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Inside

Letter From the Editor

Dear Reader,

This week, the first stone was laid in the Samsun Ceyhan crude oil pipeline project and an important step was taken by Turkey to become an energy corridor between North and South.

Another issue and another group of comments; this week's USAK's Energy Review is a little bit thicker than normal. Energy Review which has started as a test project is increasingly attracting attention. Some weeks we have 4 articles, in some weeks 10 to be published. So we are in one of those rich weeks. We selected a number of comments among submitted ones….

As always this week's review begins with our chief editor Rovshan Ibrahimov. This week he wrote the article " Turkmenistan, Russian Monopolist Gazprom and the EU".

Then there are five articles from Azerbaijan and they evaluate the current situation and the future of the region in the framework of energy politics,

The first one titled as "End of Russian Monopoly?!" was written by Mammad Aliyev,

The other one was penned by Muzhdat HASANOV and the name of the article is "EU's Nabucco Project, which is Definitely not a Dream",

"ExxonMobil's Investments in Azerbaijan" was penned by Naila Miraliyeva and discusses the companies activities in the region,

The last one; Azerbaijan in the National Energy Policy of the USA was written by Shahla B. Balakishiyeva and discusses the US politics in the framework of energy resource diversity,

This week Haluk Direskeneli continues his series of "10 Best" and he wrote "The best 10 Venue for Energy Conferences in Turkey" just before the Natural Gas Conference, which will be held in Ankara Sheraton on 3-5 May 2007,

Also I Hasan Selim Ozertem and Mr. Bora gives a summary of the week in energy markets in our comments,

I hope you enjoy this issue, until next week,

Best Regards.

Hasan Selim Ozertem , Editor

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www.turkishweekly.net/energy

energyreview@turkishweekly.net

ISRO House,
Suslu sok. No:2
Mebusevleri, Tandogan, Ankara, Turkey
Tel: +90 312 212 28 86 - 87
Fax : +90 312 212 25 84

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Turkmenistan, Russian Monopolist Gazprom and European Union

Rovshan Ibrahimov,

rovsen@azerimail.net

Chief Editor, USAK
Energy Review

Development of energy policy on the territory of Eurasia in the era of globalization reveals some interesting trends. One of the such trends is the dependency of stable development of the integration process within the EU from a neutral Turkmenistan. At first glance, this might seem unrealistic. But the reality is another.

On 23 April, President of Turkmenistan Gurbanguly Berdimukhamedov made his first official foreign visit to Moscow. For Russia and Turkmenistan, the major theme was cooperation in the energy sphere. President of Turkmenistan hopes to attract more foreign investment for the development of gas fields and construction of additional transport corridors for exporting the Turkmen gas to world markets.

Topic of buildig additional pipelines is also a hot issue in Russia; it wants new export routes to pass through its territory. It is no secret that Turkmenistan with the support of the EU is looking for alternative ways to transport Russia and primarily it was the Transcaspian gas pipeline. The parties have agreed to build a new Caspian pipeline. This pipeline will be held along the shore of the Caspian Sea on the territories of Turkmenistan and Kazakhstan, with the yield on the Russian territory. Construction of the pipeline was primarily due to the contract signed between Turkmenistan and Gazprom, under which the country was committed to until 2009 to 40 billion cubic meters of gas a year.

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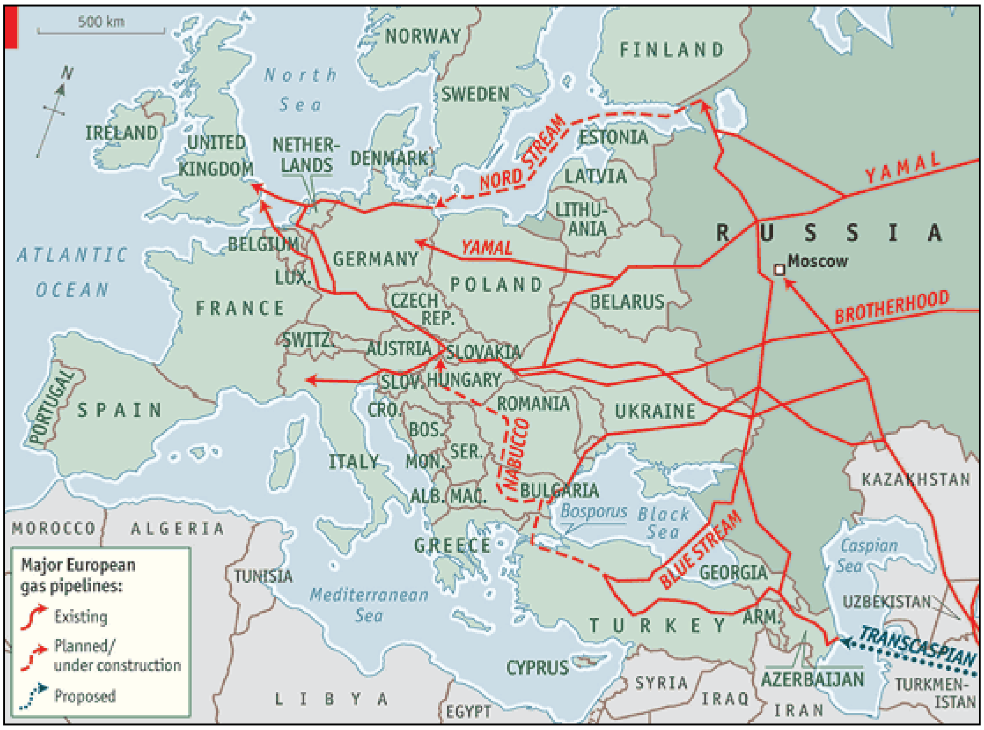

President of Turkmenistan Berdimukhamedov once again assured the Russian side that these commitments will be fulfilled. It may be recalled that Russia had rushed to secure the guarantee even during the visit of Prime Minister of Russia Fradkov in Turkmenistan at a ceremony to bid farewell to former President Saparmurat Turkmenbashi. Even then Berdimukhamedov said that the responsibilities of the treaty would be implemented.

Stable supply to the Russian giant is particularly important. Today Gazprom is a monopolist in the production and export of natural gas from Russia to Europe. Many countries in Europe are dependent on the supply of Russian gas. For example, Bulgaria offers to its market only Russian gas, and it covers up to 14% of energy needs of the country.

Stable supply to the Russian giant is particularly important. Today Gazprom is a monopolist in the production and export of natural gas from Russia to Europe. Many countries in Europe are dependent on the supply of Russian gas. For example, Bulgaria offers to its market only Russian gas, and it covers up to 14% of energy needs of the country. Russian gas accounts for more than 80% of total gas imports in Greece, 67% of the Czech Republic, 65% of Hungary, more than 60% of Poland. Note that with the exception of Greece, all the other countries are new members of the EU. Therefore, the entry of these States in the Union has grown the dependence on Russian gas EU as a whole.

However, the old EU members also depend on the supply of Russian gas and the relationship continues to grow. Thus 42% of the gas consumed in Germany comes from Russia. In Italy, it is equivalent to 30%, France 20%. After construction of Northern pipeline located on seabed of the Baltic Sea, dependence on the supply of gas to these countries will raise even more. Gazprom is also heavily involved in policy on the acquisition of the gas distribution networks in European countries. This will allow Gazprom to ensure access to the final consumer and thus provide a stable demand, and thereby increase the company's profits.

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With the increased responsibilities to its European customers, the need for additional volumes of gas for a stable supply. Currently gas from Gazprom is growing at 1-2% per annum. Gazprom has been reluctant to increase production and develop new fields. The basic policy of monopoly is not investment in exploration and production of gas and gas infrastructure acquisition in the European countries.

The development of promising gas fields like Shokman and Kovykty delayed because of the lack of investment, technology and infrastructure. The way out of this situation, Gazprom sees increase in the supply of natural gas from Central Asia. Along with Turkmenistan similar treaties were signed with Uzbekistan and Kazakhstan. Gazprom hopes to be able to meet obligations to export natural gas to European countries at the expense of imports from these countries. It is therefore necessary to ensure the stability of gas supplies from those countries. Otherwise, over the coming years, Gazprom may face a challenge to its exports of gas. That is why Russia rushed to secure the supply of natural gas from Turkmenistan.

