



**UPDATE: EU Clears Regulatory Regime For Nabucco In Austria**

323 words

11 February 2008

14:07

Dow Jones International News DJI

English

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BRUSSELS (Dow Jones)--The European Commission said Monday it has cleared a regulatory exemption for the Austrian section of Nabucco gas pipeline that will allow the partners building the project rights to 50% of the pipeline's capacity.

The exemption from part of the European Union's gas regulations, was needed to make the EUR5 billion project financially viable for the six partner companies, Austria's OMV AG (OMV.VI), Hungary's MOL Nyrt. (MOL.BU), Romania's Transgaz, Bulgaria's Bulgargaz, Turkey's BOTAS and Germany's RWE AG (RWE.XE).

In a statement, the commission said the approval is subject to certain safeguards, including a capacity cap preventing a dominant undertaking from booking more than half the Nabucco exit capacity and rules to ensure a transparent and nondiscriminatory capacity allocation to third parties.

Austria is the only country covered by the exemption, because the Austrian regulator is the only local authority to have given its approval so far.

The Nabucco consortium, however, expects E.U. exemptions for the four other countries that will lay land to the pipeline to go through without larger problems, a consortium spokesman told Dow Jones Newswires Monday.

The Nabucco pipeline, a 3,300 kilometer natural gas pipeline, is planned to transport gas from the Caspian region to Austria through Turkey, Romania and Bulgaria as of 2013, thereby reducing Europe's dependence on Russian gas. The pipeline is to have a capacity of 31 billion cubic meters a year. Construction start is expected in 2009.

"The Commission decision on Nabucco shows our support for this project, which will boost Europe's efforts to diversify our supply sources and our gas supply routes," said European Energy Commissioner Andris Piebalgs in the statement.

-By Flemming Emil Hansen and Carolyn Henson, Dow Jones Newswires; +32 2 741 1484; [carolyn.henson@dowjones.com](mailto:carolyn.henson@dowjones.com) [ 11-02-08 1307GMT ]

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# Oil From Split Petrom Pipeline Pollutes Romanian River

170 words

28 January 2008

14:00

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English

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BUCHAREST (AP)--A pipe belonging to Petrom SA (SNP.RO) carrying oil and salt water split Monday, sending hundreds of liters gushing into a river in southern Romania and polluting water for 15 kilometers, authorities said.

The pipe ruptured along the Sabar River early Monday near the town of Leordeni, spilling some 400 liters of oil and 500 liters of salt water into the river, said Marius Postelnicu, a water official for Arges county.

Two dozen workers were sent to clean up the river. They poured absorbent materials into the water, set up a dam to stop the spill spreading downriver, and used pumps to extract the oily water.

Water samples were taken in several places along the river. There were no immediate reports of dead fish or other wildlife. Petrom, in which Austrian petroleum giant OMV AG (OMV.VI) has a majority stake, will be automatically fined at least 80,000 lei ($31,800), water authorities said. [ 28-01-08 1300GMT ]

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# Pipe splits, gushing oil along 15-kilometer stretch of Romanian river

181 words

28 January 2008

13:38

Associated Press Newswires APRS

English

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BUCHAREST, Romania (AP) - A pipe carrying oil and salt water split on Monday, sending hundreds of liters (200 gallons) gushing into a river in southern Romania, and polluting water for 15 kilometers (9.4 miles), authorities said.

The pipe, which belongs to Petrom SA, ruptured along the Sabar River early Monday near the town of Leordeni, spilling some 400 liters (106 gallons) of oil and 500 liters (132 gallons) of salt water into the river, said Marius Postelnicu, a water official for Arges county.

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Document APRS000020080128e41s0014r



COMPANIES - UK AND IRELAND

# Eni and Burren may be lonely perfect match.

By ED CROOKS

637 words

1 December 2007 Financial Times FTFT

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Now one deal to buy a smaller London-listed oil company has been done, investors have naturally started looking to see who might be next.

Following the announcement of Eni's agreed Pounds 12.30 a share bid for Burren Energy - valuing its equity at Dollars 3.6bn (Pounds 1.74bn) - Premier Oil, Tullow Oil, Dana Petroleum and Cairn Energy all closed up on Friday following good runs since the summer.

The market reaction has some logic. London-listed independent oil and gas companies can interest international buyers because they are global in their activities, unlike smaller US companies which are generally domestically focused.

Among the rivals to Eni was the Korea National Oil Corporation. Lakshmi Mittal, the Indian steel magnate, was also reported to be interested in adding Burren to the oil business he is building.

Other rumoured buyers for UK-based companies have included a variety of Middle Eastern companies and funds, flush with petrodollars, and Mol of Hungary, which is threatened by a possible takeover from OMV of Austria.

The price Eni is paying, which works out at about Dollars 16 for every barrel of Burren's proved and probable reserves, is also quite attractive from a buyer's point of view. With shortages of staff and equipment sending costs soaring, finding and developing oil reserves from scratch could in many places cost more than that.

Rising costs create a strong incentive for oil companies to go "drilling on Wall Street". Yet hopes of a wave of consolidation taking out many of the London-listed independents seem likely to be disappointed.

"Talking to people in the industry in the past few weeks, it seems everyone is running the rule over everyone else," says Richard Griffith of Evolution Securities. "Whether any of these will go to execution, though, is a moot point."

If ever a deal was going to work, it was Eni and Burren. Eni is Burren's partner in the M'Boundi field in Congo. Unlike some of its peers, Burren's prospects were not dependent on success with some future drilling.

In just about any other match-up, the scope for disagreement is much greater.

The fair value for prospects that the target hopes will turn into discoveries is a perpetual source of dissent. A year ago Premier Oil said it had ended takeover talks with an unnamed potential bidder, rumoured to be Dubai Energy. Analysts suggested the valuation of Premier's exploration programme was likely to have been a factor.

Often, a substantial premium for exploration potential is already in the price. Andrew Whittock of Oriel Securities says: "Tullow and Soco, at the extreme, are already anticipating further exploration success in the share price. The market is assuming they will make further discoveries, and I haven't come across an oil company that is prepared to pay up in those circumstances."

So although there may be the occasional swoop for attractive undervalued assets, such as Royal Dutch Shell's recent attempt to buy into Regal Petroleum's gas fields in Ukraine, a full-on merger rush looks unlikely.

