# Oman to invest $12b in Kish gas project

**MUSCAT (Reuters) — Oman and Iran plan to complete the development of the Kish gas field in the Persian Gulf by 2012 with the sultanate footing the bill of up to $12 billion, an Omani energy ministry official said.**

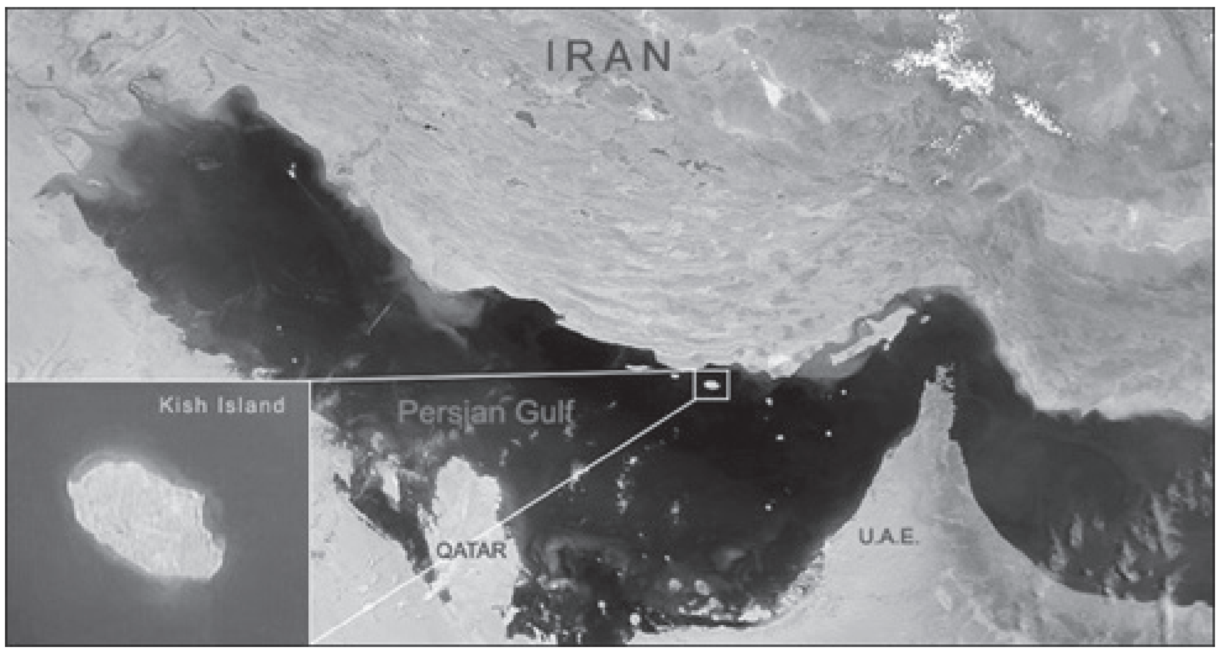
"Oman is going to wholly fund the Kish gas field and we expect to sign an agreement at the end of 2008 so the plant can start producing gas for Oman by 2012," an oil and gas ministry project official, who declined to be named, told Reuters.

"The project will involve a 200-km (124-mile) pipeline, mostly underwater, to Musandam and Sohar. Phase one of this project will transport gas to Oman at a rate of one billion cubic feet per day and then rising to 3 billion cubic feet."

Iran and Oman signed a deal in April to jointly develop Iran's Kish gas field in the Persian Gulf at an estimated cost of between $7 billion and $12 billion, but did not give a timeline for the project at the time.

Iran's oil minister traveled to Muscat earlier this month to discuss the plans to export Iranian gas to Oman, from where it could be exported using an Omani liquefied natural gas plant.

Iran has the world's second biggest gas reserves but has been slow to develop gas exports and has no LNG facilities, which supercool gas so it can be exported by ship.




Facing US sanctions and pressure, it has increasingly turned towards Asia and elsewhere to develop its oil and gas sector.

The Islamic Republic's gas reserves were put at 27.80 trillion cubic meters at the end of 2007, compared to Oman's much more modest 690 billion cubic meters.

