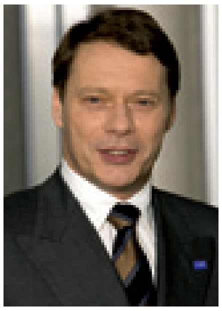
Interview John Feldmann

'Security through partnership'



European Energy Review talked to BASF management board member John Feldmann, who is responsible for the chemical giant's oil and gas business, about the company's existing ties to Russia, some controversial gas exploration projects, and the future of the German-Russian energy relationship.

Mr. Feldmann, only a few weeks ago, representatives of BASF and Gazprom opened the Yushno-Russkoye project. How significant is this project?
Very significant. Yushno-Russkoye impresses already with its size. It has recoverable reserves of more than 600 billion cubic meters. If you take into account that Gazprom supplies Germany with some 40 billion cubic meters each year, then you can see that Yushno-Russkoye will be able to secure gas exports to Germany for another 15 years. So for our supply security, Russia remains our most important partner. But also important is the fact that with our daughter company Wintershall, a German producer for the first time is active right on the ground. Instead of waiting at the border for Russian gas, we are participating directly at the well and share our responsibility as a producer. That creates security through partnership.

Why did German companies (Eon is also in negotiations with Gazprom) win the bid for Yushno-Russkoye?
Because we are already linked to Gazprom in several other unique cooperation projects. We are jointly active in the exploration and production of natural gas; we will soon transport gas together via Nord Stream; and we are distributing gas via Wingas in Germany and in Europe. So the Yushno-Russkoye deal is a logical next step in our partnership. The strategies of Gazprom and BASF complement each other well and benefit both companies. But such a relationship of mutual trust doesn't come by accident. It's a result of hard and decades-long work. And it's the result of mutual respect.

Germany will remain dependent on limited reserves of fossil fuels, for which emerging economies will soon begin to compete. Will Germany have a chance to get gas when the Chinese and Indians wave with their big bucks?
Yes, because we as Europeans are in a very comfortable geographical position. Some 80 percent of the world's gas reserves – not least Russian gas – lie within a radius of 4,500 kilometers around Berlin. This gas can be easily transported to Europe via pipelines. While other countries are dependent on LNG, Europe can import gas via multiple transport routes from different countries.

But there might not be enough gas left. Some experts predict a gas deficit for Russia by 2010. Can Gazprom then live up to its export guarantees?
We have contracts with Gazprom until 2036 for a total of 700 billion cubic meters. Hardly any other gas producer is willing to close such long-term deals. And one answer to the doubts surrounding supply security is to invest together, and we are doing that via Nord Stream, Yushno-Russkoye and joint gas storage projects in Austria, Britain and Germany.

Wintershall and Gazprom also drill for hydrocarbons in Libya and the North Sea.
Yes. This is part of the asset swap deal for Yushno-Russkoye. Gazprom, among other assets, received a 49 percent share in a Wintershall firm that holds exploration and production shares in Libya. Gazprom and Wintershall are also taking part in a project to explore a well on Block 44/24b in the British North Sea. Its gas prospects are currently investigated with an exploration drilling, and we hope to supply the British market with gas from that block.

While you cooperate actively with Gazprom, mistrust against the state-controlled Russian energy giant nevertheless seems to be abundant in Europe, especially in Brussels. The European Commission drafted the so-called "Gazprom clause", in a bid to limit investments from non-European firms unless an agreement is struck between that company's government and Brussels. How do you evaluate that rule?
Foreclosure is never an answer. The right way and the basis for energy security are cooperation, partnership and mutual interconnectedness. Russia has already granted Europe access to its hydrocarbon sources. Aside from Total, BP, Shell and ENI, which are already active in Russia, we are now producing gas together with Gazprom in Siberia. Russia has opened the door to Europe and now we shouldn't close our door to Russia.

So would you opt for a closer partnership instead?
Certainly. Russia exports more than 60 percent of its gas to Europe, and Germany still is its most important trading partner. Europe and Russia are neighbours. From a German point of view, it's the absolute right decision to secure Germany's long-term energy supply from Russia in a direct partnership. But while Russia also needs Europe, we can't expect to get security of supply for nothing. While we need security of supply, Gazprom needs security of demand. And we are ready to give that to Gazprom. ■