

Sanctions Force Novatek Shareholders to Dig Deep for Yamal LNG

By [The Moscow Times](#)

August 01, 2014



A man passes by a sales office of Novatek company in Moscow.

Western sanctions will force foreign shareholders to dig deeper in their pockets to fund Russia's Yamal LNG project, key for Moscow's plans to carve out a greater share of the frozen sea-borne gas market, Novatek said Thursday.

United States and European Union sanctions, imposed over Russia's role in the Ukraine crisis, has targeted Novatek among other companies, hitting the firms' ability to secure long-term funding.

Novatek, the main stakeholder in the Yamal liquefied natural gas (LNG) project, has said the measures did not hurt its production and commercial activity.

However, Novatek CEO Leonid Mikhelson said the company and other shareholders of the Yamal LNG project, including France's Total and China's CNPC, will have to rely more on their

own capital to finance the project because of the sanctions.

"We are able to increase the share of stakeholders' financing to stick to the timetable," he told a conference call a day after the company posted forecast-beating second-quarter net income.

Investments in Yamal LNG, which is on the Arctic peninsula of the same name, have been valued at \$27 billion. The project will help Russia double its share in the global LNG market by 2020 from 4.5 percent currently.

Shareholders have already invested \$2.6 billion in the project, while Novatek has said it would rely more on financing from Chinese banks.

China Development Bank Corporation, Industrial and Commercial Bank of China, Bank of China and China Construction Bank have been considering actively participating in the external project financing transaction.

Russia's only working LNG plant is on the Pacific island of Sakhalin. The plant, controlled by state-owned Gazprom, produces 10 million tons of liquefied natural gas a year.

The sanctions, which also hit Gennady Timchenko, Novatek's co-owner, forced Total, which has a 18 percent stake in the Russian company, to stop buying up shares in Novatek.

Mikhelson said on Thursday that despite the sanctions, Yamal LNG's timetable has not been changed. It is due to produce 16.5 million tons of LNG per year in 2018.

See also:

[Total Stopped Buying Novatek Shares After Ukraine Plane Crash](#)

[EU Energy Sanctions Only Painful on Paper](#)

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