



Has anything changed?

Posted by [Heading Out](#) on September 25, 2006 - 10:37am

Topic: [Supply/Production](#)

Tags: [lng supplies](#), [russia](#), [shtokman](#) [[list all tags](#)]

Well the traveling tourist (not really, it was real-job related) is back in town to change suitcases and be off for a couple more days, but I will be back to more regular posting after Wednesday. However, without having had the chance to read any of the posts over the past two weeks, (though I will) I did catch a comment in [Platts](#) this morning that echoes a theme that I have been posting on intermittently. This is the anticipated supply of LNG from the Shtokman field to the U.S. The current report notes that President Putin is considering redirecting the gas from the US to its more traditional market in Western Europe.

"I can inform you that Gazprom is examining this possibility and could make a decision on this issue very soon," Putin said Saturday at a press conference following a summit with French President Jacques Chirac and German Chancellor Angela Merkel.

It is not clear as to whether this is more of a political ploy, or a reflection of a harsh reality about the size and production rates for Russian natural gas resources. It appears much more likely to be the former since, as the article notes

Russia currently sends some 55 billion cubic meters/year of gas to Germany, Putin said. "But we could supply 25 billion-45 billion cubic meters of gas annually from the Shtokman field alone at peak supply period. You can just imagine what kinds of quantities we are talking about here, and what this would mean for the European economy and for the German economy," he said.

The field can ensure supplies for 50-70 years, which "creates an absolutely stable and sustainable situation in the economy and on the European energy market, above all in the energy sector in Germany," he added.

In regard to the US position the article also underlines a thought that I have worried about before, which is the desire of Gazprom to control not only the supplies, but also the distribution system, in a way that denies competition access to the market. Note the line in the story

Also, Gazprom officials said earlier this year that US regasification terminals, which the US firms have offered for the Shtokman asset swap deal, have lost their value to Gazprom after the US approved construction of new capacities.

The current [plan](#) is that the US will get 70 billion cubic meters from Shtokman (though the Post has an earlier start date than may now be feasible) to capture 10% of the U.S. market by the end of the decade.

And there is also the unconfirmed rumor that [Gazprom](#) might buy the Indian oil company stake in Sakhalin. Given that Russia is currently applying pressure to Exxon

Gazprom, the world's largest gas company, has been seeking a foothold on the energy-rich island off Russia's Pacific coast via a swap deal with Royal Dutch Shell, which has 55 percent of the neighboring Sakhalin-2 project.

However, talks on the swap have stalled since Shell unveiled a doubling of its project's budget from \$10 billion to \$20 billion last year.

As well as angering Gazprom, the move has prompted Russia's Natural Resources Ministry to open an environmental investigation into Sakhalin-2, culminating in its decision to withdraw a key ecological permit last week.

The ministry has also brought pressure on Exxon's venture, which it says plans a similar budget overrun from \$12.8 billion to \$17 billion.

The ministry says it will not tolerate budget increases because they contravene the terms of the production sharing agreements (PSAs) which govern the two projects.

Back Soon.

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