

Novatek Greenlights \$21 Billion Russian Arctic LNG 2 Plant

The company is seeking to tap booming demand for LNG, especially in China, India and across developing countries.

By [Bloomberg](#)

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Novatek PJSC gave the official go-ahead for its Arctic LNG 2 project, a major step by Russia's largest liquefied natural gas producer toward its goal of commanding 10% of the global market in a decade.

Novatek Chief Executive Officer Leonid Mikhelson, alongside Russia Energy Minister Alexander Novak, announced the final investment decision Thursday at the Eastern Economic Forum in Russia's Pacific port of Vladivostok. The move commits it to proceed with financing and engineering contracts for the development, which will cost \$21 billion and is expected to

be completed between 2023 and 2025, Novak said.

“I have no doubt that the project will be implemented as planned,” Mikhelson said, adding that his company has demonstrated it can deliver projects on time.

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Novatek and its partners — including France’s Total SA, Japan’s Mitsui & Co. and China National Petroleum Corp. — are seeking to tap booming demand for LNG, especially in China, India and across developing countries. Arctic LNG 2 is now set to compete against projects from the U.S. to Mozambique and Papua New Guinea for construction resources and customers.

“Arctic LNG 2, based on its costs, is the largest project in the history of Japanese-Russian relations,” Hiroshige Seko, Japan’s Minister of Economy, Trade and Industry, said Thursday at the event.

The decision on Arctic LNG 2, with a planned annual capacity of 19.8 million metric tons, would also be a boon to Russia’s aim to compete with the world’s top producers, including the U.S. and Australia. Russia had an 8% slice of the global LNG market last year, which it wants to boost to 20% by 2035.

Arctic expansion

Novatek, whose biggest shareholders include Mikhelson and fellow Russian billionaire Gennady Timchenko, as well as Total, became Russia’s top LNG producer after bringing online its first Arctic plant, Yamal LNG, two years ago.

The Russian gas producer is considering additional LNG facilities in the Arctic and may increase its output target for 2030 by about 20% to as much as 70 million tons. Novatek’s resource base at two Arctic peninsulas — Yamal and Gydan — allows the company to hike production to as much as 140 million tons a year in future, Mikhelson has said before.

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Yamal LNG reached full capacity of around 17.5 million tons ahead of schedule, which made it the largest LNG facility beyond the Arctic Circle. Novatek is now building a fourth train for that project, which will add about 1 million tons of additional capacity.

Earlier this year, Novatek agreed to sell a 20% stake in Arctic LNG 2 to China’s Cnooc Ltd. and a unit of CNPC. It also sold 10% to a consortium of Japan’s Mitsui & Co. and state-backed Jogmec. Total holds another 10% in the project. Representatives from all of the partners attended Thursday’s ceremony.

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