interfax
Natural Gas Daily
Vol. 6 / No. 138 / 20 July 2016

Natural gas insight and analysis
Interfax Information Services Group
interfaxenergy.com

East Timor playing high-stakes gas game


East Timor is not open to shipping Greater Sunrise gas to Darwin LNG in northern Australia. (ConocoPhillips)

Damon Evans / Dili

EAST TIMOR APPEARS to be gambling its future by stalling the development of the Woodside-operated Greater Sunrise fields that straddle the waters off its coast and those of Australia.

The development of the fields in the Timor Sea, which contain more than 142 billion cubic metres of estimated gas reserves, has been on hold for years. Initially, Dili stonewalled Woodside's proposed FLNG concept for Greater Sunrise, and since 2013 it has attempted to invalidate the Treaty of Certain Maritime Arrangements in the Timor Sea (CMATS), signed in 2006, which governs the project's development. East Timor alleges Australia carried out espionage during 2004 and did not negotiate the treaty in good faith.

The main thrust of the Southeast Asian country's strategic development centres around plans for an onshore LNG plant supplied by Greater Sunrise. This would be the centerpiece for a petroleum corridor, known as Tasi Mane, which would include a port, fabrication yards and an offshore supply base, as well as a refining and petrochemicals complex.

But piping the gas 286 km across the Timor Trench, which reaches depths of more than 2,800 metres, to the country's southern shores is technically challenging and fraught with risk, Marc Moszkowski, a senior engineer at United States-based DeepGulf, which carried out a bathymetric survey of the route, told *Interfax Natural Gas Daily*. Moszkowski has also advised the government that the risks would be huge and that building the onshore plant – particularly at the proposed site in Beaco – would be thoroughly unreasonable.

Alternative options?

East Timor's Energy Minister Alfredo Pires told *Interfax Natural Gas Daily* the current government is not open to alternative development options, which could include piping the gas to the ConocoPhillips-operated Darwin LNG plant in northern Australia.

The US major pumps gas from its Bayu-Undan project – East Timor's only producing field – to Darwin. Bayu-Undan will be exhausted sometime between 2020 and 2022, according to ConocoPhillips estimates. As production runs down, there will be spare capacity for other gas to backfill Darwin LNG. ConocoPhillips – also a partner in Greater Sunrise – told *Interfax Natural Gas Daily* it is open to any potential future gas sources if they are consistent with the backfill timeline.

Peter Strachan, a Perth-based independent oil and gas analyst, estimates at least $16 billion will need to be invested to develop Greater Sunrise. However, it would probably only cost $4 billion to develop the resource if the gas was used to backfill an existing LNG facility, he told *Interfax Natural Gas Daily.*

Estimates from Dili-based independent thinktank La'o Hamutuk show the

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government has already spent millions of dollars, as well as immense political capital, on developing its proposed Tasi Mane scheme, which is predicated on bringing Greater Sunrise gas to its shores. "My guess is that total Tasi-Mane expenditures to date are between $120 million and $200 million […] but there is not a lot of transparency," Charlie Scheiner, an analyst at La'o Hamutuk, told *Interfax Natural Gas Daily*.

Most of East Timor's limited resources have been channelled towards invalidating CMATS and pursuing the maritime boundaries that it hopes will give it control of Greater Sunrise, rather than focusing on building a diversified and sustainable economy.

Under CMATS, the windfall from the hydrocarbon bonanza would be split 50/50 between Australia and East Timor, despite some 80% of the resource lying in Australia's seabed. Crucially, the treaty put a 50-year moratorium on the discussion of permanent maritime boundaries, which had been delineated by the joint petroleum development area in the Timor Sea Treaty of 2003.

But East Timor has pushed Australia into non-binding talks under a UN Compulsory Conciliation Commission – a dispute resolution mechanism under the UN Convention on Law of the Sea – over maritime borders. The chairman of the commission was appointed at the end of June. Australia disputes the legality of the process given the moratorium on boundary talks.

Nevertheless, East Timor's latest gambit could backfire. It claims maritime boundaries should be drawn under international norms used today – in this case, equidistance or median lines. But as Stephen Grenville, an expert on international policy, highlights in an article for *The Lowy Interpreter*, if boundaries are determined this way most of the Greater Sunrise fields would belong to Indonesia. Independent technical and legal analysis on *hydrographer.org* supports this. If East Timor can successfully reopen boundary negotiations, there is no reason Indonesia's nationalist government should not do the same, suggests Grenville.