The exception, perhaps, will be at the bottom of the market on Aim, where dozens of companies are listed, many of whom floated in the boom of 2005-06. Only some have been successful. Those that cannot show real progress will find it harder to raise money.

Cairn Energy, a rumoured target itself, has bought Aim-listed MedOil and Plectrum Petroleum, for example.

Ernst &Young said in a recent report that two-thirds of the 90 Aim-listed E&P companies had less than Pounds 10m of cash. In the current climate, it added, that makes all of them potential targets.

Lombard, Page 18 20071201L119.276

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MARKETS

# Premier Oil one of few winners on grey day for Footsie.

By NEIL HUME and ROBERT ORR

796 words

22 November 2007 Financial Times FTFT

London Ed1 Page 38 English

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Premier Oil bucked the weak market trend, which saw the FTSE 100 surrender all of Tuesday's gains and close 2.5 per cent lower.

Shares in the oil exploration company rose 4.7 per cent to Pounds 12.01 on fresh take-over rumours.

Earlier this month, Premier rose sharply on rumours it could be a take-over target for Australia's Santos. Yesterday, the name in the frame was Mol, the Hungarian oil company that is currently fighting a bid from OMV of Austria.

Sector specialists reckoned Premier's strong performance also owed something to the price of crude, which came within a whisker of hitting Dollars 100 a barrel and also helped support BG Group , up 2.5 per cent to 996 1/2p, and Royal Dutch Shell , 1.8 per cent better at Pounds 20.03.

BG and Shell were two of just four blue-chip companies that managed to finish in positive territory. The other two were Enterprise Inns , up 1.5 per cent at 531p, and Imperial Tobacco , which firmed 0.2 per cent to Pounds 24.84.

The FTSE 100 closed down 155.6 points at 6,070.9 - its lowest close since August 17. The FTSE 250 fell 287 points, or 2.7 per cent, to 10,212.9.

Traders said the sell-off was triggered by concerns about slowing economic growth in the US and UK as well as credit market jitters.

Mining stocks were hit hard as traders took the view that a sharp slowdown in US growth would hit demand for metals. Xstrata lost 4.7 per cent to Pounds 29.49, while Anglo American shed 4.5 per cent to Pounds

28.30 and Kazakhmys closed 6.5 per cent weaker at Pounds 12.54. Shares in the Kazakh copper miner were unsettled by a warning from Oleg Novachuk, chief executive, over lower operating and financial results due to "unforeseen production-related problems".

However, stricken mortgage lender Northern Rock was again the biggest FTSE 100 faller, dropping 12.6 per cent to 84.8p, despite Jon Wood's SRM Global declaring the purchase of a further 1.14m shares, taking his holding to 6.4 per cent.

Elsewhere in the banking sector, HBOS slipped 3.8 per cent to 713p on rumours that it had brought forward a trading update and was set to warn on profits.

However, sector watchers thought the fall had more to do with another rise in three-month interbank lending rates and Goldman Sachs removing the bank from its "conviction buy" list.

"We believe that uncertainty around the ultimate effects of the credit quake, as well as potential real economy implications, represent material headwinds for the sector and will prevent a sustained and broad-based recovery of share prices," the broker said.

Daily Mail &General Trust was another poor performer, sliding 8.9 per cent to 525 1/2p after results disappointed while concerns about a slowdown in the property market continued to unsettle Persimmon , down 5.9 per cent at 752p, and Barratt Developments , off 5.5 per cent at 460p.

Paragon , the specialist mortgage lender, was the biggest faller in the FTSE 250 for a second straight session. Its shares, which fell 40 per cent Tuesday following news that it might have to stop writing new business, lost 36 per cent to 80p.

Another big faller was property company Mapeley . Its shares dropped 11.8 per cent to Pounds 13.20 after Merrill Lynch downgraded to "sell" in a very bearish note on the sector. "We remain cautious on the outlook for property values over the next 12-18 months and once again (for the third time) have reduced our UK net asset value forecasts. The evidence of (or lack of) transactions is feeding through into valuations faster than previously reflected in our numbers," the broker said. It also placed a "sell" recommendations on Warner Estate , down 7.9 per cent to 437p, and Town Centre Securities , off 11.5 per cent at 339p.

Northgate , the UK's biggest van hire company, lost 7 per cent to 730p after ABN Amro told clients to sell, citing concerns about the prospect of a slowdown in Spain, another of Northgate's key markets. The broker also noted that Northgate has Pounds 300m of debt tied to wholesale money market rates.

Enodis , the catering equipment maker, shed 6.3 per cent to 175 3/4p as bid hopes faded with Tuesday's late news that David McCulloch, chief executive, had purchased 10,000 shares. If Enodis was in takeover talks he would not have been able to purchase stock.

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MARKETS

# Premier one of few winners.

By NEIL HUME and ROBERT ORR

372 words

22 November 2007 Financial Times FTFT

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WORLD NEWS

# European companies eye Iran LNG project.

By NAJMEH BOZORGMEHR, GUY DINMORE and DINO MAHTANI

521 words

16 November 2007 Financial Times FTFT

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Iran appears to be pushing ahead with its third major liquefied natural gas project, known as Iran LNG, with the assistance of European companies.

Last week, Ali Khayrandish, the managing director of Iran LNG, was reported as saying that one Chinese and four European companies had been in talks to secure liquefied natural gas supplies from the project.

Iranian officials are saying they expect the construction of the 10m tonne per year capacity plant to be completed by 2010, although most industry analysts say this is unrealistic and the plant would take a few more years to be built even if started now.

The activity comes despite intensifying international pressure on energy companies not to make new investments in Iran.

However, Iran has already signed a Euros 400m (Dollars 585m, Pounds 286m) contract with an engineering consortium, made up of two Iranian companies and an Italian company, to build a treatment, or gas "sweetening", plant for the Iran LNG project.

APS Engineering, a small, private Italian engineering company that has worked for a variety of clients including Eni, the Italian oil and gas multinational, told the Financial Times it was the Italian company in the consortium. It said it would play a "rather minor role".

This contract was awarded just days after the design plans for the plant were submitted to Iranian officials by another consortium, made up of a German company, Linde, Hyundai of South Korea, and Snamprogetti, an Eni subsidiary. The design contract was initially agreed as far back as 2002.

Iran has the world's second biggest gas reserves, but has failed to develop its prolific South Pars gas field as fast as it would like because of the reluctance of oil companies to invest under the cloud of tensions over Iran's nuclear programme.