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After the death of President Niyazov, the new government has already begun to search for alternative ways to export its gas to Europe. And that is why Russia has agreed to begin construction of the Caspian pipeline to provide additional guarantees for the import of gas from Turkmenistan. Western consumers of natural gas, are analyzing the current situation in the gas market, too, in turn, they are trying to secure the supply of natural gas from Russia. One of the tools for achieving this goal is to extend the contracts for the supply of gas from Russia to these countries. So in Athens, Greece recently signed a contract with Gazprom to extend the contract for the supply of gas from 2016 to 2040. Previous contracts extended France and Bulgaria till the 2030, Italy till 2017 until 2035, the same did also some other countries.

In doing so, in each case, Gazprom has the right to access to the end user in these countries. In Italy, in particular, Gazprom will sell end-user up to 3 billion cubic meters annually, and in France up to 1,5 billion cubic meters per year. Extension of these instruments was primarily due to be taken to guarantee the stable supply of gas to their markets in the case of a possible shortage of gas in Russia in the future.

In Italy, in particular, Gazprom will sell end-user up to 3 billion cubic meters annually, and in France up to 1,5 billion cubic meters per year. Extension of these instruments was primarily due to be taken to guarantee the stable supply of gas to their markets in the case of a possible shortage of gas in Russia in the future.

There was an interesting conversation created panic wave in connection with future projections. Stable supply from Russia into the European countries is dependent from stable supply from the Central Asian countries. And with a shortage of gas in Turkmenistan and Kazakhstan, or for those countries to alternative transportation corridors, it is feared that Russia might not meet its obligations to the Europeans.

It is an irony in the fact that in the case of constructing Transcaspian pipeline and connecting it to the Baku-Tbilisi-Erzurum gas pipeline and the planned Nabucco

If gas supplies to the Russian direction depends primarily Germany, France and Italy, the gas from Nabucco will come to Hungary, Romania and Austria.

pipeline, gas will come to European consumers who are not the same consumers receiving natural gas coming from Russia. At first glance may seem natural gas alternative for European countries, but in case of concrete country consumers from two different directions. If gas supplies to the Russian direction depends primarily Germany, France and Italy, the gas from Nabucco will come to Hungary, Romania and Austria. Even then, Hungary is expected to draft Nabucco, but prefers to support the project for the extension of the Blue Stream pipeline to its territory. Hungary considers it more real. But the Blue stream will be an alternative to the Nord Stream pipeline. So competition for Russian gas inside the EU can only grow.

The situation could become even more dramatic if the countries exporting natural gas to agree on the establishment of a gas OPEC and so natural gas from other parts of the world will be imported in agreement with Russia. In this case, competition within the European Union between the members of the organization will further deteriorate. The neutral Turkmenistan is clearly affects the stability of the EU.

Rovshan Ibrahimov, Chief Editor, USAK Energy Review
rovsen@azerimail.net

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Mammad ALIYEV
USAK Energy Review

memoaliyev@yahoo.com

End of Russian Monopoly?!

After realization of Baku-Tbilisi-Ceyhan (BTC) oil pipeline and South Caucasus Pipeline (Baku-Tbilisi-Erzurum pipeline) projects, Russia became very anxious. The monopoly status of Russia in the fields of oil and gas can come to an end. Moreover, the realization of Trans-Caspian Pipeline project can also harm to the Russian monopoly in the region.

With Turkey as a transit corridor, the gas could be piped to European Union member countries in southern and central Europe. The South Caucasus Pipeline constitutes the first leg of the Trans-Caspian Gas Pipeline (TCGP) project.

The aim of this pipeline is to transport Kazakh and Turkmen natural gas through Turkey to Europe. Baku estimates the construction costs at $5 billion for a pipeline with an annual capacity of 30 billion cubic meters that would run from the eastern Caspian shore, across the seabed to Azerbaijan, and further via Georgia into Turkey. With Turkey as a transit corridor, the gas could be piped to European Union member countries in southern and central Europe. The South Caucasus Pipeline constitutes the first leg of the Trans-Caspian Gas Pipeline (TCGP) project, integrating the Trans-Caspian gas pipeline with the Nabucco project (Turkey-Bulgaria-Romania-Hungary-Austria) by connecting the two planned lines near Erzurum.

The project of natural gas import from Turkmenistan through the submarine pipeline was suggested in 1996 by the United States. In 1999, the OSCE meeting in Istanbul issued a declaration of intent to construct a pipeline. However, because of complicated relations between Caspian Sea countries (particularly as a result of Russia's and Iran's opposition to the project), the unresolved legal dispute of the Caspian Sea boundaries and the gas discovery on Azerbaijan's Shah Deniz field, the submarine pipeline project was shelved since summer of 2000 and only the Baku-Tbilisi-Erzurum pipeline project was developed parallel to the Baku-Tbilisi-Ceyhan oil pipeline that recently entered service. Since January 2006, the TCGP project has been reactivated, probably also because of Russian gas disputes with some of its neighbours.

The unresolved legal dispute of the Caspian Sea boundaries and the gas discovery on Azerbaijan's Shah Deniz field, the submarine pipeline project was shelved since summer of 2000 and only the Baku-Tbilisi-Erzurum pipeline project was developed parallel to the Baku-Tbilisi- Ceyhan oil pipeline.

A precondition for any international financing of any new TCGP project is resolution of the territorial dispute between Turkmenistan and Azerbaijan over the mid-south Caspian field that is called Kapaz. Although Azerbaijan's case for sole sovereignty over Kapaz is well founded under international law, Azerbaijani side offered in 1997 the possibility of joint development of the field to Turkmenistan, which nevertheless rejected it.

Azerbaijan, Kazakhstan and Russia have implemented a "modified median line" principle, well established in international law, to the demarcation of sovereignty over resources under the bed of the Caspian Sea. This offers a precedent for the resolution of the territorial conflict between Azerbaijan and Turkmenistan over the Kapaz field, which lies in the middle of the southern Caspian Sea, divided by a median line between the Azerbaijani and Turkmenistan coasts if such a line were to be drawn.

For this, it would not be necessary to resolve boundary questions between Azerbaijan and Iran, between Turkmenistan and Iran, or even between Turkmenistan and Kazakhstan. It would only require Turkmenistan to agree on such a "modified median line" principle to demarcate its boundary with Azerbaijan over use of undersea resources.

The Trans-Caspian project is heavily criticized by Russia and Iran, current export countries of Turkmen gas. Russian officials have stated that a major gas pipeline would pose a serious, dangerous risk to the prosperity of the entire region. Russia has also staked out a position that a potential pipeline project, regardless of the route it takes on the seabed, would require the consent of all five Caspian littoral states in order to proceed. Iran has pointed out that treaties signed by Iran and the Soviet Union in 1921 and 1940 are still in force and that any action taken without the consent of all the littoral states will be considered illegal.

Russia enjoys a controlling interest over export routes for Central Asian energy. The Caspian Pipeline Consortium (CPC) route, for example, connects oil fields in western Kazakhstan with the Russian port of Novorossiysk. Gas from Kazakhstan, Turkmenistan and Uzbekistan is similarly funneled through Russia.

At present, Russia enjoys a controlling interest over export routes for Central Asian energy. The Caspian Pipeline Consortium (CPC) route, for example, connects oil fields in western Kazakhstan with the Russian port of Novorossiysk. Gas from Kazakhstan, Turkmenistan and Uzbekistan is similarly funneled through Russia.

One or more pipelines stretching along the Caspian's seabed would effectively break a Russian monopoly over export routes between Central Asia's key energy producers – Kazakhstan and Turkmenistan – and Western markets.

The Russian government recently brushed aside protests from Greenpeace and other groups opposing construction of a Pacific pipeline because the chosen route poses a threat to Lake Baikal's delicate ecological balance. Yet, when it comes to the Caspian, Russian diplomats are basing their opposition to an undersea route on environmental concerns.

Azerbaijan, which stands to gain the most from undersea pipelines, has challenged Russia's assertions concerning the ecological danger. "The Russian side has submitted arguments, but Azerbaijani experts have provided demonstrations," said Azerbaijani Deputy Foreign Minister Khalaf Khalafov. At the same time, he refrained from rejecting the Russian pipeline stance outright. Kazakhstani officials have also questioned the validity of Russia's environmental claims.

