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Novatek and China's CNPC Sign LNG Supply Deal

By The Moscow Times

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Privately-owned Russian gas producer Novatek on Tuesday finalized a deal to supply China's CNPC with 3 million tons of liquefied natural gas annually for 20 years from their joint Yamal LNG project in Russia's north, Novatek said in a statement.

The contract was signed during President Vladimir Putin's two-day visit to China, with Moscow looking to strengthen its ties with Beijing against the backdrop of Western sanctions against Russia over the Ukraine crisis.

The price for the LNG will be determined based on the Japan Crude Cocktail index, which is an average price of customs-cleared crude oil imported by Japan. The index is frequently used to determine the price of long-term LNG contracts in the region.

Novatek, Russia's second-largest natural gas producer, owns 60 percent of the Yamal LNG

project, which is aimed at developing the gigantic Yuzhno-Tambeyskoye gas field on the Yamal peninsula in Russia. Its estimated gas reserves as of December 2013 totaled 927 billion cubic meters.

CNPC and France's Total each own 20 percent of the project.

The plans for the Yamal LNG project involve building a plant that can produce 16.5 million tons of LNG yearly by 2020. It is slated to start production in 2017 with an initial output of 5.5 million tons of LNG per year.

French engineering and construction firm Technip last week confirmed its plans to build the LNG plant.

Read more:

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

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