

Novatek Signs Deal to Supply Gas to Germany's EnBW

By [The Moscow Times](#)

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Novatek is the country's second-largest gas producer after Gazprom.

Russia's second-largest gas producer, Novatek, has signed a landmark deal to supply German utility EnBW with gas, setting foot in the lucrative European market, two sources familiar with the deal said.

The agreement will also allow Novatek to start forming its customer base in Europe as it eyes sales of liquefied natural gas to the European Union from its Arctic plant, Yamal LNG, which is due to come online in 2015 or 2016.

The sources said Friday that the 10-year deal will be conducted via Novatek Gas&Power, the Switzerland-based trading arm of Novatek, which is legally not allowed to export gas directly from Russia.

"The signing of documents took place in Switzerland," a source close to one of the companies

said.

A Novatek spokesman declined to comment, while an EnBW spokesman said his company respected a wish by EnBW's counterpart to remain unnamed when the deal was initially announced Thursday.

EnBW has said the deal forecasts an annual volume of 21 billion kilowatt-hours, equivalent to 1.9 billion cubic meters per year.

That is more than a third of its total gas sales and enough to supply a huge industrial company or a large number of smaller players.

The contract would start in October.

Novatek Gas&Power, a Zug, Switzerland-based enterprise, was established by Novatek under the name of Runitek to trade what the company calls "liquid fuels," such as gas condensate.

"The deal has long been mooted by Novatek. It will allow the company to be well-prepared before the start of the Yamal LNG," a source close to Novatek said.

Novatek has long been seeking ways to enter the European gas market, but according to a Russian law approved in 2006, only state-owned Gazprom has the right to export natural gas from Russia.

The deal with EnBW would not require gas to be shipped directly from Russia, which is the holder of the world's largest gas reserves.

"Novatek can trade gas from anywhere, even from Mars, if it is not exporting it from Russia," Troika Dialog analyst Oleg Maximov said. "But to secure rights to export gas from Russia, it has to agree with Gazprom and the Russian government."

Novatek has already agreed with Gazprom on exporting gas from Yamal, where it has partnered with France's Total.

Gazprom will formally handle export of Yamal LNG volumes and clear them with customs, but arrangements for final marketing to end-users remain unclear.

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