

U.S. Report Sees Big Role for Shale Gas

By [Howard Amos](#)

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A study funded by the U.S. Department of Energy has found that the widespread commercial exploitation of shale gas will weaken Russia's "energy weapon" and lessen its political influence in Europe.

The report by the Baker Institute of Rice University states that the impact of shale gas — which is extracted from solid rock through horizontal drilling and high-pressure fluid injection known as "fracking" — will increase diversification in world gas supplies and reduce the importance of fixed pipelines.

It predicts that Moscow's share of the gas market in European countries outside the former Soviet Union will drop to about 13 percent in 2040, from 27 percent in 2009.

"Europe's high dependence on Russian pipeline natural gas supplies made it difficult for certain European leaders to engage in diplomacy objecting to Russia's invasion of Georgia in 2008," the study reads. "A more energy independent Europe will be better positioned to join with the United States in global matters that might not have the full support

of Russia."

Shale gas production in the United States — which was virtually non-existent 10 years ago — is expected to quadruple from current levels through 2040, reaching 1.13 billion cubic meters per day. Thanks to this growth, the United States overtook Russia as the world's largest gas producer in 2009.

Though the successful commercial exploitation of shale gas in Europe is likely to be hindered by land-holding law and ecological concerns, exploration is under way in countries as far apart as Britain and Romania. More than 70 drilling licenses have been granted in Poland.

International companies have also committed significant amounts of money to shale gas development in Ukraine, currently heavily dependent on Russia for its natural gas supplies.

Oil major Shell is looking to invest more than \$1 billion in shale gas in the Kharkiv region of Ukraine, Interfax reported Monday, and TNK-BP, Russia's third-largest oil company, which is keen to expand its gas arm, announced last month that it would spend \$1.8 billion on Ukrainian shale gas through 2020.

The report further contends that the diversification of global gas supplies means that Russia's South Stream pipeline will never be built and that the country's Arctic gas resources, including the enormous offshore Shtokman field and liquefied natural gas capacity on the Yamal Peninsula, will not be developed until after 2030. The European-sponsored Nabucco pipeline, the report adds, could be diverted away from Caspian producers to tap Iraqi gas resources.

Despite these dramatic predictions, however, there are many who think that the potential impact of shale gas is exaggerated — not least of these is Gazprom, which has a monopoly on Russian gas exports.

Gazprom deputy chief executive Alexander Medvedev compared the U.S. shale gas boom in February to a "bubble."

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