

# Asia Eyes Russian Arctic Gas As Australian Costs Climb

By [The Moscow Times](#)

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Plans to export gas from the Yamal peninsula on Russia's Arctic coast are attracting Asian gas buyers and investors who have been put off of Australian developments by soaring costs, according to the Yamal project's owner.

Novatek, which holds 80 percent of the Yamal liquefied natural gas (LNG) development license but has no rights yet to export future production, is offering for sale a 29 percent holding to help fund development.

State-backed number-one Gazprom's monopoly on Russian gas exports is seen as a major barrier to that sale and to the project's future.

However, access to major resources is increasingly limited worldwide, and Moscow has just launched a review of whether to liberalize gas exports. In addition, according to Novatek's chief financial officer Mark Gyetvay, the rising costs of Australian projects being pursued

by Royal Dutch Shell, Chevron and others are increasing the attraction of Yamal.

"From our experience with the Australian side we are seeing more interest from Asia-Pacific buyers to look at our project, where a year ago their primary focus would have been closer to home," he told a conference in London this week.

"We are talking to companies now in the Asia-Pacific region largely because they see that there's a huge amount of risk from all these Australian projects ... that either may not come on stream, or they can get a better deal by coming into a more cost-effective, conventional onshore type development."

Australia has nearly \$190 billion of LNG export projects under construction that would add more than 80 million tons per annum (mtpa) of LNG production before the end of the decade, an increase that would make the country the world's top LNG exporter.

But by last November, three of seven Australian LNG projects in early stages of construction had already announced cost hikes averaging more than 20 percent, mainly because of rising labor outlays and the strong Australian dollar.

And industry experts say few additional projects are likely as investors are turning towards lower-cost locations such as North America and East Africa.

Novatek and Total plan their first 5 million ton per year Yamal LNG line in 2016 to liquefy gas from the 418 billion cubic meter (bcm) South Tambei field on the Yamal Peninsula. They hope to raise capacity to 15 million tons by 2018 and ship the LNG east through Arctic seas using special icebreaker vessels.

But a final investment decision on Yamal is two months overdue.

Novatek has asked the government for an exemption that would break the Gazprom monopoly. But Gyetvay played down the importance of any looming liberalization to the future of Yamal, in which French international oil company Total already holds a 20 percent stake.

"There've been discussions over the last week with the Russian government about liberalizing the LNG markets, and we'll wait for them to come back to us, supposedly by the end of March," he said on the sidelines of the International Petroleum Week conference.

"[But] the interest in our project is that it's going to deliver 15 to 16 million tons [per year] of LNG around the world, and there's a market for that LNG."

Igor Sechin, head of leading Russian state oil and gas firm Rosneft, is also eyeing a possible LNG project with ExxonMobil, partner in its Sakhalin-1 project, which is sited closer to potential buyers such as China or Japan.

Sechin visited both China and Japan this week for LNG talks after lobbying for Gazprom's export monopoly to be lifted only for LNG produced offshore — as would be the case for its output off the Pacific island of Sakhalin.

Sechin also serves as secretary of Russia's Commission for Strategic Development of the Fuel

and Energy Sector and Environmental Security and wields influence on gas policy behind the scenes.

Russian media have reported that he backs an exemption for Yamal.

Novatek is controlled and owned by its chief executive Leonid Mikhelson and by trading house Gunvor's co-owner Gennady Timchenko. Timchenko is also a close associate of Russian president Vladimir Putin.

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