But it does not appear Dili will take the pragmatic route. "If anything, over the past few years the Timorese government has abandoned the pragmatic realist approach that was adopted by former Foreign Minister Jose Ramos-Horta when he signed the CMATS agreement," Rebecca Strating, an expert in Southeast Asian politics at La Trobe University in Australia, told *Interfax Natural Gas Daily*. ■

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Energy front-month futures

	Closing date	Close	High	Low	% change
Brent Crude, $/bbl	19 Jul	46.66	47.49	46.53	-0.64
WTI Crude, $/bbl	19 Jul	44.65	45.67	44.53	-1.30
Henry Hub, $/MMBtu	19 Jul	2.73	2.79	2.71	0.22
NBP, p/th	19 Jul	34.52	34.56	33.70	2.71
TTF, €/MWh	19 Jul	14.41	14.43	14.30	0.87
Gaspool, €/MWh	19 Jul	14.51	–	–	0.86
NCG, €/MWh	19 Jul	14.45	–	–	0.63
Central Appalachian Coal, $/t	19 Jul	39.50	–	–	0.00
Newcastle Coal, $/t	19 Jul	60.95	–	–	0.16
South China Coal, $/t	19 Jul	53.90	–	–	0.19

Prices provided by GlobalView.
GlobalView provides benchmark pricing, news and analytics for the commodities and energy sector. For more information, please contact sales.london@marketview.com.

On interfaxenergy.com

Editor's choice

Brazil could launch giant bid round by end-2016

Brazil's 14th bid round starts this year as the country prepares for the main event in early 2017: the pre-salt.

Wildcat's Pick of the Week

Wildcat gives you a head-start on the week and a round-up of what mattered last week.

Trending

1. West Africa's FLNG dark horses eye 2017 FID
2. All quiet on Egypt's LNG export front until after 2020
3. Japan preferred location for Asian LNG hub – law firm
4. Sonatrach faces Total and Repsol arbitration dispute
5. Indonesia hopes for East Natuna production in next three years

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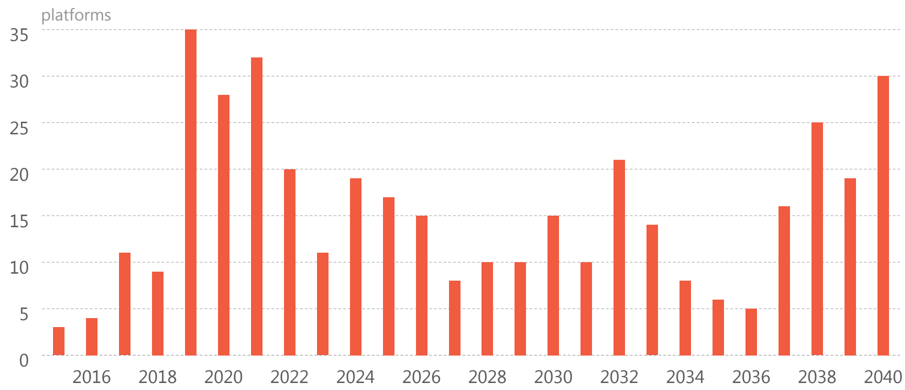
North Sea sellers take on decommissioning costs

Annemarie Botzki / London

New entrants into the UK North Sea are being put off by the expense of decommissioning, prompting sellers to offer to pay some of the costs themselves.

NUMBER OF PLATFORMS REMOVED IN THE NORTH SEA



Source: Douglas-Westwood's North Sea Decommissioning Market Forecast 2016-2040

COMPANIES LOOKING TO sell off ageing North Sea assets are increasingly being forced to shoulder some of the costs of decommissioning to help sweeten their deals, partners at international law firm Norton Rose Fulbright have told *Interfax Natural Gas Daily*.

Older assets are expensive to maintain, resulting in high breakeven prices. Combined with low oil prices, this has forced companies to make some concessions when selling up.

"Some sellers are now getting a bit more creative and are willing to take on some parts of the decommissioning to reduce that cost on the buyers' side – it's still a small percentage of sellers, but there has been some movement into this direction," Geoff Peters, a partner at the firm, told *Interfax Natural Gas Daily*.

The ultra-mature North Sea fields need to attract new investment from smaller companies that have experience with late-life assets, but the high cost of decommissioning has been a stumbling block for M&A activity.

