
Russia: Economic News

SAKHALIN-II PROJECT TO START LNG SUPPLIES TO JAPAN IN EARLY 2009

/NOV 23/RIA Novosti/

Liquefied natural gas supplies to Japan under the Sakhalin-II oil and gas project off Russia's Pacific Coast will start in February next year, a Gazprom senior official said on Sunday.

"An official ceremony of filling the first tanker with liquefied natural gas is scheduled for February 19," said Alexander Medvedev, deputy chairman of the Gazprom management committee and head of Gazprom Export.

Medvedev said the first stage of the liquefied natural gas plant in Sakhalin would be launched in 2009 and the second stage in 2010.

The \$20 billion Sakhalin II project includes the Piltun-Astokhskiye and Lunskiye oil and gas fields on Sakhalin Island's northeastern shelf, with recoverable reserves estimated at 150 million tons (1.1 billion bbl) of oil and 500 billion cubic meters of natural gas.

The minority partners in the project, Royal Dutch Shell, Mitsui and Mitsubishi, currently hold 27.5%, 12.5% and 10% stakes in the project respectively. Gazprom acquired a controlling stake (50% plus one share) in the project in December 2006.

RUSSIA, U.S. AGREE TO CONTINUE COOPERATION DESPITE DISAGREEMENTS

/NOV 23/RIA Novosti/

The Russian and U.S. leaders have agreed to continue cooperation despite existing disagreements, Russian Foreign Minister Sergei Lavrov said on Sunday.

Russian President Dmitry Medvedev and his U.S. counterpart George W. Bush met in the Peruvian capital on Saturday as part of a two-day summit of the Asia-Pacific Economic Cooperation (APEC) forum.

"Both presidents said that disagreements persisted in relations between the two countries but there was unanimous desire to deal with the solution of practical issues important for both countries and for the entire international community," Lavrov said.

Lavrov said consultations between Russia and the United States on the U.S. plans to deploy missile shield elements in Central Europe would be held in December.

"We discussed the missile shield issue with U.S. Secretary of State Condoleezza Rice. Consultations will be held in December," Lavrov said.

Moscow has fiercely opposed the planned deployment of 10 interceptor missiles in Poland and a radar in the Czech Republic saying they will pose a threat to its security. Washington has said the bases are needed to counter possible strikes from "rogue" states like Iran.

The two countries have held a series of talks on the issue, but failed to reach a compromise.

The Russian president earlier threatened to deploy Iskander-M short-range missiles in the country's Kaliningrad exclave, which borders NATO members Poland and Lithuania, if the U.S. missile defense system was deployed in Central Europe.

Lavrov also said the Russian and U.S. leaders would come out with proposals to jointly fight pirate attacks on merchant vessels off Somalia.

Pirates are increasingly active in the waters off Somalia, where more than 60 ships have been attacked so far this year resulting in the seizure of around 30 vessels. The East African nation has been without a functioning government since 1991 and has no navy to police its coastline.

International concern over shipping safety in the region has risen since a huge tanker carrying up to 2 million barrels of Saudi oil was seized last week.

VENEZUELA, RUSSIA EXPECTED TO SIGN ENERGY DEAL NOV. 26

/NOV 24/RIA Novosti/

Venezuela's Petroleos de Venezuela (PDVSA) will sign a "strategic" cooperation agreement with Russian oil and gas companies to create a joint energy consortium, the Venezuelan energy minister said on Monday. The bilateral cooperation agreement is expected to be signed during a two-day visit to Venezuela by Russian President Dmitry Medvedev on Wednesday, said Rafael Ramirez, who also heads state-owned PDVSA. Gazprom will head the Russian half of the consortium, which will include state-run oil giant Rosneft, British-Russian joint oil venture TNK-BP, Surgutneftegas, a Siberian oil and gas producer, and the country's largest independent crude producer LUKoil, Stanislav Tsygankov, head of the Russian energy giant's international relations department, said earlier. Earlier Russian Energy Minister Sergei Shmatko said that once the Russian consortium has been established, a joint Russian-Venezuelan oil and gas conglomerate led by PDVSA, who will hold a controlling stake, is expected to be set up. The joint consortium, which is due to be established by next spring, could become an oil and gas leader in Latin America, Shmatko said. He also said investment in the project is expected to top "tens of billions of dollars."

