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INDEPENDENT NEWS FROM RUSSIA

Putin Orders More Tax Breaks for Yamal

By The Moscow Times

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A Gazprom facility in the huge Bovanenkovo gas field on the Yamal peninsula, north of the Ural mountains.

President Vladimir Putin has ordered the government to expand tax breaks to more deposits that will supply gas for the Novatek-led liquefied natural gas project in Russia's Yamal peninsula, according to the Kremlin's website.

Putin has urged domestic companies to develop seaborne liquefied natural gas, or LNG, and diversify away from cash-strapped Europe where demand for gas has weakened.

The $20 billion Yamal LNG project, where France's Total and China National Petroleum Corp also have stakes, enjoys some tax breaks, such as zero mineral extraction tax and export duty from the Yamal fields.

Putin has ordered tax breaks for the fields from the neighboring Gydan peninsula in the Arctic, where Novatek, the country's No. 2 gas company, also has exploration licenses, documents posted on the Kremlin website reveal.

"The news of the potential extension of the tax incentives is welcome," Sberbank CIB analysts said.

"Novatek's Salmanovsky and Geofizichesky fields in Gydan, right across the narrow Ob Bay from Yamal's South Tambey, have resources to be producing up to 30 billion cubic meters of gas and 1.2 million tons of condensate as soon as 2020, with output potentially starting in 2017."

Russia's only LNG plant, with annual capacity of 10 million tons, is located in the Russian far eastern island of Sakhalin and is operated by a Gazprom-led consortium, which includes British-Dutch major Royal Dutch Shell.

The government is working on amendments to the law to liberalize LNG exports — so far exclusively handled by state-controlled Gazprom — with a view to implementing the new regulations from Jan. 1, 2014.

The exports liberalization is crucial for Yamal LNG, which is slated to produce 16.5 million tons of the frozen seaborne gas in 2018.

Meanwhile, Novatek is lobbying for a lower duty on exports of naphtha, a company spokesman said, in a move to help reduce its growing inventories at a new refining complex.

Novatek and petrochemical company Sibur started operating an oil product refining and terminal complex at the Baltic port of Ust-Luga in June, with plans to initially produce 2 million tons of naphtha and some 800,000 tons of kerosene and diesel a year.