

Gazprom Eyes Shtokman LNG Plant

By [The Moscow Times](#)

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URENGOI, Yamal-Nenets Autonomous District — Gazprom may ditch plans to pipe Arctic gas from its Shtokman project, a top executive said, potentially giving the company more leeway to sell supplies from the huge field to customers outside Europe.

Gazprom may instead focus on producing more easily transportable liquefied natural gas, or LNG, at the Barents Sea deposit, deputy chief executive Alexander Medvedev said Saturday — the first time the company has mentioned that option.

Prime Minister Vladimir Putin said last month that Russia should wean itself off its dependency on European pipeline gas deliveries and expand into super-cooled LNG, which can be delivered to the markets of Europe, the Middle East and Asia by tanker without infrastructure constraints.

Speaking on Saturday at the launch of a new gas well in Urengoi in the Arctic region, Medvedev admitted that the company's exports to Europe might be less than the 154 billion cubic meters it has projected.

"We said exports will total 154 [bcm this year], but even if it is 150 bcm, revenues won't be lower," he said.

Last week, a Gazprom official said the company would increase its gas production next winter.

In theory, gas from the field is due to be piped to Europe via the Nord Stream pipeline from 2016 and shipped as more costly LNG from 2017.

But its development has been fraught with problems, and last month its operating consortium — Gazprom with a 51 percent stake, France's Total (25 percent) and Norway's Statoil (24 percent) — deferred for the third time since March 2011 on a final decision on whether to press ahead with initial investments of about \$30 billion, according to some estimates.

Under current tax rules, the economics of LNG are seen as superior to those of the pipeline option, with Russia having exempted all LNG projects from export duty.

At present, Russia's only LNG plant — at the Sakhalin-2 project of Gazprom and Shell — produces 10 million tons of frozen gas a year.

Russia is considering up to 60 million tons in new annual LNG capacity by 2020 to feed Asian markets, especially China and Japan.

Medvedev, who is also the head of Gazprom's exporting arm, said gas from Shtokman would be sent to Southeast Asia as well as Europe.

"Preparations for a business model of cooperation with foreign partners are under way," he said.

Gazprom has been unable to strike an agreement with China on proposed pipeline gas exports due to a dispute over pricing, and analysts say that deal is off the agenda for the foreseeable future.

Gazprom had already lowered its initial estimate of 164 bcm of pipeline gas exports to Europe this year.

But Medvedev said revenues from sales to Europe would not fall as gas prices — pegged in Gazprom's long-term contracts to the price of oil and oil products — will be higher.

The price of Russian gas for European clients is expected to rise to \$415 per 1,000 cubic meters this year on average from about \$384 in 2011.

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