

BIWEEKLY

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In pursuit of its primary goal of guiding the development of effective and pragmatic policies on regional and global energy issues, CCEE's Biweekly Energy Review brings readers the latest developments in the field of energy and environment. The Biweekly Energy Review compiles and assesses news on Caspian energy and environment issues. It aims to provide a comprehensive review of regional energy and environmental developments. The Review offers a valuable resource for researchers and practitioners by bringing together related news and features from the leading global news sources. This compact biweekly digest offers brief evaluations and commentaries of breaking and ongoing news stories from CCEE experts, helping to shed light on key developments.



KEY FACTS & STATEMENTS

K*The Azerbaijan's Southern Gas Corridor CJSC has invested 7.6 billion USD out of the total 12.3 billion USD funding needed from the Azerbaijani side for construction work on the Southern Gas Corridor (SGC) during 2014-2020. The total cost of the SGC endeavor is 45 billion USD.*

Since 2008, SOCAR has invested 12.6 billion USD in Turkey's energy sector, making it one of the biggest international investors in Turkey. The company's investments will have exceeded \$20 billion once the SOCAR Turkey Aegean Refinery (STAR) is complete.

Saeid Khoshrou, director of international affairs at the National Iranian Oil Company, told CNBC, that if oil prices rise to around 60 USD a barrel, this could stabilize the energy market and provide signal for investors to invest and develop petroleum fields. Currently, on average, Iran's cost of production is around 10 USD per barrel.

Brief outline of global energy developments

The key topics for European states during the last two weeks have been the discussions on Nord Stream 2, and on redesigning Europe's electricity markets. On 20 September in Tallinn, Estonia, EU energy ministers discussed Europe's electricity market. The informal council meeting was attended by European Commission Vice-President for Energy Union Maroš Šefčovič, Commissioner for Transport Violeta Bulc, and Commissioner for Climate Action and Energy Miguel Arias Cañete. As well as the EU proposals to redesign Europe's electricity markets, participants also discussed developing transport and energy infrastructure for 2020 and beyond with the help of the Connecting Europe Facility, which provides investment at a European level. They focused on what this investment can do for Europe: the Energy Union the EU's plan to provide Europe with secure, affordable and clean energy, and the Single European Transport Area intends to link different means of transport across the EU.

EU countries are divided on whether or not to support the Nordstrom 2 pipeline project. The leading companies from the EU are cooperating with Russia's Gazprom on the Nord Stream 2 pipeline; Shell, Uniper, OMV, Engie, and Wintershall have committed up to almost 1 billion EUR each. However, while recent public statements by the Finnish leadership seems

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supportive of the project, on 26 September the foreign ministers of Lithuania and Denmark criticized the plans for expanding the Nord Stream gas pipeline along the bottom of the Baltic Sea between Russia and Germany, calling upon the European Commission (EC) to take a stricter approach. Lithuania and Denmark believe that Nord Stream 2, which is being developed by Russia's Gazprom and a few other European companies, would make Europe more dependent on Russian gas and undermine Ukraine as a transit country. Divergent views have also arisen within the European Commission. Miguel Arias Canete, the European Commissioner for Climate Action and Energy, recently stated that the Nord Stream 2 project is not consistent with the European Union's energy policy objectives.

Energy developments in the Caspian region

Azerbaijan

In Azerbaijan's energy market, the main developments were related to improvement of energy relationships with partner countries, specifically Romania and Czech Republic. It is little known that Azerbaijan provides around 30% of the Czech Republic's total oil imports. On 21 September, representatives of Czech oil, gas and energy companies visited Baku. They met with the Deputy Minister of Energy Gulmammad Javadov. Discussions focused on the definition of new goals in the energy sector within the Strategic Roadmap for the Development of Public Services, as well as the importance of drawing upon European experience in achieving these goals. The Czech companies have submitted their proposals for rendering diversified services that enable to apply high quality standards in all areas of the energy sector.



The number of Azerbaijani gas filling stations in Romania is growing year on year, currently standing at 37. The Azerbaijani ambassador to Romania, Farid Abdinbayov, told Azerbaijani media that "the government of Romania believes that the activities of SOCAR in this country shouldn't be limited to gas filling stations and invited Azerbaijan to consider participation in other projects as well, in particular in the spheres of oil refining, petrochemistry, energy resources exploration, creation of stations for refueling with liquefied natural gas". The prospects for further cooperation look bright; Romania's Transgaz company is engaged in gas production and transportation, and Azerbaijan's SOCAR has agreed to strengthen cooperation in the field of energy.

