

## LNG | UKRAINE

## Ukraine's LNG project seeks investors

Interfax staff

UKRAINE is looking for new investors for its planned LNG import terminal, which is facing a number of challenges due to the country's uncertain investment climate.

Ukrainian President Viktor Yanukovich visited Brazil in October, where he presented the plans for the LNG terminal to the business community in São Paulo. "Participation of Brazilian companies in this project is essential for us. So, I invite you to become its strategic investors," said Yanukovich on 24 October.

The LNG project is aimed at diversifying gas supplies to Ukraine and utilising the national Gas Transportation System (GTS) as an alternative transit corridor for transporting of Caspian gas to Europe. Spanish engineering company Socoin Ingenieria y Construccion won the feasibility study tender for the LNG terminal in Ukraine in September. The terminal's capacity is expected to reach 10 billion cubic metres with 2017 as the estimated time of completion.

"The project provides an opportunity to expand alternative channels of gas supplies to Europe via the existing pipeline system of Ukraine. This project is important for the development of European security," said Yanukovich.

The feasibility of the LNG terminal will depend on a stable investment climate, said Christof Van Agt, senior researcher at the Netherlands Institute for International Relations/Clingendael. "Successful attraction of foreign investments in Ukrainian LNG re-gasification depends on improvements in the investment climate and domestic gas market reforms in line with the European Union and the International Monetary Fund's recommendations," he added.

A reliable and transparent Ukrainian gas market was in the interest of European gas markets too, Van Agt said. "More diverse supplies will add to overall gas market resiliency but finding a balance of interests with Russia and the European

Union, however, remains crucial."

Nevertheless, the potential LNG project in Ukraine is likely to be challenged by the recent Intergovernmental Agreement (IGA) between Turkey and Azerbaijan signed on 25 October in Izmir, Turkey. The IGA served as an umbrella for a number of commercial agreements, covering the transit of gas from Shah-Deniz Phase 2 gas project via Turkey, and the delivery of Azerbaijani gas to the Turkish customers.

The agreement is proof that Azerbaijan is comfortable working with Turkey, a key energy transit hub. It is also likely that additional gas from Azerbaijan and from Turkmenistan, if the trans-Caspian interconnector is built, will be transported via Turkey. That could reduce the importance of alternative transit routes such as Ukraine's LNG terminal using the GTS and the Azerbaijan-Georgia-Romania Interconnector (AGRI). AGRI, with LNG terminals built in Georgia and Romania, has also been proposed as an alternative route to deliver Azerbaijani gas to Europe.

Ukraine produced around 20 bcm of gas in 2010, while consumption was just under 57 bcm. The shortfall between demand and supply was all imported from Russia. The proposed LNG terminal would help reduce Ukraine's dependency on Russian gas imports, however, it is unclear whether Ukraine would be able to count on gas from the Absheron field.

Professor Andrey Konoplyanik of the Russian State Oil & Gas University has said that the project was technically possible, but not economically viable. LNG supplies "are not profitable on short distances and building an LNG terminal in a transit country [such as Georgia] might be a sensitive issue from a point of view of an energy producer [such as Azerbaijan]," he told *Interfax* on 30 September. ■

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Natural Gas Daily is published daily except during the last week of December by Interfax Ltd. ISSN 2048-4534.

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## Europe in brief

An ban on shale gas development in the Netherlands is unlikely, Christof Van Agt, a senior researcher at the Netherlands Institute International Relations/Clingendael said last week. Dutch press agency ANP reported on 25 October that local residents

and Dutch bank Rabobank managed to persuade the court to prohibit exploratory drilling for shale gas in the vicinity of Boxtel. UK-based **Cuadrilla Resources** obtained the permits from the government and local authorities in Boxtel, but had to stop the

drilling. However, the court decision in the Netherlands was "based on the notion that the municipal allowance for the temporary use of agricultural land was in conflict with the exploration activities, in this case for shale gas", said Van Agt.