

Far East LNG Plant Will Need \$15Bln Investment

By [The Moscow Times](#)

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Rosneft and ExxonMobil will have to invest some \$15 billion to build a liquefied natural gas plant and necessary infrastructure in Russia's Far East, an Exxon official told President Vladimir Putin on Thursday.

"We are talking probably about \$15 billion," ExxonMobil Development president Neil Duffin told Putin via a video link from Russia's Pacific island of Sakhalin. Putin was in the East Siberian city of Ulan-Ude.

Rosneft and U.S. major ExxonMobil have agreed to study the possibility of building a plant to liquefy gas from their Sakhalin-1 oil and gas project off Russia's Pacific coast.

Rosneft chief executive Igor Sechin said the plant could be either built on Sakhalin or in the mainland, Khabarovsk region, in Russia's Far East.

Sechin also said that Rosneft and South Korea's STX Corp were in talks over building a fleet of vessels and platforms for Rosneft's offshore projects.

The Rosneft LNG project is seen as a challenge to rival Gazprom's plans to launch its own plant in the Pacific port of Vladivostok.

Only Gazprom, according to a 2006 law, has the right to export gas from Russia. Rosneft is, however, lobbying to win the right to export LNG, as is the country's largest independent gas producer Novatek.

Sechin said the annual capacity of the plant's first line would total 5 million tons.

"We think that we have to offer our gas to the market no later than 2018. If we do it later, our chances will be significantly reduced," Sechin was quoted by Interfax as saying in Yuzhno-Sakhalinsk, Sakhalin's capital.

Russia is the world's second largest producer of conventional natural gas after the United States, but has only one working LNG plant, a 10 million ton per year facility operated by a Gazprom-led consortium that includes Royal Dutch Shell and Mitsui.

Putin has said the production of LNG, which can be shipped by sea, should be made a priority, enabling Russia to diversify away from supplying pipeline gas to Europe's weakening market.

Gazprom has already announced plans to build its Vladivostok LNG facility, with a capacity of 10 million tons a year, in 2018.

"Huge possibilities of LNG supplies to the Asia Pacific region will open in the nearest future, in 2015," Sechin said. "That's why we want to use this possibility and are working hard in this direction," he was quoted as saying by Interfax.

Meanwhile, the government is considering selling a 19 percent stake in Rosneft this year as part of plans to speed up privatization, Economic Development Minister Andrei Belousov said.

Russia's plan to sell stakes in large firms and banks has slipped behind schedule, but officials are showing greater urgency to complete asset sales as a slowing economy dents tax revenues.

"I raised the issue during the government meeting that we need to speed up the process of large-scale privatization," Belousov told reporters Thursday after a cabinet meeting in Moscow.

The government has long been studying the possibility of selling a stake in Rosneft, whose market value is \$77.5 billion.

The 19 percent it would look to sell comes on top of the stake already acquired by British oil major BP, Belousov said.

BP, which already had a small stake in Rosneft, ended up with 19.75 percent earlier this year after Rosneft's \$55 billion acquisition of British-Russian crude producer TNK-BP.

As part of the TNK-BP deal, BP received \$17 billion cash and a 12.84 percent stake in Rosneft. BP then bought 5.66 percent of Rosneft from state energy holding company Rosneftegaz.

"It's a strategic decision, on Rosneft," Belousov said. "There is already 5.66 percent [sold]. We are talking about an additional package."

According to the government's mid-term privatization strategy, the state energy holding company should start cutting its 69.5 percent stake in Rosneft this year, with a complete sale by 2016.

Rosneft chief executive Igor Sechin has lobbied against a sale. He also chairs Rosneftegaz, enabling him to influence the government's approach to managing its assets.

Other privatizations planned this year are Aeroflot, Rostelecom, Sheremetyevo airport and United Grain Company, Belousov said.

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