Iran's ISNA news agency said that the gas heading to the Omani LNG facility will be used by the National Iranian Oil Company, a state firm which oversees Iran's hydrocarbons industry, in its international markets and sales.

Some of the Iranian gas would be used by Oman, it added. The two countries are also developing another Persian Gulf gas field, called Hengam in Iran and West Bukha in Oman.

Hengam is a joint field, holding around two trillion cubic feet of gas in the Strait of Hormuz.

"Oman is also going to develop the Bukha gas field at a cost of $200 million with a 100-km pipeline transporting Iranian gas to Sohar and then eventually to Sur," the official said.

"We plan to have this field supplying gas by 2011, subject to negotiations."

Sohar is home to major projects such as a 120,000 barrel per day refinery, aluminium smelter, methanol and fertiliser plants. Oman also needs to supply gas to Sur, to the 10 million tons per year Oman LNG and Qalhat LNG plants.

## Venezuela threatens to cut U.S. oil exports

**CARACAS (Bloomberg) — Venezuelan President Hugo Chavez yesterday ordered the American ambassador to Caracas to leave and threatened to halt oil exports to the U.S. in a show of solidarity with his Bolivian counterpart Evo Morales.**

Chavez recalled his ambassador from Washington and said he won't send another until after the U.S. presidential elections in November. Chavez and Morales, who expelled the top U.S. envoy from his country two days ago, have accused the U.S. of backing opposition movements in their countries.

Chavez, a self-proclaimed socialist who refers to America as an "empire," threatened to halt Venezuelan oil shipments to the U.S. if it attacks his country. Venezuela is the fourth- biggest supplier of foreign crude oil to America.

"The U.S. is behind the plan against Bolivia, behind the terrorism," Chavez said at a political rally for his United Socialist Party of Venezuela. "We're committed to being free. Enough crap from you Yankees."

In a televised speech, Chavez gave Ambassador Patrick Duddy, who arrived in Caracas a year ago, 72 hours to depart. Noel Clay, a State Department spokesman, said there hasn't been any official communication through diplomatic channels.

## Russia-OPEC ties no threat to consumers

**OPEC Secretary-General Abdullah al-Badri says the organization's closer relations with Russia will not affect consumer countries.**

"I don't think our cooperation with Russia will affect the consumer, because as far as we are concerned we are trying to encourage dialogue between producers and consumers," al-Badri said in a press briefing at the OPEC headquarters in Vienna.

Al-Badri was responding to allegations that Russia seeks closer ties with the Organization of Petroleum Exporting Countries (OPEC) at a time when Moscow's relations with the West have become strained over the conflict in South Ossetia.

The Russian Deputy Prime Minister, Igor Sechin, who attended a Tuesday OPEC summit as an observer, said Russia had submitted a 'draft Memorandum of Understanding' to OPEC on closer cooperation.

"As far as OPEC is concerned, we are willing to review this Memorandum of Understanding. We will try to see how we can cooperate through this MOU," al-Badri said.

An unnamed Russian official quoted by Dow Jones Newswires said the MOU would 'revive' a Russia-OPEC agreement that existed until 2005.

Sechin attended the OPEC summit as observer. Al-Badri said he would visit Russia in October to take part in a workshop 'to look at oil markets, and look at supply, demand and market movements and any other kind of activities that we can cooperate on together'.

He added that the invitation had been extended several months before the beginning of the conflict in South Ossetia.

The MOU could be finalized during an international oil conference, due to be held in Russia in October, the Russian official said.

OPEC formally agreed on Tuesday to cut production by 520,000 barrels per day (bpd).

Al-Badri said the decision would reduce the 'huge oversupply' of oil in the market.

*(Source: Press TV)*

## Hong Kong energy giant plans to invest in China power plant

**HONG KONG (AFP) — Hong Kong's largest energy company China Light and Power (CLP) is looking to invest in a liquefied natural gas processing plant on the mainland, reports said on Friday.**

The company wanted to invest in a regasification plant in southern Shenzhan planned by PetroChina, the country's largest oil and gas producer, CLP commercial director Richard Lancaster told the South China Morning Post.

