

# Shale Gas Rush in Europe

All across Europe big oil companies are scouring millions of acres of countryside and buying up rights to tap the natural gas trapped in prehistoric shale beds thousands of meters below its surface.

The shale gas rush has made its way over from the US, where breakthroughs in technology have allowed companies to extract gas from reservoirs previously seen as untouchable.

The newly accessible US shale deposits are so big that executives now believe the country has enough gas to last it for a century. This extra supply and the US's new found self-sufficiency has created a worldwide gas glut that has driven down prices, reported the Financial Times.

## > Turnaround

It is a remarkable turnaround. Just three years ago, most US energy executives were working out how the US could import enough gas from places as far away as Nigeria, Russia and Qatar, while competing with the demands from China and other energy-hungry developing countries.

Now the world's biggest, richest and most sophisticated energy companies believe that they may be able to repeat the American shale gas revolution in Europe, potentially undermining the power of Russia, the region's biggest gas supplier.

For companies such as ExxonMobil, Royal Dutch Shell and BP, tapping Europe's shale gas deposits is a way to catch up with what they missed out on in the US.

While smaller American independents spent the past decade figuring out a way to tease gas from seemingly impermeable shale, the world's largest oil companies focused their multibillion-dollar exploration budgets on trying to find the world's next supersized oilfield.

As the big companies' exploration attempts failed to turn up any giant finds, they ended up competing against each other for the rights to the messy and environmentally unfriendly development of Canada's oil sands.

High oil prices made their transition to the oil sands easier because profit margins widened and more of it became commercial.

But the global recession put an abrupt stop to seven years of rising oil prices. Oil now trades at about \$70 a barrel, less than half the \$147 it reached in mid-2008, making developments in



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Canada less attractive.

Unlike unconventional oil, some unconventional gas can now be developed more cheaply than its conventional counterpart. This is one reason why ExxonMobil spent \$41 billion acquiring XTO, the shale gas specialist, last December, despite the collapse in the price of gas.

The deal is the biggest the industry has seen in almost a decade and is the clearest sign yet that big oil companies see shale as the next big thing. ExxonMobil is counting on the XTO deal to allow it to lead the charge into European shale.

BP, Statoil and Total, for similar reasons, each struck smaller deals with Chesapeake Energy, which has big positions in the US's best-understood deposits of shale.

## > Obstacles

Shale bed reservoirs are widespread geographically. The International Energy Agency estimates unconventional gas resources at 32,511 trillion cubic feet, with half comprising shale gas and the other half made up of gas stuck in tight sandstone formations and in coal beds.

Analysts believe the hurdles that the industry has encountered in the US could prove even more daunting in Europe. Moreover, warnings by environmentalists in the US that the techniques could contaminate the groundwater have got lawmakers worried.

Europeans tend to take environmental issues more seriously than their US counterparts.

These hurdles have made even shale's biggest backers cautious. One stark illus-

tration of such caution became apparent late last year in Poland, which has become a hub of shale gas activity after four of the biggest US oil companies snapped up exploration rights to more than a million acres of its shale beds.

The historical antipathy between Poland and Russia means that Warsaw would like nothing more than to become self-sufficient in gas, allowing it to extricate itself from the influence of Moscow.

But despite the prospect of controlling large shale gas deposits, the Polish government clearly still needs convincing of their potential. Last December, it took the decision to extend its gas supply contract with Gazprom, Russia's powerful state-controlled gas company, for another 37 years.

## Expansion of Malaysian Economic Ties Underlined

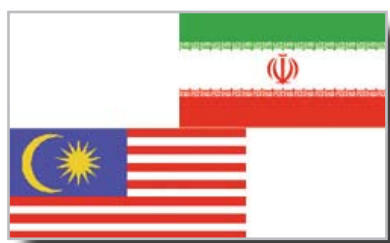
Iran and Malaysia have called for expansion of economic ties.

Iran's Deputy Economy Minister Behrouz Alishiri met with Malaysian Ambassador in Tehran Mohammad Sadeq bin Katargani, Fars News Agency reported.

"In line with the promotion of mutual economic cooperation, it is necessary to finalize economic agreements between the two countries, including avoidance of double taxation, customs cooperation and preferential

trade, as the two governments help both sides' private sectors to expand relations in the two arenas of investment and trade," Alishiri said.

He pointed out that Tehran has already held over 20 specialized gatherings in different countries on foreign investment opportunities in Iran, say-



ing Tehran is ready to hold such conferences in Malaysia to further familiarize Malaysian businessmen with investment opportunities in Iran.

Alishiri hoped the formation of Iran-Malaysia Investment Committee would lead to the promotion of economic ties between the two countries'

private sectors and deepen bilateral economic relations.

Katargani welcomed Alishiri's proposal for holding such gatherings to introduce investment opportunities in Iran and said the Malaysian government deems the development of economic, political and cultural ties with Iran.

"We are striving to pursue mutual agreements as well as the (formation of) joint investment committee," he said.

## Iran Prefers \$100 Oil

An Iranian oil official said the world's oil industry executives and experts consider \$100 a barrel to be a fair price for crude in today's market.

"The average price of crude in the international market has been \$75 a barrel since the beginning of the year, when its fair price should be around \$100 a barrel," Iran's envoy to OPEC, Mohammad Ali Khatibi, told Mehr News Agency on Monday.

He noted that factors such as global inflation and fluctuation in dollar exchange rate should be considered in setting the price for crude.

"The actual price of crude oil in the current market, considering the global inflation and currency fluctuations, compared to the 1970s, actually only 14 dollars a barrel," he added.

The official went on to say that oil market stability would serve the interests of both oil producers and major consumers.

