

Novatek May Buy Out Yamal Project

By [The Moscow Times](#)

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A picture of the nuclear ice breaker, the 50th Anniversary of the Victory, from which Mikhelson spoke to reporters.

Novatek may buy out its partners in a project on the Arctic Yamal Peninsula to liquefy the fuel for export by tanker as it seeks investors with the necessary technology.

Russia's second-largest natural gas producer, which last year bought 51 percent of the Yamal LNG project, plans to use its option to buy 24 percent more and does not exclude acquiring the rest, chief executive officer Leonid Mikhelson told reporters Thursday in Chukotka.

Russian-born oil trader Gennady Timchenko, a Novatek shareholder, now owns 23.9 percent of the project, and his associate Pyotr Kolbin owns 25.1 percent, the Kommersant newspaper reported in December.

The project in the icebound Arctic region aims to export as much as 15 million tons of LNG, or roughly 20.4 billion cubic meters of the fuel, a year, to Asian and European markets. That compares with South Korea's consumption of 33.8 billion cubic meters last year, according to

data by BP Plc.

Novatek may sell as much as 49 percent in the project, Mikhelson said. The company will make a decision on buying the 25 percent stake after a preliminary study is completed in the first quarter of 2011, Mikhelson said.

Total SA will seek as much as 25 percent in the project, chief executive officer Christophe de Margerie said June 11. Novatek has said Royal Dutch Shell Plc. and Exxon Mobil Corp. were among companies that may take part in the project.

Novatek has suspended talks with potential partners until the completion of the study, chief financial officer Mark Gyetvay said earlier this month.

Novatek agreed last May to pay \$650 million to buy its 51 percent of Yamal LNG, which holds the license to the South Tambei field, from entities affiliated with Timchenko.

Novatek head Leonid Mikhelson also said the company needed clear signals from the state on the development of the energy-rich Yamal peninsula before it can finalize its plans.

"The timings and investment decision on Yamal LNG depends on the government, too," he said, adding that the government is set to review its program of Yamal development in September.

He was speaking on Wednesday to reporters aboard a nuclear icebreaker and also on a plane over the Far East, as Novatek successfully tested the Northern Sea Route through the Arctic Ocean.

The company's tanker, carrying 70,000 metric tons of stable gas condensate destined for China's Ningbo and led by nuclear icebreakers, has reached the Chukotka region in the Eastern part of the Arctic Ocean.

Mikhelson said the company would consider shipping six to eight cargoes next year to the Asia-Pacific region via the Arctic Ocean.

At Yamal, the company plans to produce up to 16 million metric tons of liquefied gas a year by 2015-17, surpassing Gazprom-led Sakhalin-2.

(Bloomberg, Reuters)

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