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Rosneft Inks Joint Exploration Deal with Japan

By The Moscow Times

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TOKYO — Japan's top energy explorer Inpex Corp and Russian state-controlled oil firm Rosneft have struck a preliminary deal to jointly explore two blocks off the Russian coast, in the first major pact between the two nations after their recent push on energy cooperation.

Japan has been scouring the world for energy supplies after the devastating Fukushima crisis in 2011 crippled its nuclear power sector. It now consumes a third of global liquefied natural gas, or LNG shipments, with Russia already accounting for 10 percent of its imports.

Russia, soon to face the competitive threat of cheap U.S. shale gas exports, wants to lock down more customers as its monopoly gas exporter Gazprom is being undercut in Europe by LNG imports. It also sees further LNG sales to Asia as a key component to its plan to send East Siberian gas down a pipeline to China.

The two countries have been in intense discussions on expanding energy supply agreements

that could redraw the East Asia energy map, sources involved in the discussions told Reuters last month.

The deal signed on Wednesday gave Inpex exclusive negotiation rights for final agreements for the exploration and development of the fields off the port of Magadan in the Okhotsk Sea.

The signing of the final contract, expected before the end of the year, would pave the way for the two firms to set up a joint venture in which Inpex expects to obtain a 33.33 percent stake.

Estimated recoverable reserves of the two blocks — named Magadan 2 and Magadan 3 — stand at 1,577 million tons (11.5 billion barrels) of oil equivalent, worth nearly nine years of Japanese crude imports, Rosneft said in a statement. Japan imported 1.33 billion barrels of oil equivalent in the year ended in March.

Rosneft has signed similar cooperation agreements with ExxonMobil Corp., Italy's Eni and Norway's Statoil.

The Russian company wants to have a broad based cooperation with Japan, including in gas, LNG and petrochemical and power sectors, Ryo Minami, director of petroleum and natural gas at Japan's Agency for Natural Resources and Energy, told reporters in Tokyo on Wednesday, citing Rosneft.

Exploration surveys in the two blocks could start in 2017, and drilling is expected to start around the mid-2020s, the Yomiuri newspaper said.

Financial terms of the deal were not revealed by the companies.

But the Yomiuri said Japan Oil, Gas and Metals National Corp will defray 50 to 75 percent of the costs during exploration, and the Japan Bank for International Cooperation will also provide finance for the full development stage.

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