Venezuela is one of the world's largest oil producing states, with about 87 billion barrels of proven conventional oil reserves. In addition, it has huge non-conventional oil deposits (heavy oil). Most of these deposits are located in the Orinoco oil belt.

RUSSIA'S GAZPROM SAYS COULD SUE UKRAINE OVER GAS DEBT

/NOV 24/RIA Novosti/

Gazprom has prepared documents to take legal action against Ukraine over its unpaid gas debt, a senior official at the Russian energy giant said, adding a compromise would be the better option. Gazprom CEO Alexei Miller said last week Ukraine's gas debt stood at \$2.4 billion, and talks with Kiev have shown no progress. The Russian president also stressed the importance of receiving full payment for gas supplies given the financial pressure on Russia due to the credit crunch and falling oil prices. Speaking on the sidelines of the APEC forum in the Peruvian capital, Alexander Medvedev, first deputy chairman of Gazprom's management board, said the company could lodge a suit with an international court without going into any detail. "We have developed an unpleasant tradition of seeing in the New Year at the negotiation table with colleagues from Ukraine," Medvedev said referring to previous gas disputes. "This year, however, we are hoping for better things."

The Gazprom executive's statement echoes President Dmitry Medvedev's remarks in Lima that Russia could seek to retrieve payment from Ukrainian buyers for Russian-supplied gas through the courts. Ukraine's fuel and energy minister said on Monday the country had not received notification from Gazprom about any legal action. "Reports have said today that a lawsuit will be filed, but we have received no formal documents [confirming the suit]," Yuriy Prodan said. Prodan admitted "problems" in gas relations, but said they were "current transactions."

Ukrainian Prime Minister Yulia Tymoshenko earlier denied the country owed anything to Gazprom, blaming a complicated supply scheme and urged a switchover to direct supplies. Medvedev also said in Lima that Gazprom would not negotiate a new gas contract with Ukraine until it had paid off its debt for supplied gas. "A new agreement on gas supplies to Ukraine can only be discussed once the debt for supplied gas has been paid," the executive said.

In mid-February, Russia and Ukraine agreed to remove intermediaries from their gas deals, which Kiev had blamed for the accumulation of its debt, but the countries are still to agree on a pricing formula. Miller said earlier the price of gas that Gazprom sells to Ukraine could rise to over \$400 per 1,000 cubic meters as of the start of next year, from the current \$179.5.

The gas pricing row between the former Soviet allies at the start of 2006 led to a brief cut in supplies to Ukraine, which also transits about 80% of Russia's Europe-bound gas. Some consumers in Europe reported a decline in supplies.

Miller moved to allay European consumers' concerns this year. In an interview with German media on Monday, he said the debt dispute with Ukraine would not influence supplies to Europe.

"Such fears are groundless," he said. "Irrespective of the results of gas talks with Ukraine, Gazprom guarantees reliable supplies to its European customers.

"We will fulfill all our export obligations."

RUSSIA LOOKS TO JOINT ENERGY PROJECTS WITH PERU

/NOV 24/RIA Novosti/

Russia's president told his Peruvian counterpart on Monday that Russia wants to develop joint bilateral energy and military cooperation.

"We are interested in developing cooperation in energy, the mining industry, nuclear power, space, and oil and gas transit, and we are ready to develop contracts in military and technical cooperation," Dmitry Medvedev told Alan Garcia.

The Russian president noted that the two countries are preparing to sign several bilateral agreements. However, he said negotiations have been held back over several issues, including double taxation for Russian energy giant Gazprom.

He also said that the weekend summit of the Asia-Pacific Economic Cooperation (APEC) forum in Lima, and ongoing Russian-Peruvian bilateral contacts, would help the sides cooperate in measures to see them through the credit crisis.

"The global financial crisis, which is not linked with our own activities, but the outcome of which we have to tackle together, is a challenge for which we have to provide a strong and effective response," Medvedev said.

He also expressed hope that trade between Russia and Peru could reach "billions of dollars" in the future, and proposed that Russia and Peru sign other agreements.

"We will have to sign agreements on mutual recognition of diplomas, on investment protection, and on avoiding double taxation," he said.

The president invited Garcia to pay an official visit to Russia.

