

Energy Strategy of Russia in Respect of Asia-Pacific Region and Japan

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**Japan-Russia Energy and Environment Dialogue
Niigata, 2009**

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Prerequisites for Intensification of International Energy Cooperation in Russia

- 1. Adoption of amendments to laws “About Foreign Investment” and “About Subsurface”, establishment of clear conditions for foreign participation in Russian fuel and energy complex;**
- 2. Approval of “Energy Strategy of Russia for the year 2030” by the Russian Government;**
- 3. Intensification of cooperation between Russian and foreign energy companies by means of exchange of assets and mutual participation in authorized capital.**

Eastern Vector of Russian Energy Strategy

Development of cooperation with Asian-Pacific countries – priority of ES-2030

Share of Asian-Pacific countries in Russian energy export

Oil – 22-25%

Gas – 19-20%

Development of “Eastern Vector” doesn’t contradict with energy cooperation with Europe

“Eastern Vector” relies on new resource base and infrastructure in the Eastern Siberia and Far East

Oil and Gas Industry in Eastern Part of Russia

Measures aimed to increase efficiency and create favorable conditions for foreign investment:

1. Creation of oil pipeline Eastern Siberia – Pacific Ocean;
2. Realization of Eastern Gas Program;
3. Exemption from export duties on oil, produced in Eastern Siberia;
4. Tax remissions from Mineral Extraction Tax for the initial phase of fields' exploration in Eastern Siberia and shelf of the Sea of Chukotsk.

**Energy
production in
the Eastern
Siberia and
Far East in
2030**

Oil – 100-105 mln t

Gas – 130-150 bln cub. m

Coal 100-115 mln t

Legal Frames for International Cooperation between Russia and North-East Asia



Russia-Japan:

- «Main directions of the long-term partnership between the Government of the Russian Federation and the Government of Japan in the sphere of energy industry»
- «Subjects of partnerships in particular spheres of the energy industry»

Russia-China:

- «Intergovernmental agreement of cooperation in oil industry»
- «Intergovernmental Program of cooperation in energy sphere for the year 2020» (under elaboration)

Russia – Republic of Korea:

- «Intergovernmental agreement of cooperation in the sphere of peaceful utilization of nuclear energy»
- «Intergovernmental agreement of cooperation in gas industry»

Principal Directions of Cooperation

- **exploration, production, transportation and processing of energy resources;**
- **power generation, renewable energy, introduction of high technologies into the power generation;**
- **energy efficiency and energy saving;**
- **ecological efficiency, contraction to global warming;**

Intercorporate Agreements

- **November 21st, 2005 – “Framework Agreement of Cooperation” between “Gazprom” and Agency for Natural Resources and Energy, Japan**
- **December 21st, 2006 - “Memorandum of Understanding” between “RusHydro” and “Mitsui”, “J-Power”**
- **March 20th, 2008 – “Framework Agreement of Cooperation” between “Rosneft” and Agency for Natural Resources and Energy, Japan**
- **May 12th, 2008 – “General Framework Agreement of Partnership” between “Atomenergoprom” and “Toshiba”**

Project "Sakhalin-1"



- Natural gas and oil production from Odoptu, Arkutun Dagi and Chayvo fields;
- Japanese partner – Sakhalin Oil and Gas Development Co.;
- Project supplies oil to international markets and natural gas to the Russian Far East;
- Project's expenses are compensated, partition of production is started;
- Russia will receive over 50 bln USD over the life of the project.

