

The Prospects for the Utilization of Natural Gas from Russia's Eastern Siberia and Far East

With a Focus on the "Vostok-50" Scenario

YOKOCHI, Akihiro

Visiting Researcher, Research Division, ERINA

Summary

The necessity of the development of the Eastern Siberian and Far Eastern regions is something that has been proposed throughout Russia's long history. The Putin administration hammered out measures to actually bring to fruition the development of the two regions. One of them is the Eastern Siberia-Pacific Ocean pipeline project; a second is "The Development Program for the Far East and Transbaikalye", the program for the economic and social development of the Far East and Transbaikalye until 2013; and a third is the creation of a unified production, transportation and supply system for natural gas in Eastern Siberia and the Far East (abbreviated as the "Eastern Gas Program"), with consideration given to future exports to the Chinese and other Asia-Pacific markets. It is hoped that these three projects will become an engine for the future economic development of the two regions.

This paper places a narrow focus on the three natural gas projects and examines the prospects for the utilization of natural gas from Eastern Siberia and the Far East. Although the full picture of the "Eastern Gas Program" is still unclear, to quote from the "Gasprom Presentation Materials" the scale of production in 2030 will be of the order of 145 billion m³, domestic demand will be 32 billion m³ (22%), and the approximately 110 billion m³ remaining will be made up of exports and shipments. Broken down, natural gas pipeline exports will stand at 35% , shipments to the Unified Gas Supply System (UGSS) will be 24% , and LNG exports 19% .

In the energy structures of both regions, coal is the leader and natural gas plays second fiddle, and the coexistence of coal and natural gas looks likely to progress. Consequently, they will differ in appearance to European Russia's energy structure, where natural gas is the mainstay. As a distinctive measure to stimulate industry there is the establishment of gas chemical industries. Although in Russia's sights are industrial promotion policies that have in mind the breaking free from an economy that is dependent on the export of natural resources, their feasibility will probably be down to the market.

Behind the widespread use of natural gas in European Russia lies the policy of maintaining its supply as the lowest-priced fuel. Today too, domestic natural gas prices are held at below-cost in Russia, yet decisive continuous introduction of steady price increases will be needed in the future for the continued existence of gas firms.

Regarding how to get involved in these programs, Japan has had experience in the development of Sakhalin, and keeping intent on that for the time being, with an extension of the Sakhalin development, is a safe option. Although it is thought that time will be needed for the realization of the trunk pipeline vision via the "Eastern Gas Program" running across the continent, upstream and downstream development will advance regionally. I hope for the emergence of business opportunities related to these programs.