RUSSIA HOPES TO SELL 60 SUPERJET-100 AIRLINERS IN 2010

/NOV 25/RIA Novosti/

Russia's United Aircraft Corporation plans to sell 60 new Superjet-100 medium-haul airliners in 2010 and 70 more in 2012, the government said in a program published on Tuesday. (Sukhoi SuperJet 100 - Image gallery)

"As the serial production of the Superjet-100 is to start, we expect 60 aircraft to be supplied to customers in 2010 and 70 in 2012," the program for the development of the aircraft industry until 2012 said.

The Superjet-100 project is a family of medium-haul passenger aircraft developed by a leading Russian manufacturer, Sukhoi, in cooperation with U.S.

and European aviation corporations, including Boeing, Snecma, Thales, Messier Dowty, Liebherr Aerospace and Honeywell.

Sukhoi said earlier there were at least 100 firm orders for the aircraft, which are due to complete certification flights in the second half of 2009. Sukhoi, which is part of the United Aircraft Corporation (UAC), plans to manufacture at least 700 Superjet 100s, and intends to sell 35% of them

to North America, 25% to Europe, 10% to Latin America, and 7% to Russia and China.

The UAC also plans to sell a total of 20 Tu-204 medium-haul passenger airliners and their modified Tu-214 versions, and another 33 aircraft in 2012 under the program, which is designed to encourage civilian aircraft production.

The UAC was established in November 2006 to help overcome a crisis in Russia's aircraft industry, and incorporates commercial and military aircraft makers including Ilyushin, Tupolev, Sukhoi, Antonov and Mikoyan, as well as companies involved in distribution, including Aviaexport.

MEDVEDEV FORECASTS ECONOMIC GROWTH AT 7% IN RUSSIA IN 2008

/NOV 25/RIA Novosti/

RIO DE JANEIRO- Russia's economic growth will reach around 7% in 2008, President Dmitry Medvedev said on Tuesday at a meeting between representatives of Russian and Brazilian businesses.

"Economic growth will remain at a level of 7%, although everybody will face certain difficulties," Medvedev said.

Medvedev, currently in the middle of a Latin American tour, also said the opening next year of a representative office of Russian energy giant Gazprom in Brazil would boost bilateral oil and gas cooperation.

He also urged action to adopt a convention on the avoidance of double taxation between Russia and Brazil, which should spur up bilateral economic contacts.

The European Bank for Reconstruction and Development said earlier on Tuesday that Russia's gross domestic product was expected to grow 7.3% in 2008.

'RUSSIA AND OPEC MAY JOIN FORCES'

/NOV 26/press tv/

Russian Energy Minister raises the possibility of cooperation between Moscow and OPEC The plummeting price of crude could see Russia and OPEC join forces and attempt to stabilize the international market for oil. The Russian Energy Minister, Sergei Shmatko, said yesterday that his country is looking at harmonizing investments and policies with the Organization of Petroleum Exporting Countries (OPEC) in order to control the oil market more efficiently.

The minister was speaking at an India-CIS conference on hydrocarbons in New Delhi. When asked if Moscow was looking at following OPEC's lead and cutting production in a bid to boost oil prices, Shmatko conceded, "We cannot rule out cutting down production."

The global price of crude has been hovering around \$50 a barrel for the past week, down two-thirds from the July 11 record high of \$147.27.

In October, OPEC decided to cut daily output by 1.5 million barrels to 27.3 million barrels in an attempt to halt the decline in price, and there have been widespread calls for further reductions, most recently from Venezuelan President, Hugo Chavez.

The falling price of oil and the global financial crisis has taken its toll on Russia, the world's second largest crude exporter after Saudi Arabia. The country's mature oil fields are in need of new investment but credit for new projects has dried up, and the currency reserves built up when energy prices were soaring are now being depleted.

"I would like to say that many of the budgets of oil producing countries have been balanced based on the oil price band of between \$70 to \$90 per barrel," Shmatko said. "Russian investment has also been budgeted at \$70 per barrel."

The minister warned that 2009 is going to be a difficult year for oil markets struggling to deal with the consequences of the world financial crisis, saying, "How long this situation will last is difficult to say. The year 2009 is going to a difficult year as there will be pessimistic views and recession in oil markets."

Despite the current low price of crude on international markets, the Russian Energy Minister confirmed that he expected prices to fall significantly further.