Russia does not intend to reconcile with the current situation, that's why Russia signed an intergovernmental agreement with Bulgaria and Greece to build the Trans-Balkan Oil Pipeline, Burgas-Alexandropolis.

Azerbaijan's Industry and Energy Minister Natig Aliyev emphasized that "Trans-Caspian seabed pipeline would ensure Europe's energy security and protect it from Russian monopolism" and "Europe has understood that it is naive to place all its hopes on Russian gas. The events of recent months, when Russia has in effect demonstrated its status as a monopolist, indicate that prices will rise further" he added.

On the other hand, Russia does not intend to reconcile with the current situation, that's why Russia signed an intergovernmental agreement with Bulgaria and Greece to build the Trans-Balkan Oil Pipeline, Burgas-Alexandropolis. The pipeline, the first-ever to be controlled by the Russian state on European Union territory, would carry oil mainly from Russian Black Sea ports to the Aegean for shipment from there by tankers.

However, the Burgas-Alexandropolis project runs counter to the EU's strategic interest of reducing dependence on Russia-delivered energy. If built, this pipeline will become, in effect, a prolongation of the Caspian Pipeline Consortium's (CPC) line from Kazakhstan to Russia's Black Sea port of Novorossiysk, in direct rivalry to Trans-Caspian oil transport projects from Kazakhstan westward, such as the Baku-Tbilisi-Ceyhan pipeline. The Burgas-Alexandropolis line would also divert Caspian oil volumes necessary to the Odessa-Brody pipeline in Ukraine and its possible extension into Poland.

Moreover, Gazprom has proposed an alternative project competing Nabucco Pipeline by constructing a second section of the Blue Stream pipeline beneath the Black Sea to Turkey, and extending this up through Bulgaria, Serbia and Croatia to western Hungary.

Mammad ALIYEV

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For your comments:
memoaliyev@yahoo.com

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Muzhdat HASANOV,
USAK Energy Review

mmhasanov@yahoo.com

EU's Nabucco Project, Which is "Definitely Not A Dream"

Natural resources in the Caspian region are vital to the European Union's future energy policy. In March 2007, European heads of state and governments adopted an action plan for a common European energy policy. These are opportunities for the EU to declare as part of its overall strategy that the EU will fully engage in the Caspian, develop a coordinated strategic plan and work at high levels with government officials and companies to insure that Europe can reap the benefits of Caspian resources.

Azerbaijan's Deputy Minister of Foreign Affairs Araz Azimov also demonstrated that the EU must diversify not just the supply routes from one country at the source, but diversify the range of supplier countries; and that Azerbaijan is fully committed to the EU's Nabucco project.

The opening of the BTC pipeline was the successful culmination of a consistent United States policy relating to Caspian Basin energy resources that has spanned both the Clinton and Bush Administrations. The U.S. position was and still is that Russia should not have a monopoly on pipelines transporting Caspian resources, and that no pipelines should go through Iran thereby subjecting these new resources to the dangerous government. As we know, in the Western Caspian, apart from the proposed BTC pipeline, there was already in existence a small and decrepit pipeline from Baku to Novorossiysk, Russia on the northern coast of the Black Sea. In addition, the so-called Baku-Supsa early pipeline, opened in the spring of 1999. This limited-capacity pipeline was designed to carry "early" oil from Western Caspian sites to Supsa, on Georgia's Black Sea Coast.

Finally, the United States and West had a strong interest in the development of a Trans-Caspian gas pipeline (TPC) from Turkmenistan, across the Caspian Sea to Baku, which would then run parallel to the BTC to Turkey. This pipeline would have transported natural gas into Turkey, easing its reliance on Russia and Iran for gas supplies at a time of rising demand for gas. President Saparmurad Niyazov, the late President of Turkmenistan, never was fully committed to the project. He was wary of recriminations and retaliation from Russia and Iran, which were Turkmenistan's principal gas customers. Since Azerbaijan had its own gas in the Western Caspian, and, indeed, a pipeline will soon open mirroring the BTC route, to ship Azeri gas into Turkey, and perhaps ultimately into Europe. As a continuation of Trans Caspian Pipeline, EU suggested a new project of Nabucco gas pipeline. Natural resources in the Caspian region are vital to the European Union's future energy policy. In March 2007, European heads of state and governments adopted an action plan for a common European energy policy. These are opportunities for the EU to declare as part of its overall strategy that the EU will fully engage in the Caspian, develop a coordinated strategic plan and work at high levels with government officials and companies to insure that Europe can reap the benefits of Caspian resources.

Recently, Azerbaijan's Minister of Foreign Affairs Elmar Mammadyarov has met with U.S. Secretary of State Condoleezza Rice in Washington to sign a memorandum of understanding on cooperation for energy security. The document expresses high-level U.S. support for "new generation" pipelines to carry gas from the Caspian region to European markets on the most direct routes, bypassing Russia. It calls for the earliest possible construction and commissioning of a planned pipeline via Turkey to Greece and on to Italy, as well of the planned Nabucco pipeline, also via Turkey and the Balkans to Central Europe. The Shah Deniz-Baku-Tbilisi-Erzurum gas pipeline to eastern Turkey, due for commissioning in the next few days, is intended to supply gas from Azerbaijan to those planned lines to Europe. Furthermore, the concept of new-generation pipelines encompasses trans-Caspian lines from Kazakhstan in a first step and Turkmenistan in a follow-up step, to link up in Azerbaijan with the pipeline to Turkey and Europe

Azerbaijan's Deputy Minister of Foreign Affairs Araz Azimov also demonstrated that the EU must diversify not just the supply routes from one country at the source, but diversify the range of supplier countries; and that Azerbaijan is fully committed to the EU's Nabucco project, which is "definitely not a dream." The first rejoinder concerns the resilient view, particularly among elements of the German government and business establishment, that diversification of routes from Russia would guarantee security of supplies. An accompanying version of this view holds that Ukraine and Belarus are unreliable transit routes, with the corollary that Russia's North Stream and Blue Stream projects would suffice as "alternative" supply routes.

Features of Project

The Nabucco pipeline is a proposed natural gas pipeline that is planned to transport natural gas from Turkey to Austria, via Bulgaria, Romania, and Hungary.

The Nabucco pipeline is a proposed natural gas pipeline that is planned to transport natural gas from Turkey to Austria, via Bulgaria, Romania, and Hungary. Some consider the pipeline as a diversion from the current methods of importing natural gas solely from Russia. The Nabucco project is included in the EU Trans-European Energy Network programme. The pipeline is expected to cost 4.6 billion euros.

Construction of the 3,300-kilometre pipeline is expected to begin in 2008 and is planned to be finished in 2011. The construction work, estimated to cost 4.6 billion EUR (5.8 billion USD), is to be shared between the five gas companies in each of the countries. The company leading the project is OMV from Austria. The transport capacity of the pipeline will reach up to 30 billion cubic meters per year in the long term, around or after 2020.

Sources of supply - Nabucco Pipeline will be connected near Erzurum with the Tabriz-Erzurum pipeline, and with the South Caucasus Pipeline, connecting Nabucco Pipeline with the planned Trans-Caspian Gas Pipeline. Once completed, it would allow transportation of natural gas from producers in the Middle East and Caspian region such as Iran, Azerbaijan and Turkmenistan to Western Europe and to the countries along its path. The western end of the pipeline will be Baumgarten an der March, a major natural gas hub in Austria.

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As we know, the pipeline is being constructed in the same corridor as the BTC Pipeline in order to minimize the environmental and social impact, using the same integrated project team. The pipeline is 692 kilometers long and the annual capacity will be up to 16 bcm, with the potential of being connected to Turkmen and Kazakh producers through the planned Trans-Caspian Gas Pipeline.
The first aim of pipeline is to supply Turkey and Georgia. As a transit country, Georgia has rights to take 5% of the annual gas flow through the pipeline in lieu of tariff and can purchase a further 0.5 billion cubic metres of gas a year at a discounted price. In longer perspective South Caucasus Pipeline will supply Europe with Caspian natural gas through the planned Nabucco, Turkey-Greece and Greece-Italy pipelines.

