



Gazprom is Still At It, Oh Yes They Are (or, "Gas Pressure")

Posted by [Heading Out](#) on March 4, 2007 - 6:30pm

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As the production from Saudi Arabia continues to lag, even if transiently, Russian production and exports become more critical to world supply. And so we exchange the problems of getting oil from the sandy wastes of the Empty Quarter, with those of production from the icy wastes of Siberia. There are a couple of small issues, that I thought could be discussed, relative to this.

The first of these relates to gas supplies from that part of the world. It was interesting to note, in light of a number of comments made on this site about Gazprom's acquisition of Western European pipeline company shares, that they now appear to be similarly interested in those of [Portugal](#), as their [strategy](#) to control gas flows throughout Europe continues to succeed. The benefits, to them, of this policy are clear, for example in the negotiations over [Kovykta](#), a field with 2 tcf of natural gas and over half a billion barrels of condensate. The plans were to sell some 2 bcf, largely locally, and then to expand deliveries through pipeline networks.

Unfortunately BP has [noted](#):

TNK-BP cannot sell gas from its vast east Siberian Kovykta field or its smaller Rospan unit in western Siberia without Gazprom because of the Russian gas giant's monopoly control over Russia's pipeline network.

And here it has a problem, since the local market is not large enough to absorb the gas that the field can produce...

Russia raised the pressure over the issue last month by declaring TNK-BP to be in violation of its licence to develop Kovykta. Russia's natural resources ministry has given TNK-BP until April to start producing 9 billion cubic metres of gas, as the operating licence stipulates, or face having it revoked. TNK-BP said the target was impossible to meet.

In the meanwhile Gazprom and BO are talking about developing a partnership for LNG. And in case BP does not get [the message](#).

"A promise is a guarantee in any country," Mitvol said by telephone. "If you don't fulfill

your license, then the license must be taken away.” Mitvol’s statements came a day after TNK-BP said Gazprom had nearly halved the amount of gas it would allow TNK-BP to ship through its pipelines from the Achimov field in west Siberia. Gazprom allotted TNK-BP subsidiary Rospan 2.5 bcm last year, but just 1.7 bcm this year, Dracheva said.

This sort of attitude is not lost on others, further east [Azerbaijan](#) is trying to get talks started with Turkmenistan about energy, and particularly gas supplies. The interest is in the Trans Caspian pipeline (TCP) which would carry natural gas from Kazakhstan and Turkmenistan (on the east of the Caspian) to Azerbaijan on the west, where it could feed into pipelines to Turkey that would bypass Russia. So needless to say, the Russians are not in favor. Others are:

The European Union and the United States, both strong backers of TCP, are likely to encourage Azerbaijan's overtures to Turkmenistan, commented Ilham Shaban, editor of the Turan-Energy daily news bulletin. The EU is especially interested in lining up gas suppliers other than Russia. Since Niyazov’s death, Brussels has allocated 1.7 million euros (over \$2.24 million) to conduct a feasibility study concerning Turkmenistan's participation in TCP, Shaban said. A four-company consortium made up of the British engineering consultants MottMcDonald Ltd, Greek firms Kantor Management Consultants and KLC Law Firm, and the Azerbaijani ASPI Consulting Engineers company is expected to complete the evaluation by mid-2008.

(Source - [Encarta](#))

Of course, if they get the pipelines all built and by that time Gazprom has control of all Western gas distribution, then it might become an exercise in futility. At which point it may be that they spend more effort sending gas East to China rather than West, leaving Russia in control of the supply of oil and gas to Western Europe. Current Turkmen plans are to ship 30 bcm/year to China each year, starting in 2008, as well as supplying Russia with 80-85 bcm/year.



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