

# Shtokman Gas Investors To Discuss Project's Fate

By [The Moscow Times](#)

December 27, 2011

**The  Moscow Times**

Energy majors Gazprom, Total and Statoil are to meet on Thursday to discuss whether to go ahead with their first investment in Russian offshore gas field Shtokman, a source at Gazprom said.

French newspaper La Tribune, without identifying its sources, had reported that the meeting would take place Monday.

France's Total and Norway's Statoil will need to write Gazprom a first check of \$1.5 billion or quit the project, La Tribune wrote. The paper did not make clear whether this sum would come from both companies or from each company.

Spokesmen for Total and Statoil declined to comment. A spokesman for Shtokman said the meeting between the stakeholders would take place before the end of the year.

The first phase of the project led by Gazprom will require an investment worth \$15 billion.

Last month, the prime ministers of Russia and France lent political backing to efforts to come to a final investment decision by the end of the year.

But Russia has yet to tell the partners how the project will be taxed. Without a firm tax regime in place, they are unlikely to go ahead with the investments needed to deliver the Arctic field's estimated 3.9 trillion cubic meters of gas to market.

Total owns 25 percent, Statoil 24 percent and Gazprom the remainder of Shtokman, one of the world's largest gas fields, located 550 kilometers offshore in the freezing waters of the Barents Sea.

Shtokman has no pre-existing infrastructure and poses financial and technical challenges unheard-of in Russia's gas industry.

Gazprom had agreed with partners Total and Statoil to start pipeline gas production by end-2016 from Shtokman, instead of 2013 as had initially been planned. Half of Shtokman's output is to be shipped via pipelines and half sold as liquid natural gas.

Demand in Europe — the only realistic market for Shtokman after a boom in U.S. shale gas production — is still uncertain due to lingering economic problems, making the huge upfront costs of developing Shtokman look more daunting.

Oil and gas companies are increasing their focus on the Arctic after several huge discoveries, including finds by Statoil in the Norwegian waters of the Barents Sea.

Gazprom, the world's biggest gas producer, expects to boost profit about 25 percent this year on higher prices and demand, Bloomberg reported.

Net income may rise to about \$40 billion from \$32 billion last year, chief financial officer Andrei Kruglov said Tuesday in an interview posted on the company's web site. Gazprom may have annual profit of \$42 billion, according to the average estimate of 11 analysts surveyed by Bloomberg News.

Sales to Europe, the gas export monopoly's biggest market by revenue, are expected to rise next year, Kruglov said.

This year, total debt may rise "insignificantly" to \$48 billion, Kruglov said.

Gazprom, Russia's biggest company, increased first-half net income under international standards by 56 percent to 772 billion rubles (\$25 billion) from a year earlier.

Original url:

<https://www.themoscowtimes.com/2011/12/27/shtokman-gas-investors-to-discuss-projects-fate-a116>