

LUKoil Venture Could Send Pipe Gas to China

By [The Moscow Times](#)

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SOCHI — LUKoil, the country's second-largest oil producer, may dodge Gazprom's monopoly on Russian gas exports by supplying China the fuel it produces in Central Asia, CEO Vagit Alekperov told reporters Friday.

LUKoil plans to sign a gas agreement with China National Petroleum Corporation during President Dmitry Medvedev's trip to China later this month, Alekperov said.

LUKoil's supplies from Uzbekistan, where its partnership with state-run Uzbekneftegaz aims to produce up to 15 billion cubic meters of gas a year, would be part of the talks with CNPC, said Grigory Volcheck, a spokesman for LUKoil Overseas Holding. LUKoil produces gas in Russia that it cannot sell abroad because the state awarded Gazprom a monopoly on exporting the fuel in 2006.

Russian efforts to supply energy-thirsty China with its vast Far Eastern reserves of gas have

yet to get off the ground as the two sides cannot agree on pricing. Gazprom has delayed building pipelines to the world's most populous nation while talks continue.

"Every deal that China signs for alternatives to Russian gas must chip away at the Russian position," Julian Lee, an energy analyst at the Center for Global Energy Studies, said by telephone from London.

China opened a gas pipeline through Central Asia to Turkmenistan, holder of the fourth-largest reserve of the fuel, at the end of last year. The pipe passes through Uzbekistan, which will also be able to contribute supplies to the pipe.

"LUKoil could well be exporting pipeline gas to China before Gazprom if for no other reason than infrastructure exists to carry gas to China from Central Asia and doesn't from Russia," Lee said.

While Gazprom believes that China's demand will grow so fast that there will be enough room for everyone, Russia may find itself left out if it does not move quickly, Lee said.

China has other options, including developing its own unconventional gas resources, buying liquefied natural gas and taking full advantage of Central Asian gas.

Gazprom CEO Alexei Miller will also travel to China this week, and gas supplies will "definitely" be discussed, Gazprom spokesman Sergei Kupriyanov told reporters en route from Moscow to Kiev. He declined to say whether any agreements would be signed.

Gazprom is seeking to agree on prices and supply terms with China by mid-2011, allowing for the first deliveries four years later, Deputy CEO Alexander Medvedev said in June. The company originally targeted first shipments in 2011.

China's gas demand is growing at about 10 percent annually and may reach 150 billion cubic meters annually by 2015, the International Energy Agency said in a report in June.

ConocoPhillips has received "lots" of interest from potential buyers of the shares it owns in LUKoil, said Alekperov, who owns about 20 percent of LUKoil.

LUKoil is in talks with investors interested in the shares, he said in comments broadcast on state television. The oil company will decide this week whether to proceed with its option to buy out the shares from U.S. major ConocoPhillips, Alekperov added.

(Bloomberg)

LUKoil has started clearing mines from the West Qurna-2 oil field in Iraq, the oil producer said in a statement Friday.

The contract was awarded to G4S Ordnance Management Iraq, a unit of British firm G4S Risk Management, the statement said. The company did not give a value for the contract, but said most of the work should be done by early next year.

LUKoil said in June that it expected to start drilling for oil at the super giant West Qurna-2 field next year along with partner Statoil. The company expects to produce 8 million to 10 million metric tons per year under its production-sharing agreement with Iraq, LUKoil vice president Leonid Fedun said June 2.

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