

Iraq fails to award most oil contracts in bid round

DUBAI (Bloomberg) — Iraq failed to award most contracts it offered on Tuesday in a bidding round aimed at attracting foreign partners and their cash, leaving the country seeking new ways to develop the world's third-largest oil reserves.

The OPEC producer fell short of its goal to assign development rights for six oil and two natural gas fields in the bidding round. A service agreement for the Rumaila oil field won by a BP Plc-led group was the only contract awarded. The Middle Eastern country wants to increase production more than 60 percent from the fields on offer, potentially raising \$1.7 trillion in profit over 20 years for the country, Oil Minister Hussain al-Shahristani said in a speech broadcast on live television at the start of the round on Tuesday.

"What a fiasco," said Rochdi Younsi, an analyst at Eurasia Group in Washington, D.C. "It shows the discrepancy between Iraq's expectations and what companies were willing to offer."

Companies including Exxon Mobil Corp. and Royal Dutch Shell Plc failed to meet Iraqi terms as the government asked bidders to cut their fees during a bidding ceremony, parts of which were shown on state television.

The Cabinet will meet on Wednesday to be briefed on the licensing round by al-Shahristani and to decide how to attract investors for the oil deposits, government spokesman Ali al-Dabbagh said by telephone from Baghdad on Tuesday.

Largest field offered

BP and China National Petroleum Corp. won the development contract for Rumaila, the largest of the eight fields in Tuesday's bidding round, as the country rejected bids for other licenses in its first international tender for more than 30 years.

A total of 22 companies, out of 35 that Iraq pre-qualified to take part in the round, made 15 bids on Tuesday for \$16 billion worth of technical service contracts. Iraq invited international oil companies back into the country after kicking them out in 1972, when the party of late dictator Saddam Hussein nationalized concessions.

Iraq failed to agree with companies for six sites, including the Kirkuk and West Qurna oilfields, and received no bids for the Mansuriya natural gas field, the second it offered.

"Iraq wanted to squeeze the margins as much as possible for investors, and they squeezed too much," said Samuel Ciszuk, an analyst at IHS Global Insight in London.

\$70 crude

Crude traded for more than \$70 a barrel on Wednesday for the fifth trading session in a row, bringing oil's gain this year close to 60 percent. The most Iraq offered to pay to develop an oil field Tuesday was \$4 per barrel of additional output for Bai Hassan, with the lowest remuneration fee \$1.90 a barrel for West Qurna.

A ConocoPhillips-led group, the only bidder for Bai Hassan, offered to develop the oil field for \$26.70 a barrel and refused to agree to the terms sought by the government.

The BP-led group beat a bid from Irving, Texas-based Exxon and Malaysia's Petronas Carigali Sdn. Bhd. for Rumaila after improving their offer by cutting oil production costs to be paid back over the life of the contract.

The group agreed to develop the field at a cost of \$2 a barrel after recovering investment, lower than the prices that BP and Exxon initially bid, the ministry said in a statement. The technical service contract will run for 20 years and can be extended for another five, Beijing-based CNPC said in a statement on its Web site on Wednesday.

'Satisfied with Rumaila'

"We're satisfied with Rumaila," Asim Jihad, a spokesman for the Oil Ministry, said by telephone after the close of bidding on Tuesday. "It's a big field and we gave the contract on our terms."

The BP group agreed to boost output at Rumaila, which now produces 956,000 barrels of oil a day, to a plateau of 2.85 million barrels of oil a day. BP's initial bid for the remuneration fee was \$3.99 a barrel.

Iraq is struggling to raise output and revenue from crude sales after six years of conflict and prior sanctions destroyed the economy and infrastructure. The government aimed to boost oil output to 4 million barrels a day within five years, using extra output from the fields in the round, from about 2.4 million barrels now.

U.S. combat troops, under agreement with the Iraqi government, left the country's cities on Tuesday in a step toward a planned full withdrawal by the end of 2011.

During Tuesday's bidding round, groups led by Italy's Eni SpA and China National dropped their proposals to develop the Zubair oil field in southern Iraq after rejecting the maximum fee being offered.

Kirkuk, West Qurna

Shell abandoned a bid to develop the Kirkuk oil field, together with China Petroleum & Chemical Corp. and Turkish Petroleum Corp. Exxon and Shell withdrew their offer to develop the West Qurna field in the country's south after being asked to reconsider their bid. Total SA and groups led by OAO Lukoil, Repsol YPF SA and China National also bid for West Qurna.

The fields set to be awarded collectively produce a total of about 2 million barrels of oil a day, al-Shahristani said at the start of the licensing round. Iraq later this year plans to hold a second auction round for 11 oil and gas fields with the aim to boost production to about 6 million barrels a day by 2015. Saudi Arabia, the world's biggest oil producer in the Organization of Petroleum Exporting Countries, pumps about 8 million barrels of crude a day now.

