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Russian Gas Giant Novatek Signs $2.5Bln Contract for Arctic LNG Facility With Foreign Partners

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Russia's privately owned Novatek gas giant has signed a $2.5 billion liquefied natural gas (LNG) platform construction contract with a joint venture between Italian energy contractor Saipem and Turkey's Renaissance services company.

The new Arctic LNG 2 project in the Yamal-Nenets autonomous district, one of Russia's main gas-producing regions, will become Novatek's second LNG plant. Saipem said the new contract is part of its 2016 strategic partnership agreement with Novatek for LNG projects.

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"Finally, the signing of this contract reinforces the presence of Saipem in Russia," the Italian

contractor's CEO Stefano Cao said in a statement Wednesday.

The $2.5 billion deal envisions construction of concrete platforms that will stand on the seabed to support the LNG processing units on the Yamal-Nenets' Gydan peninsula in the Kara Sea, north of the Arctic Circle.

Novatek issued tenders to build an airport for Arctic LNG 2 and to recruit its personnel this week, Reuters reported Tuesday.

It cited a source close to the talks as saying that Italian export credit agency SACE planned to issue guarantees to support development of Arctic LNG 2. Novatek said Wednesday that it agreed to develop "long-term cooperation" with SACE on the project "and potential new LNG projects involving Italian suppliers and engineering companies."

Novatek's first plant, Yamal LNG, began running at a full capacity of 16.5 million metric tons of LNG per year in December.

Novatek plans to start producing gas at Arctic LNG 2 in 2022-2023 with a full-capacity of 19.8 million metric tons per year. Reuters reports that Arctic LNG 2 will have an estimated cost of $25.5 billion, compared with Yamal LNG's $27 billion price tag.

Reuters contributed reporting to this article.

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