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Ukraine Plans LNG Terminal to Diversify

By The Moscow Times

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KIEV — Ukraine plans to start its first liquefied natural gas terminal in the Black Sea region in 2015 with a capacity of 5 billion cubic meters to reduce its dependence on Russian gas imports, the project's head said Tuesday.

Petro Miroshnikov told Reuters that the government would announce a tender this month to work out a detailed blueprint for the terminal, which could cost about $4 billion.

The terminal's capacity would rise to 10 bcm per year in late 2016, he said.

Ukraine imports about 60 percent of its domestic gas needs from Russia and has repeatedly said the gas price is too high to allow Ukrainian goods to compete on world's markets.

"The terminal will allow 10 billion cubic meters of gas or 20 percent of our gas balance to be imported. We are talking about a serious diversification of our gas import system," Miroshnikov said.

Last week, Kiev also signed a memorandum with TNK-BP, which could help the country increase domestic gas output by shale gas exploration in eastern Ukraine.

One of TNK-BP's billionaire shareholders, German Khan, told Reuters that the company planned to plow between $1 billion and $2 billion into the project in the next 25 years "if conditions are favorable."

He also said TNK-BP was hoping to produce some 5 bcm of shale gas — natural gas trapped in layered rock, rather than porous reservoirs — in five to seven years.

Ukraine consumes about 55 bcm to 60 bcm of gas per year with domestic gas production of about 20 bcm.

Miroshnikov said Azerbaijan seemed the most attractive source for the gas.

Azeri President Ilham Aliyev said last week that he was looking to strengthen cooperation with Ukraine on energy issues.

"The gas could be imported from the Middle East, North Africa and Azerbaijan. But we could import gas even from one source only," Miroshnikov said.

According to government data, gas from Azerbaijan would travel a route of about 2,300 kilometers. The distance would be more like 7,800 kilometers if the fuel were brought from Qatar or from the United Arab Emirates.

Miroshnikov said one likely site for the terminal was the Ukrainian Black Sea port of Odessa. Other possible locations were Ochakov in the Mykolayiv region or Feodosia in Crimea.

Miroshnikov said that next year Ukraine would create a consortium to build and finance the terminal and Ukraine's share could vary at between 5 percent and 10 percent to 51 percent.

"It would be money of investors but the government will also take part," Miroshnikov said.

"There are two possible schemes: The government has a control stake and the second is when the government has 5 to 10 percent. The second is more possible because the project is very expensive."

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