Royal Dutch Shell, Total and Repsol have stakes in Iran's other two main LNG projects, though none is likely to make final investment decisions unless international diplomatic pressure on Iran eases.

Iran has said it will not wait beyond the deadline of June 2008 for these companies to move ahead with the projects and seems eager to call the bluff of US policymakers. In Saudi Arabia yesterday, Gholam-Hossein Nozari, oil minister, said US sanctions against Iran would have no impact on the country's crude oil and natural gas production plans.

Paulo Scaroni, Eni's chief executive, told the FT this week Eni had "no intention" of pulling out of Iran. The company's policy is not to get involved with any new projects, however.

Other companies are, however, taking a bolder stance when it comes to Iran LNG. Union Fenosa, the Spanish energy company, says its subsidiary, Socoin, was awarded a Euros 32.5m engineering contract for Iran LNG in August.

OMV, the Austrian oil and gas company, in April signed a preliminary agreement with Tehran for a stake in Iran LNG, but this is yet to be finalised. "Our interest in the Iran LNG project lies on the table," it said.

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COMPANIES - EUROPE

# Hungary criticised over Mol protection.

By NIKKI TAIT

254 words

14 November 2007 Financial Times FTFT

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The European Commission has formally protested to Hungary over corporate law changes that would protect Mol, the country's largest energy company, from a foreign takeover.

The Commission said yesterday that it had decided to send the Hungarian government a formal notice that the amendments to its company law regime were considered "incompatible" with European law.

"The Commission is concerned that the law may contain unjustified restrictions on the free movement of capital and right of establishment by introducing onerous requirements for public takeover bids allowing public authorities to appoint a member on the boards of energy companies with the right to participate in the management and the control of the companies concerned," it said.

Hungary has insisted that the changes do not contravene EU rules.

However, they have been widely seen as a response to a hostile bid for Mol from Austria's OMV, and locally tagged "lex Mol".

Charlie McCreevy, the single markets commissioner, wrote last month to Budapest, warning against adoption of the amendments.

The increased pressure comes just a month after the European Court of Justice overturned a 47-year-old law that had protected Volkswagen from hostile takeovers.

The European Commission had first taken Germany to Europe's top court in October 2004 in an effort to get rid of the law, arguing that it was a barrier to cross-border investment in Europe - in short, a restriction on the free movement of capital within the EU.

20071114A118.002

Document FTFT000020071114e3be0001p

FT REPORT - AUSTRIA 2007

# Phoenix rises from the ashes.

By HAIG SIMONIAN

1,009 words

29 October 2007 Financial Times FTFT

Surveys AST1 Page 5 English

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For years, Austria's state-owned steel industry was a byword for mismanagement as politicised decision-making drove profits into the ground.

More recently, a phoenix has risen from the ashes, as a new generation of executives, liberated by privatisation, have run their businesses on the basis of free market principles, rather than party politics.

This year, the wheel turned full circle when Voestalpine, Austria's leading steelmaker, acquired Bohler Uddeholm, a smaller specialist, to recreate the single group broken up by privatisation.

Reuniting Bohler and Voest has created Austria's second-biggest industrial company after the OMV energy group. But rather than harking back to Austrian Industries, the former state producer, the new concern ranks among Europe's most efficient and profitable manufacturers.

Voest's Euros 3.72bn takeover of Bohler followed an unsolicited approach from CVC, the UK-based private equity group. After the raiders were rejected, Voest arrived as White Knight, and the rest is history.

Even with Bohler, which will form a new, independent fifth division, Voest remains only a mid-sized producer compared with Arcelor Mittal, the world's biggest steelmaker. But investment, rising productivity and a reputation for the quality steels required for special applications - such as cars - has allowed the company to create a lucrative and growing franchise.

In steel, its biggest division, Voest ranks third in Europe after Arcelor Mittal and Thyssen Krupp. Key customers include leading car companies such as BMW, Daimler and Peugot. In rails, Voest's second biggest division before Bohler, its position is even stronger. Proprietary technology lies behind the company's trademark ultralong and resistant rails, required by Europe's high-speed train operators.

Proliform, which makes specialised steel sections, and automotive, comprise Voest's two other divisions, creating a group that - before Bohler - had sales of Euros 7.05bn in 2006-7 business year. Operating profits, buoyed by strong demand from rail and automotive, along with firm prices for specialised products, jumpednearly 40 per cent to exceed Euros 1bn for the first time. Net earnings soared by 45.4 per cent to Euros 764.9m, prompting a near-doubling of the dividend to Euros 1.45.

Wolfgang Eder, Voest's chief executive, says the figures will climb even higher with Bohler on board. Once consolidated, he forecasts group sales this year will reach Euros 10.5bn, with operating profits of about Euros 1.4bn and net earnings more than Euros 1bn. Net earnings in the first quarter of 2007-8, reported in August, and excluding any Bohler contribution, soared almost 60 per cent to Euros 242m on a near 15 per cent rise in sales to Euros 1.96bn.

"Demand remains strong and the outlook is still upbeat," says Mr Eder, a lawyer who took the top job in April 2004. The steel industry's typically long-term contracts allow Voest to be relatively comfortable with its predictions, while prices look set to remain favourable all year. Mr Eder admits Voest has been lifted by a booming world economy and surging demand that has pushed up prices and margins.

But it has also benefited from steady improvements in its own operations and portfolio. "In the past 10 years, we've very much developed our portfolio, shifting the mix towards higher value added products."

Underlying the process has been constant investment at Voest's flagship Linz plant, where most steelmaking is based. The site, lying alongside the river Danube, has most recently benefited from a Euros 2bn investment programme, now reaching completion. The scheme has seen the replacement of the group's main

blast furnace and new plants for zinc coating and for colour-coating steels to meet increasingly exacting requirements of the motor and white goods sectors, respectively.

But Voest has also benefited from a rigorous concentration on key activities, divesting non-core business either via outright sales or into joint ventures. That focus, as much as global demand factors, have been behind the more than tenfold rise in profits from just Euros 70.4m in 2002-3.

Mr Eder admits that automotive, the smallest and - until Bohler was consolidated in July - youngest of Voest's four divisions, has yet to prove its worth.

Margins have risen to 5.2 per cent from 2.5 per cent in the past three years as management has tried to improve efficiency. That has moved the operation into line with the better performing competitors. But Mr Eder makes clear the future of the division, which supplies pre-shaped parts to niche carmakers such as Porsche and Bentley, is not guaranteed unless it can lift profitability further.