In another development, UAE-based Topaz Energy and Marine announced a new contract with France's oil major Total to supply vessels support for operations in Azerbaijan. The company will supply its anchor-handling vessel Topaz Triumph to the Total E&P Absheron (TEPAb) venture to service one work-over and one development well in the Absheron offshore field. It is estimated that the work will take more than one year. René Kofod-Olsen, CEO, Topaz Energy and Marine stressed the importance of contract, declaring, "Our record of providing solutions with focus on safety and value across our operations has helped us secure this nomination and we look forward to delivering our consistent and world-class service for the development of the Absheron field."

Discovered in 2011, the Absheron Field is being developed under an early production scheme, reflected in the development program agreed by State Oil Company of Azerbaijan (SOCAR) and contractor parties. Dubai-headquartered Topaz Energy and Marine primarily focuses on the Caspian Sea, the Middle East, West Africa and operates an existing fleet of 97 offshore support vessels with an average age of approximately 9 years.

Developments on the Southern Gas Corridor (SGC)

The financing of Southern Gas Corridor through international bank loans remains high on the agenda, and some developments have occurred in this direction. This week the overall expenditure on the project to date became public. Azerbaijan's Southern Gas Corridor CJSC has invested \$7.6 billion out of the \$12.3 billion total funding Baku needs for construction during 2014-2020. The new information reveals that 62% of the project's financing is secured. The reason for this is that, according to a representative of the Southern Gas Corridor CJSC, "that total capital expenditures expected to be made at company (SGC CJSC) level, as well as at the level of the project's total costs, declined."



Another component of the SGC chain, the Trans Adriatic Pipeline (TAP), has been working to develop financing for social projects, in order to benefit a variety of customers in different ways. Right now, education is in the

spotlight. The Trans Adriatic Pipeline (TAP) AG presented its 1 million EUR educational social project. The initiative provides partial scholarships for Masters programs in the energy sector, offered by the University and the Technological Educational Institute (TEI) of Western Macedonia. As part of this initiative, TAP subsidizes 50% of tuition fees over 5 years for 90 students/year.

In addition, TAP's Country Manager for Greece, Katerina Papalexandri announced that TAP is voluntarily implementing a 32 million EUR Social and Environmental Investment Program in the three Northern Greek Prefectures traversed by the pipeline.

Developments in the Caspian littoral states

Russia

While the fate of Nordstrom 2 project remains subject to debate, Russian energy companies are expanding their cooperation.

In the first instance, Russian companies have expressed an interest in modernizing energy sites in Bulgaria, as announced by Bulgarian Minister of Energy Temenujka Petkova, who attended the fourth meeting of the Energy Working Group in Moscow. According to Minister Metenujka, the PAO “Power Machines” is interested in the possible extension of the cooperation in reconstruction of TPP “Maritza East” 2, TPP Bobov dol, and TPP Sofia, as well as other energy sites. The company is ready to be actively involved in the modernization of the equipment for Kozloduy NPP.

In another direction, the self-declared independence referendum in the Iraqi Kurdistan region has increased tensions in the Middle East. The expert community believes that Russian oil major Rosneft will invest in gas pipelines in Iraq’s autonomous Kurdistan. Kurdistan has been exporting oil independently from Baghdad since 2014, and Kremlin-controlled Rosneft has joined the list of buyers. Rosneft is widening its investments to include gas, by agreeing to fund a natural gas pipeline in Kurdistan. Investments would amount to more than \$1 billion.

Iran

In the Iranian energy sector, the most important development occurred in the renewable energy sector, which recently announced that Iran expects its installed renewable power capacity - excluding hydropower - to surpass 700 megawatts by the end of March 2018. Currently, Iran has 77,000 megawatts of power capacity, of which 360 megawatts is renewable energy. Most of the electricity generated in the country comes from thermal power plants which use fossil fuel. According to Iran’s Deputy Energy Minister Houshang Falahatian, renewable energy, including hydropower, accounts for about 6 percent of the overall electricity produced in the country; 90% of the fuel used in power plants is natural gas.

As a part of that, the UK company Quercus, a green investment company, plans to build one of the world’s largest solar power farms in Iran, highlighting European investor enthusiasm for the country. Quercus has reached an agreement with Iran’s energy ministry on plans for a 600-megawatt plant in central Iran that would rival the largest solar projects so far built in China, India, and the US. Iran has set a target to install 5 gigawatts of renewable energy capacity — equivalent to about five nuclear reactors — by 2020 as part of efforts to meet rising demand for electricity while cutting air pollution and carbon emissions.



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