GECF plans to register charter in UN: Khatibi

(Contd. from p. 1)

Algeria will be the host of the forum's next year meetings. Iran has introduced Hojattollah Ghanimifard as its candidate for the GECF secretary general post.

The (8th ministerial) meeting also approved the new budget bill and accepted the Netherlands as the new observer for the forum. Representatives from Norway and Kazakhstan also attended Tuesday's ministerial meeting as observer countries.

The Gas Exporting Countries Forum, which has been called the 'gas OPEC', groups together some of the world's leading gas producers.

The energy ministers of the member countries attended the 7th GECF ministerial meeting in Moscow on December 23, 2008 where they approved the charter of the organization.

The GECF was established in Tehran in 2001. Until the seventh ministerial meeting in Moscow, it operated without a charter or fixed membership structure.

The GECF has agreed to establish its headquarters in Doha, Qatar, the world's biggest producer and exporter of liquefied natural gas.

Since the Moscow meeting, the members are Algeria, Bolivia, Brunei, Egypt, Equatorial Guinea, Indonesia, Iran, Libya, Malaysia, Nigeria, Qatar, Russia, Trinidad and Tobago, the United Arab Emirates, and Venezuela; in addition, Kazakhstan and Norway have observer status.

Gas producers face the challenge of shaping a market, as

Kazakhstan expands China oil pipeline link

ALMATY (Reuters) — China secured access to vast oil deposits in western Kazakhstan on Wednesday after the energy-rich Central Asian nation said it had completed the expansion of a major oil pipeline to its eastern neighbor.

A Kazakh company in charge of the project said the first test shipment of oil had been successfully completed through the newly built Kenkiyak-Kumkol pipeline.

"The implementation of this project will have tremendous influence on the whole oil and gas industry, providing new opportunities for oil exports," KazStroyService said in a statement.

The new link, which starts near the Kenkiyak field operated by China's CNPC, gives China better access to Kazakhstan's oil provinces in the west and follows Beijing's intensified efforts to boost energy supplies from Central Asia.

The first phase of the pipeline, between central Kazakhstan and China's western Xinjiang region, was completed in 2006. The latest link expands this pipeline to Caspian Sea oil fields.

Chinese oil companies such as CNPC own stakes in several Kazakh oil producers, including CNPC-AktobeMunaiGaz, the operator of Kenkiyak and Zhanazhol fields, and PetroKaza-



70% of gas is sent by pipeline to regional consumers and no global benchmark price exists on an exchange.

Russia, Qatar, and Iran combined own 53.2% of the world's gas reserves. Russia has the world's largest reserves, followed by Iran, Qatar, Turkmenistan and Saudi Arabia.

khstan, which operates the Kumkol group of fields.

Kazakhstan, hit hard by the global economic crisis, has stepped up contacts with China for fresh investment.

Beijing further strengthened its foothold in the former Soviet republic in April after it agreed to lend Kazakhstan \$10 billion in a "loan-for-oil" deal during Kazakh President Nursultan Nazarbayev's visit.

As part of the deal, CNPC bought a stake in MangistauMunaigas, a company whose fields are also close to the starting point of the extended pipeline.

Kazakhstan and China agreed to build the 3,000 km pipeline in 1997 and have said they would later double the capacity of the combined pipeline from the current 10 million tons a year.

Kazakhstan, which produced 71 million tons of oil last year, plans to double output within the next decade and seeks to diversify its exports as well as sources of investment in the industry dominated by Western oil majors.

China is also building a pipeline to import up to 40 billion cubic meters of Central Asian gas a year. The link originates in Turkmenistan and goes through Kazakhstan and Uzbekistan.

Oil to rise after averting slide: technical analysis

SINGAPORE (Bloomberg) — Crude oil is set to extend gains amid this week's volatility and may reach the \$76 a barrel level last traded in mid-October, said the head of Cameron Hanover Inc.

The market's ability on Wednesday to stay close to the psychologically important \$70-a-barrel mark is keeping prices from slipping into a technical downtrend channel on the daily continuation chart, said Peter Beutel, president of the New Canaan, Connecticut, trading advisory firm. Oil rose 41 percent between April and June, the biggest quarterly climb since 1990.

"The rally has given the bulls a new lease on life and it now gives them the chance to take a run at buy-stops above \$73.23," Beutel said. "That level is acting like a magnet."

Oil on Tuesday spiked above \$73.23 a barrel, which stood as the June high for more than two weeks, as the dollar declined and escalating militant attacks in Nigeria raised concern supplies may be disrupted.

Total to supply gas for Indonesia power plant

JAKARTA (Reuters) — A unit of France's Total has signed a deal to supply an Indonesian power plant belonging to a district company in East Kalimantan province, an official at the regional company said on Wednesday.