"We have set a target to take margins above 8 per cent by 2010. If we don't manage it, we'll have to reconsider," he warns.

Automotive apart, the mood at Voest remains upbeat. A new Euros 800m three-year investment plan is due to raise output from 5.5m to 6m tonnes by removing bottlenecks. After that, Mr Eder acknowledges further expansion at Linz would be impossible. "We'd need to build an extra storey," he says of the already packed site.

So speculation is rising that the group, facing rising environmental burdens, including differences with the government over CO 2 emission trading rights, may look abroad to build an additional works.

Where that might be, or when it will happen, remain top secret. "We're starting to think about what we should do next," says Mr Eder. But he stresses no decisions have been taken, and his first priority remains consolidating Bohler.

Initial plans for a rights issue alongside debt to finance the deal have been scrapped, and Voest will now fund the takeover exclusively through borrowing. That will raise gearing to more than 80 per cent - a level Mr Eder agrees will have to be reduced eventually.

Once borrowing falls - and assuming demand remains strong - attention may turn to new sites. In time, the Bohler acquisition may just seem a step along the way.

20071029S105.070

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FT REPORT - AUSTRIA 2007 - FRONT PAGE

# Sullen mood belies economic affluence.

By ERIC FREY and HAIG SIMONIAN

1,229 words

29 October 2007 Financial Times FTFT

Surveys AST1 Page 1 English

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Next summer, Austria will face one of the biggest logistical and security challenges in its history when, with neighbouring Switzerland, it stages the Euro 2008 European football championship, opening its doors to millions of visitors from home and abroad.

The event will, for most Austrians, eclipse even the festivities accompanying the Mozart Year of 2006 and, as with the celebrations for the country's most famous composer, project Austria's image across the world.

A traditional tourist destination, Austria can promise excellent facilities and highly professional management for the football extravaganza.

But one element might be missing for a suitably festive spirit: the national football team. In spite of a recent surprise win, Austria's players are among Europe's weakest and hold little promise in the contest.

Something of the same may be said for the country as a whole. A strong economy, good infrastructure and excellent public services make Austria one of the most prosperous and agreeable locations in Europe - arguably the world. Vienna, the capital, ranks regularly among the world's foremost cities for lifestyle, while the quality of life in Austria as a whole compares favourablywith virtually everywhere else.

Yet in spite of its advantages and current affluence, the mood of Austrians is remarkably sullen right now. Rather than euphoria - or at least quiet contentment - dissatisfaction with the government, and with membership of the European Union, are more often heard.

Domestically, the grand coalition of centre left Social Democrats and the conservative People's Party, headed by Alfred Gusenbauer, chancellor and Social Democratic party leader, holds an enviable two-thirds majority in parliament.

Yet despite its commanding position, the public perception is that the new administration has not achieved much since being formed in January after three months of bickering following the October 2006 general election.

Mr Gusenbauer replaced Wolfgang Schussel, then leader of the People's party and Austria's best known politician abroad, after a narrow victory at the polls. In spite of an impressive economic record, Mr Schussel's right of centre coalition failed to convince voters it also had a social conscience. Not surprisingly, social policy has been at the forefront of the new government's plans. But apart from agreements to increase social spending and for the first time set a minimum wage, the impression is that not much else has happened.

The mood is as disenchanted on the EU with the latest Euro-barometer poll showing only 36 per cent of Austrians approve of membership - the second-lowest rate in the EU after the UK.

The underlying reason for the apparent unpopularity of Brussels is that many Austrians are unconvinced about the benefits of the EU's first big enlargement to encompass neighbours in central and eastern Europe - in spite of the fact that no other member state has benefited as much from that opening as Austria itself.

The potential extension of the EU further into eastern and south-eastern Europe, let alone the possibility of Turkish membership, reinforces deep public anxiety and comes in spite of the immense economic benefits Austria itself has enjoyed since joining the EU in 1995.

Further over the horizon, Austrians are also expressing concerns about the potential dilution of the country's much-prized neutrality, as the EU gains added diplomatic, and - gradually - military, weight.

Many Austrians believe neutrality has run its course. The country is participating increasingly in international peacekeeping, such as the plan to contribute troops to the United Nations mission in Chad and becoming more involved in budding EU security structures.

Nevertheless, neutrality remains extremely popular - explaining why an initiative by some conservative regional politicians to reconsider Austria's status was quickly squashed by party leaders after a closer look at the opinion polls, a position supported by the traditionally pro-neutrality Social Democrats.

So rather than focusing on the impressive growth of Austrian companies that have invested in the east, or on the sharp increases in exports that have benefited the balance of payments, it is job competition, immigration and crime that have dominated public discussion.

Even worries about teaching standards have climbed the agenda, as people have grown concerned about the impact on education of increasing numbers of immigrant children, often speaking only limited German, in schools.

Demonstrating the underlying xenophobia, far-right political parties together garnered about 15 per cent of the vote last October.

But having initially kept its border totally closed to labour from the new EU member states since they joined in 2004, Austria was recently forced to change course because of an acute labour shortage.

Next year, thousands of skilled workers will receive work permits for the first time in a shift welcomed by business leaders, but still opposed by trade unions and the public at large.

The mood is even more alarmist when it comes to eliminating passport controls on national borders - a step that will follow once Austria's eastern neighbours join the Schengen agreement on police and border

co-operation. To calm such fears, the government has said it will keep thousands of soldiers posted near the border, a move that has aroused anger in the Czech Republic and Hungary.

Bilateral relations with both neighbours remain tense. Austrians, who nearly voted against nuclear energy in a referendum in 1978, remain deeply troubled about the Czech nuclear power plant in Temelin, just over the border.

Hungarians, meanwhile, are angry about pollution in the river Raab that flows into their country from southern Austria, as well as the recent attempt by Austrian oil and gas group OMV, in which the government holds more than 30 per cent of the shares, to take over its Hungarian rival Mol. In reaction, the Hungarian parliament this month passed a tailor-made law strengthening Mol's defences against foreign raiders.

In spite of the OMV-Mol dispute, which may only be resolved by clarification of EU competition law from Brussels, Austria's business relations with eastern Europe remain strong and continue to grow.

