Just Gazpromming along

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Some measure of the importance of Gazprom to Russia can be estimated by the BBC story which notes that the company provides half of Russia's energy, and 15% of its hard currency earnings. Of equal importance to those who would buy some of that energy Gazprom will likely send it to you through it's pipeline company, Tyumenstransgaz.

Over the past couple of years we have seen a decline in the speed with which Russia is developing its major gas reserves. Shtokman is now considerably delayed, as is the anticipated development of the Kovykta field. These make it less likely that the US will see much of this gas production, which seems increasingly intended for domestic and European consumption. But that may also be a concern for the Chinese and Asian markets, whose increasing needs were supposed to be met, in part, by increased exports from Russia.

The Chinese President is sufficiently concerned that he is making another trip to Moscow on Monday to strengthen their claims. Russia now, apparently, will more overtly play China off against Europe as competitive customers for their oil, and is not rushing to establish the pipelines for the Eastern transport of fuel.

> On his trip to China last year, Putin also announced plans for building a pair of natural gas pipelines to China within five years. Some experts voiced skepticism, saying that western Siberian gas reserves are already stretched thin and used for gas delivered to European Union countries. While Russian officials said the EU would remain the main export market for Russia's gas, the Kremlin warned that it could shift some of the supplies to China as part of its hard bargaining with the EU over energy issues. "China and Europe are becoming rivals for Russian gas," Kosachev said.

And it might be noted that, while plans are going ahead for the pipelines, environmental issues are already being raised just in case they are needed, further down the line.

It also appears that the Chinese are willing to pay the higher prices that the Russians have been holding out for, in order to ensure the supply. The influence that Gazprom is having on gas supplies from Turkmenistan is causing some concern

> Most energy experts believe Gazprom will act aggressively in the coming months to expand its already considerable leverage over the Central Asian natural gas market,

> said David A. Merkel, who from June 2005 until last month served as the director for Aegean, Caucasus and Central Asian affairs on the National Security Council in the White House.
> "The question is, for Gazprom to do what it wants to do - improve market share in Europe over the next several years - it needs to do one of three things: either make a lot of investments in its infrastructure three years ago, drastically change the domestic market of its gas, or have a stranglehold on Central Asian gas," he said at a March 15 event, "Engaging Post-Turkmenbashi Turkmenistan," hosted by the Central Asia Caucasus Institute in Washington.

The Chinese continue their diplomatic efforts elsewhere, now seeking additional ties with Venezuela

> he China National Petroleum Corp. will look to develop heavy crude oil production in the Orinoco Belt and cooperate with Venezuela in building three refineries in China and a "super-fleet" of crude tankers, the Information Ministry said.
> "The United States as a power is on the way down, China is on the way up. China is the market of the future," Chavez was quoted as saying by an Information Ministry statement after meeting CNPC President Jiang Jiemin in Caracas.
> China's economic expansion has turned it into the world's second-biggest oil consumer. OPEC member Venezuela was the fifth-biggest oil exporter to the United States in January. Analysts reckon it pumps about 2.7 million barrels per day.
> Chavez has ambitious plans to lift oil exports to China to lessen its dependence on its arch-foe the United States, saying it hopes to send 1 million barrels per day to China by 2012.
> This optimistic target follows an earlier goal of more than tripling oil exports to China of 160,000 bpd by 2009.

However, as with the Russian promises, it is going to take a lot of effort to ensure that product finally arrives in Beijing.

As a result the US, seeking additional supply sources, continues to seek resources from around the Caspian Sea. The United States has just signed an additional agreement with Azerbaijan hoping, though this route, and the links to Turkey, to be able to secure additional supplies. Armenia, meanwhile, is starting to receive some gas from Iran but it would appear that our old friends might have a hand in the distribution

> To achieve the planned volumes of Iranian gas supplies to Armenia, the Armenian-Russian ArmRosgazprom Company will construct further 197 km of the pipeline into the Armenian territory. The first stage of the project is estimated at $33mln, of which 75% are lent to the Armenian side by the Export Development Bank of IRAN, and the rest is to be funded from Armenian budget. The construction's prime contractor at this stage of the project is the Iranian Sanir Company.
> ArmRosgazprom on its behalf plans to invest 52bn drams (about $144.5mln) in increasing the carrying capacity of the Armenian gas-transporting system at the section Kajaran-Ararat. Increasing the system's carrying capacity will let import to Armenia about 2.3bn cubic meters of Iranian natural gas annually, starting as early as in 2008. Today, the system allows import of about 300-400mln cubic meters of Iranian gas.

. It is sad to note that this happened just before the Armenian Prime Minister died.

Maybe, if Gazprom takes a hand, the pipeline to carry Iranian gas to India may finally happen.

> "No country can debar India from this project. We are committed to this," Deora said during a visit to India's financial capital Mumbai.
> His comments follow reports that US Energy Secretary Samuel Bodman, during a visit here this week, had urged India to drop plans to construct the pipeline saying it would help Iran build nuclear weapons.
> Deora did not give any timeframe for completion of the pipeline though last month he said an agreement on the pipeline could be signed by June.

But don't hold your breath about the near-term prospects for the pipeline. And, unfortunately for India, Myanmar is also refusing to sell gas to them, even though they are close.

> Myanmar last week told an Indian delegation that it wants to sell gas from off-shore block A-1 and potential discoveries in A-3 block to China, highly placed sources said.

India's ONGC Videsh Limited and GAIL have 30 per cent stake in A-1 and A-3 blocks, while South Korea's Daewoo is the operator with 60 per cent stake.

South Korea's KoGas has the remaining 10 per cent interest.

China has told Myanmar that it will lay about 900 km pipeline in Myanmar to transport the gas from the off-shore area to Myanmar-China border.

The distance from the gas field to India-Myanmar border is just 290 kilometres, making it the most economical export option but Myanmar's military leadership preferred to go with China.

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