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Rosneft Seeks Azeri Gas Field Stake

By The Moscow Times

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Oil major Rosneft is seeking a stake in Azerbaijan's Absheron gas project, sources close to the talks said, in the latest move that may help it become a competitor of gas exporter Gazprom.

Rosneft CEO Igor Sechin discussed a possible role in Absheron with Azeri President Ilham Aliyev during a visit to Baku this month and has also been in discussions with the project's leader, France's Total, the sources said.

Azeri state oil company SOCAR and the French oil company each hold 40 percent of the project to develop Absheron, a shallow-water offshore field on the Caspian Sea, under production-sharing agreements. The remainder is held by GDF Suez.

Exploratory drilling by Total showed that the field contained 150 billion to 300 billion cubic meters of gas resources. The find was declared commercial in 2012.

Azeri officials have said Absheron and other new fields would significantly increase Azeri gas exports in coming years, beyond the 10 bcm it has already pledged to Europe and 6 bcm it has pledged to Turkey from the giant Shah Deniz field 25 kilometers from Absheron.

These Azeri exports are set to compete with supplies from Gazprom, which holds a monopoly on exports of Russian gas and covers a quarter of Europe's gas needs through pipelines. For Rosneft, an Azeri deal would be its foreign foray that could put it into direct competition with Gazprom in sales to Europe.

Rival new pipeline projects are being planned to reflect the future competition between Azeri and Russian gas.

Aliyev and Sechin discussed cooperation in oil and gas during the meeting, Rosneft said in a news release.

In response to a request for comment on the Absheron talks, Rosneft said it was studying options in Azerbaijan but did not comment on potential participation in specific projects.

Total declined to comment.

Rosneft has made its growing gas business a top priority. Sechin has stopped short of openly challenging Gazprom's monopoly on the exporting of Russian gas but has sought to sidestep it, initially by striking a deal with ExxonMobil to build a plant to liquefy natural gas from their Sakhalin-1 project in the Pacific.

In a sign of frustration with Gazprom's gas export monopoly, the Kremlin has launched a debate on export rights for producers of LNG, though President Vladimir Putin has warned other Russian companies against competing with Gazprom in exports to Europe.

For the next 10 years, Azerbaijan is seen as the most secure source of new pipeline gas exports to Europe.

European buyers have struggled to find alternatives to Gazprom, whose contracts link prices to oil, generally making its gas expensive by comparison with the spot gas market.

Azerbaijan plans to start exporting Shah Deniz gas in 2019 to Europe through the Trans-Adriatic Pipeline, or TAP, chosen last month by Azerbaijan and Shah Deniz operator BP.

Expanded export capacity to countries bypassed by TAP could be fed by Absheron and other new generation fields such as Shafag-Asiman, which will be developed under a production-sharing agreement with BP, Azeri officials said at a ceremony to announce the selection of TAP last month.

One of the sources close to the talks on Absheron said Rosneft could seek additional partnerships in Azerbaijan through BP, the biggest foreign player in Azerbaijan and holder of a 20 percent stake in Rosneft.

BP bought into Rosneft with part of the proceeds from the sale of its Russian joint venture, TNK-BP.

Of all the former Soviet oil exporting states, Azerbaijan has been the most aggressive in courting Western investment in energy. It allowed BP in particular to gain control of much of its hydrocarbon production under production-sharing agreements, while SOCAR continued to dominate infrastructure and refining.

Russia so far has had little participation in the Azeri energy industry. Gazprom has kept a foot in the door through small purchases of Azeri gas for export in recent years.

Sechin's visit to Baku, which followed the decision on TAP by a matter of days, could be a sign that the Azeris are shifting some attention back to Russia, perhaps to keep a balance of influence after committing the bulk of its gas resources to Europe.

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