
Gazprom ready to buy Azerbaijani gas at market prices - envoy

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Russian energy giant Gazprom [RTS: GAZP] is prepared to buy Azerbaijani natural gas at European market prices minus transport expenses, Russia's ambassador to the South Caucasus country said on Wednesday.

A Gazprom delegation visited Azerbaijan on Monday and the company's CEO, Alexei Miller, who met with Azerbaijani President Ilham Aliyev, made a proposal to buy Azerbaijani gas at market prices on the basis of long-term contracts.

Vasily Istratov said Gazprom's proposal to Azerbaijan was a commercial offer which also included a political aspect as the issue was being discussed at the political level.

"In any case, an agreement must provide a guarantee that a contract will be for long term supplies and its parameters will not be altered. But in any case, a decision will be made by the supplier, in this case, by Azerbaijan," Istratov said.

According to some expert estimates, the average price of wholesale natural gas supplies to European consumers may rise considerably by late 2008 under long-term contacts to reach \$360 per 1,000 cu m, or \$354 per 1,000 cu m according to Gazprom's figures.

Rovnag Abdullayev, president of the State Oil Company of Azerbaijan, said earlier that the South Caucasus republic was studying Gazprom's offer to buy Azerbaijani gas at market prices along with proposals to supply natural gas for the Nabucco and Trans-Adriatic gas pipeline projects.

Azerbaijan is considered as a potential natural gas supplier for the Western-backed Nabucco project designed to pump 20-30 billion cubic meters of natural gas annually from Central Asia, under the Caspian Sea, then through Azerbaijan, Turkey, Bulgaria, Romania, Hungary and Austria, bypassing Russia.

The Trans-Adriatic project is intended to build a pipeline to pump natural gas from the Caspian Sea to Italy through Greece and Albania under the Adriatic Sea. The Swiss firm EGL-AXPO, the project's operator, plans to involve Azerbaijan as a natural gas supplier for the pipeline.

Azerbaijan's natural gas reserves are estimated at 1.5 trillion cubic meters.

Azerbaijan is developing its giant Shah Deniz field, with gas reserves of over 1 trillion cubic meters, under a production-sharing agreement signed in 1996.

Seven companies, including BP, Norway's Statoil, France's Total and the State Oil Company of Azerbaijan are involved in the project.

The Shah Deniz field is expected to yield 8 billion cubic meters of natural gas this year.
