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Foreign Shareholders Suspend Participation in Russia's Arctic LNG 2 Project – Kommersant

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The Utrenneye field, the resource base for Novatek's Arctic LNG 2 project. **Stanislav Krasilnikov / TASS**

Foreign shareholders have suspended their participation in Russia's Arctic LNG 2 project due to U.S. sanctions, the Kommersant business daily reported Monday, citing anonymous government sources.

The United States in November issued sanctions on Arctic LNG as part of broader measures targeting Russia's future energy production and other areas over its invasion of Ukraine. The European Union is considering similar restrictions on Russian liquefied natural gas supplies.

Kommersant reported that France's TotalEnergie, China's state oil majors CNOOC and China National Petroleum Corp (CNPC), as well as Japan's consortium between Mitsui and Co and JOGMEC, have since declared "force majeure" on their participation.

The companies are relinquishing their responsibilities to finance and fulfill offtake contracts,

which risks leaving Russia's Novatek to finance the $25 billion Arctic LNG 2 project on its own.

Their "force majeure" could also lead to Arctic LNG 2 losing long-term contracts on the supplies of the seaborne gas.

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Kommersant wrote Arctic LNG 2's initial production began last week and will now be limited to selling around 2.6 million metric tons on the spot market after the foreign shareholders' suspensions.

The foreign companies each have a 10% stake in Arctic LNG 2, with Novatek holding a 60% stake.

Reuters reported last week that Novatek had also issued force majeure notices over LNG supplies from the project.

Chinese shareholders CNOOC and CNPC have asked the U.S. government to exempt the Russian project from sanctions, Reuters reported last week.

Sanctions have also delayed Novatek's contracts on the supply of LNG tankers until late 2024 due to difficulties with sourcing spare parts, according to Kommersant's report.

Kommersant reported in 2022 that Arctic LNG 2 faced shortages of foreign equipment after the U.S. oil industry company Baker Hughes stopped servicing it and other Russian energy projects.

Before sanctions, Russia aimed to increase its global market share in LNG from the current 8% to 20% by 2030.

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