

Russia eyes greater energy dominance as Novatek taps Arctic



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Almost 1,500 miles from Moscow, the tiny port of Sabetta nestles in a desolate Russian Arctic peninsula. A former outpost for Soviet geologists, it's now the site of Russia's most ambitious liquefied natural gas project, operated by a company that only entered the market just over a year ago.

Several times a week, a giant tanker leaves this remote place carrying the super-chilled fuel to buyers in Europe and Asia. It's not the only LNG plant beyond the Arctic Circle, but it's by far the largest.

Novatek PJSC, the main shareholder of the Yamal LNG plant, says plans for further projects will transform Russia into one of the biggest exporters of the fuel within a decade. Already the world's top exporter of pipeline gas and second-biggest shipper of crude oil, exports from Sabetta are giving Russia another conduit into the world economy for the country's

unrivalled energy resources.

“Russia can be in the top four main LNG exporters,” Novatek’s chief financial officer Mark Gyetvay said in an interview in London.

Novatek has demonstrated that it’s possible to produce and liquefy the fuel in such harsh conditions at competitive prices and ship it to markets thousands of miles away in Europe and Asia. That’s helped by receding Arctic ice which is allowing a specially built fleet of strengthened tankers to ship fuel along Russia’s northern coast.

President Vladimir Putin has been a long-standing supporter of developing oil and gas resources locked under the region’s permafrost. When opening the first production train of the Yamal LNG project in late 2017, Putin said the region gives Russia the opportunity to take up the fuel’s “niche it deserves.”

“We can boldly say that in this century and the next, Russia will expand thanks to the Arctic,” he said at that time.

Novatek, whose biggest shareholders include Russian billionaires Leonid Mikhelson and Gennady Timchenko, as well as French energy giant Total SA, became Russia’s top LNG producer after starting up its plant in the Yamal peninsula almost two years ago. The facility reached its full capacity at the end of 2018, ahead of schedule, doubling Russia’s share of the global LNG market to 8%.

The gas producer has aggressive plans to command a 10th of the global market by 2030, Gyetvay said, and position Russia as one of the world’s largest exporters alongside the US, Qatar and Australia.

All three of Yamal LNG’s production units, with a combined actual capacity of 17.5mn tonnes a year, are now online. Novatek is attracting partners for a second plant, the so-called Arctic LNG 2 project, which is expected to come online in 2022.

The company is also considering commissioning a third facility and may increase its LNG production target for 2030 by about 20%, to as much as 70mn tonnes a year.

Novatek's resource base at two Arctic peninsulas – Yamal and Gydan – allows the company to raise production volumes to as much as 140mn tonnes a year in future, according to its chief executive officer Mikhelson.

Russia, the world's largest gas exporter, has been slow to join the global LNG boom as it has focused investment on pipeline supplies to Europe. Until recently, the country had just one liquefaction project in operation, the Gazprom PJSC-led Sakhalin 2 project near Japan with an annual capacity of about 10mn tonnes.

The country has now taken an interest in the market for tanker-borne fuel amid growing global LNG demand and more difficult relations with its customers in the European Union.

Russia's Energy Ministry pegs total gas in place within the region at about 210tn cubic meters, or over 70% of the nation's total. Novatek's Arctic gas reserves are "conservatively" estimated at about 3.3tn cubic meters, Gyetvay said.

"We believe that Russia could be the fourth or even the third" biggest holder of LNG production capacity, said Karen Kostanian, Moscow-based oil and gas analyst for Bank of America Merrill Lynch.

<https://www.gulf-times.com/story/628789/Russia-eyes-greater-energy-dominance-as-Novatek-takes>