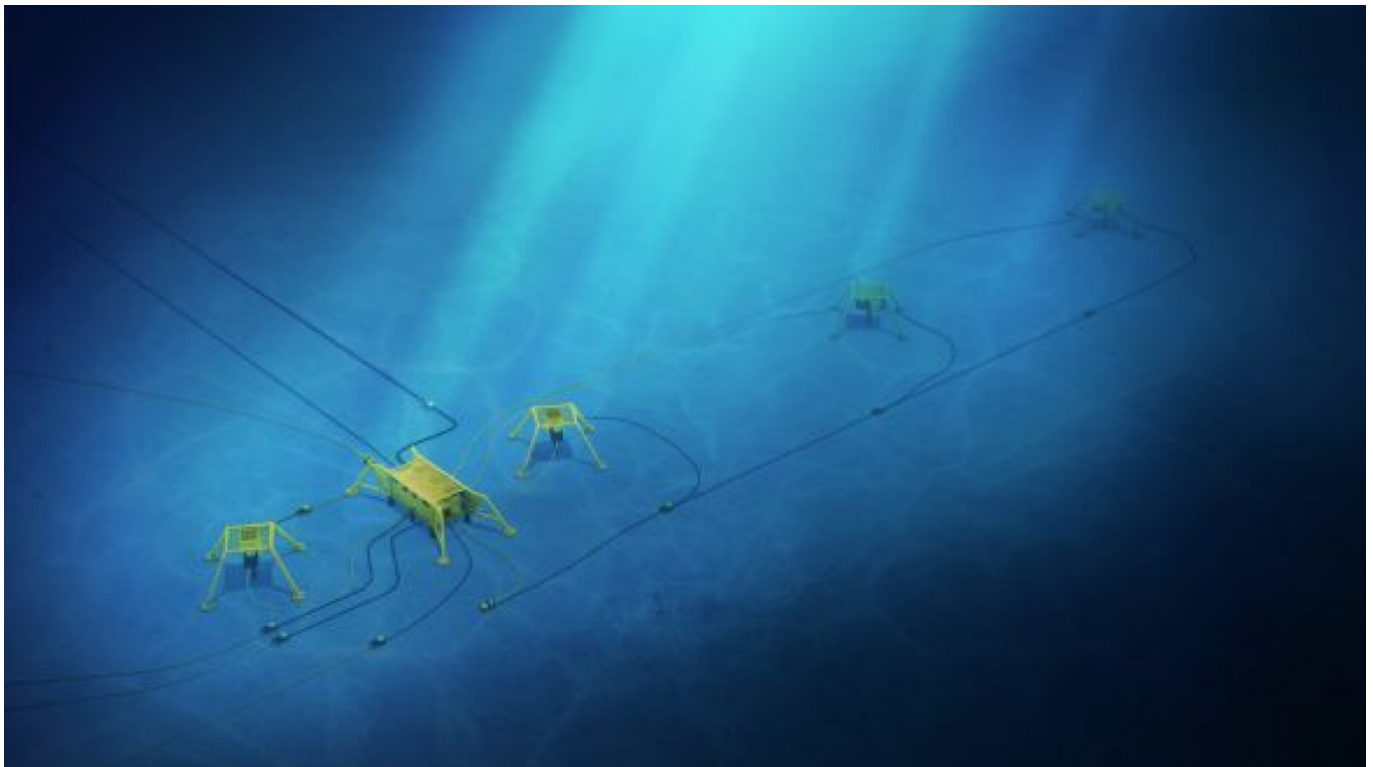


Gazprom Completes First Solo Offshore Project

By [Anatoly Medetsky](#)

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A computer rendition of part of the Kirinskoye subsea drilling rig. Gazprom said its use was a first for Russia.

Gazprom has started to operate the first offshore field that it has developed on its own, in a test of its power to perform the challenging task without foreign partners.

Sitting off the Pacific island of Sakhalin, the Kirinskoye field will feed natural gas to Asia, as demand from Europe — Gazprom's key market — remains uncertain.

Gazprom has bought control in another Sakhalin offshore project, which had taken off thanks to Shell and Japanese companies, but has never gone it alone to extract gas from under the seabed.

