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Rosneft plans to expand in the LNG sector

Szymon Kardaś, Rosnieft' planuje ekspansję w sektorze LNG

On 13 February, representatives of the Russian company Rosneft and the US company ExxonMobil signed an agreement extending the scope of bilateral cooperation agreements which they agreed to in August 2011 and April 2012.The new agreement provides for a six-fold increase in the Russian shelf space designated for joint exploitation; Rosneft's participation in extraction projects in Alaskan deposits owned by ExxonMobil; and a joint feasibility assessment concerning projects related to the production of liquefied natural gas (LNG) terminals in the Russian Far East (mainly in the Sakhalin-1 deposit). On the same day, a meeting of the presidential Commission for Strategic Development of the Fuel and Energy Sector and Environmental Security was held, in which Rosneft's chairman, Igor Sechin, for the first time publicly supported the demand to restrict Gazprom's export monopoly with respect to LNG. In addition, on 17-19 February a Rosneft delegation visited China, South Korea and Japan, during which representatives of the Russian company offered to include Chinese companies in LNG projects being undertaken in Russia.

Commentary

- Rosneft's recent actions testify to its determination to expand into the LNG sector. The largest state-owned oil company has become involved in energy projects on the Russian continental shelf, and a large proportion of the licenses it has acquired (which currently total 43) concern the operation of gas or oil & gas fields.

- The implementation of LNG projects, especially those in the Russian Arctic continental shelf, will be impossible without the participation of foreign partners who can provide both appropriate technologies and investment capital. A new agreement between Rosneft and ExxonMobil is intended to help this process (7 out of the 12 new licenses Rosneft acquired on 31 January will be operated in conjunction with ExxonMobil). Meanwhile the attempts to attract Asian partners (especially from China) is intended to help with obtaining the funds necessary to finance costly projects. Furthermore, China, South Korea and Japan are seen as potential markets for the LNG to be produced in the future.

- Rosneft's determination to gain a significant position in the LNG sector is also demonstrated by the support it has given to those independent gas producers (especially Novatek) which have called for a limitation on Gazprom's export monopoly. Sechin's position could have an influence on the attitude of Vladimir Putin, who at a meeting of the presidential commission acknowledged the need to consider the gradual liberalisation of the export of Russian LNG. This statement effectively defines the limit to Gazprom's legal privileges, by introducing exemptions for other companies (in terms of selected projects or export directions). This proposed change will be crucial for the prospects of Russian LNG projects.

- Rosneft's activation in the LNG sector could have a significant impact on the dynamics of change in the Russian energy sector. Its consequences could include a further weakening of Gazprom, and the increasing influence of Rosneft and independent gas producers (mainly Novatek).