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Deja vu

The dispute between Rosneft and Sistema has revived memories of the Yukos affair a decade and a half ago.

Slow but steady

Upstream developments in the Black Sea are moving forward, albeit at a slow pace.

Lacklustre interest

A recent auction held by Rosnedra for subsoil rights in the Khanty-Mansiysk region failed to attract interest.

Striking oil

Gazprom Neft has reported an oil discovery off the coast of Sakhalin Island.

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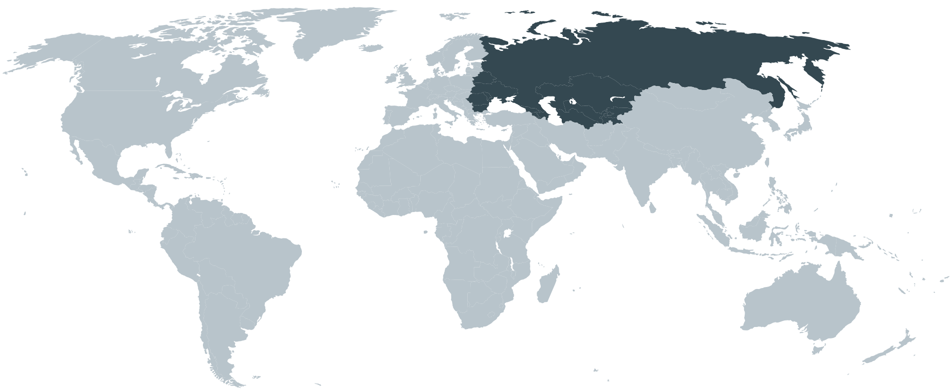

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Investors unsurprised by Rosneft-Sistema verdict

The court ruling has confirmed what foreign investors already knew about the risks of operating in Russia, writes Simon Watkins

RUSSIA

WHAT:
Sistema was recently ordered to pay US$2.35bn to Rosneft for alleged asset stripping at Bashneft.

WHY:
The case resembles the Yukos affair, when Russia's former largest oil company was presented with US$28bn in tax claims and forcibly broken up.

WHAT NEXT:
The conquest of Bashneft has satiated Rosneft's appetite at home, with the producer now focused on raising efficiencies and seeking overseas opportunities.

ROSNEFT'S recent victory in a legal battle with industrial conglomerate Sistema has confirmed the scepticism among international investors over corporate governance and shareholder rights in Russia.

In August, an arbitration court in Bashkortostan ordered Sistema to pay 136 billion rubles (US$2.35 billion) in damages to Rosneft over alleged misdoings at Bashneft, a local oil company. Bashneft was held by Sistema until 2014, when it was expropriated by the government. Two years later, Rosneft, which is majority state-controlled, took over the oil company in another so-called privatisation sale.

Sistema has appealed against the recent ruling and is hoping for an out-of-court settlement. In the meantime, over US$3 billion of its assets, including shares in telecom operator MTS, remain frozen.

Deja-vu

Accusations have mounted that the case was orchestrated so that Rosneft could seize control of Sistema's property, raising concerns over the impartial rule of law in Russia.

It has revived memories of the Yukos affair, when Russia's former biggest oil company was presented with US$28 billion in tax claims in 2003 and forced into bankruptcy within three years. Some of Yukos' largest assets in Siberia were taken over by Rosneft.

In a less extreme example, the Russian government is widely seen as having forced BP into selling its shares in Eastern Siberian-focused oil producer TNK-BP in 2012, with the assets eventually falling into the hands of Rosneft. In the years preceding the sale, TNK-BP was presented with onerous back-tax demands and threatened with legal action. Its offices were bugged and raided and staff reported encountering visa problems.

These instances may help explain why the court ruling came as little surprise to seasoned investors in Russia.

"The fact that the verdict had virtually no effect on the overall valuation of the Moscow Exchange highlights that foreign investors have been pricing in this sort of opaque corporate governance issue as a Russia risk premium ever since the Yukos affair," Sergey Libin, a Moscow-based equity analyst at Raiffeisenbank, told NewsBase Intelligence (NBI) on the phone.

The case embroiling Sistema is somewhat difficult to comprehend.

The company, controlled by Russian billionaire Vladimir Yevtushenkov, began acquiring shares in Bashneft in 2006 and had amassed a 77% stake in the company three years later. It restructured the producer and took it public in December 2013, with only 3% of Bashneft shareholders reportedly opposing the move.

Sistema's problems began in 2014, when a Moscow court ruled that the federal government had made procedural and valuation errors in transferring Bashneft to the Bashkortostan government in the early 1990s. The court said this voided all subsequent transactions and that business vehicles belonging to Yevtushenkov had bought stock in Bashneft at an illegal discount amounting to US$500 million. Yevtushenkov was subsequently placed under house arrest for a few months and Bashneft was renationalised. The oil company was bought in late 2016 by Rosneft, headed by a close ally of President Vladimir Putin, Igor Sechin. As such, Rosneft did not have any direct dealings with Sistema.

Nevertheless, the oil company filed a lawsuit against Sistema in May, originally seeking as much as 170.6 billion rubles (US$2.9 billion) from the company for allegedly stripping assets at Bashneft before 2014. The court's final ruling in August reduced the claim to US$2.35 billion. It dismissed Sistema's argument that the changes it had made to Bashneft were legal, in line with standard business practices and approved by shareholders.

Redressing the past

It can be argued that Moscow's earlier efforts to consolidate Russia's strategic energy industry were aimed at reversing mistakes made in the 1990s, when much of the sector was sold off cheaply under opaque conditions.

"On the one hand, it could perfectly legitimately be argued that because of the nature of early privatisations under [former President]

Boris Yeltsin – the voucher scheme and the later loans-for-shares scheme – there is a government duty to redress the wide-scale undervaluation, corruption and cronyism that were involved in state asset privatisation of those eras," Anthony Rapa, a Washington-based lawyer with international litigation and arbitration specialist legal firm Steptoe & Johnson, told NBI last week.

The voucher scheme, which started in 1992, involved Russian citizens receiving vouchers from the government that were exchangeable for shares in state enterprises. In practice, though, these paper slips were often sold for cash (or vodka) to mafia-related profiteers. Most of the shares were eventually amassed by the country's nascent oligarchy.

Then, under the loans-for-shares scheme in 1995 and 1996, many of Russia's remaining valuable assets were held as collateral for bank loans to the government. When Moscow could not meet its repayment schedule, these assets were sold by the banks in auctions widely seen as rigged and also fell into the hands of the oligarchs. This is how Mikhail Khodorkovsky secured control of Yukos, worth about US$5 billion in asset valuation terms at the time, for only around US$300 million. Yukos' downfall years later became a cause celebre for the mistreatment of private shareholders in Russia, despite the dubious means by which Khodorkovsky acquired the company in the first place.

"On the other hand, though, these obvious business miscarriages have now been rectified and the new spate of government interference looks like it results from a very different motive," Rapa told NBI.

