

Gazprom, BP Chiefs Hold Talks on Forming Gas Venture
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(Adds meeting with Gazprom chairman in eighth paragraph.)
By Torrey Clark and Stephen Voss

March 1 (Bloomberg) -- The heads of OAO Gazprom and BP Plc met in Moscow today to discuss forming a joint venture for international projects, as BP's Russian unit fights to hold on to the largest gas field in Siberia.

The venture would involve liquefied natural gas production and sales, Gazprom said in an e-mailed statement today after Gazprom Chief Executive Officer Alexei Miller met with BP Chief Executive Officer John Browne and his successor, Anthony Hayward, to discuss current and future projects.

Gazprom, the world's biggest gas company, is taking its first step toward producing liquefied natural gas by acquiring a controlling stake in the Sakhalin-2 venture of BP's rival, Royal Dutch Shell Plc's. LNG is gas cooled to a liquid for shipping by tanker, which will give Gazprom access to new markets such as Asia and the Americas.

"Gazprom wants to preserve its position as a global leader in gas markets, so LNG is a must," said Dmitry Lukashov, an oil and gas analyst at Moscow-based Alfa Bank. Gazprom now ships all of its fuel by pipeline, limiting the markets it can reach.

Gazprom may want to see what projects BP can offer to hasten its entry into the Kovykta gas project, Troika Dialog analyst Valery Nesterov said. BP's Russian unit, TNK-BP, is developing Kovykta.

TNK-BP offered Gazprom, Russia's gas pipeline monopoly, more than half the Kovykta project last year while seeking to build a pipeline from the eastern Siberian field to China. Gazprom's entry into the project would ease its approval and give Russia control of the field.

TNK-BP could lose its license to Kovykta as early as May. The government is demanding it supply consumers in the Irkutsk region with 9 billion cubic meters of gas from the field. TNK-BP says that's almost four times what the region can use.

BP Offer

Gazprom and BP didn't say whether Kovykta was discussed at today's meeting. Browne and Hayward also met with Gazprom Chairman and First Deputy Prime Minister Dmitry Medvedev today, Interfax reported.

"Gazprom has been looking at developing LNG projects for a while," BP spokesman Toby Odone said in London. "We will discuss how we can help them do that."

BP has stakes in LNG production and export projects in Trinidad, Indonesia, Australia and Abu Dhabi, and ships LNG worldwide from other plants in countries such as Egypt and Qatar. BP has berthing rights at import terminals in Cove Point, Maryland, and the Isle of Grain in southeast England.

Gazprom is considering three projects to build LNG plants in western Russia, near the Barents Sea, near the Baltic Sea and on the Yamal Peninsula.

--With reporting by Lucian Kim in Moscow. Editor: Cook (ldk)

Story illustration: See {GAZP RM <Equity> GP <GO>} for a graph of Gazprom's share price. See {ETOP <GO>} for top energy news. See {TGAS <GO>} for top gas news.

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