"We need some new blood coming in, but in an M&A context the decommissioning issue has over the last few years prevented a lot of new entrants coming in," said Kimberley Wood, a partner at Norton Rose.

Traditionally, sellers used to push decommissioning liabilities onto new buyers. But as the new entrants are typically smaller companies with smaller asset bases, taking on the large liability of decommissioning has stopped many deals.

The UK government has introduced tax breaks to ease the costs of decommissioning, but the lawyers said this might not help new international players.

"Part of the problem is that a lot of new buyers do not have a historical tax position [in the UK] which they can offset the decommissioning costs against," said Peters.

Oil and gas companies holding a licence in the UK Continental Shelf (UKCS) can claim a tax deduction equal to the amount they spent on decommissioning. The refund is then made against taxable profits the companies have made in previous years. However, international companies that have not previously held a licence in the UK will not benefit from the tax relief.

"On paper the fiscal regime is generous, but in practice it might not be available [to new buyers]," he added.

Wood Mackenzie predicts decommissioning work will overtake development spend in the UK North Sea by 2022, partly driven by a general lack of investment by oil and gas companies. Many of the projects to be taken out of service are larger than the facilities that have been decommissioned in the past, making it difficult to predict how much the process will cost.

Shell said at the start of July that it will delay dismantling its nearly 40-year-old Brent Delta platform in the North Sea by one year, to 2017. The platform is the first of four Brent platforms to be decommissioned. It is also one of the first large-scale projects to dismantle a depleted North Sea oilfield.

Brexit effects

Although the uncertainty following the Brexit vote may have an overall dampening effect on M&A activity, the weaker pound is expected to bring some short-term relief for UK oil and gas companies operating in the North Sea, the lawyers said.

UK-based companies' costs are billed in pounds, while their revenues are largely paid in dollars. Shell's and BP's share prices have weathered the Brexit storm, gaining 18.5% and 11.6% respectively over the last month.

But uncertainty about the future energy policy and fiscal regime in the UK remains. The UK's new prime minister, Theresa May, axed the Department of Energy and Climate Change last week and created a new Department of Business, Energy and Industrial Strategy, which will be led by Greg Clark.

To keep exploration going in the mature area, the UK Oil and Gas Authority (OGA) awarded contracts to Norway-based PGS and Schlumberger-owned WesternGeco to collect data for the underexplored East Shetland Platform and South West Britain areas of the UKCS last week.

The programme is scheduled to begin in July and is expected to collect 10,000-15,000 km of new seismic data that will be released to the industry in Q2 2017, the OGA said. ■

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Further reading

Brexit: energy sector braces for change

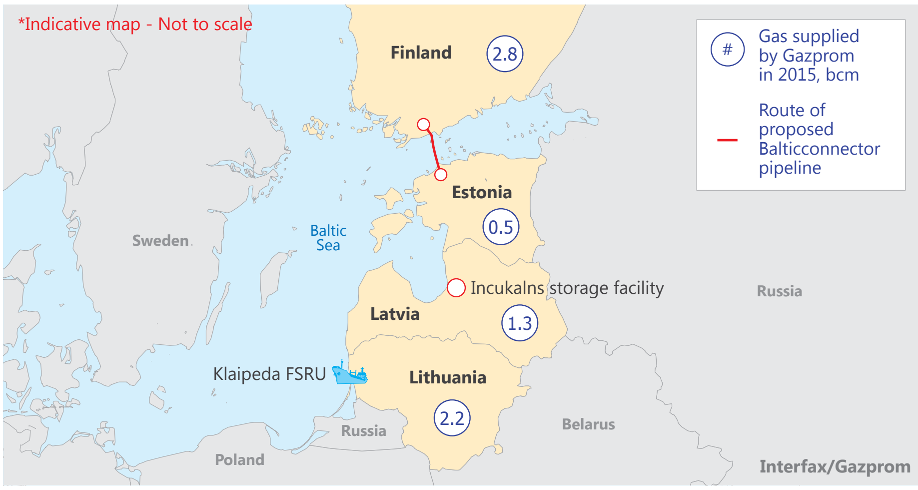
No silver bullet to cut decommissioning costs

Europe's gas production to fall 43% by 2030

Boost for Balticconnector as EU commits to funding

Joshua Posaner / Berlin

EU funding looks set to push the Balticconnector pipeline through to completion by 2020 as the prospect of a second regional LNG terminal recedes.



Imports and infrastructure in the Baltic region.