Austria is the biggest investor in Romania and Bulgaria, the two most recent entrants into the EU, while Austrian companies retain strong positions in immediate neighbours such as the Czech Republic, Slovakia, Hungary and Croatia.

More recently, Austria's banks and industrial companies have started reaching out further east. Reassured by their success among their near neighbours, and, in many cases, buoyed by high share prices that reflect investor support for further geographic expansion, Austrian groups have extended their reach towards Ukraine, Russia, Kazakhstan and even politically-isolated Belarus. Just this month, for example, Telekom Austria clinched a deal to buy the second-largest mobile phone group in Belarus.

Such activities remain a driver for the Austrian economy, boosting exports and contributing to growth rates of more than 3 per cent over the past two years - putting Austria well ahead of Germany and the EU average.

Meanwhile, unemployment of about 4.3 per cent is among the lowest in Europe, while inflation is subdued and the budget deficit has fallen below 1 per cent of gross domestic product.

The mood, however, remains muted, in spite of such impressive figures. Perhaps it will take a virtuoso performance, worthy of Mozart himself, by the Austrian football squad finally to convince people how good things really are.

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EUROPEAN VIEW - PAUL BETTS

# Hungary's Mol wary of a Russian checkmate.

By PAUL BETTS

500 words

11 October 2007 Financial Times FTFT

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The mere suggestion that Gazprom was eyeing Centrica had the British government rushing out to erect barricades around its privatised gas utility.

So it is even more understandable that the Hungarian government, after decades of Communism, is anxious to protect its privatised energy company, Mol, from the undisguised appetites of Russia's state-owned gas monopoly.

The Hungarian government has just passed controversial legislation to enable it to block any unwelcome foreign bid for Mol. This has infuriated its partly state-owned Austrian rival, OMV, now trying to take over the Hungarian group.

Mol's defences run against all open market principles. The European Union is worried that the outcome could set an undesirable anti-competitive trend in the newly signed-up Eastern European member states. That said, the EU's older member countries have been doing just the same to defend their national energy champions.

But the Hungarian takeover contest has a far broader geopolitical dimension that must be taken into account. It is no secret that the Austrian company and the Vienna government have established good relations with both Gazprom and Moscow.

Austria was the first western European country to buy gas from the then-Soviet Union. During a visit to Vienna in May, Russia's President Vladimir Putin described Austria as a "model partner" for Russian energy exports. "Austria is the biggest and, I stress this, the most reliable transit agent for Russian gas," he added.

His visit coincided with an agreement between OMV and Gazprom involving long-term Russian gas supplies to Austria in return for the joint development of a central European gas distribution centre near Vienna.

Gazprom even hinted at the time that it might be interested in taking a stake in OMV. Although the Russian group has so far not acquired a direct stake in the Austrian company, Gazprom-related interests are thought to control significant portions of OMV's floating stock.

One thing is patently clear. Gazprom has deeply entrenched and varied links with OMV. That has made the Hungarians all the more nervous, especially since Mol thwarted an earlier takeover approach by Gazprom. OMV may have launched an independent bid for Mol but the Hungarians are naturally suspicious that Gazprom and Russian interests are manoeuvring behind the scenes.

Russia makes no secret of its ambitions to expand downstream in Europe and increase its influence by promoting Russian gas as Europe's main energy source.

The problem for Hungary is that it must continue to balance the risks of openly provoking Russia, which supplies about 80 per cent of its natural gas needs, with the desire of many Hungarians to stay independent of Russian influence.

They have so far managed to keep Mol out of Gazprom's clutches. But the Russians are consummate chess players and their recent moves in Austria show they have not given up on the game.

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Document FTFT000020071011e3ab0003x

WORLD VIEW

# Russian pawn?

By RICHARD MILNE and AMY YEE

471 words

11 October 2007 Financial Times FTFT

Asia Ed1 Page 16 English

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The mere suggestion that Gazprom was eyeing Centrica had the British government rushing out to erect barricades around its privatised gas utility. So it is even more understandable that the Hungarian government is anxious to protect Mol, its own privatised energy company, from the undisguised appetites of Russia's state-owned gas monopoly.

The Hungarian government has passed controversial legislation to enable it to block any unwelcome foreign bid for Mol. This has infuriated its partly state-owned Austrian rival, OMV, now trying to take over the Hungarian group.

Mol's defences run against all open market principles. The European Union is worried that this battle could set an anti-competitive trend in the newly arrived east European member states. That said, the EU's older member countries have been doing the same to defend their national energy champions.

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[world.view@ft.com](mailto:world.view@ft.com) 20071011A116.849

Document FTFT000020071011e3ab0001z

# FT.com site : Hungary's Mol wary of a Russian checkmate.

Paul Betts 801 words

10 October 2007 Financial Times (FT.Com) FTCOM

English

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Comeback Kid Kirch

Leo Kirch is back. The fall of the veteran German media entrepreneur was one of the most dramatic in post-war Germany. When he went bankrupt five years ago, it was the largest ever insolvency in Europe's biggest economy.

Many wrote him off at the time as he lost the country's second-largest media empire. His long, bitter ongoing campaign to make Deutsche Bank pay for his bankruptcy through a 1.6bn damages claim has added a sad, quixotic note to his decline and fall.

That makes his comeback this week all the more remarkable. The German football league has awarded him the rights to market football from the Bundesliga - the German premier league - over the next six years. This is a billion dollar business. But Mr Kirch himself will not be transmitting the games, just marketing them

around to try to get more money for the league - hence the reason why a bankrupt businessman can get back in the game.

His return is full of echoes of the past. The name of the company he is using, Sirius, was the name of the first firm he founded, more than 50 years ago. But Mr Kirch's comeback carries a broader lesson and underlines why Europe must change its attitudes to bankruptcy. Indeed, many economists have long argued that while bankruptcy is seen as a sometimes necessary part of entrepreneurship and risk-taking in the US, it still carries a huge stigma in Europe.

Mr Kirch is perhaps not the best advertisement for a new, enlightened European attitude to bankruptcy. He is something of an old-school bruiser whose downfall was triggered by poor management. But his surprising comeback at the grand old age of 81 shows that one should never write off a true entrepreneur, however colourful and controversial.

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# FT.com site : OMV chief patiently chips away Mol stronghold.

Haig Simonian 539 words

10 October 2007 Financial Times (FT.Com) FTCOM

English

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Austria's OMV energy group on Tuesday said it would not relax its pursuit of Mol, in spite of the Hungarian parliament's approval this week of legislation to protect the national energy champion from predators.