The shareholders of Nabucco pipeline project are: OMV (Austria), MOL (Hungary), Transgaz (Romania), Bulgargaz (Bulgaria), BOTAS (Turkey)
The pipeline is commissioned by a consortium led by BP and Statoil. The shareholders of the consortium are:

BP (UK) 25.5%
Statoil (Norway) 25.5%
State Oil Company of Azerbaijan (SOCAR) (Azerbaijan) 10%
LukAgip (Russia/Italy) 10%
TotalFinaElf (France) 10%
Oil Industries Engineering and Construction (OIEC) (Iran) 10%
Turkiye Petrolleri Anonim Ortakligi (TPAO) (Turkey) 9%

French companies Gaz de France and Total, and German E.ON Ruhrgas and RWE are interested to get a stakes in the pipeline. It's possible that also Russian Gazprom could be proposed to participate in Nabucco project.

Construction and operation schedule - A feasibility study for the Nabucco pipeline has been performed under an EU project grant. A 2006 EU document reports that the project has entered the authorisation stage. The construction can begin in 2008 and may be finished in 2010.

In early years after completion the deliveries are expected to be between 4.5 and 13 billion cubic meters per year, of which 2 to 8 billion cubic meters per year to Baumgarten an der March, Austria, one of the major European natural gas hubs. Later, approximately half of the capacity is expected to be delivered to Baumgarten and half of the natural gas is to serve the markets en-route. The transmission volume of around 2020 is expected to reach 25.5 to 31 billion cubic meters per year, of which up to 16 billion to Baumgarten hub.

Construction and operation schedule - A feasibility study for the Nabucco pipeline has been performed under an EU project grant. A 2006 EU document reports that the project has entered the authorisation stage. The construction can begin in 2008 and may be finished in 2010.

Alternative project - Gazprom has proposed an alternative project competing Nabucco Pipeline by constructing a second section of the Blue Stream pipeline beneath the Black Sea to Turkey, and extending this up through Bulgaria, Serbia and Croatia to western Hungary.

Muzhdat HASANOV

For your comments:
mmhasanov@yahoo.com

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ExxonMobil investments in Azerbaijan

Naila Miraliyeva,
USAK Energy Review
nailemireliyeva@yahoo.com

For over one century, Azerbaijan has been an oil and gas producer and has had a petroleum refining industry. The country's most significant reserves in terms of value are its oil reserves.

Azerbaijan's oil production occurred primarily offshore in the Caspian Sea. One field, Guneshli, 60 miles off the Azeri coast, accounted for more than one-half of the country's oil production. All crude oil produced in Azerbaijan was refined at Azerbaijan's two domestic refineries in Baku; only petroleum products had been exported.[1]

Azerbaijan's oil production occurred primarily offshore in the Caspian Sea. One field, Guneshli, 60 miles off the Azeri coast, accounted for more than one-half of the country's oil production.

Oil production, however, began at the country's first production sharing agreement (PSA) project at Chirag. With the planned development of new oilfields in the Caspian Sea through joint ventures and PSA's, Azerbaijan's oil production should increase to levels far exceeding its former peak production within the next 10 to 15 years. As of 1997, Azerbaijan had signed nine oil development PSA's, and 20 companies from 12 countries were engaged in offshore development. The Azerbaijan signatory to the PSA's was Socar (State Oil Company of the Azerbaijan Republic).

A number of foreign firms are involved in projects to develop these reserves. One of these firms is Exxon Azerbaijan Operating Company, a subsidiary of the U.S. Company ExxonMobil, invested more than $1.5 billion in oil projects in Azerbaijan between 1995 and 2003, according to a corporate report on the company's investment activities in Azerbaijan released on 15 January. The company holds shares in the Azeri-Chirag-Gunashli, Nakhichivan, Zafar-Mashal, and Lerik-Deniz fields.

ExxonMobil, invested more than $1.5 billion in oil projects in Azerbaijan between 1995 and 2003, according to a corporate report on the company's investment activities in Azerbaijan released on 15 January

The first project, the Azerbaijan International Operating Company (AIOC), was formed in September 1994, in what was described as "the deal of the century," by an international consortium to develop three fields, the Azeri, the Chirag, and the deep-water portions of Guneshli, with total reserves estimated to be 3 billion to 5 billion barrels. The AIOC included the following companies with their representative stakes: British Petroleum (17.1%); Amoco (17%), Socar (10%); Lukoil (Russia, 10%); Unocal (10%); Statoil (Norway, 8.6%); Exxon (8%); TPAO (Turkey, 6.8%); Pennzoil (4.8%); Itochu (Japan, 4%); Ramco (United Kingdom, 2.1%), and Delta-Nimir (Saudi Arabia, 1.6%).

In August 1997, the President of Azerbaijan visited the United States and signed three agreements, bringing the total to eight agreements. Agreements were signed for the South Aspheron field with Chevron (30%), Total (20%), and Socar (50%); for the Nakhichevan field with Exxon (50%) and Socar (50%); and for the Aegis field with Mobil (50%) and Socar (50%). Negotiations are continued for other fields.[2]

ExxonMobil has continued its investments in oil field of Azerbaijan Republic. It has signed several production sharing agreements with Socar in the following years; Araz, Alov, and Sharg-Contract No. 13-was signed on July 21, 1998, at 10 Downing Street in London in the presence of British Prime Minister Tony Blair and Azerbaijan's President Heydar Aliyev, who was on a four-day official visit to the

[1] U.S. Department of Energy, November 1997, Azerbaijan, accessed May 5, 1998, at URL http://www.eia.doe.gov/emeu/cabs/azerbaijan.html

[2] United States-Azerbaijan Chamber of Commerce, 1998, p.54-55

UK. The contract was signed between BP, Statoil and SOCAR. Projected investment is $10 billion. Current partners are BP as operator, SOCAR, ExxonMobil, Statoil, TPAO (Turkish Petroleum Company), and Encana; Zafar-Mashal-Contract No. 17-was signed in Washington, D.C. on April 27, 1999, along with two other contracts during President Aliyev's official visit to the U.S. The contract was signed by ExxonMobil and SOCAR. Projected Investment is $3 billion. Partners currently include SOCAR, ExxonMobil and ConocoPhillips. The project became effective on May 8, 2000; Lerik-Contract No. 18-was signed in Washington, D.C. on April 27, 1999, along with two other contracts during President Aliyev's official visit to the U.S. The current operator is ExxonMobil. Projected investment is $3 billion.

In the first 9 month of 2006, ExxonMobil's net daily oil and gas output by nearly 250,000 barrels, with new wells in Azerbaijan, Nigeria, Angola, Qatar and Russia.

Despite the sizable investments of ExxonMobil, there have been significant obstacles, however, as exploration at the Oguz field was halted in November 2004 when the project failed to become commercially viable and work at the Alov structure was halted in mid-2002 due to Iranian objections. The company has also been frustrated by the continuing dispute over the legal status of the Caspian Sea, which has also suspended exploration of the Lerik-Deniz offshore fields.

In the first 9 month of 2006, ExxonMobil's net daily oil and gas output by nearly 250,000 barrels, with new wells in Azerbaijan, Nigeria, Angola, Qatar and Russia.

Azerbaijan's oil and gas production sector has great economic potential. By 2010, total investment in the oil and gas sector may be $23 billion (U.S. Department of Commerce, Country Commercial Guide for Azerbaijan). Although no official estimates exist for the country's total reserves, industry experts suggested that Caspian reserves could approach those of the North Sea, and virtually every major oil company in the world has taken an active interest in Azerbaijan. ExxonMobil also as one of the major oil companies in the world will continue its investment and activities in Azerbaijan.

Naila Miraliyeva

For your comments:
nailemireliyeva@yahoo.com

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Energy Review

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Shahla B. Balakishiyeva
USAK Energy Review

shahlagafgaz@yahoo.com

Azerbaijan in the National Energy Policy of the USA

The energy turmoil of 2000-2001 prompted Bush to establish the National Energy Policy Development Group (NEPDG), a task force of senior government representatives charged with developing a long-range plan to meet U.S. energy requirements. To head this group, Bush picked his closest political adviser, Vice President Dick Cheney. A Republican Party stalwart and a former secretary of Defence, Cheney had served as chairman and chief executive officer of the Halliburton Co., an oilfield services firm, before joining the Bush campaign in 2000. As such, Cheney availed himself of top executives of energy firms, such as Enron Corp., for advice on major issues.[3]

Putin nationalism and insecurity needs a lot of experts those whole heartedly knows the dynamics of the region and energy.

