

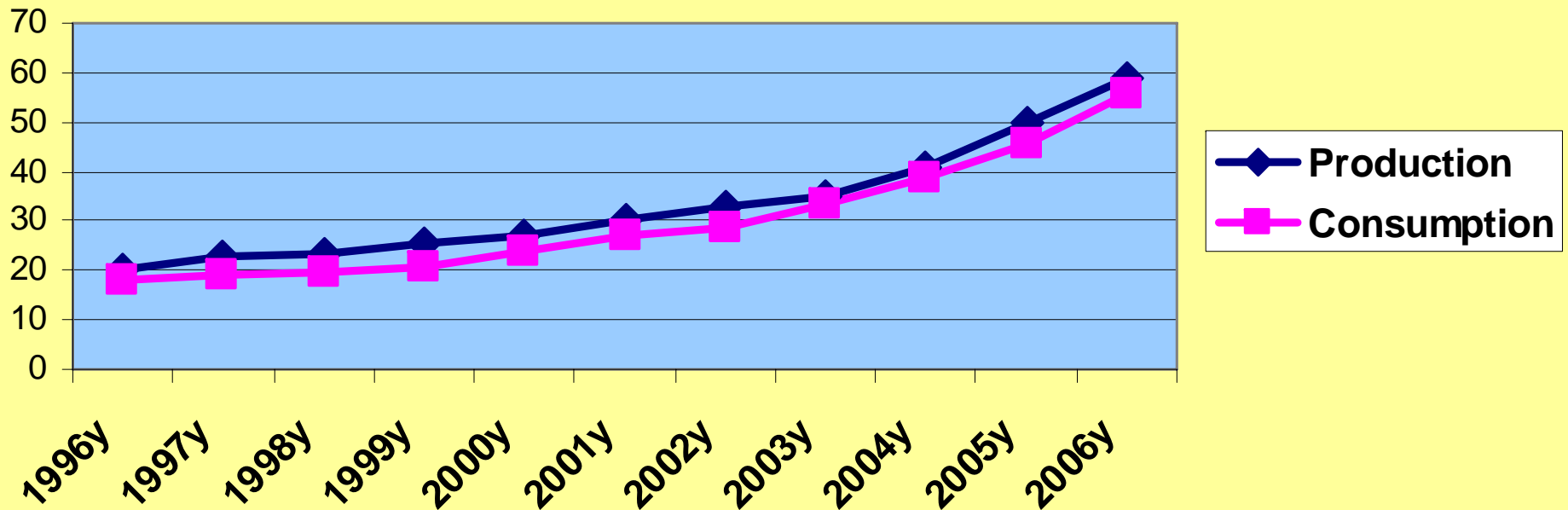
Prospects of Russian gas export to China: political and economic aspects

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China in gas trap

Production and Consumption of Gas in China (bcm)



Source: BP

At first sight situation is comfortable: China produces more gas than consumes

China in gas trap

BUT...

