

Putin Says Russia May Consider Forming a 'Gas OPEC'

By Torrey Clark

Feb. 1 (Bloomberg) - Russia, which has the world's largest natural-gas reserves, will consider coordinating policy with other major producers of the fuel, such as Iran, President Vladimir Putin said today.

A gas OPEC -- that's an interesting idea. We will think about it, Putin said during an annual news conference in the Kremlin with domestic and foreign reporters. He said Russia, Iran and other major producers of the fuel should coordinate our activities, though they shouldn't act as a price cartel.

European leaders have raised concern Russia is using its natural resource wealth as a political tool, undermining the reliability of its energy supplies, a charge Putin denied today. Natural gas prices in New York gained 2.3 percent to \$7.845 per million British thermal units.

Putin's comments may be intended to strengthen Russia's bargaining position to improve trade terms with Europe and buy European assets, analysts said. State-run OAO Gazprom, Russia's sole gas exporter, supplies more than a quarter of Europe's gas.

Putin is probably reminding Europe that Russia has options that could run counter to European interests, said Chris Weafer, the chief strategist at Moscow's Alfa Bank.

Government and Gazprom officials have denied Russia is considering forming a counterpart in natural gas to the Organization of Petroleum Exporting Countries, whose members pump about 40 percent of the world's oil. Russia, Iran and Algeria would control about half the world's natural gas.

Key Priority

Russia has benefited from creating a balance between its relations with energy consumers and producers and is unlikely to upset that by joining a cartel, Weafer said.

Russia has always met and will continue to meet its obligations to supply its customers, Putin said today. Russia and other gas producers should coordinate our activities, keeping in mind the main goal: unconditional and reliable fuel supplies to our main consumers.

Increased cooperation among the world's largest gas producers, including Norway, Iraq and Libya, could benefit consumers, said Vladimir Matias, managing partner of Asset Capital Partners, an adviser on mergers and acquisitions.

"A gas producing and consuming club could lead to a gas exchange and bring more transparency and predictability," Matias said by phone from London. "The idea is not remote from market needs in Europe and Asia."

Russia and Algeria Cooperate

Russia and Algeria signed an energy cooperation agreement on Jan. 21 that the European Union pledged to monitor because of concerns it may develop into an alliance that could control gas prices. Algeria supplies almost 10 percent of Europe's gas.

Russian Industry and Energy Minister Viktor Khristenko and his Algerian counterpart, Chakib Khelil, at the time rejected the idea of a cartel.

Russian Security Council head Igor Ivanov denied the country is in the talks to form such a cartel after Iranian leader Ayatollah Ali Khamenei suggested to the countries join forces during a meeting in Tehran this week.

Iran's Hassan Moradi, a member of the parliament's energy commission, said yesterday that Algeria, Morocco and Venezuela have enough to make them potential candidates for such a project, even without Russia.

Gazprom Deputy Chief Executive Officer Alexander Medvedev scorned the idea of a cartel while at the World Economic Forum in Davos, Switzerland this week, saying it was "unnecessary" and "impossible".

--With reporting by Hannah Gardner and Yuriy Humber in Moscow and Marc Wolfensberger and Ladane Nasseri in Tehran . Editor: Cook (sfc/ldk)