

Novatek Set to Outpace Gazprom in LNG Push

By [The Moscow Times](#)

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Novatek will challenge Gazprom's dominance in foreign markets after agreeing with Total to build an Arctic plant.

Novatek's \$20 billion development in the Yamal region is slated to be Russia's largest plant for shipboard gas within seven years, starting earlier than Gazprom's flagship Shtokman project. Yamal LNG got a boost last week when France's Total agreed to take a 20 percent holding as well as to buy a \$4 billion stake in Novatek.

Prime Minister Vladimir Putin, who wants Russia to export 10 percent of its gas as liquefied natural gas by 2020, blessed Novatek's plans at a ceremony near Moscow last week, calling it "good and large-scale work." Gazprom has delayed decisions on expanding Russia's only LNG facility, the Sakhalin-2 project with Royal Dutch Shell, and developing the Shtokman field on the Barents Sea.

"Novatek's project is now Russia's primary LNG project outside of Sakhalin," said Chris Weafer, chief strategist at UralSib Finance. "Total's strategic partnership with Novatek is an acknowledgment that Shtokman is on a much slower development path with an unpredictable future."

Total has criticized delays at Shtokman, in which it has a 25 percent stake. Shtokman is located about 600 kilometers from Russia's Barents Sea coast in stormy, iceberg-ridden waters.

Putin has pledged tax breaks for Novatek's project. The proposal would exempt the first 250 billion cubic meters of natural gas and 20 million metric tons of condensate from the extraction tax. Gazprom hasn't yet secured tax holidays for Shtokman.

The French explorer sees no conflict between the two projects and is trying to handle them in the best way possible, Total chief executive Christophe de Margerie said March 2 after the signing ceremony.

All of Yamal LNG's planned output will "easily" find demand as it targets Europe, Asia and North America, Novatek CEO Leonid Mikhelson said. Yamal LNG plans to produce 5 million tons of fuel a year for export in 2016, increasing to a total 15 million tons a year by 2018,

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