UKRAINE PLEDGES TO PAY RUSSIA \$380 MLN FOR SEPT. GAS DEBT

/NOV 26/RIA Novosti/

KIEV, November 26 (RIA Novosti) - Ukraine's national oil and gas company Naftogaz said on Wednesday it would repay a \$380 million debt to Russia for gas supplied in September by the weekend.

"We'll repay the \$380 million for September by the weekend and will then start repaying our October arrears," Ihor Didenko, deputy chairman of the Naftogaz management board, said.

Russian state-run energy giant Gazprom said on Tuesday that Naftogaz had pledged to repay its debt for Russian gas supplies in September and partially for October by December 1. The statement followed talks between Gazprom CEO Alexei Miller and Naftogaz head Oleh Dubina.

Russia has put Ukraine's debt at \$2.4 billion, including fines and arrears. Until recently, the gas was sold via the Swiss trader RosUkrEnergo, in which Gazprom holds a 50% stake.

RosUkrEnergo was established in July 2004 on a parity basis between Gazprom and Naftogaz as the exclusive supplier of natural gas to Ukraine.

Didenko said Naftogaz owes RosUkrEnergo around \$2 billion. Naftogaz Deputy Board Chairman Volodymyr Trikolych said last week the company's debt to RosUkrEnergo stood at around \$1.3 billion and that Naftogaz had no debt to Gazprom.

Russian President Dmitry Medvedev ordered Gazprom last week to recover Ukraine's debt, stressing the importance of receiving full payment for gas supplies given financial pressure on Russia due to the credit crunch and falling oil prices.

Ukraine currently pays \$179.5 per 1,000 cubic meters for gas imported from Russia or via Russian territory. "If we switch to free market relations in the sphere of gas supplies, the price for Ukraine could be more than \$400 as of January 1, 2009," Gazprom CEO Miller told Medvedev last week.

Russian Prime Minister Vladimir Putin and his Ukrainian counterpart Tymoshenko agreed at the start of October on a memorandum for direct gas supplies from Gazprom and Naftogaz with a gradual shift to market prices. The full repayment of Ukraine's gas debt was fixed as a condition.

OIL RISES AS RUSSIA THREATENS CUT

/NOV 26/BBC NEWS/

Oil prices have risen slightly after Russia said it might join producers' cartel Opec in cutting output.

"Russia will co-ordinate with Opec to defend its interests," said Russian energy minister Sergei Shmatko.

Russia, one of the world's leading oil exporters, is not a member of the cartel, which will meet this week to decide whether to cut output further.

US light, sweet crude climbed 23 cents to \$51.00 a barrel. Brent crude rose 32 cents to \$50.67 in early trading.

On Tuesday oil prices had fallen by more than \$3.50 a barrel.

Demand fears

Analysts say that the latest steps taken by governments to boost the global financial market and economy have had little effect on oil prices.

"There's been a lot of money thrown at the system and it hasn't done a lot yet," said Mark Pervan at ANZ bank in Melbourne.

Oil markets fear that the global economic downturn will dramatically reduce demand for crude.

The price of oil has fallen sharply from its record of more than \$147 a barrel in July.

Opec, which accounts for about 40% of global oil production, cut output by 1.5 million barrels a day last month, but the move failed to stop prices from declining.

Russian output

Some of the cartel's members have been calling for a new cut at an Opec meeting in Cairo on 29 November.

Russia has been criticised by some analysts for increasing output for several years while Opec was cutting production to support oil prices. Russia's Ural crude oil costs now less than \$50 per barrel, while the Russian budget assumption for this year is \$75 a barrel and for \$95 a barrel in 2009.

The country's oil output stood at 491 million tonnes (3.7 billion barrels) in 2007 and will stay at the same level in 2008, according to a revised government forecast.

RUSSIA WELCOMES BRITAIN'S G20 SUMMIT PLANS

/NOV 26/RIA Novosti/

The Kremlin welcomed on Wednesday Britain's announcement that it will host a summit of the G20 countries on April 2 on the global financial crisis, and said President Dmitry Medvedev would attend.

British Prime Minister Gordon Brown told the House of Commons earlier in the day that the meeting of leading and emerging economies in London would tackle "major questions of economic action."

