

Chevron Seeks Progress in Ukraine Talks

By [The Moscow Times](#)

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KIEV — Chevron remains optimistic about prospects for a shale gas deal in Ukraine, but talks with the government, which have already been extended, cannot drag on indefinitely, an executive of the U.S. company said.

Chevron is negotiating a production-sharing agreement for shale exploration of the Olesska field, toward Ukraine's western border.

Last month, Royal Dutch Shell signed a \$10 billion deal with the government for exploration of the Yuzivska field, in eastern Ukraine.

The Chevron project, however, has run into vocal criticism from local politicians and environmental lobby groups.

The Olesska field lies on a band of shale stretching from the Baltic Sea to the Black Sea,

Chevron says.

Along with the Yuzivska field, it forms a core part of plans to ease Ukraine's dependence on imported natural gas supplies from Russia.

Chevron's country manager in Ukraine, Peter Clark, said he remains optimistic that a deal will be done, and he said Chevron was "motivated" to reach agreement.

But he added: "You would think that if the negotiations have not reached an agreement in a year, year and a half or two years, I don't know what this time is, one side or another would have to be impatient and say 'Well, it looks like we are not going to get an agreement. Let's stop wasting our time.'"

Ukraine estimates potential reserves at Olesska at 0.8 trillion to 1.5 trillion cubic meters.

Clark declined to estimate the commercial potential or reserves of natural gas that could be trapped in shale deposits deep underground. Nor would he give details of the agreement under discussion.

A signed deal would clear the way for the exploratory drilling needed to establish potential reserves and locate areas to be avoided because of risks to the environment.

Political opposition to the deal, much of it led by the powerful nationalist party Svoboda, has complicated negotiations.

The story is different in the Donetsk and Kharkiv regions, where local administrations loyal to the ruling Party of the Regions of President Viktor Yanukovich quickly approved the deal with Shell.

Clark and outside experts hired by Chevron have met with local groups to try to allay fears of environmental damage from shale exploration, which involves hydraulic fracturing, or "fracking," in which water and chemicals are injected into layers of rock to release trapped gas.

Environmental groups worry that the process could trigger tremors or pollute groundwater. Industry officials say the former risk would arise only if fracking occurs on a natural fault.

Chevron's information campaign seeks to assure people about the safeguards it has proposed against any such risk.

"I am hoping that there is [now] a more open attitude toward looking at the facts rather than some of the scare stories that have been put out there. I think it is going to be a continuing discussion [with local groups]," Clark said.

Chevron emphasizes local benefits such as road improvements and new support services that would create hundreds of jobs. Local support for the project's success is vital, he said.

"What we want is for the population as a whole ... to agree that this is a good project and will bring benefits. You won't get 100 percent to agree, but I think you need a strong majority before it is going to be feasible for us to operate," he said. "Chevron is motivated to reach

agreement ... [but] at some point, my boss, his boss, all the way up to the chairman and stockholders are going to say 'Well, if we are not making any progress, let's go home. Let's not continue to spend money for something we are not going to conclude.'"

Legislation requires the blessing of the regional authorities for any agreement to be effective.

"As far as I know, [the text of a proposed profit-sharing agreement] has not been sent to the regional authorities," Clark said.

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