

# Sinopec in Talks to Join Yamal LNG Project

By [The Moscow Times](#)

June 13, 2013

**The  Moscow Times**

China's Sinopec is negotiating to join a \$20 billion liquefied natural gas project run by Russia's Novatek, a source close to the talks said, which would be the biggest foray yet by a Chinese firm into Russia's Arctic.

An agreement, which could be signed as early as next week, would deal a blow to Russian state-controlled gas exporter Gazprom, which has yet to reach a supply deal with China and is being challenged by Russian rivals, who want the government to end its export monopoly for LNG.

Novatek currently owns 80 percent and France's Total 20 percent of the Yamal LNG project, which aims to start production in 2015-2016 and produce 15 million tons per year by 2018.

The size of the stake that Sinopec may acquire is not yet clear. Spokesmen both for Novatek and Sinopec declined to comment.

A senior source in Moscow said Novatek might sign an agreement with Sinopec next week during the St. Petersburg International Economic Forum, a major investor showcase that is Russia's answer to the World Economic Forum in Davos.

"We are working on that with Sinopec," the source said.

A second source said Novatek might sign a deal with a Chinese company. He declined to disclose the name of the firm.

The Russian company has long been seeking more equity partners in the project on the Arctic Yamal peninsula and has said it plans to keep at least 51 percent.

Novatek's shares pared losses after the news and were down 1 percent compared with a fall of 1.5 percent by the Moscow's broader market index.

The signing of a deal in St. Petersburg would confirm that a shift is under way in Russia, the world's largest gas-producing nation.

Gazprom's more nimble competitors such as Novatek are challenging its business model, based on long-term contracts to pump supplies by pipeline to Europe.

They are willing to adopt a looser approach to gas pricing than its longstanding contractual links to oil prices and are lobbying for its monopoly to be lifted for LNG, potentially opening up a new export route along Russia's Arctic coast to China and the Asia-Pacific region.

Sinopec plans to build a 3 million ton-per-year terminal in east China to import LNG. China, the world's top energy user and fourth-largest gas consumer, plans to triple its gas use by 2020.

"Novatek needs not just investors, but partners that could market gas," said another source, who is close to the talks.

President Vladimir Putin has urged the energy industry to push forward with projects to produce LNG as Russia risks being displaced from the Asian market by rivals such as Qatar and Australia.

But Gazprom's status as an export agent for Yamal LNG complicates the project and weakens Novatek's hand in securing cheaper financing.

State oil major Rosneft also harbors plans to set up an LNG plant in the Far East with ExxonMobil and has also been lobbying for the rights to ship LNG abroad.

"If Novatek gets exporting rights, this would be a huge boost for the company. Everyone at Novatek is pinning high hopes on that," the second source said.

So far, Putin, the ultimate arbiter on energy issues in Russia, has not given a clear signal on whether he supports the idea of scrapping the export monopoly enjoyed by Gazprom, which plans its own eastern LNG export facility in Vladivostok.

Gazprom said Thursday that it might sell up to 49 percent of the project to foreign companies

that would commit to buying more than half the output.

Original url:

<https://www.themoscowtimes.com/2013/06/13/sinopec-in-talks-to-join-yamal-lng-project-a24921>