

Oil majors race to seal deals in Nigeria

Western oil companies operating in Nigeria are racing to lock up license renewals ahead of legislation that could boost tax and royalty rates.

Amid the negotiating scramble, several big players are expected to recommit to community-development programs and local infrastructure projects. Royal Dutch Shell PLC has even agreed to offer business training to former gun-toting militants in the volatile, oil-rich Niger Delta, following a government-sponsored amnesty here.

A sense of urgency arose among the Western oil majors after the Nigerian government said earlier this year it had received an expression of interest from oil-thirsty China to buy the rights to the expiring licenses. Nigerian officials confirmed in September that China's state-owned Cnooc Ltd. was interested in more than 20 oil blocks, including nonexpiring blocks currently operated by Western companies.

China's chances of actually acquiring the leases from the government were never very good. Apart from legal avenues Western companies could pursue to prevent their licenses from being taken and given to the Chinese, Western operators in Nigeria have been pumping oil for years and have longstanding, though sometimes volatile, relations with Abuja.

In more-recent discussions, their worry over Chinese competition seems to have subsided. "That threat appears to have gone away," said an industry executive familiar with the talks. "It is not being used as a negotiating ploy to get the deals done."



But oil companies are still eager to get renewal discussions over with and sign deals. That's because the Nigerian government is considering legislation that would change the scope of new oil-related joint ventures, increasing tax and royalty rates paid by foreign companies.

On Friday, Exxon Mobil Corp. became the first big company to lock in renewals, signing an extension for 20 years, with an option to renew, on three of its licenses.

Shell Chief Executive Peter Voser met Nigerian President Umaru Yar'Adua in October to discuss renewal of Shell's licenses. At the meeting, Shell officials argued they had been long-term investors in Nigeria and shouldn't be forced out of the country's oil fields now, said one official who attended the meeting.

"We talked about us building the foundation, us building the house, us living in the house and others knocking on the door," this official said, referring to the Chinese offer. The president "got it," the official said.

A Shell spokeswoman declined to comment on the negotiations. "We expect that the formalization of the renewal of these licenses can be accommodated through continued dialogue with the federal government," she said.

Chevron Corp. is also discussing license renewals. "We're in contact with the Nigerian government about license issues. We're seeking clarity on this matter," a Chevron official said.

Nigerian officials couldn't be reached for comment on negotiations.

Established players such as Shell, Exxon, Chevron and France's Total SA have worked Nigeria's fields for decades, through cycles of violent militancy, oil theft, corruption and frequent failure by the government to follow through on investment commitments in partnerships with the oil companies.

Despite all those headaches, oil companies are eager to stay in the region because of Nigeria's vast reserves. Amid worry over their licenses in recent months, they have demonstrated fresh commitment.

Shell said earlier this month that it had taken the extraordinary step of starting a business-training and rehabilitation program for former militants from the Delta region. Shell has yet to provide details about the program or how much it will cost.

In October, thousands of militants turned themselves in and handed over their weapons in exchange for amnesty. Analysts now see public efforts by companies to contribute to post-amnesty rehabilitation as a possible new focus of oil-company largesse.

"There could be some pressure outside and within the international oil companies to improve their relationship with the government," said Antony Goldman, a Nigeria analyst based in London. "If oil companies feel that they can make a gesture to show that they can help [in the post amnesty process], there may be a payoff."

(Source: The WSJ)

Iran, Oman discuss energy ties

Tehran Times Economic Desk

TEHRAN — Iranian Oil Minister Masoud Mirkazemi and Omani Oil Minister Mohammed Al-Ramahi met here on Tuesday, starting a new round of talks on bilateral energy cooperation.

Gas swap, gas transit, Iran's gas export to Oman, and bilateral investments in the gas sector are among the major topics discussed, IRNA reported.

The development of the Kish and Hengam gas fields in the Persian Gulf, and joint construction of petrochemical units are the other major topics that will be discussed during the upcoming negotiations.