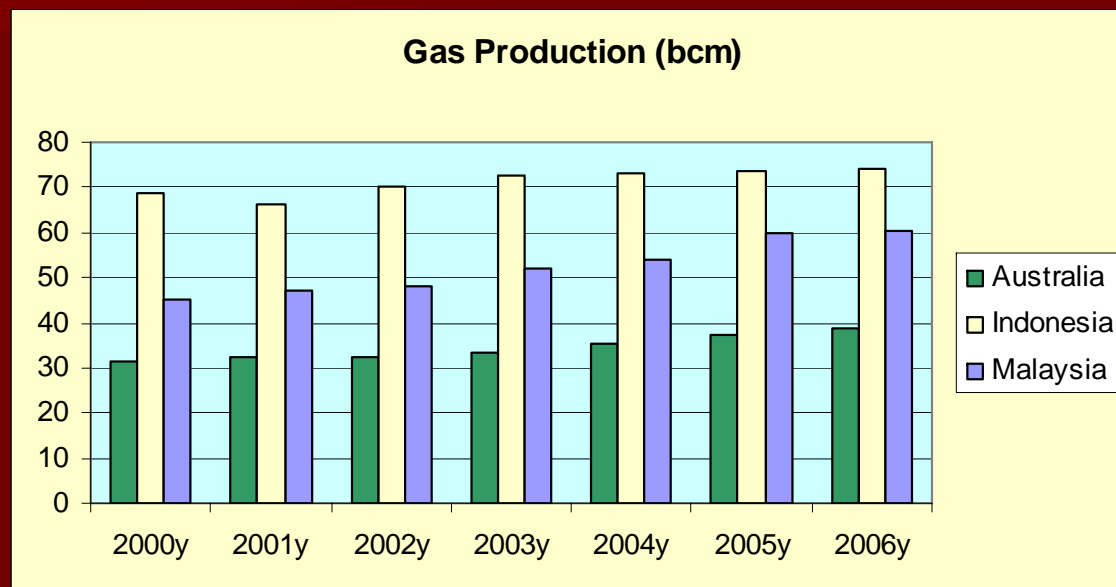
- The same situation was with oil and coal. And now China is increasing an import of this energy carriers
- The serious increasing of consumption: the production of gas will be behind consumption very soon
- Gas is difficult to substitute by coal also because of ecological aspect
- Difficult geological conditions of occurrence of natural gas causes the cooperation with Western companies. This process increases the political risks
- Shelf projects are also dangerous from political point of view especially in case of military operations

How Much Gas will China consume?

- International Energy Agency: China import of gas in 2020 will be 80-160 bcm
- Until 2010 it will be possible to solve the problem with a help of LNG – but import must not be more then 10-15 bcm and gas production must be on scheduled level)

Где брать газ?

- LNG: the beginning of supply from Australia, Algeria, Nigeria and Oman. Soon we will see the supply from Malaysia and Indonesia. But the stake on LNG can be problematic
- In the case of war the LNG supply chains will be broken
- It's possible to see the decline of gas production in Asia and Oceania
 - Competition for gas with Japan and Korea
 - Struggle for Turkmenistan – hope for 30 bcm from Amudariya is very optimistic. Situation with gas supply from Uzbekistan and Kazakhstan is even more uncertain
 - Myanmar – serious political risks



Source: BP

Gazprom is in Comfortable Position

Three factors in favour of Gazprom

1. The serious increasing of dependence of EU on import of energy carrier (gas - 84% to 2030)
2. Very difficult situation with supply of gas to China from other regions
3. The struggle for Central Asia will not be totally lost by Russia. China or EU can build pipelines from CAC - but there will no reserves to respond to the demand of both consumers. It means that if China solves the problem of gas supply with a help of CAC it will increase the «gas starvation» of EU