FINLAND AND ESTONIA have secured EU funding for a subsea pipeline to link the two island gas markets and reduce the Baltic region's dependence on Russia's Gazprom.

The decision, announced in Brussels on 15 July, will mean the so-called Balticconnector will be financed at the maximum rate of 75% of the total cost, while the upgrade of an interconnector between Estonia and Latvia will be funded up to 50% by EU funds.

Based on that decision, the two projects will receive backing from Brussels amounting to €206 million ($227 million) of their €300 million estimated total cost. The upgrades would allow gas imports from Lithuania's Klaipeda FSRU to reach Finland via Latvia and Estonia.

The Balticconnector scheme will link the 5 billion cubic metre per year combined market area of the three Baltic states with the equally isolated and Russia-dependent Finnish market, which could take on an additional 3 bcm/y.

The 150 km pipeline will run underneath the Baltic Sea for 80 km with compressor stations on both sides of the Gulf of Finland. It has been on the drawing board for years as a means of connecting up Europe's 'energy islands' into a continental gas transmission system.

"Our goal is to finish the Balticconnector and the Estonia-Latvia connection by the end of 2020 at the latest," Taavi Veskimägi, chairman of Elering, the Estonian partner on the project, said in a statement.

Veskimägi said that the level of financing the EU had committed would be "the first of its kind among EU energy infrastructure projects". He emphasised the importance that EU institutions place on shoring up diversification options along Europe's periphery.

Elering's spokesperson said that the project is a "prerequisite for the establishment of a Finnish-Baltic regional gas market and for increasing the gas supply security in the region". The Finnish Ministry of Economics is acting as the other backer for the project.

There can be only one

Both Estonia and Finland had been planning their own LNG terminals to provide an alternative to Gazprom's supplies, and as recently as November 2014 the leaders of the two countries had planned to use the Balticconnector to link two terminals on either side of the 80 km divide between Tallinn and Helsinki.

However, the EU had been clear that only one regional scheme would attract funding, and as Vija Pakalkaite, a visiting researcher covering the Baltic gas market at the Central European University, told *Interfax Natural Gas Daily*, Lithuania has sought to make its 'Independence' FRSU into a regional hub.

Vilnius opted to go it alone, and its FSRU docked at the port of Klaipeda in autumn 2014 with a long-term supply contract signed with Norway's Statoil. Poor interconnections and uncertain access rules have stymied attempts to send gas from the vessel east and utilise storage capacity at the Incukalns site in Latvia.

The EU funding is likely to help speed progress on Baltic market integration and give Lithuania a bigger market to reach.

"I am pretty sure that Lithuania will very much support the pipeline linking Estonia and Finland for two reasons," Pakalkaite said. "First it may expand the consumer market for the Independence FRSU for the gas to be delivered northwards via Latvian and Estonian territories. Second, Estonia, after being involved in the building of the pipeline, may divert its attention from constructing its own LNG terminal on its shores, which may potentially become a competitor to the Independence FSRU."

In November 2015 Kalle Palling, chair of the Estonian parliament's EU affairs committee, told a conference in Brussels that the Klaipeda site would be sufficient to rule out public funding for a new LNG site in Tallinn as long as financing was provided for the Balticconnector.

"If there is need for [LNG] expansion then it would be cheaper to do it in Lithuania than anywhere else. We would welcome private investment in LNG in Estonia, but from the Estonian government side we don't see any new need for an LNG terminal if we have Balticconnector," Palling said.

Finland looks to benefit the most from the new pipeline. "Once completed, the interconnector will end the dependence of Finland from a single gas supplier, strengthening the security of supply in the eastern Baltic Sea region," the European Commission said while announcing the financing.

"The commission has shown its support for the integration of gas markets in Finland to the European gas network and this gives an opportunity to open a Finnish gas market to competition," Finland's minister of economic affairs, Olli Rehn, said in a statement. ■

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LNG trading up as Chinese plants enter turnaround

Tang Tian / Shanghai

EX-WORKS PRICES OF LNG IN SELECTED AREAS (RMB/t)

Province and region	9-15 July	
	Lowest	Highest
Inner Mongolia	2,400	2,900
Tianjin, Hebei	3,250	–
Shanxi	2,750	3,000
Henan	2,930	3,220
Hubei	–	–
Shandong	2,800	3,200
Anhui	2,900	3,150
Jiangsu	3,000	3,150
Chongqing	2,900	–
Sichuan	3,000	3,300
Yunnan	–	–
Shaanxi	2,600	2,760
Gansu	2,800	–
Ningxia	2,600	2,650
Qinghai	–	–
Xinjiang	1,700	–
Jilin	2,700	3,200
Heilongjiang	2,400	2,800
Average	2,940	–

Chinese wholesale LNG prices averaged RMB 2,940 per ton ($8.47/MMBtu) last week, up by 8.25% from a week earlier. Prices have surged by nearly RMB 1,000/t since 8 July as supply has been reduced by a growing number of plants entering turnaround, but further price gains have been limited as other plants have restarted production. Forty plants increased their asking prices by an average of 10.71% week on week.