Broader strategy

According to a senior source in the Russian administration, this motive is aligned with a broader strategy Putin laid out at the first informal gathering of his closest personal and political allies in St Petersburg after his first appointment as prime minister in August 1999.

"At that meeting, Putin laid out his 25-year plan, which he has stuck to from day one, which was broadly aimed at restoring Russia's economic and political stature in the world from the travesty – as he saw it – that had occurred under Yeltsin," the source said.

The first stage of this strategy, which ran between 2000 and 2004, saw the Kremlin cement its power over Russian politics by neutralising opposition parties, the media and rival oligarchs such as Khodorkovsky. Furthermore, reforms were made to the tax system to halt the siphoning of funds out of the country, which had been a predominant theme of the 1990s. Under the second stage, the government built up the country's strategic industries, including oil and gas, the nuclear industry, arms production, fisheries, aerospace and the media. It also sought to expand Russia's financial reserves and pay off its sovereign debts.

"These efforts laid the groundwork for stage three, which was to reassert Russia as a major power on the global political stage, involving both leveraging oil and gas supply might, as has happened with Europe over the past few years, and by pushing back on NATO expansion, as we have seen with Crimea and others," the source told NBI.

These three stages feed into the fourth, the source said, aimed at shoring up the Kremlin's direct control of the strategic industries. "Putin believes it is absolutely essential to have the leaders of the core industries being members both of his inner circle and former intelligence officers, although he has frequently said that this is 'no such thing as a former intelligence officer', and Sechin is one of those," the source explained.

"In the end, the whole Rosneft-Sistema case comes down to personalities," Sam Barden, CEO of energy trading firm and consultancy SBI Markets in Dubai, told NBI last week. "Sechin is one of Putin's guys and Yevtushenkov isn't and, worse for him, he is the brother-in-law of the former Mayor of Moscow, Yury Luzhkov, who is extremely disliked by the Putin group," he added.

Alexander Burgansky, the head of oil and gas research at Renaissance Capital in Moscow, believes that Rosneft is unlikely to consolidate further energy assets in Russia, as it is now focusing on overseas opportunities.

"It is primarily concentrating on increasing efficiencies in its [existing] domestic oil business, together with the occasional highly targeted forays into select areas of the world, notably Venezuela and Iraq Kurdistan," he told NBI. ❖

Steady progress in the Black Sea

While the pace of development has been hindered by the oil price crash, projects are still moving ahead

BLACK SEA

WHAT:
Development of the Black Sea's oil and gas resources is proceeding, albeit slowly and with mixed results.

WHY:
Bulgaria and Romania have led the way in developing their offshore resources, while other littoral states such as Turkey, Georgia and Ukraine have achieved limited results.

WHAT NEXT:
There are several promising projects in the pipeline, although production will be restricted until at least the end of the decade.

RECENT years have seen a flurry of exploration activity in the Black Sea.

But while the region could one day emerge as a key hub for oil and gas production in Europe, moving ahead with projects has been a markedly slow process. The oil price crash of 2014 prompted IOCs in the region to scale back spending and postpone drilling plans. A myriad of other factors has also impeded upstream development in the sea, including issues with taxation, political instability and mixed exploration results. Furthermore, much of the oil and gas identified so far has been found in deep water, driving up the cost of drilling.

The Black Sea's six littoral states – Bulgaria, Georgia, Romania, Russia, Turkey and Ukraine – have had varied success in overcoming these challenges.

Romania

Exploration in Romania's offshore zone began as early as 1969, although it was confined for many decades to shallow waters only. This changed after ExxonMobil and Austria's OMV made the Domino discovery at the Neptun Deep block in 2012, now estimated to contain somewhere between 42 and 84 bcm of gas. Low oil prices have stalled progress at the site, however, and the pair have yet to confirm they consider the project commercially viable. A decision on their investment here is expected before the end of this year.

There are more promising signs at OMV's Istria block: the company recent pledged to invest 70 million euros (US$83 million) in a drilling campaign over the next two years. Two wells are planned in shallow waters at the site before the end of 2017, with another pair to be sunk before mid-2018 at 2,000 metres below sea level. The future of this project will hinge on results from these wells.

OMV has referred to Romania's offshore zone as a core region, and recently hired GSP Offshore to carry out drilling services in the area over five years under a US$85 million contract.

In mid-2010, Russia's Lukoil and Vanco International – which later became PanAtlantic – paired up at Romanian offshore blocks EX-29 East Rapsodia and EX-30 Trident. Romania's Romgaz farmed into the projects two years later.

This collaboration yielded mixed results, with the group relinquishing rights to the Rapsodia block last year after a well came up dry. Romgaz and its partners have had better luck at Trident, with one of two wells drilled at the site in 2015 yielding a gas discovery of 30 bcm. They are currently debating further drilling options. If further exploration is successful, Trident is likely to be developed. However, it could be several years before Romgaz and its partners reach a final

Oil platform operating at the Trident oil block in Romania.

investment decision (FID) on the project.

Meanwhile, Black Sea Oil and Gas (BSOG), a subsidiary of private equity fund Carlyle Group, has reported finding 10-20 bcm of gas at two blocks in Romanian waters. BSOG suggested it could launch production at the sites by 2019 at an investment cost of as much as US$500 million. It remains uncertain whether this timeline will be kept, although reports that the European Bank for Reconstruction and Development (EBRD) may finance the project are an encouraging sign of its potential.

Romania's entrenched bureaucracy has been criticised by IOCs for holding back offshore development. However, Bucharest is keen to tackle excessive red tape to monetise these resources and export them to neighbouring states.

Bulgaria

Bulgaria has also seen renewed offshore interest in recent years, although projects in the areas have met with similar delays as those in Romania.

An example is the deepwater Han Asparuh block, where France's Total teamed up with OMV and Spain's Repsol in 2012. Drilling work at the site was originally slated to start in 2014 but was repeatedly pushed back and did not start until May last year.

However, the well made a discovery and Total and its partners recently spudded a second one, which is due for completion next year. The project partners have not disclosed resource estimates for Han Asparuh, making it difficult to assess its potential. But their desire to continue working at the site is encouraging.

Royal Dutch Shell, meanwhile, won a tender for Bulgaria's offshore Silistar block in September 2015, having promised to conduct US$21 million of seismic surveys at the site, which it began in October last year. This project is less advanced than Han Asparuh, and given that Shell has a five-year exploration permit for the site, it is likely to be sometime before a decision on development is made.

Bulgaria is much more reliant on imports for its energy needs than Romania, with almost all of its gas being sourced from Russia. Exploiting offshore reserves is therefore viewed as a national priority.

Ukraine

Ukraine was near to attracting IOCs at several Black Sea sites prior to its revolution in February 2014 and the subsequent annexation of the Crimean Peninsula by Russia.

