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Russian Gas Giant Plays Down Disruption of Anti-Iran Sanctions

Novatek chairman is confident the Far North gas project will not suffer from spillovers of U.S. sanctions against Iran.

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Russia's Yamal LNG plant in the Far North produces 16.5 million tons of gas each year **Yamal LNG**

The chairman of Russian gas giant Novatek has said he is not worried about the spillover effects of U.S. sanctions against Iran which shook the Russian energy industry earlier this week.

Russia's liquified natural gas (LNG) exports were caught up in a fresh round of anti-Iran sanctions last weekend, through a web of international investments and joint ventures linked to the Yamal LNG plant in Russia's Far East, which is operated by Novatek. The sanctions were levied against a host of Chinese shipping companies for allegedly helping to transport boycotted Iranian oil. Among them were two subsidiaries of Cosco, which through a complex web of joint ventures and holding companies, has interests in a number of the tankers helping to ship the 16.5 million tons of LNG produced by the plant every year.

Canadian firm Teekay LNG — the co-owner of the tankers with the Cosco subsidiary — previously said that its joint venture in the Yamal plant was now considered a "blocked person" by the U.S. Treasury Department.

However, Novatek CEO Leonid Mikhelson has downplayed the potential disruption, which initially caused a spike in freight costs for oil and LNG over the last week.

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Speaking at the high-level Energy Week forum in Moscow, he said: "I do not see any complications for Novatek ... I do not understand what transportation in the Arctic zone has to do with the supply of Iranian oil."

He recommitted the firm's promise made Monday that the plant has "all the necessary capacities to ensure supplies of LNG to customers in according with contractual obligations within the agreed timeline."

Analysts said the incident shows how the internationalization of Russia's energy industry means projects can get caught up in sanctions that aren't even targeted at Russia specifically. The Barents Observer previously reported that it could lead to Russia and Novatek trying new ways to shield projects from being exposed to similar international pressure, such as by registering ships under Russian flags, and new export hubs and transport routes which stay within Russian waters.

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