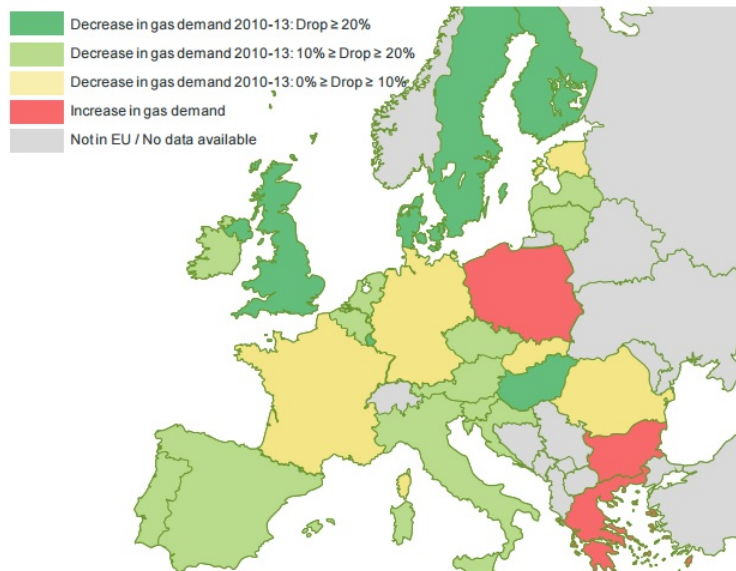
The critical natural gas transit country, Ukraine, reached a supply agreement in the last week of September with the EU's largest fuel supply partner: Russia.

One could argue that this agreement could actually have come too late. Natural gas supply to Europe heading into winter 2015 seems more secure than ever before, a sharp contrast to the icy winters of 2006 and 2009, in which Russia cut off natural gas supply to Eastern Europe over a conflict with the Ukraine. The following factors have turned the European natural gas market from a "beggars can't be choosers" into a true "buyers' market".

1. Declining European demand

In spite of the current surge in natural gas imports from Russia, Norway and Qatar (described in point 4 below), the IEA foresees a decline in European demand for natural gas because of a decline in 'thermal generation growth,' increased energy efficiency and the shift to renewables. Natural gas demand could, however, be partially rescued by a colder than expected winter or the accelerated shutdown of coal-fired electricity plants. The below chart demonstrates the fall in natural gas demand across the EU.

Figure 3: Evolution of gas demand between 2010 and 2013 across the EU



Source: Eurostat, E3G. Note: Missing data for Cyprus and Malta.

2. Better connected networks

After the 2006 and 2009 natural gas supply disruptions, the European Union decided to decrease its natural gas import dependence from Russia (ironically enough, natural gas imports from Russia are surging at the time of writing. More on that below) by improving its natural gas infrastructure. Ever since, over €50 billion (~U.S.\$55.8) was invested in 107 gas projects with one important goal: sharing energy resources. This sharing of energy resources can potentially limit the direct demand for natural gas on the short-term and therefore prevent a quick hike in natural gas prices.

3. First natural gas imports from U.S.

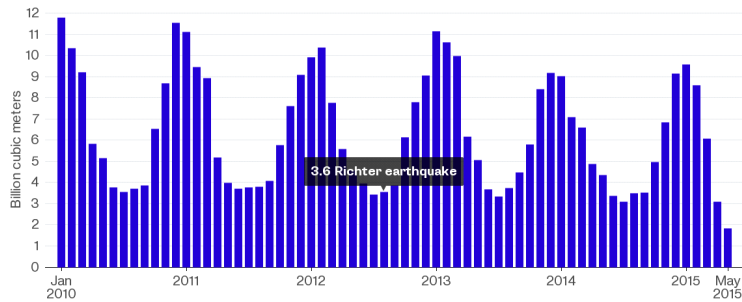
Another reason why natural gas prices in Europe are bound to remain subdued is the planned supply of U.S LNG to Europe. In an article on Oilprice.com on July 29, it was revealed that Houston-based Cheniere Energy is looking to supply European customers as of December 2015. Cheniere also plans to deploy a floating regasification terminal off the Croatian coast in order to supply Central and Eastern European countries. Even though Cheniere has admitted that its goal is not to 'squeeze out' the Russians, it is clear that the company aims for Russian market share in Eastern Europe.