The moves came as Wolfgang Ruttenstorfer, OMV's chief executive, revealed that the two companies had discussed co-operation "for years" - putting a different gloss on Mol's assertion that it had been hijacked by OMV's decision to raise its long-standing stake earlier this year.

"We remain committed to this process because it makes sense to combine our two companies. Consolidation in our region is inevitable," said Mr Ruttenstorfer in an interview.

"There have been 12 major transactions in the region in the past five years. It is our assumption this is not the end of the story."

OMV has argued that second-tier energy groups, such as itself and Mol, must join forces to meet competition from western energy giants, enviously eyeing their fast growth markets in central and eastern Europe, as well as Russian energy producers keen to move downstream.

Mr Ruttestorfer said resolution of OMV's bid was now up to the markets and the European Commission, which is studying the Hungarian legislation to see if it conforms with EU law. Admitting the process could take time, Mr Ruttenstorfer said OMV could wait two or three years.

He revealed that OMV and Mol had talked about working together ever since the Austrian group took an initial 9 per cent stake in 2001. Discussions had stepped up in the past 12 months, during which "we had many intense discussions about how to combine our businesses", he said.

Mr Ruttenstorfer said OMV had now contacted most of Mol's independent shareholders, all of whom welcomed the idea of a merger. He said not all had expressed willingness to speak out, but "some of them said they would become active".

With OMV now controlling just more than 20 per cent, and Mol owning an estimated 40 per cent of its shares, the free float is only about 40 per cent. So far, Templeton and Centaurus, two big institutional investors, have come out publicly in favour of a deal.

Mr Ruttenstorfer's comments came as Mol announced that it had signed a co-operation agreement with Qatari Petroleum International.

The two companies, which have worked together on offshore exploration in Qatar, said they intended to pursue "projects of common interest", including "new and/or existing natural gas and crude oil exploration, field development and production ... petrochemical projects and research and development of environmentally friendly energy solutions".

Mr Ruttenstorfer played down the announcement, noting that it referred to limited activities and was "not something that should change the shareholder structure".

He said that OMV had maintained its holding in Mol at the last reported level of 20.2 per cent, in spite of opportunities "substantially" to increase its stake.

Mol's shares are seen as being in play, with hedge fund involvement, although the chances of OMV succeeding remain severely hindered by the fact that so many of Mol's shares lie either with the company or with friendly institutions.

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COMPANIES - INTERNATIONAL

# Austrians patiently chip away at Mol stronghold.

By HAIG SIMONIAN

539 words

10 October 2007 Financial Times FTFT

London Ed2 Page 27 English

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540 words

10 October 2007 Financial Times FTFT

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**New Zealand's frigid 'Roaring 40s' location for new oil, gas search**

By RAY LILLEY

Associated Press Writer 967 words

10 October 2007

15:56

Associated Press Newswires APRS

English

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WELLINGTON, New Zealand (AP) - The Southern Hemisphere's "Roaring 40s" -- a band of howling winds and mountainous seas in sub-Antarctic waters -- still strike fear in the hearts of mariners.

Next year, U.S. oil giant Exxon Mobil Corp. and OMV AG, Austria's largest company by sales, will enter this terror-inspiring seascape south of New Zealand to search four exploration blocks for natural gas and oil.

It's one of the latest examples of the lengths to which oil companies will go to hunt for new resources to feed an energy-hungry world rapidly consuming easily accessible supplies.

Elsewhere, U.S. companies have drilled wells six 6 miles into the earth beneath the Gulf of Mexico, this winter Norway will export gas from the seas north of the Arctic Circle, and off Sakahalin island in Far East Russia natural gas will soon be exported from seas that freeze almost six months of the year.

A significant find off New Zealand would hugely benefit the country's economy by bringing in royalties and investment dollars and -- perhaps more importantly -- replenishing the country's natural gas reserves, which could run out in 20 years at current use rates.

The potential is enormous. The government has said unproven estimates for the Great South Basin, which stretches 450 kilometers (280 miles) from the South Island's southern coastline toward the Antarctic coast, suggest it contains almost 10 billion barrels of oil equivalent, mostly in natural gas.

That's nearly ten times the output from New Zealand's biggest gas and oil field, called Maui, over the last 25 years.

"A really big discovery like a Maui field would be worth billions (of dollars) to the economy," said John Pfahlert, executive officer of New Zealand's Petroleum Exploration & Production Association.

Should Exxon and OMV decide to drill, the projects could bring in as much as 1.2 billion New Zealand dollars ($855 million) in investment from the two companies, according to Associate Energy Minister Harry Duynhoven.

But commercial production from any fields could still be more than 20 years away, some experts say.

That's a potential problem for New Zealand, which is steadily exhausting its reserves of natural gas, used to produce 30 percent of the country's electricity.

Without new discoveries, New Zealand will likely run out of natural gas resources in 20 years. That would probably force New Zealand to import liquefied natural gas from abroad at higher prices and invest in receiving terminals and reconversion plants -- or turn to some other form of energy such as coal or oil to fill the gap.

The country's known reserves stand at just 200 million barrels of oil and 2,200 billion cubic feet of gas, some of the lowest in the Asia-Pacific region. Australia, for example, has more than 20 times the oil and more than 40 times the gas.

Without offshore gas flows, the government would also stand to lose an income source. Between 1970 and 2005, the government has collected over NZ$2.8 billion ($2.1 billion) in petroleum royalties.

Industries that depend on gas byproducts such as methanol and fertilizer also would be affected.

Still, exploring for potential oil and gas fields underneath the ocean is expensive and time-consuming, especially in the rough seas south of New Zealand. North Sea waters off Scotland "look like a mill pond" by comparison, said Pfahlert.

First, the companies will spend two to three years taking seismic readings, and then another two to three years test drilling promising target areas.

"There's a 27-month program of testing that will establish just what the potential for oil and gas discoveries is

... (and) that will mean a drilling program would be (at) the earliest late 2009, early 2010," said Sydney-based Exxon Mobil spokeswoman, Samantha Potts.

Environmental assessment is currently under way and the seismic testing could begin about the end of the year, she said.

There's always the risk that search will turn up very little -- or that the gas might be too difficult or expensive to extract. The Great South Basin is, after all, "frontier wildcat drilling area," an oil industry term for a region where no resources have yet been found.

