

# Shmatko Stands Up for Independent Gas Producers

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Energy Minister Sergei Shmatko has called for long-term changes in the gas industry in a move with unclear chances, as the minister's own future in the Cabinet is up in the air.

Shmatko on Friday said the ministry was in favor of measures that would encourage natural gas producers other than Gazprom to pull more of the fuel from the ground.

The government could allow them more access to "promising" fields and customers and make sure they win easy extensions of contracts to use Gazprom's pipelines, he said.

"We believe that it's necessary to adopt long-term rules of the game on the gas market, which would support the growth of production by independent producers," Shmatko said at a meeting chaired by Prime Minister Vladimir Putin.

But the call sounded hollow, given that the Cabinet will last for another six weeks at most

before it resigns in honor of Putin's inauguration as president May 7. Neither Putin nor President Dmitry Medvedev, who will shift down to become the next prime minister, have announced any survivors of the coming reshuffle.

Shmatko singled out the so-called "independent" gas producers, such as Novatek, Rosneft and LUKoil, for more support because they contributed heavily to meeting the all-time high demand for the fuel during the winter.

Gazprom, the gas export monopoly, came under fire then for slack gas supplies to Europe, as it had to deal with a peak in domestic consumption.

The independent gas producers accounted for 24 percent of the 670 billion cubic meters of gas produced in Russia last year.

Shmatko, who may well be firing a farewell broadside at Gazprom, made another proposal with unclear prospects, saying the company should seek approval for its investment plans from the ministry every year.

The reason, Shmatko said, is that Gazprom has less underground gas storage capacity than the ministry's plan envisioned. It doesn't help that Gazprom allocated insufficient funds to build the storage facilities this year, he said.

The ministry also wants to make sure that Gazprom adequately spends on replacing its pipelines that are past their service life.

Gazprom failed to do half of the required replacement work last year, Shmatko said.

About 30 percent of Gazprom's domestic pipelines are past the standard 30-year lifespan, he said. Another 36 percent are close to the end, at 25 years to 30 years old, he said.

"We are nearing the level of the service life of gas facilities that will require an extensive and dedicated program to upgrade them," Shmatko said.

Gazprom had no comment on Shmatko's statements over the weekend.

The gas giant has focused on building its export lines and developing the northern Yamal fields in recent years. It has also stepped up investment to bring gas to new areas within the country, most remarkably completing a pipeline that connects the gas rich Sakhalin to Vladivostok in the Far East last year.

Another Friday disappointment for Gazprom came from Putin, who rebuffed the company's request to raise its regulated domestic prices to a higher level this year than the government announced.

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