

Total Stopped Buying Novatek Shares After Ukraine Plane Crash

By [The Moscow Times](#)

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PARIS — Total stopped buying shares in Russia's Novatek the day of the downing of a Malaysia Airlines flight over Ukraine, but it is still too early to gauge the impact of western sanctions against Russia, the French oil major revealed with its second quarter results on Wednesday.

Total is one of the top foreign investors in Russia but faces a cloud over its future there since the downing of the aircraft over Ukrainian territory held by pro-Russian rebels worsened the oil-rich country's relations with the West and raised the threat of deeper sanctions.

The oil firm forecast in April that Russia would become its biggest source of oil and gas output by 2020 thanks to its partnership with Novatek and their Yamal LNG project in Siberia.

"We stopped buying shares in Novatek the day of the plane accident, considering all the uncertainties that this event could lead to," CFO Patrick de La Chevardiere told reporters

in a conference call.

Flight MH17 was downed on July 17 by what Western countries say was a Russian-supplied missile, killing all 298 people on board.

"We have not stopped operations on the Yamal project at this stage. We agreed with our partners to take stock of the situation at the end of August," he said during a presentation of the group's second-quarter results.

At end-June, Total owned 18 percent of Novatek, which has seen one of its shareholders hit by U.S. sanctions. Total had bought a 12 percent stake in the company, Russia's second-largest natural gas producer, for \$4 billion in 2011 with an option to increase its holding to 19.4 percent within three years.

De La Chevardiniere said the group was not doing business with people on the U.S. and EU sanction lists, although he said he had yet to see the EU's latest list of measures against Russian oil companies, banks and defense firms over Moscow's support for rebels in eastern Ukraine, unveiled late on Tuesday.

"We need more time to review the consequences of these sanctions. If these sanctions forbid us to work there, we will be forced to stop working, but we can't forget that Russia is a big oil country," De La Chevardiniere said.

Russia accounted for about 9 percent of the group's oil and gas output in 2013.

The \$27 billion liquefied natural gas project in the Arctic Yamal Peninsula plans to export 16.5 million tons of LNG a year, but it has also caused some headaches at French oil services firm Technip, which last week cut its margin target for its onshore/offshore unit for this year and next.

Total's London-based rival BP, which makes about a third of its crude oil output in Russia, also warned that further Western sanctions could harm its business there and its relationship with Russian state oil group Rosneft.

Production Bottomed Out

In the second quarter of the year, Total said its oil and gas production fell 10 percent compared with the same quarter a year ago, to 2.054 million barrels of oil equivalent per day (boe/d).

The main reasons were heavy maintenance, the deterioration of the security situation in Libya and the loss of the ADCO concession in Abu Dhabi, which the emirate took over in January and is expected to re-award in 2015.

"This year all the maintenance was concentrated on the second quarter," the CFO said, citing work in the North Sea, Nigeria and Thailand.

The same reasons impacted the group's net adjusted profit, which fell 12 percent year-on-year to \$3.15 billion, also hit by very weak refining margins, which were less than half the levels of a year ago in the three months to end-June.

"We went through moments when margins were negative during the second quarter, we cut production to the technical minimum at some refineries because the more we produced the more we lost money," he said, declining to say which ones.

The CFO said output had hit a bottom and was now expected to rise as projects such as Laggan-Tormore in the North Sea and Ofon Phase 2 in Nigeria came on stream in the second half of the year.

De La Chevardiere said he would give an update on the group's long-term production targets, 2.6 million boe/d in 2015 and 3 million boe/d in 2017, at the annual investor day conference in London in September.

"But it's clear that delays at Kashagan are not good news," he added, saying that the operator did not expect any restart of the giant Kazakh field before 2016.

De La Chevardiere also said China's Sinopec had notified Total that it would not buy its Usan field in Nigeria after all, a \$2.5 billion deal for a stake in the OML 138 block that the French group had announced in November 2012.

"I ignore their reasons. We have launched two days ago the process to find a bank to relaunch the sale process and find a new buyer," he said.

Total proposed a dividend of 0.61 euros per share for the second quarter. Revenue was up 2 percent to \$62.56 billion.

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