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Chinese Banks Ready to Invest $10 Billion in Yamal LNG

By The Moscow Times

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The Yamal LNG facility has been expanding on the icy Yamal Peninsula.

Chinese banks are prepared to invest more than $10 billion in Russia's giant Yamal liquefied natural gas project, billionaire Gennady Timchenko, a shareholder in independent gas producer Novatek, told news agency RIA Novosti on Friday.

The Yamal LNG project has come under pressure this year after Novatek, Russia's largest independent gas producer and the driving force behind the Yamal project, appeared on the list of companies sanctioned by the United States and European Union over Russia's role in the Ukraine crisis.

In light of the sanctions, Novatek will work more closely with Chinese banks, RIA quoted Timchenko as saying. “Negotiations are ongoing. It's a question of conditions,” he said.

Novatek owns a 60 percent stake in the company created to carry out the project, followed by

France's Total and China's CNPC, which each have 20 percent.

In a meeting with President Vladimir Putin last week, Novatek CEO Leonid Mikhelson said sanctions had limited the partners' ability to raise project financing. Reasserting the project's importance in the eyes of the Russian state, which is heavily dependent on revenues from oil and gas exports, Putin pledged government help.

Timchenko also said negotiations are under way with China, India and other countries to sell a 9 percent stake in the Yamal project. But in light of the new conditions, investors "have begun to [consider] whether they need to get involved in this story or not," RIA quoted him as saying.

Russia has significantly upped its energy cooperation with China this year amid fraught political relations with the West, most notably through the signing of a landmark 30-year, $400 billion gas deal that will see Russia deliver 39 billion cubic meters of gas annually to China through the Power of Siberia pipeline, now under construction.

Located on the Arctic peninsula of the same name, the Yamal LNG plant is slated to produce 16.5 million tons of liquefied natural gas a year with production to begin in 2018. Investment in the project has been estimated at $27 billion.

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