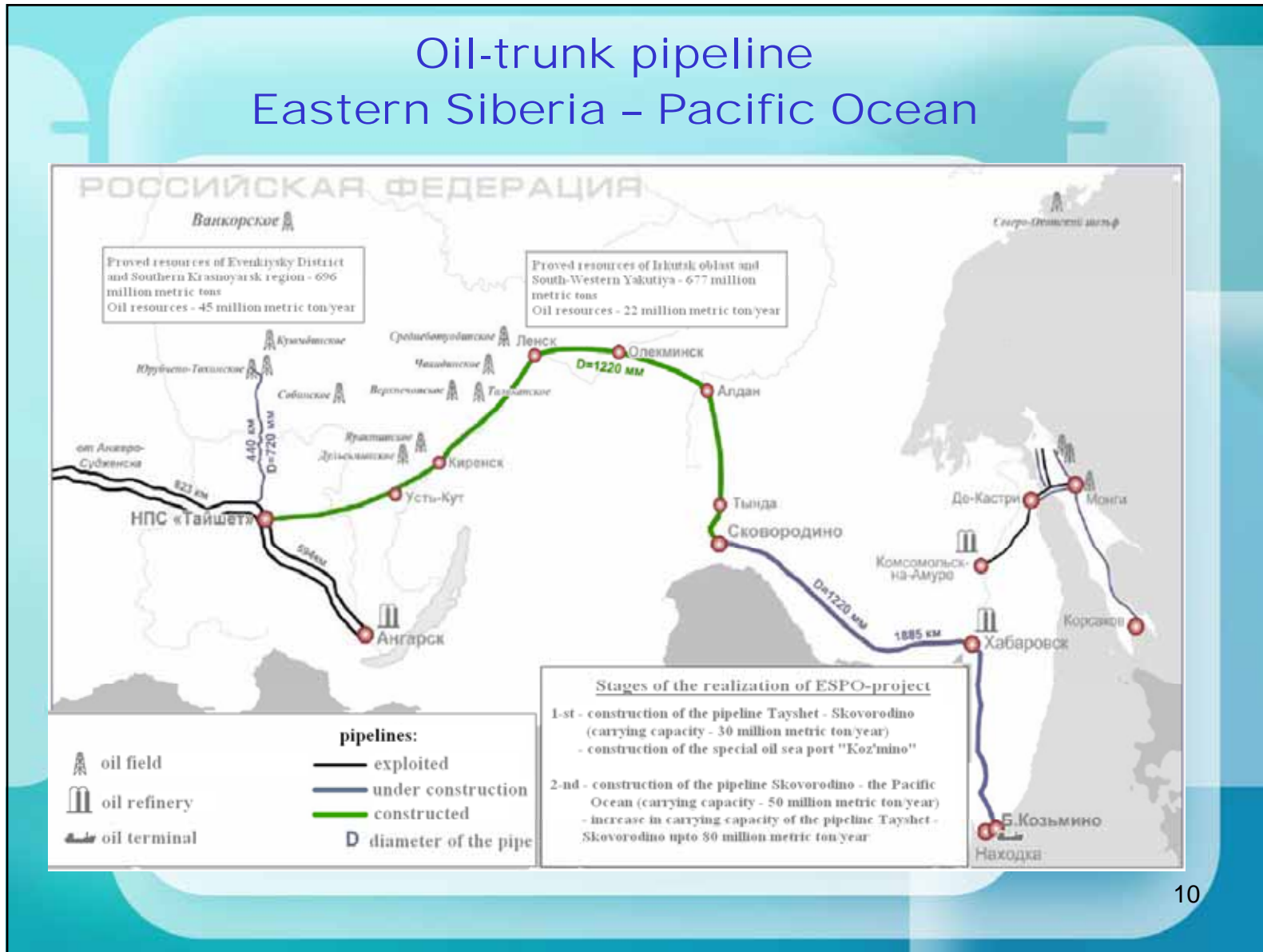


Project "Sakhalin-2"

- Natural gas and oil production from Pil'tun-Astohskoe and Lunskaya fields;
- Japanese partners – Mitsui&Co. (12,5%), Mitsubishi Corporation (10%);
- Project supplies oil and LNG to international markets (share of oil supplies to Japan – about 50%);
- On February 18th, 2009 the first LNG factory in Russia was launched;
- Over 65% of LNG produced will be delivered to Japan.

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Oil-trunk pipeline Eastern Siberia – Pacific Ocean



Oil-trunk pipeline Eastern Siberia – Pacific Ocean

1st Stage: Construction of section Tayshet – Skovorodino (30 mln t/y)

2008: - over 2000 km of pipeline were constructed;

- section Yust-Kut – Talakan was launched in reverse regime;
- construction of special oil seaport in Koz'mino started;

2009: - construction and infill of linear part of the pipeline Tayshet – Skovorodino finished;

- first delivery of oil from Koz'mino was realized;
- construction of branch Skovorodino – border with China started;
- designing of the Second stage of the ESPO commenced;
- feasibility study of construction of oil refinery and chemical plant “Vostochniy” in the terminus of ESPO was in progress.

2nd Stage: Construction of section Skovorodino – Pacific Ocean

- construction of section Skovorodino – Pacific Ocean with carrying capacity 50 mln t/year;
- expansion of section Tayshet – Skovorodino to carrying capacity 80 mln t/year.

Eastern Gas Program



Russian-Japan Energy Projects

- **“Irkutsk oil company” and JNIOC explore and develop oil fields in Irkutsk region;**
- **JPDO discusses with Gazprom plans to construct gas pipeline from Sakhalin to Hokkaido and gas-treating and processing facilities in Hokkaido;**
- **RusHydro cooperates with Mitsui and J-Power in construction of Nizhne-Bureyskaya hydroelectric and Far-Eastern wind power stations;**
- **Mechel and SUEK supply Japan with coal;**
- **Techsnabexport delivers uranium products to Japan;**
- **“Gazprom Marketing and Trading” supplies “Marubeni” with permits for CO₂-emission**

Prospects of Energy Dialogue

- **Energy security =**
security of supply
+
security of demand
- **Risk of under- or overinvestment in production of natural resources in Russia because of considerable (around 30%) differences in forecasted energy demand in Asia-Pacific region;**
- **Harmonization of energy strategies of countries, regional treaties and energy companies in long- and middle term – mitigates uncertainty of strategic choices and potential risks.**