ExxonMobil and Shell won a licence for the Skifska offshore gas field in 2012 but exited the project two years later before work began, amid increasing political instability. OMV, Italy's Eni and several other investors had also mulled offshore co-operation with Ukraine prior to 2014, but ended talks after former President Viktor Yanukovych's removal from power.

The loss of Crimea also deprived Ukraine of some of its most promising offshore oil and gas prospects. Chernomorneftegaz, a subsidiary of Ukraine's state-owned Naftogaz, had planned to produce as much as 3 bcm per year of gas from a group of fields off the coast of the peninsula by 2015. Under Russian control after the Crimean takeover, the company produced only 1.6 bcm from these sites last year.

Kyiv is trying to convince IOCs to return to Ukraine so it can continue with offshore exploration, although weak market conditions have made this difficult.

Russia

With access to abundant oil and gas resources elsewhere, Russia is in no hurry to develop its Black Sea resources.

Nevertheless, state-owned oil giant Rosneft recently confirmed plans to sink its first exploration well in the area in December. The well will be sunk at the West-Chornomorsky block, which spans sea depths of between 600 and 2,200 metres. A seismic survey has already been shot at the site and the upcoming exploration work will be fully financed by Italy's Eni, which holds a 33.33% stake in a joint venture with Rosneft set up in 2013 to oversee the project. Italian oilfield services group Saipem is reportedly supplying a rig for the work.

West-Chornomorsky contains six promising oil structures with an estimated 10 billion barrels of recoverable reserves. It is one of three blocks operated by Rosneft in Russia's Black Sea zone, another being the adjacent Tuapsinsky plot,

A Saipem oil platform that has been hired to drill later this year in the Russian Black Sea.

believed to contain a similar volume of oil.

Rosneft signed a deal with US supermajor ExxonMobil for joint operation and financing of a drilling project at the site, with a first well slated to be spudded this year. US sanctions have likely impeded this project, however.

Russia is currently more concerned with developing lower-cost onshore fields and it is unlikely that substantial production will be seen from the country's Black Sea zone within the next five years.

Turkey

In early 2015, Turkey's TPAO and Shell embarked on a joint drilling project 100 km off the coast of Istanbul in the search for hydrocarbons. The pair are apparently still considering whether to move further with this project, and delays are likely tied to the oil market downturn.

It is in Turkey's interests to develop its offshore zone as a means of eventually reducing its heavy reliance on oil and gas imports. However, recent years have seen Ankara divert its attention away from exploration at home to new gas import projects, including pipelines from Russia and Azerbaijan and LNG regasification terminals.

Georgia

Activity off the coast of Georgia has been muted.

According to the website of Georgia Oil & Gas Corp. (GOGC), Netherlands-registered Marine Resources Exploration International secured a 30-year licence for an offshore block in Georgia in 2010. Neither the company nor the Georgian government have disclosed any updates on this project.

There is equally limited progress in the Black Sea waters claimed by the unofficial republic of Abkhazia, which broke away from Georgian rule in 2009. Rosneft gained rights to a block off the Abkhazian coast in 2009, initially for a five-year period. A second agreement was reached with Abkhaz authorities in June 2015 to extend the exploration period for three years. There are no signs of activity at the block, with the de facto government in Sukhumi criticising Rosneft last year for neglecting its responsibilities under the licensing agreement.❖

TANAP may be finished ahead of schedule, says Turkey

TURKEY

The TANAP line is already 82% completed.

TURKEY'S Minister of Energy and Natural Resources Berat Albayrak said last week that construction work on the Trans-Anatolian Gas Pipeline (TANAP) might be finished ahead of schedule.

While conducting an on-site inspection of the vessel assigned to build the underwater segment of the gas link in Canakkale Province, Albayrak noted that work on this part of TANAP was moving forward quickly. The vessel's crews have already laid 1,261 sections of pipe across the bed of the Sea of Marmara, he stated.

"[The] work continues at full speed," the minister told the Anadolu news agency. "I hope the project will be completed earlier than calculated and planned if things go [forward in the same fashion.]"

The TANAP line is already 82% completed. Its subsea portion will consist of two 910-mm pipes. Both of these will follow the same 19-km route from the Biga district of Canakkale Province to the Sarkoy district of Tekirdag Province.

Albayrak described the underwater pipes as a critical portion of TANAP, noting that it would facilitate the transport of gas from Azerbaijan to European markets. He further stated that the pipeline, along with the other two components of the Southern Gas Corridor (SGC), would begin pumping Azeri gas to Europe in 2020.

In the meantime, he said, the expansion of the South Caucasus Pipeline (SCP), the easternmost part of SGC, is due to be finished next year, with gas flows to start in June or July. The westernmost section, the Trans Adriatic Pipeline (TAP), will be ready in the first quarter of 2020, he added.

TANAP will serve as the middle section of SGC, a delivery route linking Azerbaijan's offshore Caspian Sea fields to Southern Europe. As noted above, the corridor will include three pipelines – the enlarged SCP, which runs through Azerbaijan and Georgia to the eastern border of Turkey; TANAP, which will traverse from east to west across Turkey; and TAP, which will pass through northern Greece and Albania on its way to southern Italy.

Together, these linked pipelines will allow Azerbaijan to export gas from the Shah Deniz Stage 2 (SD2) project to Europe. SCP will handle all 16 bcm per year of gas from SD2, including 6 bcm per year for the Turkish domestic market and 10 bcm per year for delivery to Europe. TANAP will turn gas over to Botas, the national pipeline operator, for delivery to Turkish buyers and send the rest onward to Greece for transfer to TAP. The latter pipeline will then pump gas to Italy, where it can be transferred to pipelines serving customers in other European countries.❖

A gas well operated by Naftogaz.

Naftogaz sees profits jump on upstream earnings

UKRAINE

UKRAINE'S state-owned oil and gas company, Naftogaz Ukrainy, has reported a net profit of 23.3 billion hryvnias (US$879 million) for the first half of 2017, up nearly 21% year on year.

According to a company fiscal plan approved by Kyiv in July, however, income for the full year is forecast to reach only 21.8 billion hryvnias (US$820 million), down from 26.5 billion hryvnias (US$997 million) in 2016. This suggests that losses are anticipated in the second half.

In an unaudited financial statement published on October 4, the firm reported a net income of 18.1 billion hryvnias (US$683 million) from its upstream gas segment, versus only 4.6 billion hryvnias (US$173 million) a year earlier. Gas transportation and distribution operations earned a profit of 15.5 billion hryvnias (US$585 million), up 33% year on year thanks to a rise in transit volumes and a weakening of the Ukrainian currency.

Crude oil and gas condensate production, refining and transportation activities were also profitable during the period, netting a total income of 3.53 billion hryvnias (US$133 million).

Meanwhile, the company recorded a loss of 3.8 billion hryvnias (US$143 million) from its gas trading and supply division. This was tied to a 6.9 billion hryvnia (US$260 million) loss from sales under the public service obligations (PSO) scheme, whereby the government regulates tariffs for gas supplies to vulnerable consumers. In comparison, unregulated sales earned Naftogaz a modest income of 300 million hryvnias (US$11.3 million).

