

Gazprom Considers Sakhalin Refinery

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Gazprom is looking to build a refinery in Sakhalin where international consortiums have been producing crude for export in multibillion-dollar projects, company chief Alexei Miller said.

The world's biggest natural gas producer plans to wrap up by the end of this year the drafting of an investment proposal for the refinery, Miller said in a meeting with Sakhalin Governor Alexander Khoroshavin.

This would be Gazprom's first refinery.

As part of the idea, Gazprom is trying to make sure the refinery will secure sufficient crude supplies, Miller said in a Gazprom statement released Thursday evening.

A Gazprom spokesman declined to elaborate on the statement Friday. Calls and e-mails to Alexei Bayandin, spokesman for the Sakhalin governor, went unanswered Friday.

By looking at the refinery option, Gazprom could seek to make better use of the oil it plans

to produce from its offshore fields in the Sakhalin-3 area.

"Sakhalin-3 is Gazprom's most promising Sakhalin project that could use a refinery," said Alexander Shtok, an expert with the 2K Audit-Business Consultations firm.

It was unclear when Gazprom would produce the first oil at Sakhalin-3, where its Kirinsky bloc alone holds an estimated 600 million to 700 million tons of crude — enough, Shtok said, to keep any refinery busy.

Spokespeople at Sakhalin-1 and Sakhalin-2, international oil and gas projects led by ExxonMobil and Gazprom, respectively, declined to comment on the refinery idea.

An industry source, who asked for anonymity because the person wasn't authorized to discuss the matter with the press, said it was unlikely that crude for the refinery would come from either Sakhalin-1 or Sakhalin-2. Shtok said Gazprom was most likely to secure its own resource base for the plant.

Sakhalin crude output may grow to 23 million metric tons from 15 million tons by 2020, deputy chairwoman of the regional Cabinet Galina Pavlova said at a conference in September.

The government ordered its members on the Gazprom board, who wield a majority of votes, to extend chief executive Alexei Miller's contract, said Dmitry Peskov, spokesman for Prime Minister Vladimir Putin. Miller, whose current five-year contract expires in May, is scheduled to receive endorsement to work further in that capacity at a board meeting on March 22, Interfax reported. He has led the company since 2001.

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