“America in the year 2001 faces the most serious energy shortage since the oil embargoes of the 1970s”[4]. Bush declared that tackling the nation's "energy crisis" was his most significant task as president.

As the NEPDG started its review of U.S. energy policy, its members saw the United States was faced with serious alternatives between two widely different paths. It could continue consuming increasing amounts of petroleum and--given the irreversible decline in domestic oil production--becoming ever more dependent on imported supplies. Or, it could choose an alternate route of reliance on renewable sources of energy and gradually reducing petroleum use.

“America in the year 2001 faces the most serious energy shortage since the oil embargoes of the 1970s”. Bush declared that tackling the nation's "energy crisis" was his most significant task as president.

Clearly, the product of this decision would have profound result for society, the economy, and the nation's security. Following the same path would bind the United States ever more tightly to Persian Gulf suppliers and to other oil-producing countries, with a corresponding impact on U.S. security policy. Pursuing an alternative strategy would require a huge investment in new energy-generation and transportation technologies, resulting in the rise or fall of entire industries.

Therefore, Bush declared the report as the National Energy Policy (NEP) (Cheney Report) and released it on May 17. The NEP does not propose a reduction in oil consumption. Instead, it proposes to slow the growth in U.S. dependence on imported petroleum by boosting production at home. However, careful examination of the Cheney report leads to an entirely different conclusion. Aside from the ANWR proposal, nothing in the NEP would contribute to a significant decline in U.S. dependence on imported petroleum. In fact, the very opposite is true: The basic goal of the Cheney plan is to find additional external sources of oil for the United States.

The eighth and final chapter, "Strengthening Global Alliances," that the true intent of the administration's policy becomes fully apparent. Here, the tone of the report changes markedly from a professed concern with conservation and energy efficiency to an explicit emphasis on securing more oil from foreign sources. The chapter begins, "U.S. national energy security depends on sufficient energy supplies to support U.S. and global economic growth." The report further states, "We can strengthen our own energy security and the shared prosperity of the global economy," by working with other countries to increase the global production of energy. It is a mandate to "make energy security a priority of our trade and foreign

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[3] Michael Klare, *“Bush-Cheney Energy Strategy: Procuring the rest of the World’s Oil”*, Foreign Policy in Focus (www.fpif.org), International Relations Centre, January 2004

[4] http:// www.whitehouse.gov/energy “Overview: Reliable, Affordable, and Environmentally Sound Energy for America’s Future”

policy."[5]

The NEP calls on the secretaries of Energy, Commerce, and State "to deepen their commercial dialogue with Kazakhstan, Azerbaijan, and other Caspian states to provide a strong, transparent, and stable business climate for energy and related infrastructure projects." In short, the report stresses on the following additional petroleum sources for the USA: the Persian Gulf area, the Caspian Sea basin, Africa, and Latin America. "Diversity is important, not only for energy security but also for national security," President Bush declared on May 17, 2001.

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The one that is likely to receive greatest attention from policy makers is the Caspian Sea basin, consisting of Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Turkmenistan, Tajikistan, Uzbekistan, and adjacent parts of Iran and Russia. According to the Department of Energy, this area houses proven reserves (defined as 90% probable) of 17 to 33 billion barrels of oil, and possible reserves (defined as 50% probable) of 233 billion barrels. If the amounts were confirmed, they would constitute the second largest unexploited reserves after the Persian Gulf area.

To ensure that much of this oil will eventually flow to consumers in the West, the U.S. government has made exhausting efforts to develop the area's petroleum infrastructure and distribution system. The United States first sought access to the Caspian's oil supplies during the Clinton administration. Because the Caspian Sea is land-locked, its oil and natural gas must travel by pipeline to other areas. Tapping the resources requires the construction of long-distance export lines.

The administration was reluctant to see Caspian oil flow through Russia on its way to Western Europe, since that would allow Moscow a degree of control over Western energy supplies. Transport through Iran was prohibited by U.S. law because of that country's pursuit of weapons of mass destruction. So Clinton threw his support behind a plan to transport oil and gas from Baku in Azerbaijan to Ceyhan in Turkey via Tbilisi in the former Soviet Republic of Georgia. Before leaving office, he flew to Turkey to preside at the signing ceremony for a regional agreement permitting construction of the $3 billion Baku-Tbilisi-Ceyhan (BTC) pipeline.

While concentrating on the legal and logistical aspects of procuring Caspian energy, the Clinton administration also addressed the threat to future oil deliveries posed by instability and conflict in the region. Since many of these states were wracked by ethnic and separatist conflicts, the administration initiated a number of military assistance programs aimed at strengthening their internal security capabilities. This entailed providing arms and training along with conducting joint exercises.

Building on Clinton's efforts, the Bush administration sought to accelerate the expansion of Caspian production facilities and pipelines. "Foreign investors and technology are critical to rapid development of new commercially viable export routes," the Cheney report affirms. "Such development will ensure that rising Caspian oil production is effectively integrated into world oil trade." Particular emphasis is placed on completion of the BTC pipeline and on increasing the participation of U.S. companies in Caspian energy projects. The administration also sought to build an oil and gas pipeline from Kazakhstan and Turkmenistan on the

Building on Clinton's efforts, the Bush administration sought to accelerate the expansion of Caspian production facilities and pipelines. "Foreign investors and technology are critical to rapid development of new commercially viable export routes," the Cheney report affirms.

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[5] http://www.whitehouse.gov/energy/National-Energy-Policy.pdf

[6] "The Caspian Basin, energy reserves and potential conflicts" research paper 05/24, Library House of Commons, 16 March, 2005

[7] "US Energy Secretary Bodman Hails Opening of the Baku-Tbilisi-Ceyhan Pipeline", U.S. Department of Energy, May 25, 2005

east shore of the Caspian to Baku on the west shore to channel more energy from Central Asia to the BTC system.

The report's recommendations for the Caspian included:

"The BTC Pipeline's completion means that a more Caspian oil can reach global markets faster, and in a commercially viable and environmentally safe manner. The BTC pipeline strengthens both global and regional energy security by increasing the flow of oil to market," US Secretary of Energy Samuel Bodman said in the opening ceremony of the BTC pipeline.

- supporting the Baku-Tbilisi-Ceyhan oil pipeline as it demonstrates its commercial viability
- working to establish the commercial conditions that will allow oil companies operating in Kazakhstan the option of exporting their oil via the BTC pipeline.
- encouraging Greece and Turkey to link their gas pipeline systems to allow European consumers to diversify their gas supplies by purchasing Caspian gas.
- deeper commercial dialogue with Kazakhstan, Azerbaijan, and other Caspian states to provide a strong, transparent, and stable business climate for energy and related infrastructure projects[6]

"The BTC Pipeline's completion means that a more Caspian oil can reach global markets faster, and in a commercially viable and environmentally safe manner. The BTC pipeline strengthens both global and regional energy security by increasing the flow of oil to market," US Secretary of Energy Samuel Bodman said in the opening ceremony of the BTC pipeline. "This remarkable project is a singular achievement for the governments and the peoples of Azerbaijan, Turkey and Georgia, as well as the consortium of US and foreign private companies that made this dream a reality."

The BTC Pipeline, when fully operational, will be able to transport one million barrels of oil per day in compliance with the recommendations of the NEP; at the same time the BTC and other energy projects of the USA in the region will play an important role in Azerbaijan's economic development by adding to the country's job growth, economic expansion and energy independence.[7]

Shahla B. Balakishiyeva

shahlagafgaz@yahoo.com

Fevzi Saffet BORA,
USAK Energy Review
fevzibora@yahoo.com

Energy: Week in Review

NATURAL GAS PRICES INCREASE IN THE US

Natural gas prices increased in the last two weeks in New York due to the speculation that hot weather will boost NG demand this summer in the US.

Demand for gas in the US increases during the summer time as power generators increase consumption at gas-fired plants to meet the air conditioning needs. ($7.80 level).

HYDROGEN BATTERIES BY A TURKISH FIRM

Vestel last week launched its new hydrogen batteries. The new batteries will be on the markets in 2008.

Demand for gas in the US *increases during the summer time as power generators increase consumption at gas-fired plants to meet the air conditioning needs. ($7.80 level).*

Vestel spent $20 million on R&D for alternative energy rather than on conventional energy systems. The laboratory stage of the product is complete and the certification process is going to begin soon. Vestel produced a "hydrogen sponge," costing $50,000 per ton, from borax, which runs on $300 per ton.