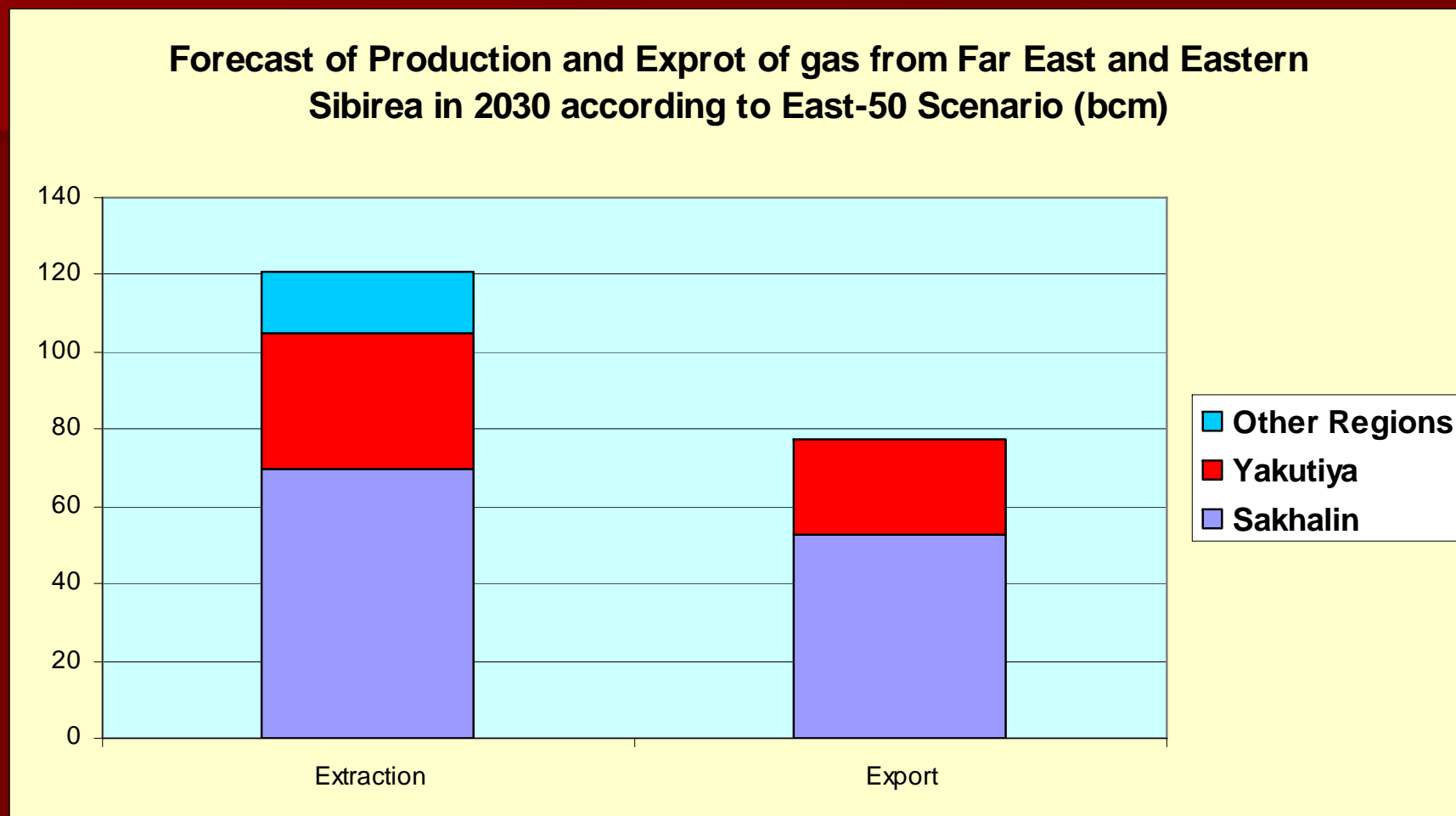
Where is Gas for China?

Forecast of the Russia's gas balance through 2015, bcm

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Resources	776	793	810	832	856	884	924	957	976
Production	645	679	695	711	734	758	797	827	844
Including in the Far East	7	13	19	26	27	35	39	41	44
Gazprom	561	567	569	570	572	582	594	615	620
Others	102	112	126	140	162	176	203	212	224
Gas from Central Asia	62	63	63	68	68	70	70	70	70
Intake from underground storages	50	50	51	52	53	54	55	58	61
Distribution	776	793	810	832	856	884	924	957	976
Domestic market	415	422	431	437	445	454	461	469	476
Including in the Far East	7	9	11	13	14	17	18	20	21
Gazprom's technological needs	53	54	54	55	55	56	57	57	57
Export	257	267	274	283	299	315	346	368	376