Managing Director of the National Iranian Gas Company, Seyed Reza Kasaeizadeh said earlier in August that Omanis need to purchase 2 billion cubic feet of gas from Iran for the country's consumption.

Kasaeizadeh said the Kish gas field and the different phases of the South Pars gas field are being considered for gas exports to Oman.

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 \$7-12 billion. The two sides plan to complete the development of the Kish gas field by 2012.

The first phase of the project will trans-



Iranian Oil Minister Masoud Mirkazemi (R) and Omani Oil Minister Mohammed Al-Ramahi (L) discussed energy ties on Tuesday in Tehran.

(SHANA/ Hasan Hosseini)

port gas to Oman at a rate of one billion cubic feet per day, which will then rise to 3 billion cubic feet.

During the talks in Tehran, the two

neighbors are also to negotiate the details of the project including the extent of Oman's investment in the development of the Kish gas field.

Turkish energy minister to visit Russia for nuclear power talks

ANKARA (RIA Novosti) — Turkish Energy Minister Taner Yildiz is expected to visit Russia in December for talks on nuclear power plant construction in Turkey, Turkish media reported on Tuesday.

"If no changes are made in the agenda, we are planning to visit Russia in December," the minister said while on a visit to Tripoli, the capital of Libya.

Last week, Turkey's Electricity Trade Corp (TETAS) canceled a tender for the construction of its first nuclear power plant. Turkey plans to announce a new tender for three nuclear power plants in 2010.

Rising oil price would hurt economic rebound: IEA

UNITED NATIONS (Reuters)

— Oil prices would threaten a rebound in the global economy if they rise beyond current levels, the chief economist of the International Energy Agency said on Monday.

"We would like to see oil prices not to go higher than these levels as it is a certain risk to economic recovery," Fatih Birol told Reuters.

Oil prices have more than doubled from the lows near \$30 a barrel at the end of 2008 to near \$80 a barrel as investors eyed signs of wider economic recovery, which could boost oil demand.

However, analysts have said too high an oil price could help curb nascent economic recovery.

Oil producing group OPEC, meet in December to decide on a production policy in the light of current oil prices and eco-

Oil little changed before report forecast to show supply gain

LONDON (Bloomberg)

— Crude oil trade little changed around \$77 a barrel before a report forecast to show that higher-than-normal crude inventories grew last week in the U.S.

The U.S. Energy Department will probably report tomorrow that stockpiles grew by 1.5 million barrels in the week ended Nov. 20, according to a Bloomberg survey.

Analysts were split over the change in supplies of distillate fuels such as heating oil and diesel, which are 28 percent above the seasonal average.

"At least until the end of the year we see \$80 as the top of the range," said Tobias Merath, a commodity analyst at Credit Suisse Group in Zurich. "What's limiting the potential in the short term is the supply glut in the distillate market."

Crude oil for January delivery traded for \$77.52 a barrel on the New York Mercantile Exchange, 4 cents lower, as of 11:16 a.m. London time. Oil, which rose as high as \$79.92 on Monday, has failed to close above \$80 since Nov. 4. Futures have gained 73 percent this year.

Oil was capped by strengthening in the U.S. dollar, which often limits the appeal of commodities for hedging inflation. The dollar traded at \$1.4946 per euro at 11:15 a.m. in London, from \$1.4961 on Monday in New York.

"The floor has been set by the weaker dollar, higher inflation theme, while the ceiling has been set by weak refining margins, and a global recovery that is expected to be sluggish," said Mike Wittner, head of oil market research at Societe Generale SA in London.

Commercially held crude stockpiles in the U.S. climbed 1.5 million barrels in the week ended Nov. 20, from 336.8 million



economic recovery.

Birol declined to comment on what he thought OPEC might decide in December, but said that higher oil prices might not be beneficial for producers as well as consumers.

"OPEC should see the situation, that higher prices than we have now will be bad for the consuming countries, but it is bad for everyone

in the oil business," he said.