"Oil market stability can be achieved through cooperation between all parties involved in the market, including OPEC and non-OPEC producers as well as consumers," he said.

According to OPEC's website, most non-OPEC producers have taken advantage of the organization's voluntary production cuts by increasing their own production whenever possible.

As a result, the market share of non-OPEC producers rose for a number of years, but oil prices remained at relatively low levels and the markets were less stable than they could have been.

However, the oil slump of 1998 and early 1999 reinforced OPEC's constant message that oil market stability can only be achieved through cooperation between OPEC and non-OPEC oil producers.

## Gold Prices Dip as Dollar Gains

Spot-gold prices slipped on Tuesday as the dollar gained against other currencies.

Other commodities were mixed. Crude oil inched up while natural gas fell on concerns about huge supplies and warmer weather in the offing, AP reported.

The ICE Futures US dollar index, a closely watched gauge of the dollar against other currencies, was at 80.5 during Tuesday.

Commodities tend to move opposite to the dollar. A rising US currency makes dollar-denominated commodity contracts less appealing to foreign investors.

Gold for April delivery fell 1 percent to settle at \$1,124 an ounce after hovering in the \$1,100-an-ounce range since Feb. 25.

"Energy prices were mixed. Natural gas fell 6.6 cents to settle at \$4.527 per 1,000 cubic feet on the New York Mercantile

Exchange after some weather forecasts predicted warmer weather in the next several days, said Richard Feltes, MF Global commodity research director.

According to Wall Street Journal, China's chief foreign-exchange regulator suggested future gold purchases will be limited and also said that China holding US Treasuries can be mutually beneficial for China and the US.

Bulls like to point to China's government as a gold buyer as it seeks to diversify its \$2.4 trillion in foreign exchange reserves, but while the country has increased gold reserves since 2003, it has done so by buying from domestic producers and over a period of time.

Spot gold was trading at \$1,120.93 a troy ounce, down 0.2 percent from Monday's close.

## International News

### Europe Moves to Create Rescue Fund

Europe moved on Monday to create its own financial rescue fund, designed to shore up the euro currency, should spiraling debts among wayward eurozone members like Greece trigger fresh market mayhem.

But according to AFP, German-driven plans immediately hit obstacles as the European Central Bank's top economist warned that such a fund would create the "wrong incentives" and France countered that it could take years to set up.

The European Commission said it would float proposals on Tuesday to create a 'European' version of the International Monetary Fund.

Germany is leading the efforts as Europe's biggest economy and the one with the most to lose should euro confidence again slide. But the government is reluctant to upset taxpaying national voters.

European Union countries are divided on how far to push for French President Nicolas Sarkozy's stated desire for European "economic government".



### Pakistan Raising \$500m From Bonds

Pakistan plans to raise as much as \$500 million by selling state-owned Oil & Gas Development Company's convertible bonds by June 30, the government's first debt offering in three years.

Shares rose to the highest in two weeks, Bloomberg reported. "The government has asked banks to bid for the position of financial adviser in two weeks," Waqar Ahmed Khan, the nation's asset sale minister, said in an interview on Sunday.

"The mandate will be awarded to Nomura International Plc if no other company bids."

The sale of the three-year bonds follows a similar attempt in 2008 and marks the return of South Asia's second-biggest economy to the international debt market as the nation struggles with terrorism, political rivalry and nationwide riots over power and food shortages.

The company "is a valuable asset which will attract investors," said Umer bin Ayaz, senior analyst at JS Global Capital Ltd. in Karachi.

The company's overseas share sale "was highly successful, which indicates investors will give a positive response to the bond sale".

The shares of Oil & Gas Development Company, the biggest fuel explorer, rose 0.7 percent to 118.40 rupees as of 3:30 p.m. close on the Karachi Stock Exchange. The stock has risen 7 percent this year, compared with a 3.5 percent climb in the benchmark stock index.

### Brazil Announces Tariffs On US Goods

Brazil announced increased trade tariffs on a range of American goods on Monday in retaliation for the United States' failure to eliminate billions in illegal cotton subsidies--a move that affects products from Ford automobiles to Heinz ketchup.

According to AP, the higher tariffs affecting dozens of products from fresh fruit to sunglasses comes after the World Trade Organization authorized Brazil last year to set \$829.3 million in annual penalties against US economic interests for years of anticompetitive subsidies paid to American cotton growers.

Brazil says the ruling allows \$238 million worth of penalties on US trademarks, patents and commercial services, which will be announced later this month. Monday's first part deals with \$591 million in penalties on goods, which will remain in place as long as the US continues to break international trade rules, the Latin American country said.

"The Brazilian government regrets having to take these measures, since it believes that trade retaliation does not constitute the most appropriate means to attain international trade on a fairer basis," the Brazilian government said in a statement.

"However, after almost eight years of litigation and over four years of continuing noncompliance...it remains for Brazil to exercise its right" to the sanctions.

### G20 Should Restrict Speculators

Greek Prime Minister George Papandreou on Monday urged the Group of 20 nations to crack down on market speculators, warning that failing to do so could trigger another global financial crisis.

After meeting with US Secretary of State Hillary Clinton, where he sought support for his plan, Papandreou said debt-strapped Greece cannot sustain borrowing at rates far higher than those charged to other nations, Reuters reported.

"If we continue to borrow at very high rates...twice, for example, the rates of Germany, that would be unsustainable within a common currency," he said, referring to the 16 nations that share the euro as a currency.

Papandreou blamed speculators for Greece's woes and warned that a fresh financial crisis could be triggered if their activities were not reined in.

"An ongoing euro crisis could cause a domino effect, driving up borrowing costs for other countries with large deficits and causing volatility in bond and currency rates across the world," he said.

