

Proposal on LNG Export Liberalization Drafted

By [The Moscow Times](#)

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The Energy Ministry has drafted a proposal that would liberalize exports of liquefied natural gas, or LNG, and allow companies other than Gazprom to sell abroad.

With the global LNG trade expected to grow by a third in the next five years as the U.S. and Australia boost production, Russia is under pressure to complete new projects.

Both Rosneft and Novatek have secured buyers of LNG from yet-to-be-built plants, but need the ministry's reforms to be adopted so they can secure project financing.

The ministry's proposals, which have been circulated for discussion, are essential for Novatek's Yamal LNG project and for state-controlled Rosneft's own Sakhalin LNG project with ExxonMobil.

Russia has only one LNG plant in the Far East, now controlled by Gazprom, which liquefies

gas from the Sakhalin-2 project and has an annual capacity of about 10 million tons.

A source familiar with the document said Tuesday that the proposal would allow LNG exports by companies that hold licenses to build LNG plants, or to send the gas for liquefaction to a plant determined by the government.

The source also said the draft proposed allowing LNG exports by companies with state holdings of at least 50 percent, if they send LNG abroad from offshore fields or from production-sharing agreements.

The Russian authorities previously planned to open up LNG exports from 2014, with a requirement that Novatek's and Rosneft's projects would ship gas to Asia only and not challenge Gazprom's exports to Europe.

Gazprom, despite having agreed on cooperation with the China National Petroleum Corporation, or CNPC, in 2004, has yet to finalize terms on piping gas to China.

The \$20 billion Yamal LNG project being developed by Novatek, France's Total and China's CNPC is scheduled to start producing LNG in 2016 with a view to supplying 16.5 million tons of the tanker-shipped fuel by 2018.

Rosneft's planned LNG plant in Russia's Far East involves Exxon, has an estimated cost of \$15 billion and a production target of 2018.

The Energy Ministry declined immediate comment. Under an existing 2006 law, Gazprom, the world's top gas producer, is the only company allowed to ship gas out of Russia.

Gazprom had earlier said it had discussed the possibility of supplying LNG to China from a planned plant near the Pacific port of Vladivostok.

PetroChina, a subsidiary of CNPC, is seeking to invest in Russian gas fields as part of efforts by the two countries to conclude gas-supply negotiations that have dragged on for almost a decade, four people with knowledge of the matter said, Bloomberg reported Tuesday.

PetroChina is interested in spending at least \$10 billion for a minority share of eastern Siberian gas fields operated by Gazprom and Rosneft said three of the people, who asked not to be named as deliberations are private.

"PetroChina is willing to promote all-round cooperation with Russia's oil companies and hopes to invest in Russia's upstream oil and gas exploration and development businesses," spokesman Mao Zefeng said.

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