The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

# Gazprom May Form Hub in Far East to Supply Asia

By The Moscow Times

October 10, 2010




Gazprom may build plants to liquefy and compress natural gas on Russia's Pacific Coast, Primorye region Governor Sergei Darkin said Friday, in an effort to turn the area into an energy hub and compete with Middle East producers to supply Asia.

Primorye, which borders China and the Korean Peninsula, may also host plants to process helium and produce ammonia fertilizer, Darkin said.

President Dmitry Medvedev wants the country to produce more processed goods to cut the economy's "humiliating" dependence on raw materials exports. At the same time, Gazprom, which faces growing competition in Europe, and the country's biggest oil suppliers are seeking to gain a bigger share of exports to China, the world's largest energy consumer.

"Russia's emperor emblem is a double-headed eagle, one looking to Europe and the other to Asia," Darkin said. "Asia is more interesting to our country."

Europe, Gazprom's biggest export market, is diversifying imports, a move that accelerated last year as spot prices fell and demand shrank, making Russian gas prices, which are linked to crude oil, less favorable. Gazprom has said it wants to eventually ship as much gas to Asia as to Europe.

Gazprom may build a liquefied natural gas facility to process 26 billion cubic meters a year of gas, according to materials on the region's investment plans. The plant may be built by 2015 and cost 720 billion rubles ($24.2 billion), according to the materials. A compressed natural gas, or CNG, plant is also being considered.

"The Primorye region's advantage is we are closest to all of the 21st century's economic growth centers: China, Korea and Japan," Darkin said.

Sakhalin-2, Russia's only LNG plant, can produce 9.6 million tons of LNG a year, about half the capacity of the proposed Vladivostok facility. Sakhalin-2 provides about 7 percent of Japan's LNG imports and 5.6 percent of South Korea's gas needs. The two countries depend mostly on the Middle East for LNG imports.

South Korea plans to increase gas imports from Russia as Gazprom considers shipping LNG and CNG by tanker or building a pipeline either via North Korea or under the sea.

The CNG plant will be able to ship fuel as far as 4,800 kilometers, Darkin said. Gazprom deputy chief executive Alexander Ananenkov said last year that the Russian gas export monopoly is considering shipping CNG to South Korea.

Korea Gas Corporation, known as Kogas, wants to work with Gazprom on Far East gas projects and invest in a regional gas distribution network, Darkin said.

"There are markets we want to enter, and we need to understand it's easier to enter with a partner that already has market share than to break into it ourselves," the governor said.

By the end of 2016, Gazprom may help build a mineral fertilizer plant with a capacity to use as much as 3 bcm of gas and a petrochemicals plant with a capacity of 10 bcm a year. The fertilizer plant may cost 36 billion rubles and the gas processing plant 180 billion rubles, according to the investment brochure.

Original url:
https://www.themoscowtimes.com/2010/10/10/gazprom-may-form-hub-in-far-east-to-supply-asia-a2072