

Azerbaijan to double gas supplies to Russia in 2010

BAKU (RIA Novosti) — Azerbaijan will double natural gas supplies to Russia to 1 billion cubic meters per year from 2010, the president of the State Oil and Gas Company said on Saturday.

"We have held negotiations. Azerbaijan has a potential to increase gas supplies, we will supply Russia with 1 billion cu m of gas in 2010," Rovnag Abdulalayev said.

The two ex-Soviet states signed a contract on October 14, 2009 under which the Caucasus nation was to supply 500 million cu m of gas to Russia from January 1, 2010 with the possibility of increasing the import levels.

The contract raised concerns in Europe which looks to Azerbaijan as a potential contributor to the Western-backed Nabucco pipeline that circumvents Russia. Nabucco is aimed at reducing Europe's dependence on Russian energy supplies.

Russia's Putin to attend Pacific oil pipeline launch

MOSCOW (RIA Novosti) — Russian Prime Minister Vladimir Putin will attend the ceremony of launching the East-Siberia - Pacific Ocean oil pipeline during his visit to the region on December 28-29, the government press office said on Sunday.

During his visit to the Primorye Territory in the Russian Far East, Putin will see the launch of the first leg of the project, which is designed to pump up to 1.6 million barrels (220,000 tons) of crude per day from Siberia to Russia's Far East and then on to China and the Asia-Pacific region, the press office said.

"During his stay in Nakhodka, Putin will participate in the ceremony of launching the East Siberia - Pacific Ocean oil pipeline. The chairman of the Russian government will visit the specialized maritime oil-loading port of Kozmino, the final point of the ESPO project, from which the first batch of oil will be shipped," the press office said.

The project's first leg envisages the construction of a 2,757-kilometer (1,713-mile) section with a capacity of 30 million tons (220.5 million barrels) of oil per year. It will link Taishet, in East Siberia's Irkutsk Region, to Skovorodino, in the Amur Region, in Russia's Far East.

The second stretch will run 2,100 kilometers (1,300 miles) from Skovorodino to the Pacific. It will pump 367.5 million barrels of oil annually.

Saudi Jesco launches trial seamless pipe output

KHOBAR, Saudi Arabia (Reuters) — Jubail Energy Services Co (JESCO) said on Sunday its first seamless pipes plant started trial production this month.

The plant, which will produce 400,000 tons per year (tpy) of seamless pipes -- used in oil and gas drilling -- is located in Jubail on the Persian Gulf coast.

Jesco is 51 percent owned by Saudi Industrialization and Energy Services Co. TAQA was established in 2003 and acts as a project developer and is involved in oil and gas exploration and drilling.

The plant could have a capacity of up to 500,000 tpy of seamless pipes, TAQA chairman Abdulaziz al-Jarbou told Reuters last month.

China enacts law to promote renewable energy

China's utilities will be required to buy all the power produced by wind farms and other renewable sources under a new law meant to promote the industry and reduce heavy reliance on coal.

Legislators approved the measure Saturday as an amendment to China's 2006 renewable energy law, the official Xinhua News Agency reported.

Beijing has set ambitious goals for wind, solar and other renewable energy in an effort to clean up its environment and curb surging demand for imported oil and gas, which communist leaders see as a strategic

weakness.

The measure also could help Beijing fulfill promises to restrain growth in emissions of carbon dioxide and other gases blamed for changing the climate.

"The legislation on improving the consumption of clean energy contributes to the global fight on climate change," said Wang Zhongying, director of the renewable energy development center of the Cabinet's main planning agency, according to Xinhua.

Other countries such as Germany and Spain also promote solar, wind and other renewable power sources



by requiring utilities to buy it and to pay higher prices than for electricity from coal and other traditional sources.

Xinhua gave no details of pricing but said companies that operate China's power grid could be fined if they refuse to buy renewable power, which suggested the cost might be higher.

It said grid operators would be required to improve their technology and capacity to absorb power from renewable sources.

China is one of the biggest users of wind power and the government is trying to promote use of solar by promising to pay up

to 70 percent of the cost of new systems.

