

Rosneft Faces Restrictions on LNG Export Ambitions

By [The Moscow Times](#)

November 21, 2013

The  Moscow Times

Plans by top oil producer Rosneft to export liquefied natural gas have hit a snag in parliament as lawmakers passed a bill that limits state companies' LNG exports to gas produced in offshore fields.

Russia's lower house of parliament last week voted for the withdrawal of state-run Gazprom's gas export monopoly, paving the way for LNG exports by other companies to expand the country's reach in global energy markets after its late adoption of the new gas technology.

Gazprom, meanwhile, is to invest \$13.5 billion in its planned LNG plant near Vladivostok, the local governor said Thursday, double the previously stated investment in the project. A company spokesman said Thursday that the new figure also included infrastructure such as a port, gas pipeline and power station as well as the plant itself, which is due for completion by 2018 and will have a capacity of between 10 and 15 million tons per year.

Permission for Gazprom's rivals to ship the frozen gas abroad is crucial for Russia to double its share of the fast-growing market to 10 percent by 2020, producing up to 40 million tons of LNG a year.

The bill aimed at creating more gas exporters was passed by an overwhelming majority at Wednesday's first reading and is expected to clear parliament quickly and take effect as early as January.

However, parliament's Energy Committee on Wednesday declined to approve amendments that would have removed the offshore restriction for state companies.

The restrictions do not allow Rosneft to produce and export LNG from onshore deposits — a stipulation that could limit Rosneft's ability to compete with rivals, including Gazprom.

At the same time, Russia's No. 2 gas producer, Novatek — majority controlled by its chairman Leonid Mikhelson and Gennady Timchenko, co-owner of the Gunvor trading house — will be able to produce and export LNG in the Yamal and Gydan Arctic peninsulas.

Novatek, in partnership with France's Total and China's CNPC, plans to complete the Yamal LNG project in time to hit annual production of 16.5 million tons by 2018.

Rosneft and ExxonMobil, meanwhile, have agreed to build a plant with annual production capacity of 5 million tons on the Pacific island of Sakhalin, close to Japan.

Rosneft Interests

"We tried to find the balance both for state and private companies," Andrei Krutov, the member of parliament who proposed the bill amendments, told reporters. "I have been lobbying [for] the interests of the world's largest state-owned oil producer. There is nothing wrong with it."

Rosneft officials, including Larisa Kalanda, director-general of state holding Rosneftegaz, which controls Rosneft, declined to answer reporters' requests for comment on the Energy Committee's decision.

Russia only entered the LNG business in the past decade when Gazprom bought into the Sakhalin-2 project, led by Royal Dutch Shell. The plant on the Pacific island is the only operational LNG project in Russia.

Original url:

<https://www.themoscowtimes.com/2013/11/21/rosneft-faces-restrictions-on-lng-export-ambitions-a29809>