LNG TRANSPORTED BY LNG-FUELLED TRUCK (RMB/ton/km)

Region	Distance	9-15 July	
		lowest	highest
North	within 1,000 km	0.57	0.63
	1,000-2,000 km	0.56	0.62
	over 2,000 km	0.55	0.58
East	within 1,000 km	0.80	1.00
	1,000-2,000 km	0.65	0.75
	over 2,000 km	0.58	0.60

Rates for LNG delivered by diesel truck last week in the north, east and south of China ranged from RMB 0.57-1.00/km per ton moved within 1,000 km, RMB 0.56-0.75/km for 1,000-2,000 km, and RMB 0.55-0.60/km for more than 2,000 km. In the southwest, rates ranged from RMB 0.85-1.00/km for under 500 km, RMB 0.80-0.85/km for 500-1,000 km, and RMB 0.57-0.63/km for over 1,000 km. Rates via LNG-fuelled truck ranged from RMB 0.57-1.0/km per ton inside 1,000 km, RMB 0.56-0.75/km for 1,000-2,000 km, and RMB 0.55-0.60/km for beyond 2,000 km.

Source: Sublime China Information

PIPELINE GAS TRANSACTIONS ON THE SHPGX

Date	Transacted volume (cm)	Average price (RMB/cm)	Seller
11 Jul	26,000,000	2.0424	PetroChina
12 Jul	42,151,000	1.8120	PetroChina/ Sinopec
13 Jul	26,051,000	2.0849	PetroChina/ Sinopec
14 Jul	23,272,000	1.9651	PetroChina/ Sinopec
15 Jul	34,844,000	1.9684	PetroChina/ Sinopec

LNG TRANSACTIONS ON THE SHPGX

Date	Transacted volume (tons)	Average price (RMB/t)	Seller
11 Jul	4,760	3,302	CNOOC
12 Jul	3,200	3,250	CNOOC
13 Jul	5,060	3,294	CNOOC
14 Jul	2,700	3,250	CNOOC
15 Jul	8,200	3,328	CNOOC

Pipeline volumes traded on the SHPGX slowed to 152.3 MMcm last week, down by 19% from 189 MMcm a week earlier. A total of 341.3 MMcm was traded over the first half of July, equal to 58% of June's total. The average price paid last week was RMB 1.97/cm. Meanwhile, 23,920 tons of LNG was sold at an average price of RMB 3,285/t, down by 23% from 31,240 tons a week earlier. Total sales for the first half of July amounted to 55,160 tons, equal to 80% of June's total.

LNG TRANSPORTED BY DIESEL-FUELLED TRUCK (RMB/ton/km)

Region	Distance	9-15 July	
		lowest	highest
North	within 1,000 km	0.57	0.63
	1,000-2,000 km	0.56	0.62
	over 2,000 km	0.55	0.58
East	within 1,000 km	0.80	1.00
	1,000-2,000 km	0.65	0.75
	over 2,000 km	0.58	0.60
South	within 1,000 km	0.80	1.00
	1,000-2,000 km	0.65	0.75
	over 2,000 km	0.58	0.60
Southwest	within 500 km	0.85	1.00
	500-1,000 km	0.80	0.85
	over 1,000 km	0.57	0.63

Turkish coup could have far-reaching impact

Peter Stewart / Chief Energy Analyst at Global Gas Analytics

The coup attempt in Turkey had little effect on the flow of oil and gas through the country, but the long-term consequences of political instability could be profound.

CRUDE OIL AND gas prices, weighed down by an ongoing glut of supply, barely responded to the failed coup in Turkey on 15 July. But Turkish President Recep Tayyip Erdogan's response to it is being closely monitored by world leaders and could have far-reaching geopolitical implications.

The failed coup has been followed by 7,500 arrests and a threat that Turkey will reinstate the death penalty. This has led Washington to openly question whether Turkey should remain a member of NATO, while EU leaders have suggested that the Turkish government's actions may be incompatible with EU membership.