ÇALIK AND ENI ARE LOOKING FOR KAZAKH AND RUSSIAN PARTNERS FOR THEIR PIPELINE COMPANY

Çalık Group and its Italian partner ENI, are looking for partners for their company Trans-Anatolia Petroleum Company, which is constructing oil pipelines between Samsun and Ceyhan.

Interested companies which have oil production facilities around Black Sea and oil traders which purchase oil from the Black Sea region to transport to the Mediterranean is welcomed to take part in the project.

The Çalık-ENI already have the Indian Oil Corporation as partner (12 percent share). The partners are negotiating with the Royal Dutch Shell. They prefer companies which can guarantee their own oil production for the pipeline. Groundbreaking ceremony for the pipeline took place in Ceyhan on April 24.

Çalık and IOC will construct an oil refinery in Ceyhan and they have applied to the Energy Market Regulatory Authority (EPDK). They will additionally build a petrochemical factory with a 15 million ton capacity. The total cost of all the investments will reach $5 billion.

Çalık and ENI initially had a 50-50 partnership. They had conducted their technical studies since 2003 along Samsun and Ceyhan. In 2005 they signed a memorandum of understanding of cooperation for this project. Çalık/ENI were licensed for construction and operation of the pipeline in June 2006. The company TAPCO was established in November 2006. The Indian Oil Corporation joines in December 2006.

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JAPANESE-KAZAKH COOPERATION FOR NUCLEAR REACTORS

Japan and Kazakhstan will collaborate on a light-water nuclear power station in Kazakhstan. An inter-governmental agreement will form the basis of this joint action. Kazakhstan has 20 pecent of global uranium reserves. The light water reactor uses ordinary water to produce power. Japan wants to secure uranium supplies. Kazakhstan is world's 3rd uranium producer

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RESTRUCTURING ROMANIAN ENERGY

January 1 2007 Romania and Bulgaria became the last members of the European union, Romania has small oil, gas and moderate coal reserves and it does exploration in the Black Sea with problems of the Ukraine.

Romania has hydro power plants and nuclear power plant at Cernavoda - with a second unit due this year. Romania is not self sufficient and imports oil and gas from Russia.

Cross-subsidization of power and gas prices to protect end users is criticized by the EU. Gas price reform began in 2003 and residential and industrial/commercial prices began to differ.

EU warned that "In order to strengthen competition within the internal market, the gap between international and domestic producers' gas prices should be narrowed". The price of domestic gas should be equal with the price of the imported gas.

EU warned that "In order to strengthen competition within the internal market, the gap between international and domestic producers' gas prices should be narrowed". The price of domestic gas should be equal with the price of the imported gas.

ANRGN and Ministry approved price increase of gas to $170/1000. A 24% increase. The price increases will have impacts to be seen.

RUSSIA: NO GROWTH AND INVESTMENT

Russia continues to make gains from oil and gas but the progress of future production projects are in cloud. Russian natural resources ministry is thinking about revoking exploration and production licenses in East Siberia where firms are not finding reserves quick enough. In West Siberia, Russia's crude land, they are thinking about fines as a way of increasing recovery ratios.

An increase in the gas extraction tax is expected. Gazprom is not increasing production. Gazprom raised production by less than 1% in 2006.

Russia continues to make gains from oil and gas but the progress of future production projects are in cloud. Russian natural resources ministry is thinking about revoking exploration and production licenses in East Siberia where firms are not finding reserves quick enough. In West Siberia, Russia's crude land, they are thinking about fines as a way of increasing recovery ratios.

East Siberia has three main projects, Rosneft's Vankor, Surgutneftegaz's Talakan and TNK-BP's Verkhnechonsk. They will feed into the East Siberian-Pacific Ocean pipeline. East Siberia has proven reserves of 700 million mt. East Siberian pipeline is expected to start operating in 2008 close to China border.

NUCLEAR AND COAL BUILDING COSTS ARE NOW `COMPARABLE'

Nuclear and coal building costs are now "comparable". There are many variables in any nuclear or coal project. Existing infrastructure already built on-site and whether transmission system had to be upgraded to handle new capacities may make a few differences.

Costs of new coal plants are also rising, with requirements for pollution controls and with new technologies to cut carbon emissions, and costs of all new construction are rising because of increasing prices for steel, cement and other building basics.

THREE NEW WORKING GROUPS OF ENERGY DIALOGUE :EU AND RUSSIA

The new groups will tackle with the following: (i) Energy strategies, Forecasts and Scenarios, (ii) Market Developments and (iii) Energy efficiency.

EU and Russia has been in an energy dialogue since 2000 for setting up an early warning mechanism for energy crises in order to prevent energy supply disruptions.

Fevzi Saffet BORA
fevzibora@yahoo.com

Haluk Direskeneli
Energy Analyst
HalukDireskeneli@tr.net

The best 10 Venue for Energy Conferences in Turkey

Every year we either organize or just participate to conferences in Turkey on various instances.

It is for sure that these conferences help us to communicate with our business colleagues, to learn more about ongoing business activities, to update latest information, to increase our network capabilities, to meet with our potential clients or partners to make further business.

It is a real business potential and there are many private companies in Turkey who are organizing energy conferences. Unfortunately they organize these events mostly in Istanbul. However these conferences in Istanbul have no use for real business. Istanbul is an international city that is for sure.

But for energy business, Istanbul has no meaning for the business opportunities, nor any result for future. Istanbul is a good place to see historical sites. It is good for business meetings. It is good for you to take your wife there on company expense account. However you will return to your home office with no results.

But for energy business, Istanbul has no meaning for the business opportunities, nor any result for future. Istanbul is a good place to see historical sites. It is good for business meetings. It is good for you to take your wife there on company expense account. However you will return to your home office with no results.

Energy business capital city in Turkey is Ankara, also the capital of Turkey.

All decision makers in public enterprises are situated in Ankara. The Ministry, State Water Works, Public Electricity companies, Coal board, Energy Markets Regulatory Agency, they all have their head office in Ankara. Istanbul is another country for them. All key decisions in the energy markets are taken in Ankara

All key local and international companies have offices in Ankara. They should be available to meet with the key public decision makers at all times when needed. Living in Istanbul or elsewhere and coming to Ankara for one-day business flight will have no meaning.

When you participate to an Energy Conference in Istanbul in one of the fancy hotels in the city center, or in conference/ fair centers on the outskirts of the metropolis, you will have no or very limited communication with your counterparts in the public sector.

When you participate to an Energy Conference in Istanbul in one of the fancy hotels in the city center, or in conference/ fair centers on the outskirts of the metropolis, you will have no or very limited communication with your counterparts in the public sector.

For sure that the key people will come to that event, all expenses paid by the organizers in legal format, you will have the opportunity to listen to their same speeches already presented maybe 100 times earlier. They will be giving the same speech and after they will immediately disappear in order to meet some other business or private colleagues.

The most important energy organizations take place in Ankara. Ankara is the center of all core decisions.

The most important speeches are always given by the Minister himself. You should follow him in all his presentations. He will be giving the latest information on ongoing energy business. All other public figures will be repeating his declaration.

Participation to an Energy event in Istanbul is waste of time and money. Do avoid any event on energy business in Istanbul. It is no use for you and for your business expectations.

Remember to join to any event which will take place in Ankara, especially which will take place in the main auditorium of the Energy Ministry.

That is the most important place for all energy meetings. The key energy figures will be available for you there at all times, by all means.

They will have ample time to share with you. It is also very cost effective.

Also please do remember that you should be available in Ankara one day earlier. We see people coming from other cities by the early flight on the same day, arriving to the conference venue at about noon time, and try to leave as early as possible to reach their evening flight as soon as possible. We watch them with pity.

Since its cheaper cost in comparison to many alternative fuels, convenience for use, and absence of problems related with storage, the demand for natural gas, which entered the Turkish energy sector from late 1980s onwards, has increased its use up dramatically.

Here is our list of the best 10 place to organize Energy conferences in Turkey.

They are all in Ankara, capital city of Turkey.