4. Full storage

A massive production decline in Europe's largest natural gas field in Groningen, located in the north of the Netherlands could not stop European natural gas prices from sinking further. Natural gas imports from Russia, Norway and Qatar provided too much counterweight to lower Dutch output. On October 2, Russia's Gazprom reported a 23 percent year-on-year increase on exports to Europe of which most went to Germany (a 19 percent increase to 11.2 bcm) and Italy (a 6 percent increase to 7 bcm), and also Norway and Qatar have contributed to filling European storage sites. Currently, Europe is filling its natural gas stockpiles at the fastest rate since 2009. Full natural gas storage sites will slow the potential rebound of natural gas prices, as it will put a dampener on demand in the near future.

Dutch Gas Production is on the Wane

Government limited extraction after earthquakes near Europe's largest field



Source: Statistics Netherlands

Bloomberg

5. Low valuation of Ruble and low taxes

Russia's oil and gas producers have proven to be resilient and have shown firm production numbers throughout the current oil price slump. Two of the most important reasons for this are the low valued ruble and the low taxes that Russian oil and gas producers are currently paying to Moscow.

After a period of relative stability, the Ruble has again lost value against the U.S dollar, increasing profit margins for Russian oil and gas producers, enabling them to keep production up, thus increasing pressure on natural gas prices.

6. Oil indexed Russian natural gas prices

One of the main reasons for the natural gas stockpiling we are currently seeing (see point #4) is the low natural gas price European importers pay for Russian natural gas. The oil price slump has dragged natural gas prices down with it.

Pegging the price of natural gas to oil is nothing new. Already back in the 1960's and 1970's, European natural gas exporters linked the price of their natural gas oil prices in order to secure long-term infrastructure investments. However, with the so-called 'spot gas trading hubs' developed in the 1990's in The Netherlands, Germany and the U.K, the European Union is now accusing Russian natural gas exporters of breaching competition laws by selling their natural gas to oil indexed prices, giving them an unfair edge over European produced natural gas.

Cheap Russian oil-indexed natural gas bears an inherent risk for gas price dynamics. If Brent prices are to stay low (Goldman Sachs low), a rise in natural gas prices will be unlikely.

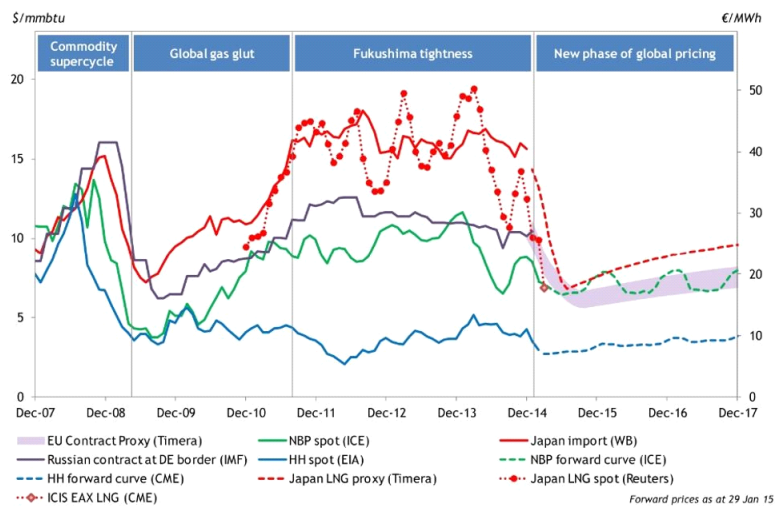
Consequences for natural gas prices

The shrinking European demand for natural gas and the firm supply from Russia, Norway, Qatar and now even the U.S will keep European natural gas prices low.

While European Union natural gas import prices equaled USD\$11,60 per MMBtu on 31 Jul 2013, and USD\$9.27 per MMBtu just over a year ago, EU natural gas import prices came down to \$6.95 per MMBtu last August.

At this point in time, it seems that only a demand surge or a sudden spike in oil prices can drive natural gas prices up above USD\$10 per MMBtu again.

The below bonus chart gives an overview of the expected trajectory for natural gas prices.



By Tom Kool of Oilprice (October 5, 2015)

10/06/2015

STORAGE

UNITED KINGDOM:

Force large suppliers to keep gas in storage, urges former minister

The UK's gas suppliers should be legally obligated to hold a certain level of gas in storage facilities to help guard against a gas supply shortfall in winters, a former Conservative energy minister has warned.

