
Russia launches Far East pipeline and eyes Exxon gas

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Reuters reported that Russia will push ExxonMobil Corp hard to secure gas for a new pipeline in the Far East after Prime Minister Mr Vladimir Putin called recently for domestic energy needs to take priority over exports.

Russian gas export monopoly Gazprom has begun welding a major trunk pipeline to link offshore gas fields around the Pacific island of Sakhalin with the port of Vladivostok. Gazprom needs gas from the ExxonMobil led Sakhalin 1 project to fill it.

Mr Putin said at a ceremony to mark the launch of construction that “I would like to stress that the domestic market will be a priority for the gas from East Siberia and the Far East.”

Exxon signed its Sakhalin-1 deal with Russia in the early 1990s under a production sharing agreement that guarantees stable returns regardless of changes in legislation and exempts the US energy major from Gazprom export monopoly on gas.

The 1,350 kilometers first phase of the Sakhalin-Khabarovsk-Vladivostok pipeline is due to come on stream in the Q3 of 2011, but Gazprom and ExxonMobil have yet to agree on gas supplies.

Mr Alexander Ananekov deputy chief executive told Mr Putin after the inauguration ceremony that “We will need to work intensively with Exxon to obtain these 8 to 10 billion cubic meters of gas from Sakhalin-1.”

Mr Putin questioned Mr Ananekov on whether Gazprom can guarantee gas supplies for domestic consumers such as the new car assembly line built by car maker Sollers, which has just received a USD 158 million loan from state bank VEB. Mr Ananekov responded by saying Gazprom did not have gas for Sollers because it could not contract enough for the new pipeline from the operators of the Sakhalin-1 consortium. He asked for state help.

Mr Ananekov later told Reuters in an interview that Gazprom is hoping to conclude negotiations with Exxon this year..

Gazprom plans to build a liquefied natural gas plant near the pipeline’s southern terminus in Vladivostok which would produce gas for export by sea to Asia. It launched Russia’s first LNG plant this year linked to the separate Sakhalin-2 project.

(Sourced from Reuters)

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