

Gazprom, Itochu Eye Vladivostok LNG Plant

By [The Moscow Times](#)

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TOKYO — An Itochu Corp.-led group agreed with Gazprom to study building an LNG plant as Japan seeks to boost fuel supplies after its worst nuclear accident.

The companies will carry out a feasibility study for a plant with capacity to produce 10 million tons a year of liquefied natural gas in Vladivostok, Osaka-based Itochu said Tuesday in a statement.

That would more than double Russia's capacity to produce LNG, which is gas cooled to a liquid for transportation by tanker, rivaling the Gazprom-led Sakhalin-2 project, north of Japan.

Itochu's competitors Mitsubishi and Mitsui hold minority stakes in the Sakhalin-2 facility, which was designed to meet about 7 percent of Japan's fuel imports. Royal Dutch Shell, the fourth partner in Sakhalin-2, has been seeking to expand the plant's capacity by about 50 percent.

Japan's record 9.0-magnitude earthquake and an ensuing tsunami on March 11 shut down and damaged Tokyo Electric Power Company's Fukushima Daiichi nuclear power plant, which has 4,700 megawatts of generating capacity, or about 3 percent of the nation's total. Another 7,674 megawatts of nuclear capacity remains halted as of Tuesday because of the quake.

Natural-gas producers could gain from Japan's worst nuclear disaster. A switch to coal is hampered by a national pledge to cap carbon emissions. Japan said last year that it would cut emissions by 2020 by one-quarter compared with 1990 levels, as part of the United Nations efforts to prevent global warming.

The Itochu-led group plans to develop the Vladivostok project via the Japan Far East Gas Company. Itochu and a unit will own 37.5 percent of that company. Japan Petroleum Exploration Company will take 32.5 percent, commodity trader Marubeni will have 20 percent, and energy producer Inpex will have the remaining 10 percent.

The Vladivostok project could also involve a gas chemicals plant, Gazprom said in a separate statement.

The project, which Gazprom and Itochu initially discussed in 2009, would be the second Russian LNG plant to focus on the Japanese market. Mitsubishi and Mitsui have also expressed interest in developing LNG on the Yamal Peninsula, beyond the Arctic Circle.

Novatek, Russia's biggest gas producer after Gazprom, drafted in France's Total to take a 20 percent stake in the \$5 billion Yamal project and could pick other partners "soon" to help with marketing the fuel, Leonid Mikhelson, the company's billionaire chief executive, said last month.

"Mitsui is considering this project, and we are interested in participating in it," Mitsui spokesman Kazuhisa Kawamura said Tuesday in Tokyo.

Mitsubishi is also "interested in" the Yamal project among other energy projects, "but there is nothing we are planning to announce about it at this moment," spokesman Shunsuke Nanami said in Tokyo on Tuesday.

Yamal LNG may start production in 2016 and reach capacity of as much as 15 million tons of the fuel a year in 2018.

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