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Ukraine Revives LNG Terminal Plan as Russia Raises Gas Price

By The Moscow Times

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A tanker used to carry LNG on Sakhalin Island.

Ukraine is going back to the plan to build a terminal for buying shipborne natural gas, in a jab at Gazprom, the country's Prime Minister Arseny Yatsenyuk said Wednesday.

The government of ousted Ukrainian President Viktor Yanukovych had dumped the plan after receiving a gas purchases discount from Russia in December. The 30-percent markdown evaporated as of April, and the price is likely to soar even higher as Moscow just tore up an agreement that gave Kiev another price concession in gas trade.

Ukraine's ties with Russia went to their lowest as Russia annexed the Crimean peninsula earlier this month.

"The project of an LNG terminal, which the previous government considered, remains on the table," Yatsenyuk said at an investment conference in Kiev, Interfax reported.

LNG is liquefied natural gas, which can be carried by tankers.

Planned for construction near the Black Sea port of Odessa, the terminal could provide Ukraine with up to 10 billion cubic meters of gas annually, or a third of the country's imports from Russia.

At the project's outset, a consortium of Ukraine's state company LNG Terminal and Spain's Enagas was to build the plant that would receive the fuel and convert it back to gas. Talks were underway to get the gas from suppliers like France's Total, Britain's BP and Korea's Kogas.

Construction of the terminal and pipelines linking it to Ukraine's gas network is estimated to cost 1 billion euros ($1.3 billion), Interfax reported.

Yatsenyuk also reiterated the intention to negotiate for reverse deliveries of Russian gas from Europe, an amount that could reach 20 billion cubic meters. At that level, if combined with the potential LNG purchases, the supply would be able to replace Russian imports entirely.

Yatsenyuk said Slovakia was the main stumbling block in arranging the reverse flows. He did not elaborate, but said he hoped that the European Union would assist his country in this issue.

Gas coming from Europe could cost $365 per 1,000 cubic meters, Yatsenyuk said. As of April, Gazprom charges Ukraine, one of its biggest customers, $385 per 1,000 cubic meters.

The price could grow by another $100 any moment, as President Vladimir Putin on Wednesday formally denounced the agreement with Ukraine that gave it as much as a gas-price discount in exchange for allowing the Russian Black Sea Fleet to stay at a Crimean naval base. Russia no longer needs the deal after it annexed Crimea.

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