

France's Technip Confirms Plans to Build Yamal LNG Facility in Russia

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A liquefied natural gas plant on Russia's Sakhalin Island.

French engineering and construction firm Technip will forge ahead with plans to build a liquefied natural gas, or LNG, facility for the Yamal LNG project in Russia's north, Technip said in a statement, despite the threat that Russia's spat with the West over Ukraine could see sanctions imposed on the Russian oil and gas sector.

Sitting on 418 billion cubic meters of gas reserves in northwest Siberia, Yamal LNG is a joint project between privately-owned Russian gas producer Novatek, which owns 60 percent, and two foreign companies with 20 percent stakes — France's Total and China's CNPC.

A minority share in Novatek is held by Russian billionaire Gennady Timchenko, who was sanctioned by a number of Western governments after Russia annexed Crimea from Ukraine in March.

Technip plans to build an LNG facility for Yamal in three stages. Each stage will add 5.5 million tons of annual LNG production capacity, resulting in final capacity of 16.5 million tons. The first stage is slated for completion in 2017. Potential production on the Yuzhno-Tambeiskoye gas field on the Yamal Peninsula site exceeds 27 billion cubic meters of gas per year, which will be shipped across Arctic seas to international markets in liquified form.

In the second half of 2014, Technip expects to receive an estimated 4.5 billion euros (\$6.2 billion) for its services, the company said in a statement published on its website Thursday. It did not specify whether the payment represented the full cost of the project.

Investments required to develop the field and build the plant were earlier estimated at over \$26 billion.

So far, Western sanctions against Russia have been targeted against individuals and specific companies. But as Ukraine's political crisis becomes increasingly violent, officials in the U.S. and Europe are drawing up measures that will have a much broader impact. Earlier this week, The Financial Times reported that the U.S. and the EU could target Russia's oil and gas industry by banning the export of high-technology energy equipment to Russia.

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