

“A New Option for Russia’s Gas Supply to Japan”
And
Introduction of
NIDUC and NAGPF

30 OCTOBER, 2014

Natural Gas Development and
Utilization Committee, JAPIC

OBJECTIVES

(1) Objectives

- The study explores economic competitiveness of would-be natural gas export projects in the Russian Far East, including both LNG and pipeline options, under the condition that political considerations remain outside the scope of the study

(2) Joint Study executed by: -

- The Energy Research Institute of the Russian Academy of Sciences
and
- The Institute of Energy Economics, Japan

SAKHALIN-JAPAN PROSPECTIVE SUBSEA PIPELINE ROUTE

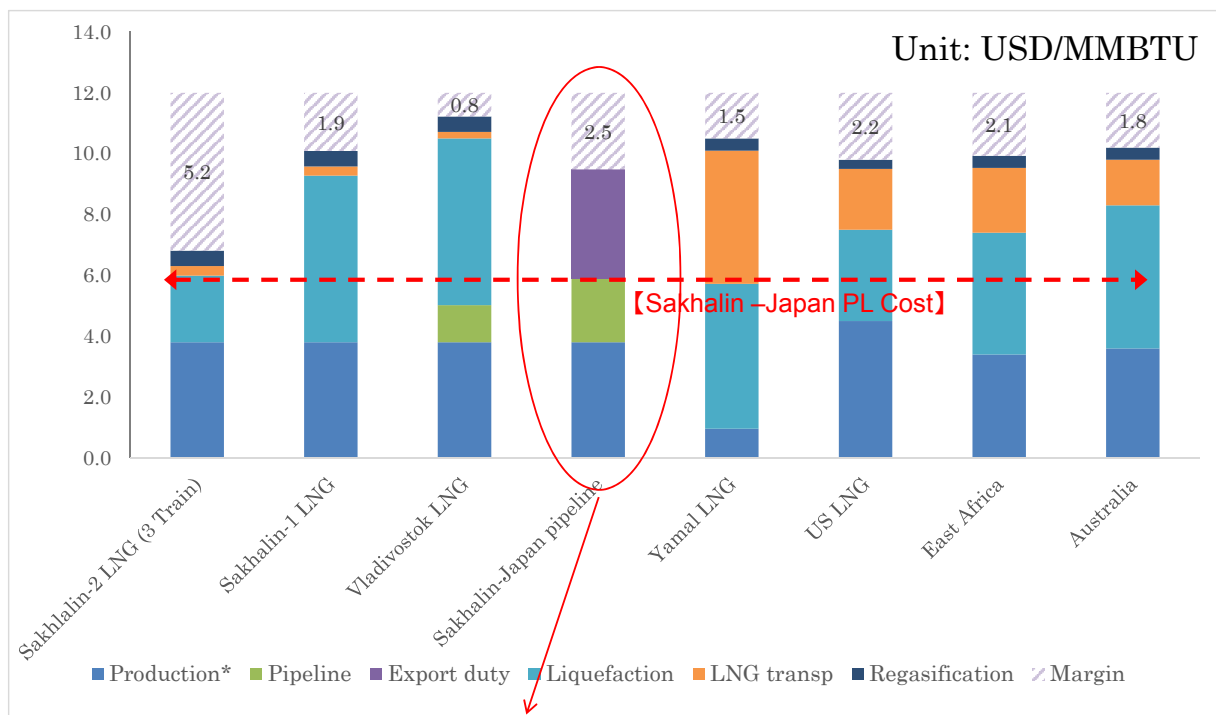


Overall Pipeline length:
(From Soya Strait to
Kashima Port)- 1,400km *

Pipeline Diameter: 26 Inch
Design Pressure: 21Mpa

* The above pipeline
includes the 117km of
onshore pipeline

INTERNATIONAL COMPARISON OF LNG PROJECTS' COSTS UNDER PLANNING (EST.)



Sakhalin-Japan Pipeline is the most economical case.

* Export Duty is regarded as revenue for Russian Gov.

IMPLICATIONS OF JAPAN-RUSSIA GAS TRADE BY PIPELINE

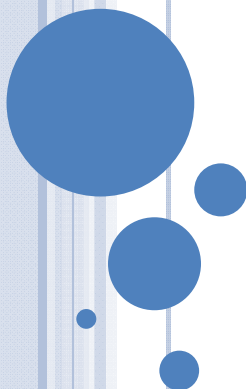
Advantages

For Japan	For Russia
<ul style="list-style-type: none"> ➤ Diversification of Gas supply origins & transportation method ➤ Gas purchase at internationally competitive price ➤ Trigger for domestic gas pipeline network ➤ Ensuring faster recovery and infrastructure development at affected areas by the earthquake in Eastern Japan 	<ul style="list-style-type: none"> ➤ High security of demand with diversification by increasing Japan’s share ➤ Higher netback income than the proposed LNG projects ➤ Avoidance of competition in LNG markets ➤ Increasing federal budget revenues from export duty

Challenges

- Securing an internationally competitive gas pricing mechanism
- Promotion of understanding about the economic and technical feasibility of pipeline project
- Finding solutions to conflict of interests among stakeholders on both sides

