

Russia, Japan Agree to Move Ahead on LNG Project

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VLADIVOSTOK, Russia (AP) — Russia and Japan are putting energy cooperation ahead of a longstanding territorial dispute as they move ahead with a long-awaited liquefied natural gas project in this far eastern seaport.

Russian President Vladimir Putin and Japanese Prime Minister Yoshihiko Noda oversaw the signing of a memorandum for the \$13 billion project with Japan's Agency for Natural Resources and Energy on Saturday, on the sidelines of a Pacific Rim summit, Russian oil and gas giant Gazprom said.

The project "will have a great meaning for developing the eastern part of the Unified Gas Supply System of Russia as well as raising Russian gas supplies to Asia-Pacific markets including Japan," Alexei Miller, Gazprom's chairman, said in a statement.

"I would like to emphasize that the Japanese market has an advantageous size and is considered a top priority in the Far East," Miller said.

Japan used 83 million tons of LNG in 2011, accounting for 14 percent of its total energy use. Almost all the natural gas Japan uses is in the form of LNG.

Gazprom is the world's largest producer of gas, but its pipeline gas business has been hard hit by sliding demand for gas while competing liquefied natural gas carried by ship has flooded European markets. Gazprom relies on pipelines and long-term pricing agreements.

Miller forecast that Gazprom's exports of natural gas to the Asia-Pacific would soon exceed the volume sold to Europe.

"Taking into account the dynamics of the growth of gas demand in the Asia-Pacific region, now the decisions will be considerably accelerated," Miller said.

Japan and Russia appear to be making at least some headway on their tussle over islands north of Japan claimed by both sides. Deputy ministers are to meet later this fall to discuss the issue with the aim of eventually signing a peace treaty, officials said Saturday on the sidelines of the Asia-Pacific Economic Cooperation forum, which is holding its annual summit in Vladivostok.

The two sides agreed to ban crab poaching in the Sea of Okhotsk and signed an agreement on building a timber processing factory in Siberia. Meanwhile, Noda and Putin agreed to arrange a visit by the Japanese leader to Russia by December, said a senior Japanese official who briefed journalists about the talks.

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Published on Chem.Info (<http://www.chem.info>)

The two sides want to resolve their differences in a "quiet and constructive atmosphere," the official cited Noda as saying.

Gazprom and its partners have conducted a feasibility study on transmission and marketing of natural gas and chemical products in the Asia-Pacific region.

Japan Far East Gas Co., the consortium participating in the government-backed project, includes Itochu Corp., Japan Petroleum Exploration Co., Marubeni Corp., Inpex Corp. and Itochu Oil Exploration Co.

Gazprom plans to extend a natural gas pipeline from Sakhalin to Vladivostok to a seaside terminal where the gas would be processed for shipment to Japan and other markets. The new project, if completed, would have a capacity of 10 million tons annually, doubling Gazprom's capacity from its sole other plant, on Sakhalin.

As with other energy deals, the success of the project will depend on the two sides reaching an agreement on pricing. Discord over pricing has held up projects with the Chinese, delaying earlier pipeline deals.

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