Ministry of Energy and Natural Resources Auditorium Ankara
National Library Auditorium in Ankara
Conference Center (KKM) in ODTU Campus in Ankara
Bilkent Hotel in Bilkent University Ankara
Gazi Engineering Auditorium Ankara
TOBB University Auditorium Ankara
MTA Auditorium Ankara
ODTU Alumni Conference Hall in Visnelik Ankara
Tubitak Conference Hall in Ankara
Ankara University Political Science (Mulkiye) Auditoriums in Ankara

We would wish to put Hilton, Sheraton, Swiss hotels into our main Top10 list, but unfortunately, these luxury hotels are difficult to reach at the city center. Key figures, and their staff normally try to avoid participating to these events since city traffic makes everything so miserable. Car parking is so difficult if not impossible most of the cases. Anyhow it is good to know that we have also other alternatives available in Ankara. Above given list is tentative and it could be revised with your assistance in time. However any new entry of my preference will certainly be in Ankara.

In one of new energy conferences in near future, on 3-5 May 2007, we shall have an important "NaturalGas Conference" in Ankara Sheraton Conference Center. Your writer will be your speaker on 4th April afternoon to try to explain the professional market responses of the Chamber of Mechanical engineers, to evaluate the ongoing activities in the gas market, as well as to advise the new opportunities in future within his own professional capacity.

Since its cheaper cost in comparison to many alternative fuels, convenience for use, and absence of problems related with storage, the demand for natural gas, which entered the Turkish energy sector from late 1980s onwards, has increased its use up dramatically.

Despite high amounts of natural gas consumption, there is no active gas storage facility in our country at this time. The biggest factor in the increase in natural gas consumption is that the generation of electrical energy is mostly dependent upon imported natural gas. In Turkey, nearly 65% of the imported natural gas is used for generating electricity, and hence 45% of generated electricity is based on natural gas.

Chamber of Mechanical Engineers, therefore, has decided to organize an International Natural Gas Congress in Ankara in order to provide a serious platform for sharing available latest market information, clarifying the prevailing market problems, and for discussing possible solutions to those problems.

Here are key issues we would like to emphasis in our presentation
We have an enormous energy supply risk on our energy business. Therefore,
We have reduce dependence on imported fuel/energy
We have to reduce energy consumption by improved energy efficiency
We have to produce more energy from our own local energy resources, wind/ hydro/ local lignite,
We have to develop most efficient processes and use the best technologies
We have to reduce CO2 emissions for climate change and health effects

Please do join me in that important event. Details are in our web site. You can also ask me the details through my email address.

Your comments are always welcome

Haluk Direskeneli- Energy Analyst
ODTU ME'1973, Ankara MMO 6606
HalukDireskeneli@tr.net

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Oil Markets - This Week

Oil Markets: Samsun-Ceyhan Oil Pipeline and Iran's Nuclear Crisis

Hasan Selim Ozertem
Editor, USAK Energy Review

hozertem@yahoo.com

Having a 555 kilometer length, the pipeline initially will carry 1 million barrels of oil per day and then it is expected this number to increase to 1.5 million barrels of oil per day.

On Friday, capture of Al-Qaeda militants in Saudi Arabia also supported price increases. It was stated that these captured terrorist, for about 172 people, were planning to conduct terrorist attacks to refineries and oil installations.

This week an important step was taken for a dream to come true; first stone was laid for the "Samsun Ceyhan crude oil pipeline project" in Turkey. Also known as Trans-Anatolia Project, Samsun Ceyhan Crude oil pipeline is another leg of Turkey's initiative of becoming an energy corridor between western markets and the eastern energy resources.

The project will be undertaken by two prestigious groups and will cost nearly $1.5 billion. One of the partners of the project is Turkey's well known Calık Holding and the other one is Italian energy giant ENI. Having a 555 kilometer length, the pipeline initially will carry 1 million barrels of oil per day and then it is expected this number to increase to 1.5 million barrels of oil per day. This pipeline with the existing Baku Tbilisi Ceyhan (BTC) crude oil pipeline will be another main route for the Caspian Basin's energy resources to be transported to the western markets and present a good alternative for the sake of energy resource diversity.

This week also another important development was happened in Turkey not only for international politics but also for the oil markets. Iran's nuclear envoy Larijani and EU's senior foreign policy official Javier Solana had a meeting in Turkey's capital Ankara. They discussed the uranium enrichment program of Iran. After the meeting, Larijani said that "In some areas we are approaching a united view,". It should be noted that being a speculative and a delicate issue for the oil markets any improvement in this context is important for the stability in the markets.

This week was stable for the Brent oil; it only increased $1 when compared to last week's closure. However, WTI increased $3.3 and became $65.98. This increase also helped the difference between WTI and Brent to decrease in the markets. Since the middle of the March WTI has lost its price superiority over Brent due to WTI's ample supply in the Cushing region.

On Friday, capture of Al-Qaeda militants in Saudi Arabia also supported price increases. It was stated that these captured terrorist, for about 172 people, were planning to conduct terrorist attacks to refineries and oil installations. This kind of a possibility caused the tension in Middle East to increase. It should be noted that Saudi Arabia has the biggest oil reserves and the biggest producer in the world.

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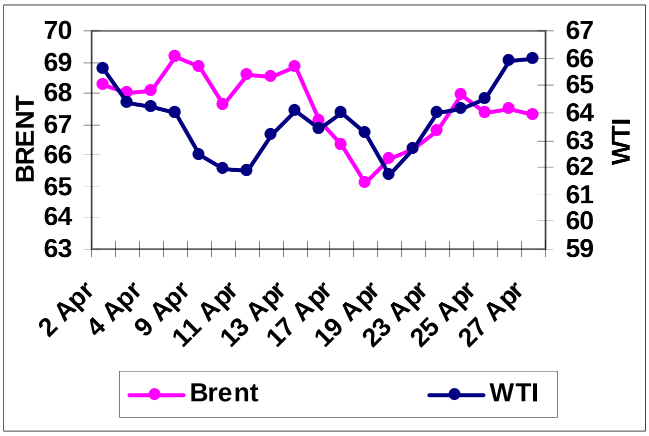

Oil Prices
Source: Financial Times

Last week, also the oil stock values of the previous week's (20 April) in the US were announced. Gasoline continued to decline whereas oil stocks increased by 2.07 million barrels. However, the stocks in crude oil are 10 million barrels less when compared to the last years' 345 million barrels of oil stock.

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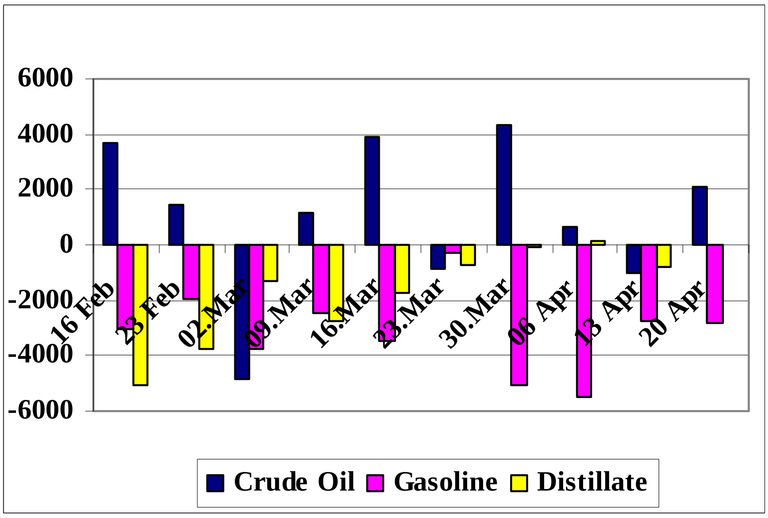


Stocks in the US
Source: Energy Information Administration

Now, there are three important geopolitical threats for the oil markets; current political situation in Nigeria, possibility of Al-Qaeda attacks to the refineries and oil installations in the Middle East and Iran's Nuclear Crisis.

