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Russian Gazprom reveals costs of its gas pipeline investments

On 13 May, in line with with government regulations about the disclosure of data by monopoly providers of transport services, Gazprom for the first time published information confirming the views of experts that the costs of implementing the company's gas pipeline projects are many times higher than similar investments in Europe and the USA. Several private companies are the direct beneficiaries of overblown costs of constructing pipelines in Russia.

The data published involve cost estimates of the company's most important current projects in Russia. According to Gazprom's estimates, they will cost a minimum of US$56 billion. For example, Gazprom estimates the investments in the pipeline system which will deliver gas from Yamal to the Nord Stream main (via the Bovanienkovo–Ukhta–Gryazovets–Vyborg gas pipelines) at around US$33 billion, and the costs of the Far East (Sakhalin–Khabarovsk–Vladivostok) route at US$15.6 billion. The costs of building 1 km of pipeline from Sakhalin (over US$9 million) are significantly higher than the cost of the construction of European pipelines (for example, the NEL pipeline runs at about US$3 million per km), while the price of 1 km of gas pipeline from Yamal (US$15 million) exceeds that of the more complex project in Alaska (the Denali pipeline, which runs at around US$10 million per km). This inflation in the cost of the pipeline projects benefits their contractors, originally Gazprom-owned companies (such as Stroygazmontazh, Stroytransgaz, Stroygazkonsulting), which the parent company sold to acquaintances of Prime Minister Putin. <EPA>