

Putin unveils \$500 bn offshore energy drive

April 12 2012, by Dmitry Zaks

Vladimir Putin vowed Thursday to win \$500 billion in investment for Russian offshore field development over 30 years to tap the country's full energy potential with the help of foreign expertise.

Putin outlined a broad new and largely business-friendly energy vision whose implementation will be vital to the success of his third term as president following a wave of protests that greeted his March election win.

Russia's president-elect promised to cancel export duties on new projects for its vast and mostly unexploited Arctic shelf and other offshore fields as an incentive for their rapid development.

He also laid down clear guidelines that require 70 to 75 percent of offshore projects to be remain under Russian ownership while relaxing some tax legislation.

And he vitally signalled an imminent change in the rules that permit private Russian players to compete openly for the development of the lucrative fields against the state-owned oil and gas champions Rosneft and [Gazprom](#).

"We have to create conditions that are not only more comfortable, predictable and attractive, but also more lucrative than what our competitors can offer," Putin said during a government meeting devoted to [energy issues](#).

"According to our and the experts' estimates, the implementation of shelf projects under these new conditions will help raise around \$500 billion in investments over 30 years," news agencies quoted Putin as saying.

The Russian government controls vast swathes of untapped energy fields in the Arctic requiring a level of expertise and technology to develop that both Rosneft and Gazprom lack at this time.

Rosneft last year signed a deal to develop three Kara Sea oil fields with the US supermajor [ExxonMobil](#) after seeing a similar tie-up with the British giant BP fall through.

ExxonMobil has since lobbied for cuts in export duties that could help justify the enormous expense of developing the fields.

Putin responded on Thursday by promising to eliminate the payment of all export duties from new fields for the coming 15 years.

"We expect the world's largest corporations to partner with our Russian companies on the shelf," said Putin without naming any specific Western firms.

Private Russian companies with large cash reserves such as Lukoil and TNK-BP have also clamoured for the right to compete for the deals.

All private companies -- both Russian and foreign -- currently have to team up with either Rosneft or Gazprom and allow the state firms to control at least 50 percent of any offshore deal.

Analysts say the practice has severely held back Arctic field development because Gazprom is struggling with other major projects while Rosneft is seen as one of the country's most inefficient oil firms.

Putin signalled that a change in current rules was in imminent.

"I have already asked the members of government to think about ways of more effectively inviting purely Russian companies into these projects," said Putin.

The heads of Russia's top private energy companies have recently sent an open letter to Putin requesting broader access to the projects.

Lukoil chief Vagit Alekperov for his part told the Financial Times he felt Putin welcomed broader competition in unexplored energy zones.

Troika Dialogue analyst Valery Nesterov told Thursday's Internet edition of the Vedomosti business daily that only three percent of Russia's oil was now being developed offshore.

"The global average is around 35 percent," said Nesterov.

Russian [Energy](#) Minister Sergei Shmatko meanwhile said he was working out mechanisms that allow private companies to sell the gas they produce in the Arctic on Russia's strictly controlled market.

"Shelf projects have to be economically viable," Shmatko was quoted as saying.

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