Nevertheless, Turkey is strategically important for the flow of oil and gas from the Caspian and the Middle East into Europe.

The Bosphorus Strait and the Dardanelles link Eurasia and the Middle East with the Mediterranean, and are the conduit through which oil tankers transport around 2.9 million barrels per day (MMb/d) of Russian, Iraqi and Azerbaijani crude oil and oil products to western markets. Caspian oil is shipped via the waterway from Black Sea ports such as Novorossisyk in Russia and Supsa in Georgia to consuming markets in Europe, the Atlantic basin and intermittently as far afield as Asia.

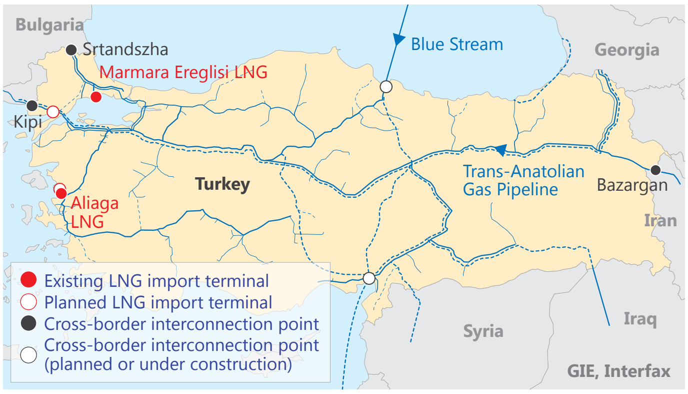
The Baku-Tbilisi-Ceyhan (BTC) and the Kirkuk-Ceyhan pipelines transport Azerbaijani and Iraqi crude oil respectively to the Mediterranean port of Ceyhan on Turkey's southern cost. The BP-operated BTC pipeline has capacity of 1.2 MMb/d, although actual throughput has been less than this in recent years. The line from Kirkuk in Iraq has a capacity of 1.5 MMb/d but its flows have been disrupted by the conflict in Iraq. The Kurdish regional government has built a link into the pipeline system to allow exports of crude oil from the Kurdish autonomous region.

Turkey is a significant market for oil and gas in its own right. Its refineries distil around 600,000 b/d of crude, around 10% of which is produced by Turkey itself and 90% of which is imported – largely from the Middle East. It also buys significant volumes of gas, primarily by pipeline from Russia, Azerbaijan and Iran, but also as LNG from plants in north and west Africa and elsewhere. Turkey consumed 43.6 billion cubic metres of gas in 2015, according to the *BP Statistical Review of World Energy*. The country has been involved in gas-related arbitrations with Russia and Iran.

Most significantly, Turkey has positioned itself as a transit country for large volumes of gas from Iran and the Caspian countries into Europe.

Turkey has six main operating pipelines with a total length of around 7,700 km, largely operated by Botas, which link in to four international lines carrying gas to neighbours in the Caucasus and southeastern Europe.

Key pipelines that will boost Turkey's strategic economic role include the 1,850 km Trans Anatolian Gas Pipeline, the 870 km Trans-Adriatic



Turkish gas infrastructure.

Pipeline – part of the Southern Gas Corridor – and an expansion of the 690 km South Caucasus Pipeline. Several other rival schemes for gas transit have been proposed.

Turkey's political position

As well as its crucial role in energy supply, Turkey is militarily and geopolitically important. Turkey has been a member of NATO since 1952 and has been a regional ally of the United States in its fight against Syrian forces opposed to President Bashar al-Assad. The Incirlik Air Base in the south of the country has been used by US fighter planes to launch attacks in Syria, and Turkey has been a linchpin in the complex geopolitics between Middle Eastern countries, the NATO allies and Russia. If Erdogan's response to the coup does lead to a rift with the 28-member NATO alliance, it would have far-reaching implications.

Turkey's regional allegiances are complex. Relations with Russia, which has provided military and political support for the Assad regime in Syria, soured after Turkey shot down a Russian military plane in November. Since the failed coup, however, the pilots who downed the Russian SU-24 jet have been alleged to be among the coup plotters, and recent reports suggest they have now been detained.

Turkey was also on the verge of improving ties with Israel before the failed coup, and this process looks set to continue in its aftermath. Despite the historical tensions between Muslim countries and the Jewish state, Turkey has close ties with Israel and remains involved in the emerging gas markets in the eastern Mediterranean.

