

Russian news

Western Europe unmoved by the latest Russia/Ukraine tiff

THE ROW BETWEEN Russia and Ukraine over the former Soviet republic's \$900 million of gas debts escalated briefly last month as Gazprom cut back supplies by 50% on 3 March. Russian deliveries resumed at normal levels following high-level talks in Moscow on 10 March. Ukraine promised to pay \$20 million by 10 April. If it fails to do so, Russia has said it will reduce supplies again.

The 50% reduction in Russian imports bit much harder than under normal circumstances due to a cut-off on 22nd February by Turkmenistan which is owed \$700 million by Ukraine. Gazprom had agreed to deliver an additional 80 mmcm/d to make up for the drop in gas supplies to Ukraine. When Russian exports fell 120 mmcm/d to 430 mmcm/d, down from 550 mmcm/d at the beginning of March, Ukraine was left with no fallback other than domestic production. Of the 430 mmcm, 320 mmcm was gas for the Western European market. Total supply available to Ukraine plummeted from normal levels of 240 mmcm/d to

152 mmcm/d.

Russia plans to deliver an estimated 42 BCM of gas to Ukraine this year, EGM understands. In 1993, Russia supplied 51.07 billion Russian cubic metres.

Surprisingly, perhaps, the dispute did not result in any marked reduction in supplies to the West. Czech sources reported only a 7% drop through Transgas, which was said to be a quite normal occurrence at this time of the year when low temperatures in the former Soviet Union can boost the gas offtake.

However, as in November 1993, the gasline which takes supplies to Romania, Bulgaria and Turkey was seen as fair game by eastern Ukrainian industries. Turkish state Botas, which is at the end of the line, suffered a 9% drop in supplies as deliveries fell from 15 mmcm/d to 14 mmcm/d.

Of Turkmenistan's non-paying customers, only Ukraine has so far been cut off. Armenia is up to date in payments. Azerbaijan owes a substantial sum. Georgia, however, appears likely to be the victim of another reduction in supplies now that it has run up gas debts to Turkmenistan of \$250 million, EGM is told.

A new prospect offshore Russia could threaten Central Asian gas plans

IT IS EASY TO FORGET that Russia's main interest is not in the giant development projects underway in Central Asia, but in protecting and exploiting its own vast reserves of oil and gas.

The issue came to the fore last month with the announcement of a bidding round for development of the western part of the Astrakhan field (west of the Volga river) and for two additional blocks to the north. In its entirety, Astrakhan field has proven reserves of 1.5 TCM of sour gas and an estimated 5 billion barrels of condensates. Geologists claim that reserves could increase with additional drilling. Such quantities rival the more remote Karachaganak reserves in Kazakhstan.

Russia's move to speed up development signals its preference to encourage domestic activity from which it can reap maximum profits.

The western Astrakhan block encompasses roughly one-third of the hydrocarbon structure. All production from the field is currently from the eastern side of the Volga. The field produces roughly 4 BCM/yr, which is processed and then piped to the North Caucasus.

How attractive the bid offer will be to western companies is unclear. But organisers Wavetech Geophysical report a high interest in the announcement pending detailed information on block size and geophysical data.

Of the 178 wells on the Astrakhan field, only 28 are producing. The remaining 150 were abandoned when it became clear that the high sulfur content of the gas was polluting the

environment and was stretching the capacity of the sulfur-processing plant to an extent unacceptable even in the former Soviet Union.

Originally, Gazprom hoped to produce up to 20 BCM/yr when it was first brought onstream in 1984. The field's gas and liquids are very similar to other structures in the Pri-Caspian formation: sulfur content in Tengiz gas averages 18%. At one point, Astrakhan field was almost closed down altogether because of the severe ecological problems caused by sulfur emissions. Additionally, the condensate is almost certain to contain the sulfurous mercaptan compound, which is currently limiting US Chevron's exports from nearby Tengiz.

The main block on offer is estimated to hold 285 BCM of gas and 375 million bbls of condensate. There is no talk of western partners being asked to help increase production on the eastern side of the field. But the western section could, if developed rapidly, eclipse British Gas and Agip's 3 TCM project at Karachaganak. It is nearer the end market and already has significant infrastructure in place. Another hopeful sign is that Chevron's tests of a Russian processing process to extract mercaptans is reported to have been successful, allowing the process to be applied elsewhere in the Pri-Caspian Basin.

Denver-based Wavetech Geophysical, which is organising the bidding round with its Moscow-based joint venture partner GeoInterTech, reports that the remaining two blocks, Enotayevsk and Kharabalinsk, are unexplored. They fall outside the Astrakhan play and may not be subject to the sulfur problems of Pri-Caspian hydrocarbons.