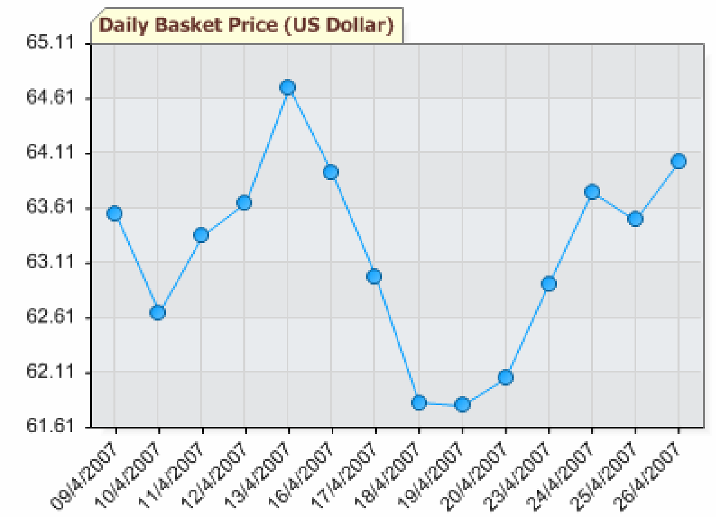
Now, there are three important geopolitical threats for the oil markets; current political situation in Nigeria, possibility of Al-Qaeda attacks to the refineries and oil installations in the Middle East and Iran's Nuclear Crisis. Moreover, in the middle term, the decline in gasoline stocks can cause a further demand pressure on crude oil with the returning of refineries back to production after the term of rehabilitation.

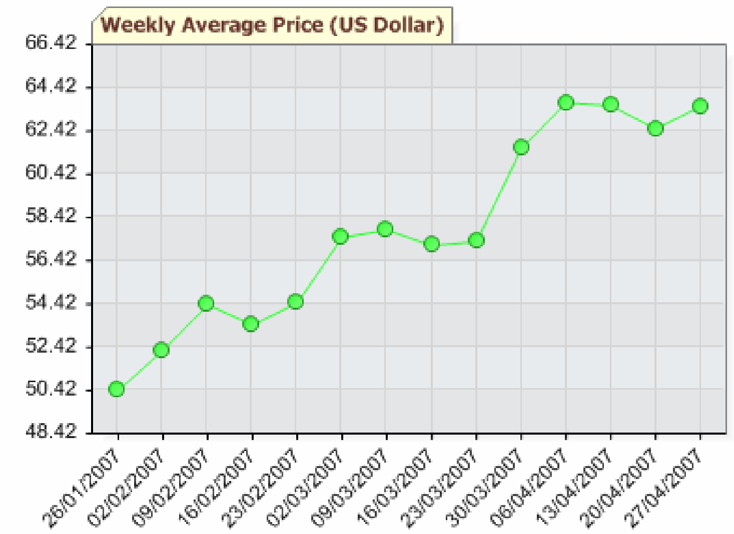
For this week, 14 of 33 analysts that participate in Bloomberg's survey expect a rise in prices and 11 of them expect oil prices to decrease. Bulls that expect prices to rise claim that the speculation of U.S. gasoline supplies will remain below normal going into the summer after refiners shut units for repairs can cause prices to increases. (Bloomberg)

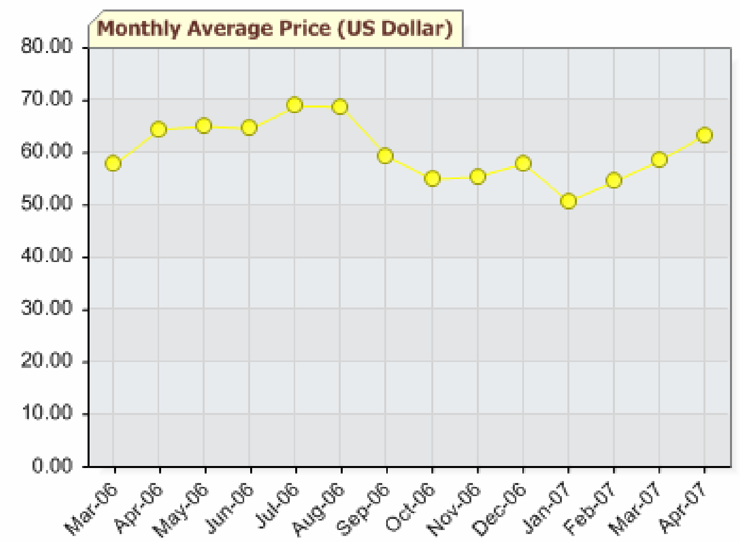
For your comments:
hozertem@gmail.com

Indicators

OPEC's Basket Price







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Indicators

Indicative Exchange Rates Announced at 15:30 on 27/04/2007 by the Central Bank of Turkey

CURRENCY	EXCHANGE RATES		EXC.RATES ON BANKNOTES	
	Buying	*Selling*	*Buying*	*Selling*
USD/TRY 1 US Dollar	1.3274	1.3338	1.3265	1.3358
EUR/TRY 1 EURO	1.8086	1.8173	1.8073	1.8200
GBP/TRY 1 British Pound	2.6477	2.6615	2.6458	2.6655

Turkish Refinery Output Price

Product Name	YTL/TON	YTL/M3	Special Concise Tax	Dividend	Exclusive of VAT	VAT	VAT included price	Validity Date
Unleaded Petrol 95 OCTANE			**YTL/M3**	**YTL/M3**	**YTL/M3**	**YTL/M3**	**YTL/M3**	
İzmit	998,73	759,03	1.362,50	1,40	2.122,93	382,13	2.505,06	17/04/2007
İzmir	998,73	759,03	1.362,50	1,40	2.122,93	382,13	2.505,06	17/04/2007
Kırıkkale	1.002,85	762,17	1.362,50	1,40	2.126,07	382,69	2.508,76	17/04/2007
Batman	1.031,71	784,10	1.362,50	1,40	2.148,00	386,64	2.534,64	17/04/2007
Jet Fuel			**YTL/M3**	**YTL/M3**	**YTL/M3**	**YTL/M3**	**YTL/M3**	
İzmit	892,25	713,80	0,00	1,40	715,20	128,74	843,94	21/04/2007
İzmir	892,25	713,80	0,00	1,40	715,20	128,74	843,94	21/04/2007
Kırıkkale	904,45	723,56	0,00	1,40	724,96	130,49	855,45	21/04/2007
Kerosene			**YTL/M3**	**YTL/M3**	**YTL/M3**	**YTL/M3**	**YTL/M3**	
İzmit	892,25	713,80	760,50	1,40	1.475,70	265,63	1.741,33	21/04/2007
İzmir	892,25	713,80	760,50	1,40	1.475,70	265,63	1.741,33	21/04/2007
Kırıkkale	912,58	730,06	760,50	1,40	1.491,96	268,55	1.760,51	21/04/2007
Batman	919,36	735,49	760,50	1,40	1.497,39	269,53	1.766,92	21/04/2007
Diesel 7000			**YTL/M3**	**YTL/M3**	**YTL/M3**	**YTL/M3**	**YTL/M3**	
İzmit	878,18	742,06	834,50	1,40	1.577,96	284,03	1.861,99	18/04/2007
İzmir	878,18	742,06	834,50	1,40	1.577,96	284,03	1.861,99	18/04/2007
Kırıkkale	919,29	776,80	834,50	1,40	1.612,70	290,29	1.902,99	18/04/2007
Batman	919,29	776,80	834,50	1,40	1.612,70	290,29	1.902,99	18/04/2007
Diesel 50			**YTL/M3**	**YTL/M3**	**YTL/M3**	**YTL/M3**	**YTL/M3**	
İzmit	876,60	740,73	927,00	1,40	1.669,13	300,44	1.969,57	11/04/2007
İzmir	876,60	740,73	927,00	1,40	1.669,13	300,44	1.969,57	11/04/2007
Kırıkkale	918,40	776,05	927,00	1,40	1.704,45	306,80	2.011,25	11/04/2007
Fuel Oil 4			**YTL/TON**	**YTL/TON**	**YTL/TON**	**YTL/TON**	**YTL/TON**	
İzmit	566,07		476,00	1,50	1.043,57	187,84	1.231,41	11/04/2007
İzmir	566,07		476,00	1,50	1.043,57	187,84	1.231,41	11/04/2007
Fuel Oil 6			**YTL/TON**	**YTL/TON**	**YTL/TON**	**YTL/TON**	**YTL/TON**	
İzmit	435,80		204,00	1,50	641,30	115,43	756,73	11/04/2007
İzmir	435,80		204,00	1,50	641,30	115,43	756,73	11/04/2007
Kırıkkale	442,76		204,00	1,50	648,26	116,69	764,95	11/04/2007
Batman	442,76		204,00	1,50	648,26	116,69	764,95	11/04/2007

Source : www.tupras.com.tr