

# Japan-Russia Cooperation in the Development of Russian Natural Resources



MITSUI & CO.

Kazumasa Miyazawa

General Manager

Russia & Australia Gas Business Div.

Energy Business Unit II

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## 50 Years History of Mitsui in Russia



History	
1967	First establishment of Representative Office in <b>Moscow</b>
1979	Started dispatching Russian language trainees
1986	Participation in Sakhalin 2 project
1989	Established Representative Office in <b>Khabarovsk</b>
1991	The first equity investment in Russia CIS – “T.M. Baikal Co., Ltd.”
1992	Established Representative Offices in <b>Vladivostok</b> and <b>Yuzhno-Sakhalinsk</b>
2004	Established subsidiary company <b>Mitsui &amp; Co., Moscow LLC</b>
2007	Established Branch in <b>St. Petersburg</b>
2009	Commencement of operation of the Sakhalin 2 Liquefied Natural Gas (LNG) production lines, first LNG export
2017	<b>50 years anniversary of Moscow office</b>

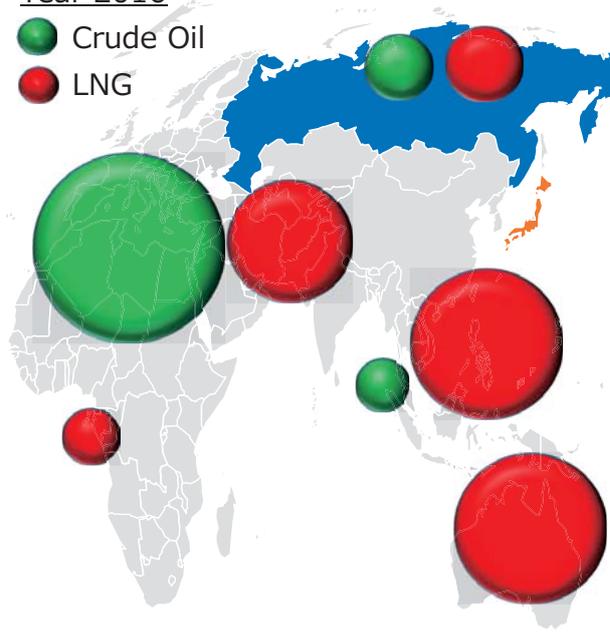
Mitsui's contribution to economic development of Russia and Japan



## Energy Supply to Japan

Year 2016

- Crude Oil
- LNG



**Crude Oil** mln bbl %

Middle East	1,406	86%
<b>Russia</b>	<b>96</b>	<b>6%</b>
SE Asia	44	3%
Americas	52	3%
Others	28	2%
<b>Total</b>	<b>1,626</b>	<b>100%</b>

**LNG** mln MT %

SE Asia	26	31%
Middle East	18	22%
Oceania	26	31%
<b>Russia</b>	<b>7</b>	<b>8%</b>
Africa	2	2%
Others	4	5%
<b>Total</b>	<b>83</b>	<b>100%</b>

Source: Ministry of Finance of Japan, "Trade Statistics of Japan"  
Ministry of Economy, Trade and Industry "Mineral Resources and Petroleum Products Statistics"

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## Advantages of Sakhalin Oil and Gas for Japan



- Enormous oil and gas reserves in the Sakhalin region
- Oil and Gas reserves located only 1,000km away from Japan (from Niigata to Yuzhno-Sakhalinsk) in a region with limited sea lane risks
- Mitsui seeks to establish a win-win relationship between Russia and Japan, by securing the enormous oil and gas reserves for the Japanese market

Source: Ministry of Finance of Japan, "Trade Statistics of Japan"  
Ministry of Economy, Trade and Industry "Mineral Resources and Petroleum Products Statistics"

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## Changes in the Environment Surrounding Japan and Russia

- Exchanged some 80 economic cooperation agreements in Dec 2016
- Mitsui exchanged economic cooperation agreements in energy sector.
  - Strategic partnership with Gazprom (Sakhalin 2 project train 3 expansion / LNG bunkering etc.)
  - Development of the Master plan for the usage of the natural gas in Sakhalin



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## Sakhalin 2 – Project Overview

1<sup>st</sup> Offshore Development in Russia  
1<sup>st</sup> LNG Project in Russia

- Location: North-East offshore Sakhalin
- Shareholders:
 

Gazprom	50.0%	+1
Shell	27.5%	-1
Mitsui	12.5%	
Mitsubishi	10.0%	
- Production:
 

Crude Oil	43 mil bbl
(2016 actual) LNG	11 mil MT
- Delivery:
 

38% of Crude Oil &
(2016 actual) 67% of LNG to Japan



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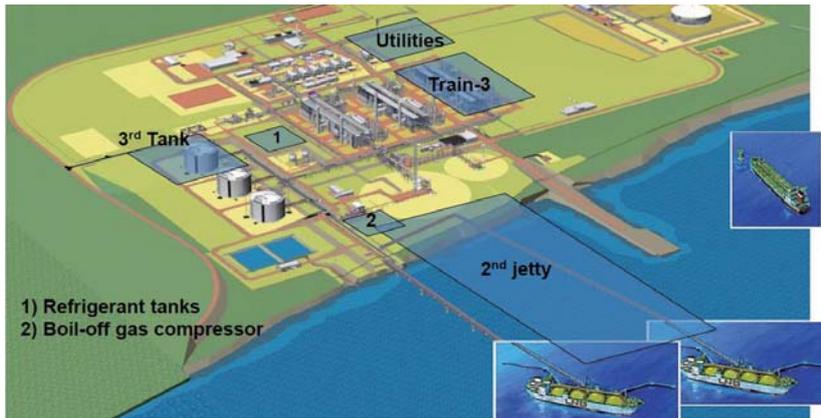
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## Sakhalin 2 – Train 3 Development

A Symbol of the New Japan-Russia Cooperation, achieving Win-Win among all Stakeholders

- LNG Capacity: 10.0mln -> 15.0mln MT/yr
- Current Status: FEED completed
- RFSU: mid 2023 – mid2024



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## LNG Bunkering in Far East

Develop Gas Value Chain and Pursue Potential Business Development

- IMO sets a global limit for sulphur in fuel oil used on board ships of 0.5 % mass by mass from Jan 2020
- LNG is competitive against low sulfur bunkers or HFO + scrubber
- Gazprom and Mitsui target LNG bunker demand in far east from Vladivostok mini LNG plant



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## Sakhalin Gas Master Plan

### Coexistence and Co-prosperity with Resource-rich Country

- Cooperation among Government of the Sakhalin Region, and Chiyoda Corporation to pursue the joint development the Gas Master Plan in Sakhalin Region
- Promote the utilization of domestic natural gas in Sakhalin, which is expected to contribute in the development of the infrastructures, industrial growth, and living standard in the region
- Gas Master Plan is developed on schedule



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## For the next 50 years and beyond...



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