China faces the challenge that its windiest areas are far from populous cities, requiring costly transmission lines that in many areas have yet to be built. Wind farm construction has raced ahead so fast that 25 percent are not connected to the national power grid.

Government goals issued in 2005 call for at least 15 percent of China's power to come from wind, solar and hydropower by 2020, up from 9 percent now.

Officials say that target may be raised to 20 percent because

the industry is developing so fast.

Coal provides two-thirds of China's power and is expected to remain the dominant energy source in coming years.

China is the world's biggest emitter of greenhouse gases but is not bound by global agreements on curbing emissions because it is a developing economy.

But the Cabinet promised last month to reduce emissions of carbon dioxide for each unit of economic output by 40 percent to 45 percent from 2005 levels by 2020.

(Source: Businessweek.com)

Kuwait's Shuaiba refinery shuts down, oil exports unaffected

Kuwait National Petroleum Company (KNPC) said Saturday it started a gradual shut down of its Shuaiba refinery, which would be closed for four days for a technical failure, but Kuwait's oil exports would not be affected.

The shut down will "not whatsoever affects the company's exports, its storages or commitment towards its clients," KNPC-KNPN Relations and Media Director Mohammad Al-Ajmi told KUNA.

Al-Ajmi attributed the shut down to a technical failure in one of the lines of the high-pressure steam network which supplied the refinery with steam.

He said the shutting down of units started at 08:00 p.m. and the process would last for 16 hours.

Following that, he explained, the refinery would be shut

down for four days.

Al-Ajmi said the closure of the refinery was a precautionary measure and was in line with the emergency plan which aimed at securing safety of employees and facilities.

Shuaiba oil refinery is one of three affiliated to state-owned KNPC-KNPN. Shuaiba, the oldest among the two others, refines 200,000 barrels of crude oil per day.

Shuaiba was supposed to be retired by 2010 if the new refinery project is executed, but the delay of the new venture would keep the Shuaiba refinery working longer.

Kuwait is a member of the Organization of Petroleum Exporting Countries (OPEC).

During its last meeting in Luanda, Angola, the oil organization maintained its official output at 24.5 million barrels per day.

(Source: KUNA)

Vopak, Zamil ink LNG terminal JV deal

Rotterdam (TradeArabia) — Saudi-based Zamil Group said it has signed a MoU with Royal Vopak of the Netherlands to set up a joint venture company that aims to develop independent bulk liquid and liquefied natural gas terminal facilities in the Mena region.

Vopak is one of the world's largest independent tank terminal operators specialising in the storage and handling of liquid and gaseous chemical and oil products.

The new company will provide tank storage services to the oil and chemical majors, trading companies and natural gas suppliers, said the two companies after the signing ceremony.

This is a further step in both companies' growth strategy in this important and rapidly expanding market, said a top Zamil official.

"The Mena area is one of the world's foremost locations for oil and petrochemicals. The next stage of the region's development will be the large scale manufacture and distribution of intermediate and specialty chemicals and high quality oil products," said Ahmed Khan, general manager of Zamil Group Holding.

The production of these value added goods is expected to generate new growth in the industrial base of the Middle East, he added.

Russia fears gas problems with Ukraine, stops oil

MOSCOW (Reuters) — Russia has scrapped January oil exports via Ukrainian ports and also said it fears Ukraine will have problems paying for its gas, a sign of a possible repeat of New Year gas rows which have led to supply cuts in Europe.

Europe, which receives 25 percent of gas from Russia, was left short of supplies in January 2006 and 2009 because of pricing rows between Moscow and Kiev.

Another key transit state, Belarus, cut Russian oil flows to Europe in January 2007, also due to a pricing row, which further undermined the image of Russia, the world's largest oil and gas producer, as a reliable energy supplier.

Analysts have said Moscow is unlikely to be tough on Kiev this year ahead of Ukraine's presidential election in January in the hope Ukraine chooses a relatively pro-Russian leader.

Ukraine has been regularly paying its gas bills this year, but the December bill, due before Jan 11, was expected to soar to \$1 billion from \$770 million in November due to low temperatures.

However, despite the expected rise in cold weather demand, Russian gas export monopoly Gazprom said on Friday Ukraine had cut gas purchases in recent days.