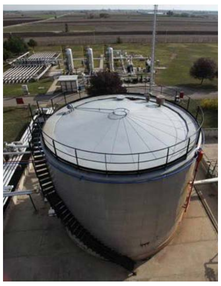
Overall losses from gas sales are likely to widen in the second half of the year, as Kyiv decided against Naftogaz's proposal to raise tariffs from October 1. The company had called for a 18.8% hike in household prices to around 5,900 hryvnias (US$222) per 1,000 cubic metres in light of the rise in gas import costs. It would have been an unpopular move ahead of Ukraine's next presidential and parliamentary elections, set for 2019.

Naftogaz also booked a 1 billion hryvnia (US$38 million) loss from gas storage operations between January and June.

The energy group paid 56.7 billion (US$2.13 billion) in taxes during the period, up 49% year on year. It also transferred a dividend of 13.3 billion hryvnias (US$502 million) from last year to the state budget. The company returned to profit in 2016 after several years of losses. This was chiefly thanks to the government increasing regulated gas tariffs in line with commitments to the IMF.❖

Gazprom set to launch Serbian UGS, refining projects

SERBIA



Pancevo oil refinery, northern Serbia.

RUSSIA'S Gazprom aims to begin an overhaul of Serbia's main oil refinery before the end of the year and start an expansion project at the country's only underground gas storage (UGS) facility in 2018. The Serbian government reported on the plans last week, following talks between its energy ministry and Gazprom officials in Moscow.

Gazprom Neft, a subsidiary of Russia's natural gas champion, has been tasked with modernising Serbia's 96,000 bpd Pancevo oil refinery near Belgrade. At a cost of 300 million euros (US$352 million), the project will raise efficiency and refining depth at the facility, which was first commissioned in the late 1960s. It is slated for completion in 2019.

Gazprom Neft controls a 56.15% stake in the plant's operator, Serbian energy group NIS, while another 29.87% share is held by Belgrade. NIS also manages a 10,000 bpd refinery in Novi Sad, also in northern Serbia.

The company completed the first stage of modernisation at the Pancevo plant in late 2012, bringing its products in line with Euro-5 fuel standards. Under this stage, the facility's refining depth was lifted to 84% and its production of light petroleum fuels was expanded.

NIS has seen its performance flag in recent years as a result of low oil prices. However, the company managed a fourfold rise in profits in the first half of 2017 to 12.4 billion Serbian dinar (US$122 million), from 3.1 billion dinar (US$30.5 million) a year earlier.

The CEO of Gazprom, Alexey Miller, met with Serbian Energy Minister Aleksandar Antic to discuss gas market affairs. After the talks, Belgrade said it expected the Russian company to begin work expanding the Banatski Dvor UGS unit in northern Serbia in 2018. In June, Gazprom signed a memorandum of understanding (MoU) with Serbian gas company Srbijagas on studying the project's technical and financial feasibility.

The facility can currently store up to 450 mcm of gas, but its capacity is scheduled to be expanded to 1 bcm following an investment of around 70 million euros (US$82 million). Srbijagas has a 49% stake in Banatski Dvor, while Gazprom owns the remaining 51% holding. The expansion is aimed at boosting Serbia's energy security.

In a Gazprom statement on October 3, it was noted that Russian gas deliveries to the country had risen 31.7% on the year in the first nine months of 2017. Under the ten-year supply deal struck in 2013, the country took 1.75 bcm of gas in 2016, up 4.3% year on year. ❖

POLICY

Siberian tender fails to draw investors

RUSSIA

A recent tender by Rosnedra for acreage in Russia's Khanty-Mansiysk region has been declared a failure, after it attracted bids for only one of the 13 blocks on offer.

The state subsoil agency tried to auction off the plots, containing a total of 30 million tonnes (220 million barrels) in D1 oil reserves, in September. However, only the West-Livadsky block in the southeastern district of Nizhnevartovsk attracted any interest. Rights to the subsoil area were secured by Lukoil-Western Siberia, a local branch of Russia's biggest privately run oil company.

Auctions for the remaining blocks – Kalinovy, Kotigegansky, Litvakovsky, Sote-Yugansky, South-Trekhozerny, Yanlotsky, Borovoy, East-Kamsky, East-Tolumbsky, West-Bakhilovsky, West-Vandmtorsky and West-Nikolsky – were declared invalid. Starting prices for the plots ranged from 24.6 million rubles (US$422,000) to 318 million rubles (US$5.45 million). The most expensive block on offer was East-Kamksy, located in the Khanty-Mansiysk district. According to Rosnedra, the plot holds 5.31 million tonnes (39 million barrels) in C1+C2 and over 2 million tonnes (15 million barrels) in D0+D1+D2 hydrocarbon reserves.

West-Livadsky contains an oilfield of the same name that was identified in 2000. The block has over 3 million tonnes (22 million barrels) in C1+C2 and around 6 million tonnes (44 million barrels) in D1+D2 hydrocarbon reserves.

Lukoil paid 206 million rubles (US$3.53 million) for the licence, versus an initial asking price of 188 million rubles (US$3.22 million). It saw off a rival bid from a small local company called Argos.

West-Livadskoye is nestled in between a cluster of larger Lukoil fields already in production. These include the Kurraganaskoye, Maloklyuchevoye, North-Potochnoye, North-Pokachevskoye, Pokachevskoye and South-Pokachevskoye deposits.

Khanty-Mansiysk is Russia's most prolific oil producing region, accounting for nearly 45% of national output last year. But the region is fighting to arrest production decline as its older Soviet-era fields reach maturity. Local authorities hope that the award of new licences will help find new fields and bolster extraction in the long run. ❖

"Khanty-Mansiysk is Russia's most prolific oil producing region, accounting for nearly 45% of national output last year.

Gazprom seeks to expand ties with KMG

KAZAKHSTAN

The Karachaganak gas field, Kazakhstan.

RUSSIA'S Gazprom has taken steps to expand co-operation with Kazakhstan's national oil and gas company KazMunaiGaz (KMG), with a focus on cross-border trade in natural gas. The two companies signed two sets of documents to this effect last week at the seventh annual St. Petersburg International Gas Forum (SPIEF).

In a statement dated October 5, the state-controlled Russian giant explained that it had signed a roadmap document with KMG on the joint processing of gas from Kazakhstan's Karachaganak field at an existing facility in the Russian city of Orenburg. The document calls for the parties to set up a working group to carry out a feasibility study on the formation of a new joint venture for the project.

Gazprom did not disclose many details of the roadmap document. It did not say, for example, whether the Russian and Kazakh companies had decided how to split equity in a joint venture or when the working group would be established.

KMG and Gazprom have been working together within the framework of the KazRosGaz (KRG) joint venture since 2002. The JV, which is split 50:50 between the partners, buys gas from the Karachaganak field and then sends it to the Orenburg plant for processing before selling it to consumers in Russia and Kazakhstan.

