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Gazprom Sees Competition From U.S. Only in 10 Years

By The Moscow Times

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NEW YORK — Gazprom said it expects U.S. exports of natural gas in a decade, downplaying the prospect of increased competition.

The United States has overtaken Russia as the largest gas producer, using hydraulic fracturing, or fracking, and horizontal drilling to pump fuel from shale beds. Rising production has driven down prices, cut shipments to the United States and prompted owners of import terminals to study switching to liquefied natural gas exports.

"I don't anticipate that the LNG exports from the United States could reach big volumes," Gazprom deputy chief executive Alexander Medvedev said in an interview.

The United States plans to be a net exporter of LNG from 2016, with initial sales of 1.1 billion cubic feet a day doubling after three years, the Energy Information Administration said Jan. 23.

U.S. LNG exports may start "later, maybe in the next 10 years" as approvals and construction take time, Medvedev said Thursday in New York. Volumes may be 10 billion cubic meters to 20 bcm a year, he said. Cheniere Energy Partners received permission from the U.S. Energy Department in May to sell LNG overseas.

Gazprom's total traded LNG rose 25 percent to 3 bcm in 2011, a presentation to investors last week showed. That's a fraction of Asian demand, less than the demand in 2010 for Hong Kong alone, BP's Statistical Review of World Energy shows.

Gazprom expects Asian LNG prices to stay linked to oil or the so-called Japanese Crude Cocktail, a benchmark index used to price long-term contracts.

Gazprom will sign a contract to supply liquefied natural gas to India this year. The price of gas supplied to the South Asian nation will be indexed to oil and the contract is in the final stages of preparation, Medvedev said.

Gazprom is "optimistic" that it will settle its pricing disputes with European companies without the need for arbitration, Medvedev said, and "optimistically expects" to sign a supply contract with China as well this year, though the company won't compromise on price, Medvedev said.

Gazprom is looking into a site with "lots of capacity" in Mozambique. Its interest is "subject to political stability" in Mozambique. The Russian company is also interested in an "asset swap" with a firm already working in the African nation, he said.