Birol said that upstream investment in oil fell in 2008, which could bolster prices as demand picks back up.

"Upstream oil investments have gone down 19 percent in 2009 compared to 2008, which is a risk if it continues to be like this. If the demand from China and India grows it can be a risk for higher prices than we have now," Birol added.



in the prior week, according to the median of 13 estimates from analysts polled. Eleven respondents forecast a gain and two said there would be a decline.

Distillate supplies

Analysts were split over whether U.S. distillate supplies, a category that includes heating oil and diesel, rose or fell last week. Stockpiles probably dropped

100,000 barrels from 167.4 million the prior week, according to the survey. Seven respondents forecast a decline and six said supplies increased.

Gasoline inventories probably climbed 300,000 barrels from 209.1 million the week before, the survey showed. Refineries operated at 79.7 percent of capacity, up 0.3 percentage point from the previous week, according to the median of responses.

Oil declined for the third time in four days as the dollar strengthened against the euro, prompting traders to close trading positions before the long U.S. holiday weekend. The Energy Department report tomorrow may show the country's crude oil stockpiles had risen, possibly reaching a four-week high, bolstering concern fuel demand may have yet to recover.

"In coming months, oil products are expected to be drawn down as the U.S. winter starts up," said Ben Westmore, an energy and minerals economist at National Australia Bank Ltd. in Melbourne. "The market's already factored in a drawdown in prices, and now we're waiting to see if it happens."

Brent crude oil for January delivery on London's ICE Futures Europe exchange advanced as much as 38 cents, or 0.5 percent, to \$77.87 a barrel. The contract was at \$77.77 a barrel at 11:14 a.m. London time.

Petrochem exports from Assaluyeh

Tehran Times Economic Desk
ASSALUYEH — over one million tons of petrochemicals worth \$600,590,000 have been exported from Assaluyeh, Bushehr province, during the Iranian month of Aban (ended November 21).

Gas condensates, butane, propane, sulfur, polyethylene, and benzene are the major exported items, the Islamic Republic of Iran Broadcasting reported.

The current year's export figure shows 25 percent increase in terms of value in comparison to the previous year's figure.

Assaluyeh is located in southern Iran. Located on the shore of the Persian Gulf some 270 km southeast of the provincial capital of Bushehr, it is best known as the site for the land based facilities of the huge PSEEEZ (Pars Special Energy Economic Zone) project.



Turkmen president to discuss energy partnership in Italy

ASHKHBAD (RIA Novosti) — Turkmen President Gurbanguly Berdimukhamedov will start a two-day official visit to Italy on Tuesday, the presidential press service said.

Berdimukhamedov will hold talks with Italian Prime Minister Silvio Berlusconi. Local media say a large package of bilateral agreements to expand cooperation is to be signed following the talks, to focus on energy issues.

The European Union considers Turkmenistan as one of the key possible suppliers of natural gas for the EU-backed Nabucco pipeline, due to bring Caspian gas via the Balkans to Central Europe and reduce the EU's dependence on Russian gas.

Turkmenistan is making huge efforts to bring its energy resources to global markets. Italy's oil and gas concern Eni has showed interest in the Turkmen hydrocarbon market.

A Turkmen-Italian business forum is also expected to be held in the Italian capital Rome during the Turkmen leader's visit.

Diplomatic relations between the two countries were established in 1992. Italy is Turkmenistan's eighth largest foreign trade partner. According to Turkmen statistics, bilateral trade in the first 10 months of 2009 exceeded \$385 million.

Oil India aims to buy overseas asset by end March

NEW DELHI (Reuters) — Indian exploration firm Oil India Ltd hopes to acquire stake in at least one overseas oil producing asset by the end of this fiscal year in March, its Chairman N.M. Borah told reporters on Tuesday.

"Earlier, we had bought stakes in exploration blocks through farm in and bidding ... We hope to buy stake in at least one producing property this fiscal," Borah told reporters without specifying any region for the planned buy.