In a separate statement dated September 5, the Russian company said it had joined with KMG and PetroChina, the main subsidiary of China National Petroleum Corp. (CNPC), in signing a memorandum of understanding (MoU) on future studies of the natural gas vehicle (NGV) market. The document provides for the parties to assess potential demand for gas as a vehicle fuel along the Russian, Kazakh and Chinese sections of an international overland transport route linking Europe and China, it said.

These assessments will cover the period ending in 2030, Gazprom said. It further stated that the partners would use them to draw up a roadmap for securing gas supplies and establishing infrastructure for a network of filling stations for NGVs.❖

Gazprom Neft hits oil off Sakhalin

RUSSIA

GAZPROM Neft has struck oil in the Sea of Okhotsk in a welcome development for the explorer's Sakhalin-3 project.

The oil producing arm of Russia's state-owned Gazprom said in a press note that its local subsidiary, Gazpromneft-Sakhalin, had completed a 2,700-metre deep well at the Ayashsky block. Gazprom Neft said the well had identified a new hydrocarbon field containing 255 million tonnes (1.9 billion barrels) of oil equivalent in initial in-place reserves. Core samples were taken at productive layers, found at a depth of between 2 and 2.7 km.

A more detailed assessment of the site's resources will be ready by mid-2018. However, Gazprom Neft CEO Alexander Dyukov said in an interview with Rossiya 24 last week that the field was believed to hold 70-80 million tonnes (513-586 million barrels) of recoverable reserves. "This means that at peak, we will be able to produce 5-6 million tpy (100-120,000 bpd) from the field," Dyukov said.

Ayashsky is one of three offshore blocks comprising Gazprom's Sakhalin-3 natural gas project. The gas company secured rights to the 2,150-square km area in 2009, although it was transferred to Gazpromneft-Sakhalin earlier this year after 3D seismic work confirmed the site contained more oil than gas.

Gazprom Neft began drilling at the site in June, using the Hakuryu-5 semi-submersible rig supplied by Japan Drilling. The Ayashsky well was spudded 55 km off the coast of Russia's Far Eastern island of Sakhalin in a water depth of 62 metres.

In its statement, Gazprom Neft said it had tapped advanced technologies in order to finish drilling within the narrow period when the Sea of Okhotsk is ice-free. "Specifically, the riser-free sludge-removal technology made it possible to control the stability of strata surrounding the borehole," the company said. "Drilling was carried out using a rotary steerable system, which allowed the maintenance of vertical control with automatic corrections."

Gazprom Neft said earlier that results from the well would be used to draw up plans for further drilling in 2018.

Gazprom's other Sakhalin-3 licences are for the nearby East-Odoptinsky and Kirinsky blocks. Exploration at the latter area has resulted in the discovery of the Kirinskoye, South-Kirinskoye and Mynginskoye gas fields. Kirinskoye came online in 2014 and is scheduled to reach a peak output of 5.5 bcm per year. South-Kirinskoye is due to start gas flows in 2021 and eventually produce up to 21 bcm per year. The project was targeted by US sanctions in 2015, however, complicating Gazprom's development plans.❖

POLICY

Ministry to introduce tax incentives for watered fields gradually

Russia's Energy Ministry will most likely introduce tax incentives for watered oil and gas fields gradually, and the Samotlor field mostly developed by oil major Rosneft will be the first one to get them, First Deputy Minister Alexei Teksler told reporters.

"It is highly probably that there will be a stage-by-stage approach. The Samotlor (field) will be the first," he said.

The incentives will be provided under a separate bill not connected with the bill on added income tax currently being discussed by the government, he added.

The Energy Ministry earlier proposed to provide mineral extraction tax (MET) incentives for watered fields with combined output of around 35 million tonnes of oil per year and has submitted a draft bill to the government. The incentives could be provided to four large watered fields operated by Lukoil, Gazprom Neft, Rosneft, and Surgutneftegas.

The Finance Ministry opposed the idea of combining tax incentives for watered oil fields with a planned added income tax, as the budget can lose 100 billion rubles of income.

1PRIME.BIZ (RUSSIA), October 6, 2017

Ministry sees minimum losses of budget from Samotlor incentive

Russia's Finance Ministry expects little or no losses of the budget from introduction of a tax incentive for the Samotlor oil field of oil major Rosneft, Deputy Minister Ilya Trunin said. On October 6, the ministry and Rosneft agreed to introduce a mineral extraction tax (MET) incentive for watered oil field Samotlor at 35 billion rubles annually for 10 years starting from January 1, 2018.

"We will see (the impact on the budget from the incentive). We hope that it will be minimal even if it is a negative impact. But it would be biter if it is positive," Trunin said answering a corresponding question. The ministry has not yet calculated the impact of the incentive for the budget, but expects it to be positive depending on the structure of the mechanism. "If they drill wells for the 35 billion rubles, it will obviously result in higher oil production," he said.

"We provide a fixed amount of the incentive, so it largely depends on the oil price, which may change strongly during the next 10 years." The ministry does not want to tie the incentive to the tax benefits for other watered fields as it thinks that other fields do not need these preferences, he said.

The ministry wants to adjust Tax Code's article 342.2 that provides incentive to the fields in the republics of Tatarstan and Bashkortostan to cover the Khanty-Mansi Autonomous District, where the Samotlor is located, with specific parameters. "I doubt that anyone else will fall (under these specific criteria), but it is not included into the law," he said. "Of course, we do not refrain from discussion. But we would not like to expand the practice in the future… We specifically don't want to tie any preferences to the water content of a field as it would create a wrong feeling that the higher the water content the less tax it will pay."

1PRIME.BIZ (RUSSIA), October 9, 2017

Capital of Azerbaijan's energy operator up by 65%

In accordance with the decision of Azerbaijan's Cabinet of Ministers, the authorised capital of Azerishiq (Azerbaijan's energy operator) has been increased by 64.9% – from 885.63 million manats to 1.46 billion manats.

The number of common shares of Azerishiq with face value of two manats each increased from 442.81 million to 730.31 million units, respectively, according to the decision.

AZERNEW (AZERBAIJAN), October 6, 2017

Turkmen leader vows to spend billions on oil, gas sector

Turkmen President Gurbanguly Berdymukhammedov has vowed to spend tens of billions of dollars to prop up the country's oil-and-gas sector, which has been hurt by low global prices and falling demand from Russia. "In the next seven years, we will make investments of 240 billion manats. In the oil-and-gas complex, we will invest 159 billion manats," Berdymukhamedov said.

He was speaking on October 9 at a meeting of the Council of Elders, an unelected body that offers no real check on the powers of the authoritarian Turkmen leader. Sitting on the world's fourth-largest gas reserves, Turkmenistan has become dependent on energy sales to China after Russian halted purchases of Turkmen gas in 2016.

Berdymukhammedov also promised that Turkmenistan would soon start producing electric cars in a bid to diversify the country's heavily hydrocarbon-dependant economy.

