



## Are we worried yet? Or more on Gazprom etc.

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Tags: [china](#), [gazprom](#), [japan](#), [korea](#), [natural gas](#), [saudi arabia](#), [shaybah](#), [united kingdom](#) [[list all tags](#)]

Lest anyone think that I am alone in a concern on the increasing hold that Gazprom is taking over not only the supply, but also the distribution networks for natural gas, there come a [Moscow Times](#) article, itself quoting a Financial Times article, on the subject. More particularly

British Trade and Industry Minister Alan Johnson had eight meetings this year on how to block a potential takeover of British utility Centrica, the country's biggest gas supplier, by Gazprom, the Financial Times said on Monday.

. Doubts about the reliability of Russian supplies are now also arising in [Korea](#) who had been hoping to get some of the supply that would be coming to China from Russia through new pipelines. But:

... after three years of a stalemate on plans to open up the huge Kovykta gas field, South Korea, which depends on imported LNG for almost 13 percent of its energy needs, is unwilling to hinge its energy security on a Russian vow.

The need for long-term contracts, which [Dave](#) and [Chris](#) have commented on before, is now becoming increasingly evident to the Koreans, who had, until now planned on working through the spot market until the pipeline from Kovykta was built, expensive though that option has been. Since the pipeline is now not expected before 2015, the Koreans are having to rethink.

Given the typical five-year lead time required to secure long-term LNG contracts, KOGAS must decide soon if it hopes to secure any new supplies before 2012. "South Korean gas demand is increasing fast, so if they just keep waiting for pipeline gas and if they do not sign new LNG contracts, they will lose LNG supplies to other countries," said the analyst. South Korea has long-term contracts with suppliers such as Qatar, Malaysia and Indonesia due to end within two years.

And in case you miss the point:

"Russia has used gas as a political weapon to put pressure on other members of the former Soviet Union," an official at South Korea's Energy Ministry said in an interview. "We have to prepare for such a case."

Just, perhaps as [Belarus](#) is having to plan now, since it has until the end of the month to propose some alternative to Gazprom that will otherwise see them paying European prices for gas by next year. As the article notes, however, and as has been commented on [earlier](#)

Many analysts interpreted the move as a ploy by Moscow to acquire control over Belarusian pipeline operator Beltransgaz, which transports Russian gas to lucrative Western markets.

So it seems there may be some reason for concern in the UK, which, after all, has now had to start importing more gas, and as [Forbes notes](#)

The U.K. is the most liberalized of the EU energy markets, the spokesman pointed out, adding that the British government was "comfortable with EU companies taking stakes in our energy companies". Comfortable with Gazprom though? "It would need to be looked at properly by the competition authorities," he repeated. "I'm not differentiating here."

The Chinese are, of course, not putting all their eggs in one basket, and have just launched the largest drilling platform [in Asia](#). It is going to be barged out to the [Panyu gas field](#), where drilling is going to start in September. Once this, and the adjacent Huizhou fields are developed the gas will be fed, by a 225-mile pipeline, to Guangdong, at the rate of around 1.6 bcm per year. Chinese gas production from offshore is thus bound to increase, although the story that they are also producing from the Chunxiao field is of concern [to the Japanese](#) since the field lies in disputed territory. (Rigzone has a map [here](#)) Perhaps this behavior is not surprising since, as [Alexander's noted](#)

Business Week characterized CNOOC as "the most ambitious Chinese player in the oil patch." In its 2004 annual report, CNOOC reported net reserves in China of 1.354 bn bbl oil and 4.325 tcf natural gas.

Five field areas currently produce in the eastern part of the South China Sea: Huizhou, Xijiang, Liuhua, Lufeng, and Panyu. CNOOC reports net reserves of about 290 mm boe, including 168 mm bbl oil and 731 bn cf natural gas for the eastern South China Sea fields as of Dec. 31, 2004. Genting oil & GQS China Ltd. drilled the ZG:1OG-I well in the Zhuangxi Buried Hill oil field with this land rig in Shandong Province, near Bohai Bay.

The [banning of shipping](#) from the area cannot, however, be taken as a good sign.

And it should also be noted, looking down the road, that Aramco have [signed contracts](#) to increase production at Shaybah (their field in the Empty Quarter) by 250,000 bd in 2008. The oil is of high quality

Shaybah field, discovered in 1968 and brought on stream in 1998, is 13 km wide and 64 km long. The field produces 42° gravity Arab Extra Light crude oil from Shuaiba pay at an average depth of 4,650 ft. The crude is virtually sulfur-free and high in its gasoline fraction (OGJ, Apr. 5, 2004, p. 18).

If we could only have confidence that this would do more than hold depletion to 2% a year. They have also discovered [a new gas field](#). It is, however, the level of drilling intensity in the Middle

East that is driving up the price of drilling rigs, as commented on by [Elizaphanian](#), who drew our attention to the fact that BP are having to pay [treble the current rate](#) to a new level of \$520,000 a day to retain a drillship in the GOMEX. Hope it is successful!



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