Charles Hendry told delegates at the Conservative party conference today that the government must intervene to help drive forward investment in gas storage facilities and maintain the UK's security of supply.

The UK's current capacity is dwarfed by larger facilities on the continent leaving the market exposed to price risk by relying on imports of LNG and pipeline gas as domestic North Sea reserves continue to dwindle.

However, falling gas prices coupled with a low seasonal spread between summer and winter gas prices mean that securing investment for large storage projects has been slow to come forward.

"I'm persuaded we need to put a legal obligation on the companies that supply gas they need to keep a certain amount in storage. That will drive forward investment in the new facilities which I think will be a central part of our security of supply," Hendry said.

Also at the conservative conference EUA chief executive Mike Foster said the need to tackle the problem of gas storage investment is one which he had raised with the previous coalition government.

"The argument was that it should be left to the market and the market has not delivered so there has to be some form of intervention, whether it's a legal obligation or cap and floor assurance mechanism but there is a need for gas storage," he said.

In August this year Gas Forum chief executive David Cox told Utility Week that new gas storage projects will remain "dead in the water" unless developers can convince the government to subsidise them.

Hendry added: "We need to change some of our strategies. France has 100 days [storage capacity], Germany has 120 - we have 13 to 14 days."

"This is not something we can leave to chance. In four of the last nine winters it's been too close for comfort and for reasons outside of Government's ability to control them," Hendry said.

Most recently the UK fell victim to dramatic price spike towards the end of winter 2012/13 when the country's main gas storage facility Rough was all but depleted, forcing short-term gas prices to rocket to near-record levels multiple times in March 2013. (October 5, 2015)

10/06/2015

CONSUMPTION

NIGERIA:

'Power plants consumed 139bcf of gas in seven Months'

A monthly report by the Nigerian National Petroleum Corporation has indicated that the thermal electricity generating plants in the country **consumed about 139 bcf of natural gas, out of the 934 bcf produced in the country.**

The report, which contains financial activities and operations of the NNPC from **January to July 2015, showed that out of the 934 bcf produced for commercial activities, 210 bcf was dedicated to meet the oil industry's supply obligation to the domestic market, with the power sector taking 139 bcf, leaving other sectors with 71 bcf.**

From this volume, the thermal plants received an average of **656 mmscf/d, to produce an average of 2,843 megawatts of electricity per day**, thus contributing an average of 84.8% generation capacity to the country's overall daily power generation volume.

A breakdown of the seven months gas supply to the power sector indicates that in January, 20.8bcf was allocated to the sector.

However, the volume dropped to 18.1 bcf in February; picked up to 20.8 bcf again in March; dropped again to 18.2 bcf, and further declined to 16.5 bcf in May, before picking up to 20.4 bcf and 24.4 bcf in June and July respectively.

Monthly daily supplies within the period also averaged 672 mmscf/d, 646 mmscf/d, 672 mmscf/d, 605mmscf/d, 533mmscf/d, 679 mmscf/d and 786 mmscf/d respectively.

However, the report noted that just about 14% of the total gas produced in the oil and gas industry was sent to the domestic market, leaving 43.5% and 42.5% for both the export market and non-commercialised gas.

From the non-commercialised volume, the report indicated that 475 bcf was reinjected; 87bcf used as upstream fuel while 161 bcf was flared to bring the total of non-commercialised gas within the seven month period to 723bcf, which was almost at parity with the exported gas.

According to the records of July as contained in the report, 7.3% was the flare rate in the month, with 43% of total gas production designated as non-commercialised gas.

"Out of the 255bcf of gas produced in July 2015, a total of 145bcf of gas was commercialised comprising of 35.4 and 110.1 BCF for the domestic and export market respectively. This translates to an average daily supply of 1,141mmscf/d of gas to the domestic market and 3,552mmscf/d of gas supplied to the export market," the report stated.

The report further explained that: "This implies that 57% of the total gas produced was commercialised while the balance if 43% was either reinjected, used as upstream fuel gas or flared. Gas flare rate was 7.3% for the month of July 2015, i.e. 607mmscf/d compared with the 2015 year-to-date average flare rate of 9.3% i.e. 759 mmscf/d."

It noted that from the 1,141 mmscf/d of gas supplied to the domestic market in July, about 786 mmscf/d, representing 68.9 per cent was used for gas-fired power plants while the balance of 355 mmscf/d or 32.1 per cent was supplied to other industries.

