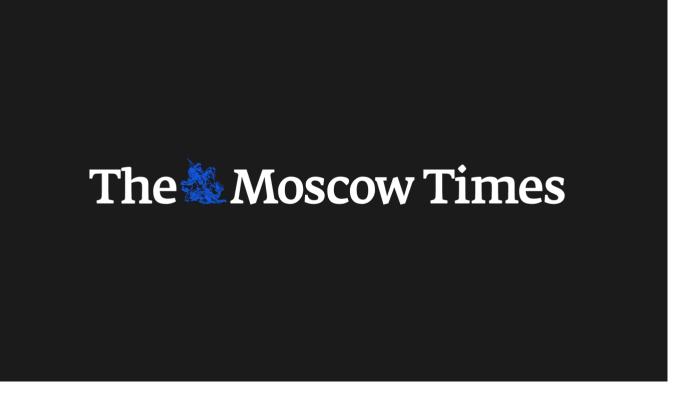


Ukraine Moves Closer to \$10Bln Shale Gas Deal With Shell

By The Moscow Times

January 16, 2013



DONETSK — Ukraine moved one step closer to a breakthrough shale-gas deal with global energy major Royal Dutch Shell on Wednesday after local authorities in the eastern Donetsk region approved a planned production-sharing agreement.

Ukraine, which is said to have Europe's third-largest shale gas reserves, at 1.2 trillion cubic meters and wants to end reliance on Russian natural gas supplies, chose Shell in May as a partner to develop the Yuzivska shale gas field.

Deputies of the Donetsk regional council voted to approve the deal with Shell, removing one of the final hurdles to an agreement.

Shale gas exploration requires a process called fracking, in which fluid is injected at high pressure into beds of rock, often deeply situated in the ground, to access gas reserves trapped there.

"If exploration is successful in the Yuzivska area, we will be able to produce a few billion cubic meters of gas per year in just five, six years and eight to 10 bcm in 10 years," Environment and Natural Resources Minister Oleh Proskuryakov told the council.

"At its peak, in 13 to 15 years, annual production may exceed 20 bcm," he said. "This will not only strengthen our energy independence but will also significantly reduce gas prices."

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