

## New Energy Markets: The Far Eastern Vector

### KEY CONCLUSIONS

#### **The Far East has enormous energy resources**

"Huge energy resources are concentrated in the Far East, about 13% of Russia's oil reserves, and more than 16% of gas reserves. Keep in mind that only 6% of the Far Eastern region has been geologically studied. We have great prospects here, huge opportunities to develop energy, develop oil and gas industry, coal industry, power industry," Alexander Novak, Minister of Energy of the Russian Federation.

#### **Cooperation with the APR is a priority for the Russian energy sector**

"Speaking about cooperation with the Asia-Pacific region, of course, it is our priority today. The Asia-Pacific market will develop, the economy will grow at a faster pace than the global economy on average. Energy consumption will grow at pace, probably twice as high as the world average. There are objective reasons for this: 60% of the population lives in the Asia-Pacific region, which gives great potential for improving the quality of life," Alexander Novak, Minister of Energy of the Russian Federation.

"We set ourselves a goal to increase the volumes of liquified natural gas supplies to the global market, given that there is an existing niche for that. Today, the world consumes 275 million tons of LNG, by 2035 this figure will reach, by the humblest estimates, 550 million tons. 70% of this consumption will be in the Asia-Pacific region," Alexander Novak, Minister of Energy of the Russian Federation.

"Our cooperation with China is developing according to the plan, and the Power of Siberia pipeline will be completed next year. Deliveries to China will begin in December 2019. There is no doubt about that," Alexander Medvedev, Deputy Chairman of the Management Board, Gazprom.

"Expansion of cooperation between Russia and China allows us to coordinate efforts for the construction of the so-called Ice Silk Road. Some say it's a dream, but for the last 10 years new technological innovations are being introduced to the market. 226 million tons crude oil was delivered from Sakhalin," Sergey Frank, President, Chief Executive Officer, PAO Sovcomflot.

"Yesterday we essentially placed the first order for LNG here in the Primorye Territory, at the Zvezda shipyard. New bridges open new opportunities thanks to cooperation between Zvezda and South Korean

partners. Of course, the development will continue,” Sergey Frank, President, Chief Executive Officer, PAO Sovcomflot.

### **Russia's cooperation with the APR countries in electric power industry is expanding**

“We work closely with Russia in energy consumption. There are three advantages for working with Russia on electricity transmission. First, Russia is the richest country in terms of natural resources. Second, it is the geographical location. The maximum distance between the point of delivery of electricity and the point of consumption is 2,000 km. And the third advantage is the optimization of distribution and electricity consumption production,” Shu Yinbiao, Chairman, State Grid Corporation of China.

“The energy supply from Russia looks very attractive for Japan and also for other countries. This will help Japan gain some energy security and solve issues related to diversification. We hope that we will be receiving something from the island of Sakhalin as well. Russian and Japanese companies create a stable and reliable partnership and have been working together on various projects for several decades,” Tetsuhiro Hosono, Chairman, Chief Executive Officer, Japan Oil, Gas and Metals National Corporation.

## **PROBLEMS**

### **Market uncertainty due to international tension**

“The market is influenced not only by the fundamental factors, but also by some geopolitical decisions and actions of individual countries. The market today is largely uncertain, it is hard to predict how the countries that buy almost 2 million barrels of Iranian oil per day will act,” Alexander Novak, Minister of Energy of the Russian Federation.

## SOLUTIONS

### **Expansion of interaction between administration and business of Russia and the APR countries**

“Over the last year, private companies of both countries have been making a lot of very useful efforts. Thanks to President Putin and Prime Minister Abe, we were able to achieve a lot and discuss the potential for improvement and expansion of our interaction and cooperation, and to move to the next level. As for Sakhalin-1 project, we have extended our cooperation and we are planning to move forward other projects. In particular, LNG and Sakhalin-2,” Tetsuhiro Hosono, Chairman, Chief Executive Officer, Japan Oil, Gas and Metals National Corporation.

### **Ensuring efficient transportation of energy resources**

“To unlock the resource potential of LNG production, it is necessary to ensure commercially efficient transportation. Commercial efficiency consists of two components: commercial speed and the actual cost of freight,” Lev Feodosyev, First Deputy Chairman of the Management Board, NOVATEK.