INTRODUCTION OF THE “NATURAL GAS INFRASTRUCTURE DEVELOPMENT AND UTILIZATION COMMITTEE(NIDUC)”

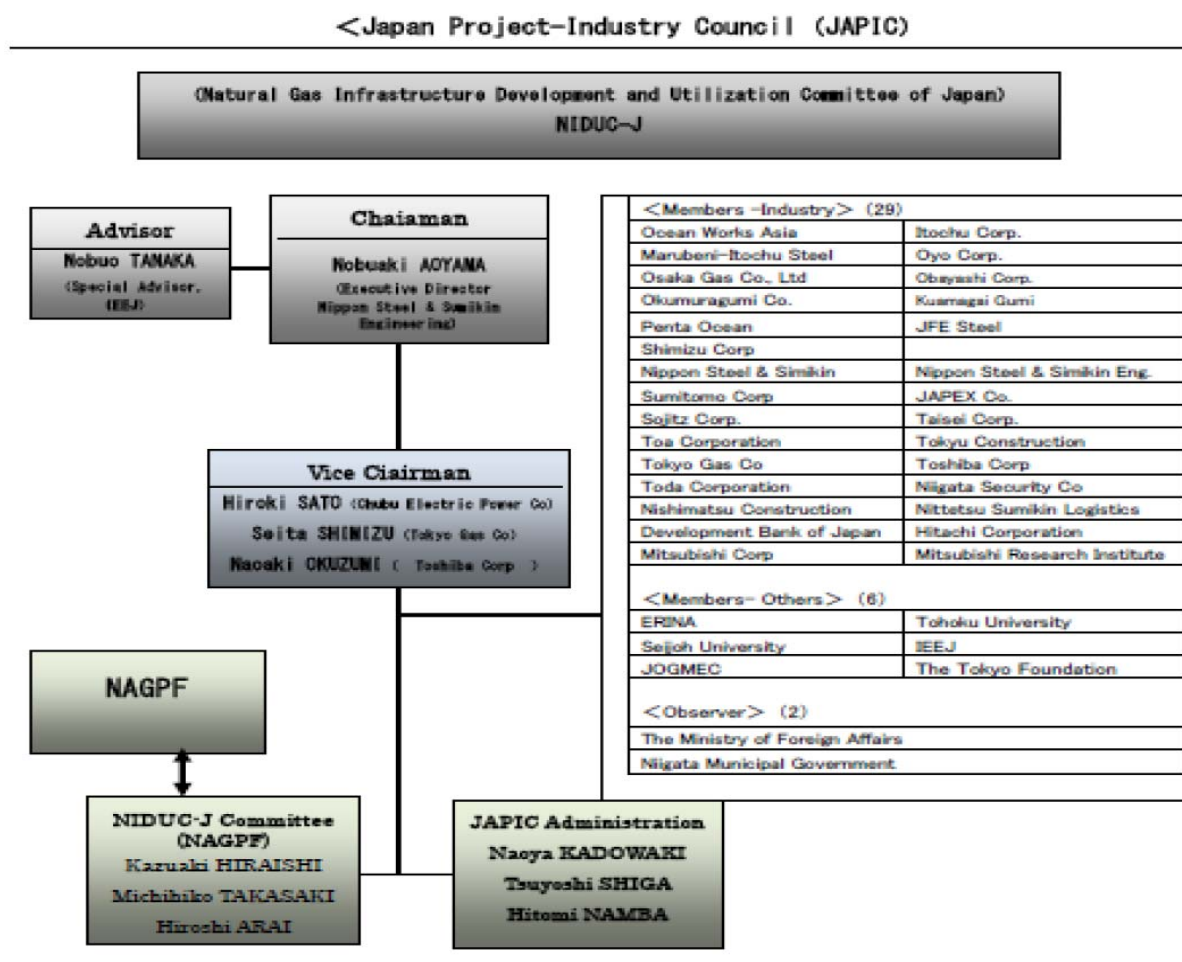


1. PURPOSE OF THE NIDUC

- ▶ Study and propose policies about stable supply of the Natural Gas under competitive gas price basis, and more efficient utilization of Natural gas

【Main Subjects】

- Improve Natural Gas Pipeline Networks in Japan
- Reduction of Natural Gas Import Price
- Promote effective utilization of Natural Gas
- ▶ 「Succeed the policies of the “North East Asia Natural Gas Pipeline Forum, Japan”
- Secure Energy Security of the North East Asian area by improving/creating the natural gas pipeline network in the North East Asia
- Establish and maintain communication network regarding the Natural gas, among major North East Asian Countries





INTRODUCTION OF NAGPF (NORTH EAST ASIA GAS PIPELINE FORUM)

ABOUT NAGPF

- **International forum among 5 north East Asian nations, Japan, China, Korea, Russia and Mongolia, established in 1995**
- **The Forum is held for the exchange of energy information among the countries and execution of international joint study, aiming at achieving the improvement of natural gas pipeline network by international cooperation.**
- **The Forum is held in every two years. (Executive committee at intermediate years)**

NAGPF Representative of Japan : Nobuo Tanaka

Secretary General : Kazuaki Hiraishi

Blue Print for North East Asia Gas & Pipeline Infrastructure

