

Korea Gas Asks Russia to Take Responsibility for Fuel Supply

By [The Moscow Times](#)

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SEOUL — Korea Gas Corporation, the world's biggest buyer of liquefied natural gas, is asking Russia to take "all responsibility" for planned natural gas supplies through a pipeline to be built across the divided peninsula.

When drawing up the sales agreement, Kogas will seek to include a clause to make Russia fully responsible for the gas supply, Kogas chief executive Choo Kang-soo told lawmakers at a parliamentary hearing in Seoul on Monday. If pipeline supplies are disrupted, Kogas may ask Russia to send LNG cargoes, he said.

Gazprom, Russia's gas export monopoly, signed preliminary agreements this month with Kogas and the North Korean government to build a pipeline that would carry as much as 10 billion cubic meters of gas to the peninsula. North Korean leader Kim Jong Il met with President Dmitry Medvedev in Siberia late last month.

Plans to build the pipeline are realistic, South Korean President Lee Myung-bak said in an interview last week, less than a year after a deadly North Korean artillery attack on a disputed island.

Lee rolled back his predecessor's "Sunshine Policy" of engaging with North Korea when he came to office in 2008, arguing that the policy rewarded Kim's regime for provocative behavior.

The pipeline project may prove a turning point for inter-Korean relations, Hong Joon-pyo, chairman of Lee's ruling Grand National Party, told lawmakers Sept. 7. He estimated that North Korea could earn about \$100 million a year to rebuild its economy, while South Korea might reduce its natural gas prices by about 30 percent.

Russia is offering North Korea gas, electricity and railway projects to induce the regime to restart nuclear nonproliferation talks. The two Koreas in July agreed to try to revive the talks, and late last month Lee named a new minister, Yu Woo-ik, to lead North Korean affairs in his government.

Russian gas supplies to Kogas may start in January 2017, Choo told the lawmakers. The project with Russia may be worth more than \$100 billion, including \$90 billion of gas purchases over 30 years and \$3 billion of pipeline network construction, South Korea's Knowledge Economy estimated in 2008.

Gas from Russia will be considered as surplus when estimating the country's total requirement of the fuel, Choo said. This will ensure that sales to domestic consumers are not affected if pipeline supplies are disrupted, he said.

The project is "a win-win for everyone involved," Lee said in an interview in New York on Friday. Lee's support for the pipeline may signal an easing of tensions between South and North Korea, which have not signed a peace treaty following their 1950-53 civil war.

Kogas aims to import an additional 10.2 million metric tons of gas a year in 2015, on top of agreed volumes, under multiyear purchase contracts with other countries, according to documents submitted to lawmakers.

Inventory of the fuel at Kogas may reach 2.8 million tons at the end of September and drop to an estimated 2.3 million tons at the end of this year, the documents showed. LNG is gas chilled to liquid form for transportation by ship to destinations not linked by pipeline.

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