Berdymukhammedov said he would boost government revenues by cutting state subsidies that had been introduced by his predecessor, Saparmurat Niyazov. Berdymukhammedov said "the time has come to save and use state funds effectively." The subsidies introduced in the 1990s effectively granted citizens of the repressive ex-Soviet republic free gas, water, and electricity.

RADIO FREE LIBERTY, October 9, 2017

COMPANIES

Gazprom Neft signs MoC with Saudi Aramco

Gazprom Neft has signed a memorandum of co-operation with Saudi Aramco, the national oil company of Saudi Arabia, to extend their partnership in oil and gas industry. Signatories to the document were Gazprom Neft CEO

Alexander Dyukov and Saudi Aramco President and CEO Amin H. Nasser.

Co-operation between Gazprom Neft and Saudi Aramco envisages collaboration in various areas, including drilling and well workover technologies, improvements to pumping systems, and the development of large-scale non-metal pipes. The parties also plan to discuss perspectives for collaboration in research and development and experimental engineering works, as well as options for applying innovative solutions to a wide range of technological challenges. A separate area of collaboration could include employee training at both companies' production facilities.

Furthermore, according to the signed document the two parties could collaborate on the production of equipment for oil and gas field development, by localising production either in Russia or Saudi Arabia.

CEO of Gazprom Neft Alexander Dyukov commented: "Given the ongoing macroeconomic uncertainties, it is of paramount importance that major oil producers co-ordinate their activities to improve the stability of the global oil and gas market. An important component of such engagement concerns sharing cutting-edge technological solutions and working together to improve efficiency in oil production and refining."

GAZPROM NEFT (RUSSIA), October 6, 2017

Gazprom Neft signs MoU with Thailand's PTT

Gazprom Neft and PTT Public Company Limited (PTT), Thailand's largest oil and gas company, have signed a memorandum of understanding (MoU), promoting mutually beneficial co-operation between the two companies. The document was signed by Alexander Dyukov, CEO of Gazprom Neft, and Tevin Vongvanich, President of PTT.

The MoU covers potential collaboration in the exploration and production of hydrocarbons in Russia and other countries, the development and production of cat-cracking and hydrotreatment catalysts, and aviation fuel supply. Additionally, the companies will consider options for scientific collaboration in industrial safety.

Alexander Dyukov, CEO of Gazprom Neft, commented: "Our companies have been collaborating since 2012, when Gazpromneft-Aero, the operator of the Gazprom Neft aviation refuelling business, signed an agreement with PTT to supply aviation fuel to Thailand's airports. This MoU confirms the commitment of both parties to further develop and intensify joint activities, and envisages the implementation of a wide range of mutually profitable projects. Additionally, for Gazprom Neft, the partnership with PTT presents an excellent opportunity to further expand our presence in the promising market of Southeast Asia."

GAZPROM NEFT (RUSSIA), October 6, 2017

Lukoil and NIOC sign MoU

A Lukoil wholly owned subsidiary, Lukoil-Engineering, and the National Iranian Oil Company (NIOC) signed a memorandum of understanding. The parties to the memorandum express their interest to enhance mutually beneficial co-operation, which implies basin modeling and analysis of the petroleum systems of northwest areas of the Persian Gulf, the Abadan plateau and the South Caspian basin.

For the purposes of the memorandum, Lukoil-Engineering and NIOC will set up exchange of data necessary to study the areas, and establish a joint working group.

LUKOIL (RUSSIA), October 6, 2017

Russia's Gazprom to sustain pace of production in 2018

The company plans to maintain the pace of daily gas production in 2018, Interfax quoted Vsevolod Cherepanov, a member of Gazprom's management board, as saying.

Gazprom currently produces 1.38 bcm of gas per day, Cherepanov was quoted as saying. In 2017, Gazprom's natural gas production is expected to reach 470 bcm compared with 419 bcm in 2016, Cherepanov said.

REUTERS, October 6, 2017

Irkutsk Oil Company signs framework agreement with JOGMEC

Irkutsk Oil Company and Japan Oil, Gas and Metals National Corporation (JOGMEC) have signed a framework agreement. The document established fundamental terms of partnership between the parties on their new joint project. The framework agreement is a legally binding document, which formalises previously achieved arrangements set out in the memorandum of understanding (December 2016) and heads of agreement (April 2017).

As part of the new joint project INK-Krasnoyarsk Irkutsk Oil Company and JOGMEC will start geological exploration work on five licence blocks in Krasnoyarsk Krai. Already in the winter field season of 2017-2018 the parties are planning to start 2D seismic survey on the territory of the blocks. The parties anticipate that the total investments into such blocks for acquisition and exploration works within the period until 2021 (inclusive) will amount to not less than US$100 million.

New project between Irkutsk Oil Company and JOGMEC is included in the Japan-Russia Action Plan of the Working Group for Co-operation in the Area of Hydrocarbons under the Japan-Russia Energy Initiative Council.

IRKUTSK OIL COMPANY (RUSSIA), October 9, 2017

Transneft obtained access to trading and made first transactions on foreign exchange market

Transneft obtained direct access to the foreign exchange section at the Moscow Stock Exchange and carried out its first transactions there. In its debut transaction the company sold US$10,000 with settlement terms tomorrow (TOM, i.e. October 6, 2017).

Since 16 January 2017 Russian legal entities that are not credit institutions or professional participants of the securities market have the right to make transactions on the foreign exchange section at the Moscow

Stock Exchange on a par with banks and brokerages. The key advantages of the market are transparency in price formation, liquidity, and guaranteed performance of obligations by transaction parties.

TRANSNEFT (RUSSIA), October 9, 2017

Gazprom and Saudi Aramco sign MoU

Gazprom board of directors chairman Viktor Zubkov and Saudi Arabian Oil Company president and CEO Amin H. Nasser signed an MoU for international co-operation in the gas sector. The signing ceremony took place on the margins of the official visit to Russia by Salman bin Abdulaziz Al Saud, King of Saudi Arabia.

The document reflects the intention of the parties to explore the possibilities of co-operation along the entire value chain from natural gas exploration, production, transmission and storage to LNG projects.

GAZPROM (RUSSIA), October 9, 2017

Rosneft interested in Sinopec's facilities in Argentina

Several Russian companies, including state-run oil major Rosneft, as well as companies from the US, Europe, Africa and Latin America are interested in acquiring Argentina-based assets of China's Sinopec, Reuters news agency reported citing sources.

A source said that the oil and gas refining facilities worth US$750 million to US$1 billion are mainly located in the Santa Cruz province. They were bought by Sinopec in 2010 to diversify the portfolio, the agency reported.

Another source said there are about 15 bidders for the facilities, including Mexican Vista Oil & Gas. In September, Sinopec said its proceeds from the Argentina-based plants had fallen sharply due to worsening economic conditions and social unrest, including labour conflicts.

