

Ukraine: Naftogaz and Gazprom announce the establishment of joint ventures

Yevhen Bakulin and Aleksei Miller, the heads of Naftogaz and Gazprom, have signed a memorandum establishing a joint venture for methane extraction. Both parties have also announced the establishment of a new company to extract gas from the Black Sea shelf. Although Ukraine has the potential to increase its own gas production significantly, the companies are unlikely to contribute to that because this is contrary to Gazprom's interests. Naftogaz and Gazprom will each have an equal share in the joint venture. The company is to explore fields and extract methane from coal deposits in Ukraine. According to Miller, the joint venture is to be established at the beginning of next year. The second company is to produce gas near the Kerch Strait, where the estimated deposit is around 75 billion m³. Neither Gazprom nor Naftogaz have the technologies necessary to enable gas production (according to the memorandum, the technologies are to be developed jointly).

It seems that the establishment of the joint venture will not lead to a significant increase in gas production in Ukraine. The Ukrainian government is treating this as a gesture towards Gazprom, proving its willingness to establish closer co-operation. In turn, Gazprom, which supplies its own gas to Ukraine, is not overly interested in stimulating domestic gas production in Ukraine (at least not in the short term). At the same time, the establishment of the joint venture may become a test of the possibilities for co-operation before Russia is admitted to the Ukrainian natural gas production and sales markets, an option Ukraine is considering at the moment. <smat>