"We assess the situation with payments for Russian natural gas deliveries in December as very alarming," Gazprom's chief executive Alexei Miller told state television.

"In the middle of December, there was a trend of a reduction of gas off-take which confirms that Ukraine is facing serious dif-



iculties with (future) gas payments," Miller said.

No crude for Yuzhny

Russia ships 80 percent of its gas transit to Europe via the territory of Ukraine while the rest goes via Belarus.

Russian oil transits via Ukraine are less big but are still very important for the Mediterranean markets.

Traders said on Friday Russia's pipeline monopoly Transneft told oil firms to scrap oil export plans via Ukraine's Black Sea port of Yuzhny and gave no reason for the move.

"All volumes have been taken away. There will be no supplies in January (from Yuzhny)," said one trader, who asked not to be named because he is not allowed to comment on the issue.

"It will become clear on Monday what options will be proposed (by Transneft)," said another trader.

Oil firms will have to divert some 0.5 million tonnes of crude meant for Yuzhny to other destinations - such as Russia's Black Sea port of Novorossiisk or Primorsk on the Baltic.

Affected firms will include Rosneft, TNK-BP and Tatneft. One cargo was already sold to Morgan Stanley for Jan 8-12 delivery and rerouting it to another port will cause big logistical problems, traders said.

Yuzhny remains the last Ukrainian port through which Russia sends transit crude to the West after it stopped exporting crude via another outlet - Odessa - earlier this year. In 2008, Odessa and Yuzhny sent over 15 million tonnes of Russian transit crude - enough to feed a large refinery for a year.



Nippon oil, mining to shed 20% capacity by March

TOKYO (Bloomberg) — Nippon Oil Corp. and Nippon Mining Holdings Inc., set to merge in April, will shut three oil refining units and cut capacity at another plant by March 2011 as fuel demand shrinks in the world's second-biggest economy.

Nippon Oil will close three crude distillation units in Japan with a combined capacity of 204,000 barrels a day, the company said in a statement released in Tokyo. Nippon Mining will also reduce capacity at a plant in Kashima, near Tokyo. The cuts amount to about 20 percent of overall capacity.

The two companies aim to shed 600,000 barrels a day, or about one-third of capacity, by March 2015 and save 100 billion yen (\$1.1 billion) a year. Demographic changes such as an ageing population and a move to energy conservation have driven down fuel demand, making one-third of the country's refining capacity surplus, according to the trade ministry.

"We hope our decision to make the closures will inspire other refiners to take similar steps," Nippon Oil's Chief Financial Officer Shigeo Hirai told reporters.

Nippon Oil shares rose 0.7 percent to close at 417 yen in Tokyo, and Nippon Mining gained 1 percent to 387 yen. The benchmark Topix index slipped 0.5 percent.

Nippon Oil will shut a 110,000 barrel-a-day crude distillation unit in Mizushima, southwestern Japan; a 70,000 barrel-a-day unit in Negishi, near Tokyo; and a 24,000 barrel-a-day unit in Oita, southern Japan, according to the statement. Nippon Mining will cut capacity at a refinery in Kashima, Ibaraki prefecture, by 21,000 barrels a day.

Workers' fate undecided

Idemitsu Kosan Co., Japan's second-biggest refiner, and Cosmo Oil Co. have said they are also considering shutting plants and reducing capacity.

Nippon oil and Nippon Mining haven't decided whether to cut jobs, Hirai said. The merger will mean about 1,000 out of a total of 8,000 refining workers will be superfluous, Hirai said.

"We are still considering what to do," he said. "Options include relocating workers to other divisions."

Also the companies said Japan's regulators view their planned merger as posing no anti-trust risk if proposed "remedial measures" are taken.

The Japan Fair Trade Commission said only the needle coke operations may threaten competition, according to a joint statement to the Tokyo Stock Exchange. Nippon Oil and Nippon Mining have proposed keeping their needle coke businesses separate and selling one of them to a third party. The effect on overall business will be "very slight," the companies said.

Needle coke is petroleum coke that's been heated until it forms a needle-shaped carbon material, commonly used for the production of electrodes in iron manufacturing, according to the statement.