It is also considering investing in a plant planned in Zhuhai by another energy giant, China National Offshore Oil Corp (CNOOC), he said.

The move follows the company's decision to ditch a controversial project to build an LNG plant on the Soko Islands in the southwestern waters of Hong Kong.

CLP said there was no longer the need for a plant in Hong Kong after Beijing signed a deal with the city last month to guarantee a consistent supply of natural gas and nuclear energy for the next two decades.

"The Sokos project is stopped," Lancaster told the newspaper.

"We concur with the government view that (the project) is not needed after a memorandum of understanding on energy supply to Hong Kong was signed," he said.

CLP had said the project was necessary to increase supply of clean fuel, as gas reserves in the mainland were far less than expected and would run out soon after 2011 at the current usage rate of 2.5 billion cubic metres a year.

The Sokos project was hit by concerns from environmental groups that the proposed location could damage local marine life.

For much of its energy Hong Kong relies on coal-fired power, which is one of the major contributors to greenhouse gases from within the territory.

The city has faced criticism that it is not doing enough to reduce the smog, much of which originates across the border and has raised worries it could damage the economic center's ability to attract top international talent.

## Oil prices rise as Hurricane Ike halts US energy production

**LONDON (AFP) — Oil prices rose on Friday as Hurricane Ike forced the closure of energy production facilities in the Gulf of Mexico, traders said.**

New York's main contract, light sweet crude for delivery in October, climbed 1.15 dollars to 102.02 dollars a barrel.

Brent North Sea crude for October gained 98 cents to 98.60 dollars.

Hurricane Ike on Friday bore down on Houston, the fourth largest US city, sending hundreds of thousands of people fleeing amid a warning that those remaining in low-lying areas "face certain death."

Oil and natural gas production in the Gulf of Mexico was largely closed, though the US Department of Energy said Ike appeared likely to spare most rigs and platforms there.

"Some 95.9 percent of the Gulf of Mexico's 1.3 million barrels per day of oil production and 73.1 percent of its 7.4 billion cubic feet per day of natural gas production has been turned off," the department said in a statement issued Thursday.

The bulk of US oil refineries are in the gulf, where Anglo-Dutch oil giant Shell began evacuating personnel on Wednesday.

Crude futures were also higher after Venezuela President Hugo Chavez on Thursday threatened to halt the supply of oil to the United States, its main client, if Washington attacked his government.

The threat came after Chavez announced that US ambassador to Venezuela Patrick Duddy had 72 hours to leave the country.

"If there is any aggression towards Venezuela" from Washington, "there would be no oil for the people of the United States," Chavez said at a public event near Caracas.

Venezuela's order to expel Duddy was an act of solidarity with Bolivia, which expelled its US envoy Philip Goldberg on Wednesday after accusing him of encouraging a break-up of Bolivia through support of opposition groups.

Deadly clashes in Bolivia Thursday stoked fears of further widespread unrest and possibly even civil war.

At least eight people were killed and a dozen wounded in violent clashes between pro- and anti-government protesters in the northeastern town of Cobija, officials said.

## Kazakhstan to hike oil export duty by 85% in October

**ASTANA (RIA Novosti) — Kazakhstan's government announced on Thursday it will increase the customs duty on oil exports by 85% to $203.8 per metric ton on October 13.**

Oil export duty has been at $109.9 per ton since May 17, based on an oil price of $714 per ton (around $97 per barrel).

The government said the move would ensure stable supplies to Kazakh oil refineries and yield over $1 billion in revenue to the national budget.

The oil-rich ex-Soviet republic last year produced 62.7 million tons (460.84 million bbl) of crude.

## US: Russia threatens West energy routes

**A US official has urged Europe to diversify its energy routes after warning that Russia aims to control energy deliveries to the West.**

"The fact is Russia has worked hard to try to corner the market, so to speak, and is working to foreclose options to transit for those energy products across Russia."

The comments were made on Monday by a senior US official, who is traveling with US Vice-President Dick Cheney in Italy, on condition of anonymity.