“In this particular project, Gazprom wanted to demonstrate that it can do it itself, and it has achieved that,” said Ian Thom, the lead analysts for Russian upstream research at industry

consultant Wood Mackenzie in Edinburgh.

Gazprom previously partnered with France's Total and Norway's Statoil for the project to develop the remarkably bigger Shtokman field, which lies under much more frigid Arctic waters at a substantially greater depth and distance from the shore. The expensive effort has fallen by the wayside because of a glut on the market.

Launched Wednesday, Kirinskoye is 28 kilometers from the coast, while Shtokman is 550 kilometers offshore.

Kirinskoye is under 90 meters of water, compared to at least 320 meters for Shtokman.

The challenge of developing Kirinskoye would not be too daunting for any major international energy company, but it does not belittle Gazprom's success, said Maxim Moshkov, an oil and gas analyst at investment bank UBS.

“In the case of Gazprom, it is really an achievement,” he said. “From the global perspective, it is nothing extraordinary.”

Gas from Kirinskoye will go into the pipeline that connects Sakhalin and the Pacific port of Vladivostok on the mainland, to the south of the island.

Gazprom said a large portion of the gas would wind up near Vladivostok where the company intends to build a plant that would make liquefied natural gas, or LNG, by freezing it to a very low temperature. Tankers can carry such gas to customers by sea, which would reduce the company's reliance on less flexible sales through pipelines.

The show of some offshore prowess probably does not mean that Gazprom will now turn its nose up at foreign partners.

“I do not think that this is now going to be extrapolated to everything offshore,” Thom said. “But where Gazprom can handle this by itself it may wish to do so.”

The company is also going it alone at another of its offshore fields, Prirazlomnoye in the Arctic, where Greenpeace scaled a drilling rig in protest recently. Gazprom is hoping to start production there by the end of the year.

In another first for Gazprom at Kirinskoye, it used a subsea drilling rig to extract the gas, a technology that makes work more resilient to harsh weather.

Gazprom spokesman Sergei Kupriyanov was traveling and unavailable for comment Thursday. In a statement about the field's launch, Gazprom singled out the subsea technology as a first in Russia.

The launch of Kirinskoye could give more confidence about gas supplies for the future Vladivostok LNG plant to foreign companies that are considering joining the project, Thom said. Gazprom has said it is looking to cede a 49 percent stake of the venture.

The field's projected 5.5-billion cubic meter annual output, however, will not be enough to keep the plant running, Thom said. The plant would initially produce 5 million metric tons of

LNG a year and could add second and third phases of the same capacity later on.

Gazprom is working to bring online another, much larger field off Sakhalin, Yuzhno-Kirinskoye, to supply the plant. Exploration there is still ongoing.

Thom expressed doubt that Gazprom would be able to open the Vladivostok LNG plant in 2018 as scheduled. Typically, construction of a plant like this takes five years, he said.

But Gazprom has not yet proved that Yuzhno-Kirinskoye will provide enough gas for the plant, named partners, done basic engineering work or secured any sales deals.

Sourcing gas from the other large field, Chayandinskoye in the Sakha republic, would require construction of an expensive pipeline. Gazprom has said it will build the link only if it can also use it to sell gas from the field to China. But talks on a deal with China have long stumbled over price. Gazprom chief Alexei Miller reiterated Thursday that the price talks should be concluded by the end of the year.

The Far East Development Fund, a subsidiary of Vneshekonombank, is ineffective and must be reformed, said Deputy Prime Minister Yuri Trutnyev, who is also President Vladimir Putin's representative to the Far East region.

Trutnyev made the comment Thursday following a meeting in Komsomolsk-on-Amur concerning the region's development that was chaired by Prime Minister Dmitry Medvedev.

"We think it is necessary to create new development institutions designed to attract investment in the region and participate in investment projects," Trutnyev said, Itar-Tass reported.

"We will not succeed using only budget funds," Trutnyev added. "We need to make a financial lever so that every budget ruble put in the fund attracts another five, eight, or 10 more rubles of investment."

Trutnyev also said he would fire any bureaucrat that hindered investment in the Far East.

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