"Similarly, for the period of January-July an average of 991mmscf/d of gas was supplied to the domestic market comprising of an average of 656mmscf/d or (66.2 %) as gas supply to the power plants and 335mmscf/d or (34.8%) as gas supply to industries. About 3,122mmscf/d or 87.9% of the export gas was sent to Nigerian Liquefied Natural Gas Company for July 2015 compared with a 2015YTD average of 2,965mmscf/d.

Total gas supply for the period January to July 2015 stands at 210bcf and 724bcf for the domestic and export market respectively," the report added. (October 13, 2015)

10/13/2015

USE FOR POWER GENERATION

UNITED KINGDOM:

Blow to UK energy plans as new gas plant in doubt

The Government's plans to keep the lights on have suffered a fresh setback after it emerged the only new large gas power station due to be built in coming years is now in doubt.

Energy firm Carlton Power was awarded a subsidy contract by the Department of Energy and Climate Change last year to build a new 1.9 gigawatt plant at Trafford in Greater Manchester – big enough to supply power to 2.2 million homes.

The £800 million plant was due to start generating in October 2018, but Carlton Power told the Telegraph it could no longer meet that date – and had so far failed to secure financial backers for the project to go ahead at all.

Mike Benson, Carlton Power's business development director, said securing investment had proved "more difficult than we would have hoped" due to a combination of long-term policy decisions that had skewed the market, and uncertainty caused by recent cuts to wind and solar subsidies.

The Trafford plant had been supposed to begin construction this summer after getting a subsidy contract through the Government's 'capacity market'. The scheme is designed to ensure there will be enough power plants to keep the lights on by paying their owners to guarantee they will be available.

Carlton Power signed up to build the Trafford plant in return for subsidies of more than £30 million each year for 15 years. On top of the 'retainer'-style payment, it would then get revenues from selling electricity into the wholesale market.

Mr Benson said long-term political intervention through "continuing direct subsidies for low carbon technologies such as wind, nuclear and solar" skewed the wholesale power market, making the price artificially low and making it harder to invest in gas plants.

"Despite the widespread acceptance of the need for new gas fired generation, there is no market signal to support that investment," he said.

He added: "The recent changes in government support for renewables is an issue that concerns the investors we are talking to, as this demonstrates an increase in political intervention and uncertainty over the long term structure of the UK market."

If Carlton Power fails to secure investment for the Trafford plant by next summer its subsidy contract will lapse and it will face an £8 million penalty.

Ministers would then be left to make up any shortfall in electricity supplies for 2018 by offering subsidies to other plants, such as old mothballed coal or gas plants, or diesel generators.

Industry experts have been questioning for some time whether the Trafford plant would be commercially viable with the level of subsidy it agreed in the capacity market.

Last week the Telegraph reported warnings from Alan Whitehead MP, Labour's shadow energy minister, that some **20 gigawatts of new gas plants were needed by 2025** under the Government's own plans, and that much higher subsidies - totaling billions of pounds - would have to be paid through the capacity market to secure them.

There are more than a dozen proposed gas-fired plants with planning permission, but many have been on hold for years.

Richard Howard of think tank Policy Exchange estimated that gas plants could need subsidies at up to double the level secured by Trafford in order to go ahead.

Many existing gas-fired power plants are losing money currently.

Mr Benson said gas plants remained "by far the most economic form of large scale electricity generation".

The proposed Trafford plant's £800 million build cost compares with the £24.5 billion cost of the proposed new nuclear plant at Hinkley Point in Somerset, which would be 3.2 gigawatts - less than twice the size of Trafford. Gas plants have higher ongoing running costs once built, however.

Mr Benson said: "Trafford could deliver reliable and flexible electricity at a long term price of around £72 per megawatt-hour, compared with the £92.50 per megawatt-hour guaranteed to Hinkley."

Hinkley Point is also suffering delays. The plant was once due online in 2017 but is now not expected until 2024 at the earliest.

A spokesman for the Department of Energy and Climate Change said: "The capacity market is an energy guarantee, designed to ensure we have a secure supply of electricity in the winter of 2018/19, making sure the lights stay on whilst getting the best deal for bill payers.

"A further auction in 2017 will allow power stations to bid for any additional capacity that is required for that winter." (October 12, 2015)