These relationships draw Turkey into the wider geopolitical tensions in the Middle East. Although US and EU sanctions on Iran have been lifted or diluted following an agreement that seeks to limit the country's nuclear ambitions, Tehran retains strong historical ties with Syria and has more recently provided support for the Shia government in Baghdad, which is locked in combat with the Islamic State group.

Iran's rivalry with Saudi Arabia is another potential flashpoint for conflict in the Middle East. Iran is locked in a bitter proxy war with Saudi Arabia in Yemen, and the geopolitical rivalries have been exacerbated by the collapse of Iraq into Kurdish, Sunni and Shia zones. ■

Norwegian gas output drops slightly in June

Norway's monthly gas production fell to 8.18 billion cubic metres in June 2016 compared with 8.29 bcm in June 2015, according to preliminary production figures from the Norwegian Petroleum Directorate (NPD). The country produced 1.4 bcm less than in May but beat the NPD's 6.97 bcm forecast for the month.

E.On spin-off Uniper to list in September

German utility E.On has said that it encountered no legal objections from its shareholders to the spin-off of Uniper, its fossil-fuel power plant and trading business. Close to 99.7% of the shareholders voted in favour of the spin-off at the company's AGM on 8 June, and there has been no legal action during the one-month period in which the decision could have been challenged. "We now expect the listing of Uniper SE to go ahead in September," Johannes Teyssen, chief executive of E.On, said on Wednesday. "We are thus fully on track to achieve our objective." The spin-off will leave E.On to focus primarily on renewables, energy networks and customer solutions, while Uniper will focus on conventional energy, global energy trading, and oil and gas production.

Russia and Japan discuss 'energy bridge' – Ulyukayev

Russian Economic Development Minister Alexei Ulyukayev has said the project to build an energy bridge from Russia to Japan was discussed during his visit to the country this week. "We discussed the possibility of implementing the energy bridge project – in other words establishing thermal generation on the basis of Sakhalin gas production projects, generating electricity and transmitting it to Japan," Ulyukayev told reporters. "But this discussion is really of a fairly general nature. On the part of Japan they need to make the relevant regulatory decisions that would make it possible to implement this," he said.

Naftogaz to restart negotiations on Gazprom gas

Naftogaz Ukrainy has agreed to restart trilateral negotiations with Russia's Gazprom and the EU to agree on terms for Ukraine to purchase Russian gas, the company said in a statement. "Naftogaz confirms the readiness to resume trilateral negotiations with Gazprom in order to coordinate terms of buying Russian gas as proposed by European Commission Vice President Maroš Šefcovic yesterday," Andriy Kobolev, chief executive of Naftogaz, said on Wednesday.

Angola LNG. The plant has been shut down for maintenance. (BP plc)

Novatek to pay at least $294 mln for Yamal shares

Novatek has agreed to pay at least $294 million for supplementary shares in Yamal LNG. The shareholders approved an increase in charter capital via a private placement of supplementary shares on 18 July, all of which will be purchased by Novatek. Novatek, which currently owns 50.01% of Yamal LNG shares, agreed to pay no less than $575,000 for each of the 512 new shares – making a total of at least $294.4 million. France's Total and China National Petroleum Corp. both own 20% of the project, while the Chinese Silk Road Fund owns 9.9%.

Ukraine and Romania to link transmission systems

Ukraine and Romania have signed an agreement to link their gas transmission systems. The connection would allow Ukraine to ship gas through Romania to Bulgaria and for supplies to travel in the reverse direction, Ukrtransgaz, the operator of Ukraine's gas transport system, said in a statement. The agreement covers the gas pipeline route used to transport gas from Ukraine through Romania to Bulgaria via the Negru Voda 1 interconnection point. "The system operators plan to ensure continuous, uninterrupted gas transportation capacity in the direction from Ukraine to Bulgaria and uninterrupted capacity to transport gas in reverse," the statement said.

Angola LNG shut down for maintenance

Angola's LNG plant was shut down for testing and maintenance on Wednesday and will begin ramping back up until mid-to-late August, according to *Reuters*. The plant started up in late May and has sent out four cargoes in the past six weeks. It is expected to reach export capacity when it restarts in September. The plant shut down shortly after starting up in April 2014 to correct design flaws and was offline for more than two years.