Once they've gathered the data, Exxon and OMV will have to weigh whether it's worth drilling.

"The cost of drilling wells ... will be very major so you have to ensure the size of the prize is worth it," said Dave Darby, senior geologist and business development manager with state-funded agency, GNS Science.

One offshore well cost an average of about US$15 million to drill in 2006, according to the Web site of oil researcher Energyfiles Ltd., and costs go up in harsh environments and deep water.

Locally owned Greymouth Petroleum, which also won an exploration permit in the Great South Basin, has committed to an initial work program worth NZ$23 million ($16 million) for seismic work, according to its Web site. The company has five years from July 2007 to complete seismic work and then drill and evaluate one exploration well.

Exxon Mobil's and OMV's exploration concessions are farther offshore than Greymouth's holding, and their groups will probably have to spend more on both seismic and drilling.

The two have declined to provide spending plans for their seismic and exploration programs. Despite the costs and difficulties, experts say the area holds promise.

"The opportunity to find more gas has the potential for a very significant economic spinoff" for New Zealand, said Chris Stone, a geologist and energy analyst with McDougall Stuart Securities Ltd. "The benefits of exploration in New Zealand are quite extraordinary."

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**New Zealand's frigid 'Roaring 40s' location for new oil, gas search**

By RAY LILLEY

Associated Press Writer 984 words

10 October 2007

06:41

Associated Press Newswires APRS

English

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WORLD NEWS

# Hungary vows to avoid takeover dispute.

By THOMAS ESCRITT and STEFAN WAGSTYL

356 words

6 October 2007 Financial Times FTFT

Asia Ed1 Page 3 English

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Ferenc Gyurscany, the Hungarian prime minister, yesterday pledged to avoid a conflict with Brussels over a planned law that would protect Mol, the country's biggest energy group, from hostile takeovers.

"It's obvious this regulation has to meet European Union standards. I hope we will fulfil this requirement and if we don't, we have to change (the draft)," said Mr Gyurscany in a Financial Times interview.

The prime minister was responding to a warning from the European Commission that Budapest would face legal action if its draft law did not comply with EU rules.

The draft law, which is due to be ratified this month, is widely seen in the energy industry as an attempt to block a takeover approach from Austria's OMV, which last week made a Dollars 14bn (Euros 10bn, Pounds 6.9bn) conditional bid for Mol.

The draft law, popularly called Lex Mol, will not target foreign bidders as such but will give the authorities rights to protect assets of "strategic" importance.

Mr Gyurscany said he was not against foreign take-overs but he had concerns about state-controlled companies and sovereign investment funds.

Although the prime minister did not name OMV in this context, its biggest shareholder is the Austrian state. Mr Gyurscany said: "We privatised Mol because we believe Mol has to be in private hands."

He defended Hungary's right to define a few sectors, including energy, as strategic. He said: "Hungary is one of the most open economies in this region. We operate a very market-oriented policy but we should not be silly or insane."

Mr Gyurscany said that while Mol was a private company it was an important Hungarian company in the sense that it represented Hungarian corporate culture and was "very sensitive to Hungary's interests".

Mr Gyurscany is trying to tread a careful line between EU rules and popular demands for protecting Mol. Almost all Hungarians want Mol to remain Hungarian-owned and are particularly annoyed by a hostile approach from Vienna, the former imperial power.

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FRONT PAGE - COMPANIES &MARKETS

# Brussels threatens Hungary with court case over Mol takeover law.

By ANDREW BOUNDS, ED CROOKS and STEFAN WAGSTYL

378 words

5 October 2007 Financial Times FTFT

Europe Ed1 Page 17 English

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Hungary has been threatened with legal action from Brussels unless it drops a proposed law that would protect Mol, its biggest energy company, from a foreign takeover.

The law, which had been expected to be ratified next week, was seen as an attempt to ward off a takeover approach from Austria's OMV, which last week proposed a conditional bid at Ft32,000 a share, valuing Mol's equity at Euros 14bn.

Charlie McCreevy, the single market commissioner, wrote to Budapest on Tuesday warning it against adopting a draft law, often referred to as the "lex Mol", that would tighten the regulations on takeovers for companies with strategic importance.

Hungary insists the planned legislation does not contravene EU rules. Janos Koka, Hungary's economy minister, told the Financial Times: "It's not about protection against foreign investors. It's about protection against illegal hostile demands."

McCreevy's letter, seen by the FT, said he had opened an investigation into the move and would also press home a case before the European Court of Justice concerning Hungary's privatisation law.

That case was filed in December because Budapest had failed to make changes to areas that discriminated against foreign investors. Hungary has been seeking to settle the action before a court hearing.

In the letter, addressed to Mr Koka, Mr McCreevy wrote: "If the actions or legislation currently envisaged by your authorities were to put an impediment on economic factors from other member states taking an interest in Mol, then I would be compelled to recommend that the Commission continues the existing proceedings to their conclusion in the court."

The intervention from Brussels is a blow to Mol's hopes of preserving its independence but the OMV approach still faces formidable obstacles.

Mol believes that a takeover would force the sale of at least one of Mol's most attractive assets, its refineries in Hungary and Slovakia, to comply with EU competition rules.

Wolfgang Ruttenstorfer, OMV's chief executive, said in an interview with a Hungarian magazine yesterday he expected that the merged company would be forced only to dispose of some petrol stations.

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COMPANIES - EUROPE

# EU threatens action on Mol move.

By ANDREW BOUNDS, ED CROOKS and STEFAN WAGSTYL

440 words

5 October 2007 Financial Times FTFT

Asia Ed1 Page 19 English

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Hungary has been threatened with legal action from Brussels unless it drops a proposed new law that would protect Mol, its biggest energy company, from a foreign takeover.

The law, which had been expected to be ratified next week, was seen as an attempt to ward off the takeover approach from Austria's OMV, which last week proposed a conditional bid at Ft32,000 a share, valuing Mol's equity at Euros 14bn (Dollars 20bn).

Charlie McCreevy, single market commissioner, wrote to Budapest on Tuesday, warning it against adopting a draft law, often referred to as the "lex Mol", that would tighten regulations on take-overs of companies with strategic importance.

Hungary insists the legislation would not contravene EU rules. Janos Koka, economy minister, told the Financial Times: "It's not about protection against foreign investors. It's about protection against illegal hostile demands."

Mr McCreevy's letter, seen by the FT, said he had opened an investigation and would press home an active case before the European Court of Justice concerning Hungary's privatisation law.

