

'Limited' LNG Liberalization Gets Final Duma Backing

By [The Moscow Times](#)

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The lower house of parliament gave its final backing Friday to amendments that would end Gazprom's gas export monopoly by letting rival companies send super-cooled gas by tanker to the fast-growing Asian market.

Russia wants to double its share of the global trade in liquefied natural gas, or LNG, to 10 percent by 2020, benefiting from Japan's move away from nuclear power and China's call to curb the use of coal.

Changes to the law on gas exports, passed at a third and final reading, would allow Russia's No. 2 gas producer, Novatek, and state oil giant Rosneft to finish projects and compete with Gazprom's existing Sakhalin-2 plant.

State-owned Zarubezhneft, which has yet to develop its own LNG strategy, would also be allowed to export LNG.

But the legislation would bar other new entrants, effectively creating a closed shop.

Gazprom's monopoly on pipeline gas exports will also remain unchanged, as will an effective ban on LNG exports to European countries that already buy Russian conventional gas.

That would protect Gazprom's exports to Europe, where it accounted for 26 percent of gas sales last year and — despite recent declines in market share — targets a 30 percent share by 2020. Its LNG exports are a tiny fraction of pipeline flows.

"It is a limited liberalization," said Valery Nesterov, energy analyst at Sberbank CIB, singling out businessman Maxim Barsky's proposed Pechora LNG project as the biggest loser.

Passage of the measure, which still requires approval by the upper house and President Vladimir Putin's signature to take effect in January, was needed to clinch up-front sales and finance for projects such as Novatek's \$20 billion Yamal LNG.

This project, on the gas-rich Yamal peninsula, north of the Arctic Circle, is scheduled to start production by 2017. A lack of legal clarity has delayed a final investment decision.

The fine print of the amendments allows exports from three types of project: those that already held LNG production licenses before this year; state companies if they produce LNG from offshore fields; or production sharing agreements.

In debates this week, some lawmakers proposed allowing state companies also to liquefy gas from onshore fields, or to ship LNG for other firms that lacked a license at the start of the year to produce it themselves.

These proposals, which would have benefited Rosneft and LUKoil, Russia's No. 2 oil producer, were dismissed, limiting competition in an industry where Russia already lags behind its foreign rivals and lacks expertise.

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