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Can Russia deliver more natural gas?

Fierce debate as to whether Russia is really capable of delivering more natural gas to central and western Europe looks set to continue. At first glance, this seems rather odd. After all, Russia has the largest explored stocks of the coveted “blue fuel” in the world. When occasional crises of confidence occur, such as in winter 2005/2006 and spring 2008, European importers emphasise that Russia has been meeting its delivery obligations reliably for decades. The Russian monopolist, Gazprom, is planning to increase production significantly over the next 12 years. Independent Russian producers could also extract more natural gas if they had better access to the pipelines. Some European energy companies, such as Wintershall, Total and StatoilHydro, participate in Gazprom’s ambitious gas extraction projects. Others, such as Eni, Gaz de France and Verbundnetz Gas, have long-term supply contracts to 2030 and beyond. Gazprom also intends building the Nord Stream and South Stream export pipelines, in cooperation with European importers. This way, transport opportunities for Russian natural gas will significantly expand. Furthermore Gazprom Chief Executive Alexey Miller has announced that the company is in a position to satisfy any demand for natural gas from customers who are able to pay for it. So where’s the problem?

Critics point out that the major gas fields like Urengoi, Medvezhye and Yamburg, which have borne the main burden of Russian natural gas extraction for decades, are gradually running low. They criticise the lack of information Gazprom is providing about how it will compensate for the decrease in extraction there. In fact, Gazprom has published its overall strategy for expanding extraction in new regions and has even given dates for the start of extraction from individual fields. It recently announced an increase in the total amount of investment. However, it is holding back on detailed information about the investment required for the individual extraction regions and fields and the real flow of this investment. From an expert’s point of view, these details may be desirable. However,

the same questions would then also have to be put to other natural gas producers, such as Algeria, Qatar and Norway - not to mention Iran.

It can be assumed that European natural gas importers are in possession of rather more detailed information as to whether Gazprom’s extraction strategy will really come off. As business partners who have committed billions to the Russian group, they have every right to it. But shareholders have also committed a lot of money and journalists contribute to public opinion about the company. Why Gazprom provides them with misleading information about its natural gas reserves and does not answer simple questions about the apparent discrepancies is incomprehensible.

Gazprom’s efforts to cooperate with other large natural gas producers internationally and to ensure that it gets the greatest possible amount of natural gas from Central Asia also warrant closer observation. The Nabucco pipeline being planned by several European suppliers also focuses on central Asian natural gas. Many see Gazprom’s approach as an attempt to gain broad control over Europe’s gas imports, which makes it all the more important that it provide authoritative, detailed information about these developments. Why, then, does Gazprom classify information about its additional purchases from Central Asia as a business secret?

Since Miller became chief executive seven years ago, the world’s largest natural gas producer has done a lot to make its operations more transparent and therefore more understandable by providing extensive information. Three years ago, Miller proclaimed that he wanted to make Gazprom the number one energy group in the world. If he wants to achieve that, he will have to continue to provide understandable and comprehensive information as much as possible. And that means answering legitimate questions in a serious way. ■