1PRIME.BIZ (RUSSIA), October 9, 2017

SOCAR reorganises Azneft PU

Azneft PU of Azerbaijan's energy giant SOCAR announced reorganisation by joining SOCAR-Umid LLC to it and was registered in the "single window" system of the Ministry of Taxes. SOCAR's Azneft is developing 34 oil and gas fields, 20 of which are onshore and 14 of which are located in Azerbaijan's sector of the Caspian Sea.

SOCAR-Umid was engaged in the development of the Umid gas field in the Azerbaijani sector of the Caspian Sea.

Risk-service contract [contract with a minimum guarantee of compensation] on the exploration and development of the offshore block, including the Umid gas field and the Babek structure in the Caspian Sea, was signed between SOCAR and SOCAR Umid Oil and Gas Limited on January 12 2017.

Umid gas field, which was discovered in 20101, is the second largest natural gas field in Azerbaijan [the largest is Shah Deniz gas field]. It is situated in the South Caspian Sea, off the coast of Azerbaijan, approximately 75 km southeast of Baku, at a depth of 170 metres.

The reserves of the field are estimated at more than 200 bcm of gas and 40 million tonnes of condensate. SOCAR is wholly owned by the government of Azerbaijan. SOCAR participates in joint ventures (including ventures in Georgia and Turkey), consortia, and operating companies established with SOCAR's participation.

Besides Azneft, the company included such production associations as Azerikimya (the chemical enterprises) and Azerigas (distributor of gas produced in the country), as well as oil and gas processing plants, service companies, and the facilities involved in geophysical and drilling operations.

AZERNEWS.AZ (AZERBAIJAN), October 6, 2017

Plans on large drilling rig in Azerbaijan announced

Caspian Drilling Company (CDC), which is the operator of Azerbaijan's 'Dede Gorgud' floating semi-submersible drilling rig plans to use it for one of its projects in the Caspian Sea, a source in the country's oil and gas market told Trend.

"Currently, 'Dede Gorgud' rig is in a warm stacked mode. The company plans to use it for further drilling work in the Caspian Sea," said the source. However, the source didn't specify for which company and at which field the drilling rig will be used. Earlier, 'Dede Gorgud' rig was used for drilling work at Azeri-Chirag-Gunashli block of oil fields under the contract with BP.

In a warm stacked mode, rigs preserve their operability and can be put into operation immediately after signing a contract for using. The 'Dede Gorgud' floating semi-submersible drilling rig, built in 1980, can work at a depth up to 500 metres, while the depth of drilling operations reaches 6,100 metres. The Caspian Drilling Company (CDC, 92.44% of which is owned by Azerbaijan's state oil company SOCAR) is the operator of the 'Dede Gorgud' drilling rig.

AZERNEWS.AZ (AZERBAIJAN), October 9, 2017

OIL

Transneft Siberia connected new pipeline metering station to oil trunk pipeline system

Transneft Siberia connected a new pipeline metering station (PMS) to its oil trunk pipeline system, to take in the oil from Kondaneft Oil Company that produces oil in the Kondinskoye Field, Khanty-Mansi Autonomous Area.

Kondaneft Oil Company's pipeline metering station was commissioned late in September 2017. The first oil consignment

from the oil company has already been accepted in Transneft Siberia oil trunk pipeline system.

The PMS is located in Uvat District, Tyumen Region, and accepts oil into the tank farm of Demyanskoye line operation dispatcher station, Tobolsk Oil Trunk Pipeline Directorate. The submitted oil meets the State Standard GOST R 51858 and the quality parameters in specifications for connection to Transneft oil trunk pipelines.

The pipeline metering station is fitted up with the Oil Quantity and Quality Metering System (OQQMS). Oil consumption via OQQMS ranges from 30 tonnes per hour to 360 tonnes per hour, and the pumping volume comes to 2.3 mtpa.

TRANSNEFT (RUSSIA), October 6, 2017

Azerbaijan's oil exports via Turkey pipeline fall 8%

Azeri oil exports through the Baku-Tbilisi-Ceyhan (BTC) pipeline via Georgia and Turkey fell by 7.8% year-on-year to 20.326 million tonnes in the January-September period, state energy company SOCAR said.

The BTC pipeline is used to export oil via from the Azeri, Chirag and Guneshli (ACG) oilfields operated by BP.

Azerbaijan also exports oil via Russia, through the Baku-Novorossiisk pipeline and via Georgia by rail and through the Baku-Supsa pipeline.

Oil from Kazakhstan and Turkmenistan is also exported through the BTC pipeline.

REUTERS, October 6, 2017

Belarus interested in increasing oil production in Venezuela to 2-3 mtpa

Belarus is interested in increasing oil production in Venezuela to 2-3 mtpa, Belarus' Deputy Prime Minister Vladimir Semashko said in an interview to the Belarus One TV channel, BelTA informs. Venezuela is rich in oil. "They however feel somehow spendthrift about oil production. Once production volumes dwindle, they exploit another site. But a lot of oil remains undeveloped," said Vladimir Semashko.

"We revived the wells and were producing about 1.2 million tonnes of oil some three or four years ago. Unfortunately, now we have lower volumes. We will have about 830,000-840,000 tonnes," he added. Belarus is interested in expanding projects in the field of oil production in Venezuela, the vice premier stressed. "We are ready to increase the volumes up to 2-3 mtpa on these used wells, but with respect to our interests," he said. "At the same time, we are interested in developing new oil deposits ourselves. On the other hand, we are ready to provide oil possible help to Venezuela," he added.

BELTA (BELARUS), October 9, 2017

GAS

Saudi Aramco CEO: not discussing taking stake in Novatek's Arctic LNG

Saudi Aramco is discussing several investment opportunities with Russian firms but there are no current plans to take a stake in Novatek's LNG project, Aramco's chief executive Amin Nasser said. "We are not discussing this at this stage. We are looking at opportunities for working together with the different companies. But what you mention in particular – nothing from Saudi Aramco," Nasser told reporters in Moscow, when asked about the possibility of investing in the Novatek LNG project, known as Arctic LNG-2.

Nasser also said there were no current talks with Russian companies on them taking part in the planned initial public offer of shares in Aramco next year, during which the company aims to sell around 5% of its shares.

REUTERS, October 6, 2017

Investors from Japan, Middle East show interest in Baltic LNG

Investors from Japan and Middle East have shown interest in Gazprom's Baltic LNG project, Gazprom Deputy CEO Alexander Medvedev said in an interview to the Rossiya-24 TV channel. Baltic LNG is due to start producing LNG in 2022-2023. Gazprom signed a memorandum of understanding on the project with oil major Shell last year.

The plant is due to produce between 10 million and 15 million tonnes of LNG annually.

REUTERS, October 9, 2017

Kazakhstan launches most powerful gas distribution station

Kazakhstan's national gas pipeline operator KazTransGas (KTG) has commissioned a new automatic gas distribution station in Aktobe with a capacity of 300,000 cubic metres of gas per hour. To date, the AGRC-300 is the most powerful gas distribution station in Kazakhstan… The project was implemented as part of a programme to gasify the Aktobe region. AGRC-300 was launched to raise distribution capacity in Aktobe and provide relief for the city's existing. 32 km of new gas pipelines were laid as part of the project and two gas control points were installed.