Source: Gazprom

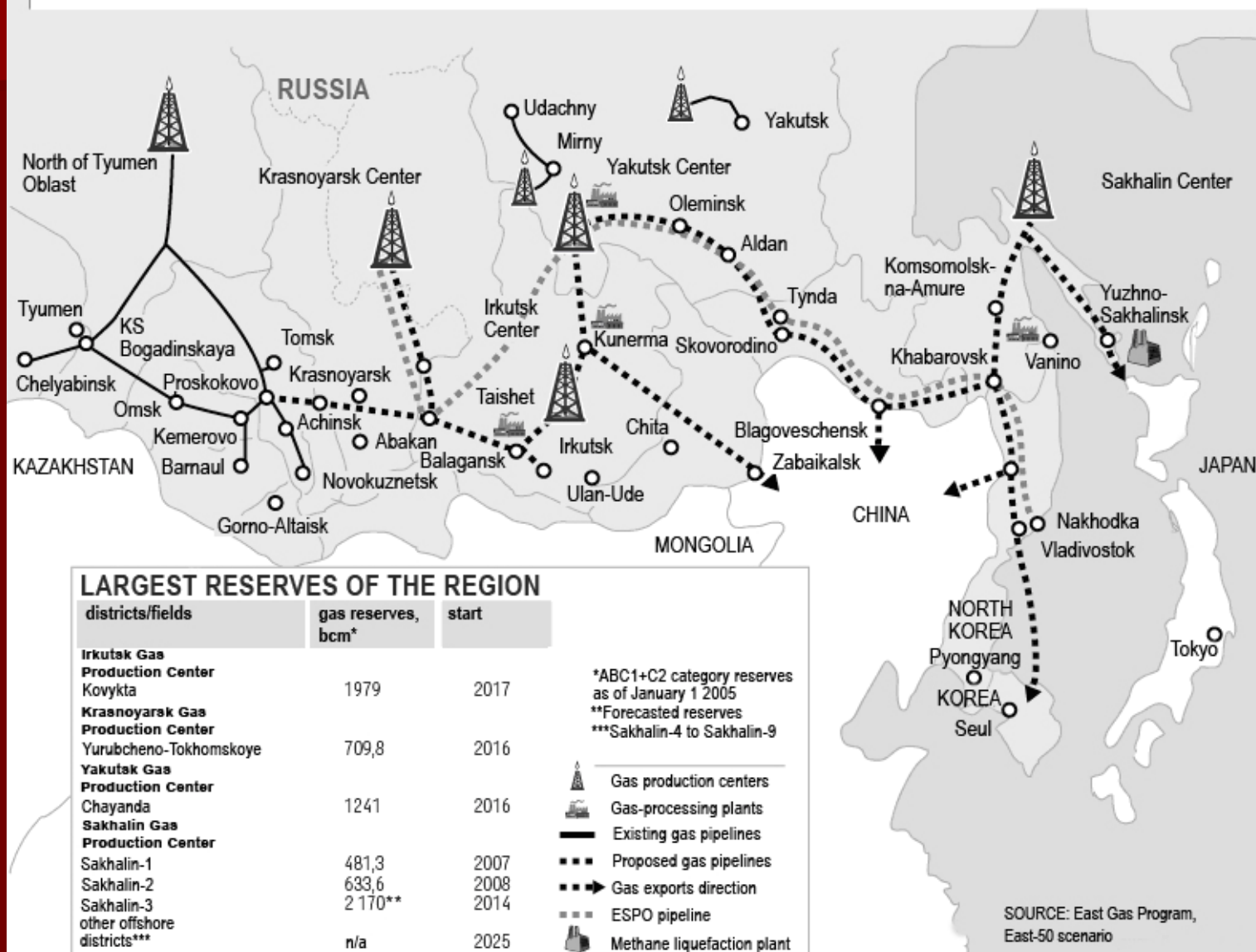
Where is free gas for China?



- Production in Russian East - 120,8 bcm to 2030
- Export - 77,6 bcm

A Lot of Variants ...

East Siberia and Sakhalin Energy Map by 2030



... and a Lot of Problems

- Kovykta – not for China. From China point of view it will be the best solution – cheap extraction and increasing reserves (only in 2007 the increasing on C1 was 173,3 bcm)
- According to East Gas Program the extraction of gas on Kovykta will start in 2017.
- Kovykta is the trump of Gazprom and it can use it in relations with EU.

The Problem of Choice

- There are no plans to organize gas export from Krasnoyarsk Region
- Yakutiya – the question of price
- Sakhalin is for Japan and Korea. Most reliable is the scenario of integration of Sakhalin-1 and Sakhalin-2 projects to one LNG export center for Japan, Korea and the USA in future
- Main question is choice between East and West. It's not only the choice of gas export model. It's a choice of geopolitical ally

Thank you!

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