"They want everything to come out through Russia and a lot of us think it's more important that there be diverse means of gaining access to those resources."

"No one country ought to be able to totally dominate those deliveries," he added.

He further accused Russia of using energy as a tool of intimidation and manipulation in Central Asia, the Caucasus region and elsewhere.

The planned five-billion-euro US and EU-backed Nabucco gas pipeline to deliver natural gas from Central Asian countries and Azerbaijan through Turkey, Bulgaria, Romania and Slovakia to Austria is feared to be in jeopardy following Russian military action in Georgia.

"There were concerns expressed that one of the things that happened as a result of the Russian military operations in Georgia was to raise questions about the security of that trans-Georgian corridor for moving Caspian energy resources out to the West," the US official said.

Europe is also concerned about the security of the Baku-Tbilisi-Ceyhan pipeline which is the world's second largest pipeline, carrying 850,000 barrels per day of Azeri high-quality oil from Caspian Sea to the Turkish Mediterranean.

*(Source: Press TV)*

## India's IOC to cut naptha export, buy more sour crude

**PANIPAT, India (Reuters) — Indian Oil Corp expects naphtha exports to fall by more than half by the end of next year and sees a much higher use of high-sulphur crude by 2012 as it builds new plants, a top official said on Friday.**

Its cracker at Panipat in north India to be built by November 2009 will consume the naphtha, reducing exports to barely 0.6-0.7 million tons a year, down from the current 2 million tons per annum, IOC's director of refineries, B.N Bankapur, said.

"We will be using naphtha produced in Panipat and Mathura refineries for the cracker. Our exports will come down substantially," told reporters at Panipat, where IOC runs a 240,000 bpd refinery.

Its 300,000 barrels per day refinery at Paradip in eastern India, which will be built by the first quarter of 2012, will raise the ratio of high-sulphur crude IOC processes to 76 percent from the current 50 percent, he said.

IOC is also keen to expand its Mathura refinery's capacity to 220,000 bpd from 160,000 bpd, but the company would need clearance from the environment ministry.

The Mathura refinery has been under the scrutiny of officials and courts as it is about 40 km (25 miles) from the Taj Mahal, and volunteer groups say the monument has lost some of its luster because of pollution.

Bankapur said IOC was also keen to buy crude oil from Cairn India's field in Rajasthan but it wanted a discount of $15-$18 to Bonny Light -- the benchmark used for pricing crude pumped by state-run Oil and Natural Gas Corp.

The company, Indian largest refiner, has been under pressure as it is forced to sell petrol, diesel, kerosene and cooking gas at low prices set by the government that is trying to control inflation.

Bankapur declined comment on the financial aspects of the company but said its blueprint to raise the Panipat refinery's capacity to 300,000 bpd from 240,000 bpd as progressing as planned.

## Japan Energy unit makes condensate discovery in PNG

**TOKYO (Reuters) — Japan Energy Corp said on Friday it has made a gas and condensate discovery at an exploration project in Papua New Guinea in which it is involved.**

The discovery was made at the Cobra 1A well, which is operated by Oil Search Ltd., it said in a statement .

A subsidiary of Japan Energy, the nation's sixth-biggest oil refiner, has a stake in Murray Petroleum Co Ltd, a joint venture of Japanese firms and institutions, a company spokeswoman said.

Murray has a 26.497 percent stake in the project.

Cobra 1A is located 13 km (8 miles) east of the SE Gobe oilfield and 7 km east of the Bilip oil discovery.

Cue PNG Oil Co, which has a 10.947 percent stake in the project said in its statement: "Further technical evaluation will be undertaken to determine the optimum strategy for the Cobra 1A ST3 gas discovery."

It said the discovery represents the first successful test of the sub-thrust development in Papua New Guinea and has significant implications for further prospects.

Japan Energy is an oil refining unit of Nippon Mining Holdings Inc.

Nippon Mining's stock price closed up 3.78 percent at 494 yen, marking a larger gain than the Nikkei average, which closed up 0.9 percent.