The AGRC-300 will serve large consumers in the city such as the Aktyubinsk Rail Plant, the city's telephone station, the Aktyubinsk Ferroalloy Plant and a co-generation plant (CHP). It will also provide gas to the suburban settlements of Kobdin, Martuk, Alginsky and Kargalinsky.

KTG plans to provide gas to 96% of the population of the Aktyubinsk region by 2030 by building 287 km of pipelines.

NEWSBASE, October 5, 2017

Gazprom, CNPC, Kazakhstan's KazMunayGas to develop natural gas filling network on Europe-China route

Deputy Chairman of Russia's Gazprom Management Committee Vitaly Markelov, PetroChina Vice-president Huang Weihe, and Executive Vice-president for Transportation, Processing and Marketing of Kazakhstan's oil and gas company KazMunayGas Daniyar Berlibayev, on October 5 signed a memorandum of understanding at the seventh St. Petersburg International Gas Forum.

The document reflects the interest of the parties in long-term strategic co-operation in the natural gas vehicles (NGV) market, including via developing the natural gas filling infrastructure along the Europe-China international transport corridor, Gazprom said.

The memorandum provides for an assessment of the potential number of gas-powered cargo vehicles and the amount of natural gas that could be used for refuelling vehicles at the Russian, Kazakh and Chinese sections of the route in the period up to 2030.

The results of the assessment will serve as the basis for the drawing up of the tripartite Roadmap for the development of the natural gas filling network along the Europe-China international transport route. PetroChina is the largest Chinese company engaged in oil and gas production and marketing. The majority stake of PetroChina is owned by CNPC. KazMunayGas National Company is Kazakhstan's operator for exploration, production, processing and transportation of hydrocarbons.

TIMES OF CENTRAL ASIA (KYRGYZSTAN), October 6, 2017

Turkmenistan launches high-yield well at Galkynysh

Turkmenistan has commissioned well No. 280 at the Galkynysh gas field in the east of the country, recording a flow rate of 2 mcm per day of gas. Work at the well was carried out by the engineering and construction arm of Turkmengaz.

According to the state-run Nebit-Gaz oil and gas magazine, much of the equipment used at the well was sourced locally without the help of foreign partners. Turkmengaz is currently wrapping up preparations for the launch of three more high-yield wells at the field, the newspaper said, without specifying when drilling work would start.

Galkynysh provides gas to the domestic market and for export to China via the Trans-Asia Gas Pipeline (TAGP) network. Supply volumes are growing each year, the newspaper claimed.

The field has also been earmarked as a supply source for the Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline, which is slated for completion and commissioning in 2020.

NEWSBASE, October 5, 2017

SERVICES

Petrofac signs master services agreement with Gazprom Neft

Petrofac has secured a three-year master services agreement (MSA) to support Gazprom Neft Middle East B.V. (Gazprom Neft) with the provision of engineering services on a call-off basis for the Garmian field in the Kurdistan region of Iraq.

The MSA was secured following a competitive tendering process and augments Petrofac's extensive footprint in Iraq, where it has been providing engineering, operations, maintenance and training services since 2010.

Gazprom Neft has been Operator of the Garmian field since early 2016. Through the provision of engineering services Petrofac aims to support the planned brownfield works to debottleneck and expand the Central Processing Facility (CPF).

Steve Webber, Senior Vice-president, Petrofac Engineering & Production Services, East said: "We are delighted Gazprom Neft has selected Petrofac as one of its key suppliers in support of the Garmian field CPF upgrade project.

"We have been working with this key client in Iraq for more than three years and hope to take this opportunity to build on our relationship through the demonstration of Petrofac's fit-for-purpose and value-driven engineering solutions in the Kurdistan region."

PETROFAC (UK), October 9, 2017

REFINERIES

Oil supplies to Lukoil's Norsi refinery suspended due to fire

Crude oil deliveries to Lukoil's Norsi refinery in the Nizhny Novgorod region have been suspended due to a fire at the facility, a spokesman for Russian pipeline monopoly Transneft said. Deliveries of crude oil were stopped at 14:15 Moscow time, he added.

Earlier, the Ministry for Emergencies said in a statement that a fire had broken out at the refinery. It said the blaze had started at one of the refinery's storage tanks. An official in the local administration of Kstovo, the town where the refinery is located, told Reuters by phone that four people had died as a result of the incident.

Lukoil did not immediately comment on the number of people injured or killed during the fire.

REUTERS, October 5, 2017

Lukoil prepares to restore fuel tank at Norsi refinery

The Lukoil press service has stated that specialists of Lukoil-Nizhegorodnefteorgsintez have completed preparations for the restoration of adjacent to a storage tank at the Norsi oil refinery, where a fire was extinguished a day earlier.

"At present, the plant is operating in normal mode. The production of products has practically not been impacted. Oil pumping at the refinery was suspended for only a few hours. We expect to fully reach the planned volumes of shipment within four to five days," said Lukoil senior vice-president for supply and sales Vadim Vorobyev.

LUKOIL (RUSSIA), October 6, 2017

Star refinery's construction completed by 95%

The construction of the Star oil refinery of the Azerbaijani state oil company SOCAR, the largest project finance transaction in Turkey, is completed by 95%. A total of 19,500 people from 14 countries, including 3,000 engineers work in the construction of the plant, which will be completed by the end of the year, Turkish media reported referring the plant's director Mesut Ilter.

"After the launch of the refinery it is expected that Turkey will be able to save almost US$1.5 billion per year on the import of petroleum products. The refinery will be able to process 10 mtpa with a warehouse capacity of 1.6 million," Ilter said

The plant will annually produce 1.6 million tonnes of naphtha, 5 million tonnes of diesel fuel, 1.6 million tonnes of jet fuel, 300,000 tonnes of liquefied petroleum gas and 1 million tonnes of raw materials for petrochemical production.

Annual income of Azerbaijan's economy from the Star oil refinery, costing over US$5 billion to SOCAR, will exceed US$600 million within the first five years after its commissioning, over the next 10 years, the annual income will exceed US$800 million.

In accordance with the decree of the President Ilham Aliyev on additional measures to support the participation of the Azerbaijani side in the construction of the Star oil refinery in Turkey, a joint stock company SOCAR Turkey Yatirim was established with a statutory capital of US$1.9 billion and a 40% state share.

SOCAR, being the largest foreign investor in Turkey, is the author of very important and large-scale projects in the energy industry. SOCAR entered the Turkish market with the acquisition of Petkim. The company's investments in Turkey will be a total of US$19.5 billion once they are completed -Petlim, STAR Oil Refinery, Petkim Wind Power Plant (WPP) and TANAP projects.

AZERNEWS.AZ (AZERBAIJAN), October 6, 2017

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