Government reviews resettlement plan for Mozambique LNG

Mozambique's Council of Ministers is reviewing the resettlement plan for the 471 households that will be physically displaced when Eni and Anadarko clear land to develop their giant LNG projects in the north of the country. Anadarko, which ran a final week-long consultation on the plan last December, submitted the final document to the Ministry of Land, Environment, and Rural Development less than a month ago, said company spokesperson Talumba Katawala. However, the plan could still face a legal challenge from a group of civil society organisations, collectively known as the Civil Society Platform on Natural Resources and the Extractive Industry. "We are working with lawyers who are assessing the process," said Fátima Mimbire, natural resources specialist at the Centro de Integridade

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Publica. She added that she could not give further details at this stage.

Pertamina boosts oil and gas output in H1

Pertamina has reported increased oil and gas production for H1 2016 compared with the same period last year, according to *The Jakarta Post*. Gas production was up by 15.8%, to 55 million cubic metres per day, while oil production increased by 11.3%, to 305,000 barrels per day. The state oil and gas company accounts for more than half of Indonesia's national production. However, domestic output has been largely stagnant and the increase has come from Pertamina's overseas assets. The company holds assets in Iraq, Malaysia and Algeria – the biggest source of overseas production. The greater output will help the company meet its target of increasing oil and gas production by 8% per year to reach 2.05 million barrels of oil equivalent per day by 2030.

ONGC raises $1 bln from bond sale

India's Oil and Natural Gas Corp. has raised $1 billion from a bond sale over two tranches, according to *Dow Jones Institutional News*. The oil company sold $400 million worth of 5.5-year bonds with a 3.875% coupon and $600 million worth of 10-year bonds with a 3.75% coupon.

Bharat Heavy Electricals commissions third hydro unit

Bharat Heavy Electricals (BHE) has successfully commissioned a third unit at the Teesta Low Dam hydroelectric project in West Bengal, according to Indian newspaper *The Economic Times*. It is a run-of-the-river project that will comprise four units and will produce 160 MW of electricity once complete. BHE is involved in hydroelectric projects amounting to around 3.3 GW of capacity in India. Hydro, nuclear and coal power are all expected to play a role in providing India with low-cost baseload power, while solar and wind backed up by gas-fired capacity will provide variable and peak-load power.

Chevron readies Gorgon for production restart

Chevron is preparing to restart production at the Gorgon LNG export plant three weeks after a gas leak halted output, according to *Platts*. The plant sent out its first cargo in March but then shut down following technical problems. It restarted in July, sending out a second cargo, but was forced to shut down again with the discovery of the gas leak.

Sinopec cuts supply in Hubei following landslide

Sinopec has cut off 9.8 million cubic metres (MMcm) of gas supply to industrial users after a section of its Sichuan-Shanghai Pipeline in Enshi city of China's Hubei province was damaged, the company announced on Wednesday. The section in the town of Cujiaba caught fire after torrential rain triggered a landslide. Two residents died while three others were injured, the official *Xinhua* news agency reported on Wednesday. Sinopec said it is coordinating with PetroChina to arrange an emergency daily gas supply of 5 MMcm for residential users.

SCEI signs agreement for Sichuan distributed generation project

SCEI Distributed Energy Systems has signed an agreement with the Sichuan Zhongjiang Economic and Development Zone to invest in and build a gas-fired distributed generation project with an installed capacity of 7.9 MW in the Chinese province. The project will cost RMB 70 million ($10.5 million) and will avoid the annual emission of 26,000 tons of carbon dioxide, 148 tons of dust, 84 tons of sulphur dioxide, and 73.3 tons of nitrogen oxide.

Pampa Energia sells stake in midstream holding company

Argentine utility Pampa Energia said on Tuesday it had sold its 50% stake in Compania de Inversiones de Energia (CIESA), a holding company that controls Transportadora de Gas del Sur, Argentina's largest gas transporter. The sale clears the way for Pampa to buy Petrobras Argentina, which owns the other 50% of CIESA. ■

Correction

The story *Russia to produce 60-100 bcm of gas as LNG this year – Molodtsov*, published in the 18 July issue of *Interfax Natural Gas Daily*, incorrectly quoted Russian Deputy Energy Minister Kirill Molodtsov as saying Russia will produce 60-100 bcm of gas as LNG this year. The article should have said that Russia will consume 60-100 bcm of gas for liquefaction this year.

interfax
Natural Gas Daily

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Natural Gas Daily is published daily by Interfax Ltd, a division of Interfax Information Services Group.

ISSN: 2048-4534