Recent developments in Russian LNG

After having only one functioning LNG (Liquefied Natural Gas) project until 2017, the Russian Federation is seeking to rapidly expand and to become one of the world leaders in LNG. During the Russian Energy Week conference in October 2019, Minister of Energy Novak indicated that Russia will produce between 120 and 140 million tons per annum (mtpa) of LNG by 2030. If Russia succeeds, it would join Australia, Qatar and the United States as one of the leading producers of LNG. The Russian government is investing significant resources in the development of LNG projects, for example via tax breaks.

There are roughly three regions where Russia is developing LNG facilities: in the far East, where Dutch company Shell and its partners launched the first successful LNG facility in Russia (Sakhalin-II); in the Arctic region, where Novatek has set up Yamal LNG and is developing further, as is Rosneft; and in the Baltic region, where Gazprom is working around Ust-Luga.

Recent developments in the Arctic region

Intertwined with these plans is the development of the Northern Sea Route (NSR), which in Russia’s definition lies entirely within its Exclusive Economic Zone (EEZ) in Arctic waters. The NSR is currently used mostly by Russian companies, including Gazprom, Rosneft and Novatek. In 2019, companies transported a total volume of 27.5 million tons through the NSR; significantly more than in 2018, when 19.7 million tons were transported. In 2024, the Russian government aims for yearly shipments totalling 80 million tons. To this end, it has calculated that 735 billion roubles should be invested until 2024. A third of this will come from government investment; the other two thirds have to be invested by (private) companies. Such investments are used for i.a. the development of infrastructure for LNG projects (including terminals and bunkering infrastructure meant for both the transport of LNG via vessels and to allow ships to use LNG as a fuel).
The global LNG market consists of large (>2 mtpa), medium (1-2 mtpa) and small-scale (<1 mtpa) LNG projects. Currently in Russia, large-scale LNG projects dominate the market and account for over 90% of the planned LNG capacity until 2030. As of 2020, significant parts of the (liquefaction) technology and supply chain are imported from i.a. European countries. Moreover, European companies are active in support activities for the construction of LNG plants. In short, Russian projects look to European companies for (liquefaction) technology, construction and infrastructure for LNG projects. Russian companies, however, aim to rapidly develop domestic technologies; for example, Novatek aims to complete the Ob LNG project (in the Arctic region) using only Russian-designed and -produced technology. It is expected that the technology used for Ob LNG will be replicated in medium- and small-scale LNG projects.

On the map below, an overview of active and planned large-scale LNG projects in Russia is provided. The timeline of these projects differ and may change over time. Moreover, the extent to which decisions about (sub) contracting have been made, differs per project. As such, the map is designed to give a general picture of developments on the large-scale LNG market in Russia.

Gas as a motor fuel: LNG and CNG

Although the vast majority of Russian cars, buses and trucks still run on petrol or diesel, companies are actively developing a market for the use of gas as a fuel for vehicles. In the National Programme for the Development of the Transport System (2017) the Russian government aimed to promote the use of gas as a fuel for ships, river vessels, locomotives and road vehicles. This programme may be expanded after 2020.

LNG is used for larger and/or heavy-duty vehicles (such as ships and heavy trucks), whereas for passenger cars and buses Compressed Natural Gas (CNG) can be used as a fuel. Using LNG or CNG as a fuel generally emits less CO2 than petrol or diesel does. When used as a fuel for
You can find general information about doing business in Russia, available subsidies and financing for entrepreneurs on the Embassy’s website and on the website of the Netherlands Enterprise Agency (in Dutch).

What can the Embassy do for you?

The Netherlands Embassy in the Russian Federation can facilitate your company in a number of ways:

- Provide more detailed market information based on your specific questions and needs, including a company check on a prospective partner on the Russian market;
- Answer first-line questions re. doing business in Russia;
- Facilitate contacts with regional authorities (or federal).

Sanctions

EU sanctions are imposed on the Russian Federation. These sanctions can particularly affect companies seeking to do business in the energy sphere and/or to cooperate with certain state enterprises. EU measures include restrictions on:

- Doing business with specific Russian entities like energy companies (often financial restrictions);
- Export of goods, technologies or services for deep sea, Arctic and shale oil exploration and production;
- The export on dual-use goods.

Please note that such restrictions apply on certain goods, technologies and services regardless of their end use. Goods, technologies and services that are intended for use in non-restricted oil and gas projects may also require an export license. Companies are advised to contact the Dutch Central Import and Export Office (CDIU) if they have any questions regarding the potential need for an export license.

Companies are responsible to ensure that their activities comply with the sanction regulations. For more information about sanctions, you can contact the Netherlands Enterprise Agency’s sanctions desk (in Dutch) and consult the handbook on dealing with sanctions on their website.

More Information

For further information, you can contact the Economic department of the Netherlands Embassy in Moscow via mos-ea@minbuza.nl or phone no. +7 495 797-29-21.

Relevant conferences and fairs in Russia

These dates are up to date as of April 22, 2020. Dates may change depending on the impact of COVID-19. Interested companies are advised to closely monitor the events’ websites to ensure access to the latest information.

- **NEFTEGAZ 2020** International Exhibition for Equipment and Technologies for Oil and Gas Industries 22-25 June 2020, Moscow
- 5th Annual International East Russia Oil and Gas Forum 8-9 July 2020, Vladivostok
- Eastern economic forum “The Far East – Development Horizons” 2-5 September 2020, Vladivostok (Although not an energy forum, in recent years new energy projects in the Far East were announced at this forum)
- Sakhalin Oil & Gas 29 September-1 October 2020, Yuzhno-Sakhalinsk
- **The 10th St. Petersburg International Gas Forum (SPIGF 2020)** 6-9 October 2020, St. Petersburg
- **Russian Energy Week** 13-16 October 2020, Moscow
- International Forum and Exhibition Yamal Oil and Gas 25-26 November 2020, Novy Urengoy

ships, LNG emits less CO2 but also 90-95% less sulphur dioxide (SO2) than traditional fuels. Russian companies are actively developing LNG bunkering technologies and are interested in technologies in this development.

Russian companies are expanding their network of gas fueling stations. In 2019, around 500 CNG filling stations were present throughout the country (more than double the number of 2013). Russia plans to have 1,500 CNG stations by 2025 and 2,300 CNG stations by 2030. In addition, by 2030 there should be 200 combined LNG/CNG stations along key federal highways, enabling heavy-duty vehicles fuelled by LNG to travel between major Russian cities.

More Information

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