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The Brussels intervention is a blow to Mol's hopes of preserving its independence, but the OMV approach still faces formidable obstacles.

Mol's management controls about 40 per cent of the equity. OMV has about 20 per cent. Mol believes a takeover would force the sale of at least one of its most attractive assets, its refineries in Hungary and Slovakia, to comply with EU competition rules.

Wolfgang Ruttenstorfer, OMV chief executive, said in an interview with a Hungarian magazine yesterday he expected the merged company would only have to dispose of some petrol stations.

But Mol rejected OMV's argument that it could satisfy EU antitrust rules without selling off refining assets - by allowing some third party access to the combined group's plants. Jozsef Molnar, Mol chief financial officer, told the FT the company had "well-founded legal advice" that such measures would be insufficient. Mr Ruttenstorfer's remarks showed he recognised "there was a problem" in the concentration of ownership in refining, said Mr Molnar.

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**FT.com site : EU threatens Hungary over Mol takeover law.**

Andrew Bounds in Brussels, Ed Crooks in London and Stefan Wagstyl in Budapest 376 words

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WORLD NEWS

# Lure of Iran gas puts energy-hungry Asian companies in hot seat.

By CAROLA HOYOS

823 words

10 May 2007

Financial Times FTFT

London Ed1 Page 8 English

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This year alone three of Europe's biggest energy groups have announced they are considering investing billions of dollars in Iran's giant gas fields.

But a non-binding memorandum of understanding signed late last month by OMV, the Austrian energy group, and similar recent accords with Anglo-Dutch Royal Dutch Shell and Repsol, of Spain, do not necessarily mean those companies are about to sink large sums into Iran and incur the wrath of Washington, which is trying to isolate Tehran over its nuclear ambitions. Instead, these are ways companies are trying to keep their options open until the international diplomatic situation improves or Iran forces them to stop procrastinating.

Frank Harris, analyst at Wood Mackenzie, the consulting group, said: "Access to gas around the world is getting tougher and the big players cannot afford to ignore Iran. They need to retain the option to participate in Iran because the political winds may change, which is why we are seeing the non-binding deals."

No European company has made a large new investment in Iran since Norway's Statoil invested Dollars 2.65bn (Euros 1.9bn, Pounds 1.3bn) in 2002, says Kenneth Katzman, a Middle East expert at the Congressional Research Service. While some have made friendly overtures and promised to consider investing, those in more advanced negotiations have delayed decisions that would have forced them to commit large sums of money.

Last month, Gholamhossein Nozari, managing director of Iran's state-owned oil company and the country's deputy energy minister, said he had given Total, the French energy group, four more months to decide whether to invest some Dollars 2bn-Dollars 4bn in the South Pars natural gas project. The deadline had been March 31.

Iran was compelled to give Total the extension because the country needs an experienced company to get its liquefied natural gas (LNG) industry off the ground. Total argued it had to consider the fact that the project's costs had doubled because of a worldwide industry shortage of labour and equipment.

Even Lukoil, Russia's second biggest oil company, is cautious. Vagit Alekperov, its chief executive, said recently: "Today Russia is making resolutions with other UN Security Council members aimed at stopping the Iranian nuclear programme. So we are now looking at the risk."

He said the company was in the early stages of investment in Iran and still had 12-18 months before having to decide on any major expenditures.

But companies may not be able to drag their feet for ever. Iran has already asserted its muscle in negotiations it views as having lasted too long. Late last year it slashed the stake of Japan's Inpex, which was to develop the giant Azadegan oil field, from 75 per cent to 10 per cent after the group - under pressure from the US - had delayed a final decision several times.

Not only Inpex is feeling the heat from the White House. In March, Nicholas Burns, a senior state department official, told a congressional hearing the US had contacted several governments and companies to warn them they would be in violation of the Iran Sanctions Act if they pursued their planned investments in Iran. Such threats appear to have worked for the Europeans, but not for energy-hungry Asian companies which are calling Washington's bluff.

Passed in 1996 as the Iran Libya Sanctions Act, the law requires Washington to place sanctions on non-US companies investing more than Dollars 20m a year in Iran. But the White House has the right to decline to act if it deems it in the US's national interest. So far not one company has been sanctioned despite at least 14 violations totalling Dollars 100bn since 1999, the Congressional Research Service reported.

How long Total, Shell and others are able to postpone deadlines will depend in part on whether Iran can lure suitors, such as those from China and India. In the past three years, Chinese, Indian and Malaysian companies agreed to invest more than Dollars 90bn to purchase Iranian gas, develop oil and gas fields and build pipelines, LNG terminals and other energy infrastructure, Mr Katzman said in a report.

China National Offshore Oil is negotiating a Dollars 16bn dollar deal to develop Iran's North Pars gas field.

However, there is a catch: these new Asian investors are relatively untested and it is far from certain they have the ability to develop vast, complex oil and gas projects, especially without being able to rely on US technology or contractors, which are banned.

But Mr Harris points out: "There is always the possibility the Iranians may attempt to do the first LNG project without IOC help (probably with the Chinese), accepting it may take longer and be less efficient but that it gets them into the game."

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**Total: Biofuels JV With Neste Unlikely To Be Resurrected**

229 words

14 March 2007

14:29

Dow Jones International News DJI

English

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PARIS (Dow Jones)--The Neste-Total joint biodiesels project has been "deferred" rather than abandoned, but it is unlikely to be resurrected, a senior executive at Total SA (TOT) said Tuesday. Speaking at the fringes of the World Refining Association's European Fuels Conference in Paris, Jean-Jacques Mosconi, senior vice president of strategy development and research, said the costs of the 200,000 barrel a day biofuels plant had turned out to be much higher than expected.

The proposed plant at Dunkirk, northern France, had been slated to come onstream in 2008.

Mosconi said a final decision would be made in the next few months but added it was unlikely to restart unless "we discover that there is a big part of the project we have overlooked."

Neste Oil Oyj. (NES1V.HE) is also involved in a joint venture with Austria's OMV AG (OMV.VI) to build a biofuels plant near Vienna.

An OMV employee familiar with the project said he didn't believe the economics added up but "management seems to want it" due to the environmental kudos attached to biofuels.

Company Web site: [http://www.total.com](http://www.total.com/) Company Web site: [http://www.nesteoil.com](http://www.nesteoil.com/)

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