

Iran vs Russia: The Next Natural Gas War

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Posted on : 2017/3/9 23:15:00

Russian natural gas roughnecks at work

By Dr. Kent Moors - Mar 06, 2017 – for oil-price.co: Not everybody attending the Iranian natural gas summit last week in Frankfurt was there for the same reason. While most were gauging the prospects for an opening of major natural gas reserves and liquefied natural gas (LNG) export prospects, others were there for quite different reasons. Take the three representatives from Russia's gas giant Gazprom (OGZPY), for example. They weren't there to scout new investment packages. On the contrary… They were there to see just how badly their company's position was under siege. And it's no wonder the Gazprom guys looked concerned. From what I saw at the summit, they have every reason to be. For energy investors, on the other hand, the news is very good… **Gazprom is in Dire Straits** Gazprom may still be the largest natural gas company on the face of the Earth, exporting more gas than anybody else and providing revenues that account for the biggest single chunk of the Russian central budget… But it is facing down some difficult times. For one, extractions are declining at the primary mature fields the company has depended on for decades. To offset that growing problem, Gazprom needs to move into three very expensive new regions – above the Arctic Circle, onto the continental shelf, and into eastern Siberia. Moscow is hard pressed to provide the necessary funds for that. Then, there is the need that Gazprom continue to expand aggregate exports. Merely to keep pace with past year totals is not enough. New pipelines to China and Europe were touted as solutions to this issue. Yet both projects have been plagued with political, pricing, and contract problems. In the case of the South Stream project – intended to move Russian volume into southeastern Europe – astronomical costs, blockading politics from transit countries, and a rising EU move to diversify energy sourcing, have combined to scuttle the venture. Additionally, Gazprom has relied on a contract mechanism that is falling under its own pressure… […]

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