Kremlin aide Arkady Dvorkovich told reporters in Moscow: "We hope that the summit in London will help continue the work begun in Washington, in particular on the theme of international financial markets, and also on a new international financial architecture. We hope that specific decisions will be made on a range of key issues."

During the Washington summit on November 15, leaders of the G20, along with World Bank and International Monetary fund officials, agreed on several broad goals to avert major economic collapse and to revive global growth. The G20 countries, comprising 19 of the world's largest economies plus the European Union, account for 90% of the global economy. Britain will take over the chairmanship of the G20 in 2009.

Brown told parliament on Wednesday: "I have spoken to the incoming U.S. administration and President-elect Obama expects to come to Britain at that time."

UKRAINE TO BUILD UP DEFENSES ON RUSSIAN BORDER - PAPER

/NOV 26/RIA Novosti/

Ukraine is planning to deploy more troops on its border with Russia in light of the recent military conflict in the Caucasus, a Ukrainian business daily said on Wednesday.

Russia and Georgia fought a brief war in August after Tbilisi launched an attack on breakaway South Ossetia in a bid to bring it back under central control. Russia says that Ukraine supplied Tbilisi with weaponry during the conflict, and also sided with the West in support of Georgia.

"The events in the Caucasus have forced every country in this region to think about security. It turns out that not everything is so calm, that even Europe may experience military conflicts," Ukrainian Defense Minister Yuriy Yekhanurov was quoted as saying by Delo, a Russian-language business newspaper.

Yekhanurov said the plans for a redeployment of troops could be ready by the end of this week, but they should be first approved by the government and President Viktor Yushchenko.

The minister has reportedly singled out raising the combat readiness of air defense units and increasing security around strategically important facilities as priority tasks for 2009.

According to the Delo, Ukraine could initially increase the number of air defense units near the Russian border by redeploying them from its western regions. The modernization of the existing S-300, Buk-M1, Osa and Tunguska air defense systems is also on the agenda.

The redeployment and modernization plans could be hampered, however, by a lack of financing exacerbated by the global financial crisis, the paper added.

RUSSIA'S MEDVEDEV EXPECTS \$10 BLN TRADE WITH BRAZIL

/NOV 26/RIA Novosti/

Trade between Russia and Brazil will soon reach \$10 billion annually, Russian President Dmitry Medvedev said on Wednesday.

"Our trade relations have already reached the level of \$6 billion. This year we have a chance to exceed this figure, and soon reach 10 billion dollars," said Medvedev, who is currently on an official visit to Brazil. In 2007, bilateral trade was \$5.2 billion.

Earlier in the day, Medvedev met with his Brazilian counterpart, Luiz Inacio Lula da Silva.

After the talks, he told reporters that Russia and Brazil should create a "technological alliance".

"I believe the task of forming a technological alliance between the Russian Federation and Brazil can be successfully fulfilled, and very soon," he said.

The Russian leader said the sides are not only interested in raw materials cooperation, but could also interact in hi-tech projects in the power industry, space research, telecommunications, and military and technical cooperation.

The head of the Russian military-technical cooperation service said Wednesday that Brazil has shown an interest in buying Russian military hardware, in particular aircraft and armored vehicles.

FSVTS chief Mikhail Dmitriyev told RIA Novosti that a framework intergovernmental agreement would be signed on the issue.

RUSSIA, VENEZUELA INK NUCLEAR COOPERATION DEAL

/NOV 27/RIA Novosti/

Russia and Venezuela have signed a nuclear energy cooperation agreement, the Russian state nuclear corporation said on Thursday.

The deal was signed by Venezuelan Energy and Petroleum Minister Rafael Dario Ramirez Carreno and Rosatom head Sergei Kiriyyenko on Wednesday in the presence of Russian President Dmitry Medvedev and his Venezuelan counterpart Hugo Chavez.

The document provides a framework for cooperation in thermonuclear fusion, the safety of nuclear facilities and radiation sources, as well as the design, development, construction, operation and decommissioning of research reactors and nuclear power plants.

It also deals with the use of radioisotopes in industry, medicine, and agriculture, the prospecting and development of uranium deposits, and the development of nuclear infrastructure.

Dmitry Medvedev arrived in the Venezuelan capital late on Wednesday for a two-day visit, the first by a Russian head of state for 150 years.

The two countries also signed a 25-year intergovernmental agreement on cooperation in oil, gas and power generation.