Under the agreement, Total will supply a regional electricity and energy resources company, owned by Kutai Kartanegara district, with 20 million cubic feet per day of gas for 20 years, said the official who declined to be identified.

The gas would be used to generate 80 megawatts of electricity at the power plant, the official said, adding the plant would

cost around \$100 million to build.

"The power plant will be constructed this year and is expected to be operational in 2011," the official added.

A Total official also confirmed the deal and said the agreement was signed last week.

Total and Japan's Inpex each hold 50 percent in the Mahakam block, which supplies most of the gas for Indonesia's Bontang liquefied natural gas plant in East Kalimantan on Borneo island.

The Mahakam block also supplies gas to domestic companies, including to fertiliser firms.

BP, CNPC win Iraq lucrative oil contract

BAGHDAD, Iraq (CNN) — Iraq awarded a lucrative oil contract to BP and China National Petroleum Corp., government spokesman Ali al-Dabbagh said Wednesday, while rejecting other companies' offers for other oil fields. The joint BP-CNPC bid was for the al-Rumaila oil field, one of the largest in the world.

The energy companies are expected to increase production at the oil field by 50 percent, to 285,000 barrels a day, for a service charge of \$2 for each additional barrel produced, al-Dabbagh said in a statement.

The Iraqi government rejected bids for five other oil fields and a natural gas field because the bidders did not agree to the service charge set by the Ministry of Oil, he said.

The Ministry of Oil rejected the idea that the failure to award more than one contract made the much-anticipated auction a flop. Iraq did not say how much the BP-CNPC bid was worth. It runs for 20 years.



Oil Minister Hussein Shahrastani chaired the government-sponsored auction for the oil and natural gas field contracts Tuesday, after a day's delay due to a sandstorm.

Much of the auction was broadcast live on state television, which Ministry of Oil spokesman Assem Jihad told CNN was a sign of the transparency of the process. He said the government was satisfied with the auction, even though only one contract was awarded, because the contract was for Iraq's largest oil field.

Iraq plans to open bidding this year on 10 more oil fields and one natural gas field, all of which are undeveloped, Jihad said. The companies whose bids were rejected Tuesday have been given time to review their offers, he said.

Iraq has some of the largest oil reserves in the world, with an estimated 115 billion barrels — tying Iran for second place, behind Saudi Arabia's 264 billion barrels, according to estimates from the Energy Information Administration in the United States.

Tehran to host "innovation in energy" exhibit

Tehran Times Economic Desk
TEHRAN — Tehran Permanent International Fairgrounds will be the venue for the first Iranian international exhibition on innovation in energy-related fields during July 15 to 18, 2009.

The 4-day event will focus on subjects such as optimizing energy consumption, energy saving, and introducing advantages of renewable and alternate sources of energy, reported the Mehr News Agency.



Poland seeks deal to boost Russian gas supply

MOSCOW (Reuters) — Poland hopes to sign an agreement with Russia's Gazprom by the end of August to increase gas supplies by between 2 billion to 3 billion cubic meters (bcm) annually from 2010, a PGNiG official said on Wednesday.

"We hope to sign an agreement with Gazprom on increasing gas shipments by 2 to 3 bcm from 2010 by the end of August," Miroslaw Dobrut, deputy chairman of Poland's gas monopoly PGNiG, told reporters through a translator.

Dobrut said that under the current contract for 2010, Poland will receive 8 bcm of gas from Gazprom, Russia's gas export monopoly, which is equivalent to about 4.3 percent of all of Russian gas exports to Europe last year.

Poland was not been receiving all of its contracted gas supplies from Russia after Ukrainian intermediary RosUkrEnergo, a joint venture between Gazprom and two Ukrainian businessmen, halted deliveries due to a gas row between Moscow and Kiev in January.

However in mid-May, Gazprom subsidiary Gazprom Export agreed with PGNiG to deliver 1.02 bcm of gas through September for about \$300 million, easing concerns that the country's store of gas supplies would not be filled by the start of winter.

Poland uses between 13 billion to 14 bcm billion gas annually and imports about two-thirds of it from Russia. Warsaw has long been seeking ways to ensure more gas supplies and diversify its energy sources to lessen its dependency on Russia.

In April, PGNiG PGNi.WA signed a framework agreement with Qatar's Qatargas Operating Company to receive liquefied natural gas (LNG) starting in 2014.

Polish Minister of Treasury Aleksander Grad said at the official deal-signing on Monday said Poland hoped the agreement with Qatar would develop to more than the 1 million tons of LNG it will now supply annually.

Qatar GAs Chief Executive Faisal al-Suwaidi said supplying more LNG to Poland would not be a problem.

However, PGNiG's Dobrut said on Wednesday that Russia would remain the main supplier of natural gas to Poland.

"With Qatar, it's only a small volume. We hope that Russia will increase supply," he said, adding that PGNiG expected gas consumption in Poland to rise by between 4 and 6 bcm in the mid-term.