

Novatek Sees No Hope of Piping Gas to Europe Soon

By [The Moscow Times](#)

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The head of Novatek, Russia's largest independent gas producer, sees no chance of winning the right to pipe gas to Europe in the near term despite getting government approval to export liquefied natural gas, or LNG.

Novatek and rival Rosneft last year won the right to export LNG, breaking the monopoly of state-controlled Gazprom.

Gazprom also exclusively pipes gas to Europe, a right currently being challenged by its rivals.

Asked about cracking that monopoly, Novatek CEO Leonid Mikhelson told reporters: "I think there will be no such possibility in the near term."

Gennady Timchenko, a Novatek shareholder, told reporters last week that he believed Gazprom's monopoly on the European market would be broken one day to allow gas exports

for "a Russian company" — referring to Novatek.

Coordination With Gazprom

The company, which produced 62 billion cubic meters of gas last year, or about a year's consumption in Italy, sells gas to Gazprom and other domestic consumers. It is building an LNG plant on the Yamal peninsula to start exports after 2017.

Last week, Novatek agreed to sell up to 3 million tons of LNG to Gazprom's trading unit from the Yamal plant. Novatek owns 60 percent of Yamal, with France's Total and China's CNPC holding 20 percent each.

In quotes approved for publication on Tuesday, Mikhelson said the Gazprom deal meant that almost 100 percent of the plant's future LNG output had been contracted, paving the way for the financing of the \$27 billion project.

"They [Gazprom] have a contract to ship LNG to India while all volumes from their Sakhalin plant are already contracted," Mikhelson said, referring to Russia's sole LNG plant, Sakhalin-2, which has an annual capacity of about 10 million tons.

Russia, which has the second-largest proven gas reserves after Iran, wants to double its share of the global LNG market by 2020 from its current 4.5 percent.

Novatek, Gazprom and Rosneft all plan new plants to supply Asia.

Gazprom owns almost 10 percent of Novatek. Mikhelson indicated that both companies were ready to cooperate on LNG markets, where Qatar, Australia, the U.S. and others are also planning to bolster their output.

"I think that coordination of efforts in such a competitive market as LNG would be of benefit to both companies," Mikhelson said.

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