



The goal of the project is to increase energy independence of Ukraine through diversification of sources and ways of transportation of the natural gas into Ukraine, as well as integration into the international projects of liquid gas supply (LNG), development of necessary national infrastructure.

Project summary

Construction of LNG terminal in one of the Black Sea ports of Ukraine in order to receive, store, and re-gasify liquid natural gas, with possibility to deliver the received gas to Ukrainian and European consumers.

The project envisages construction of LNG terminal with total capacity of 10 billion cubic meters of natural gas per year, with implementation in two phases:

- phase one – 5 billion cubic meters in 2015;
- phase two – additional 5 billion cubic meters in 2016.

Project background

The project is a part of the National Energy Strategy of Ukraine with a long time horizon and is selected by the Government of Ukraine as a project of strategic importance.

As of today (2010), Ukraine consumes about 58 billion cubic meters of the natural gas per year, which is 45% of the country's total energy balance. About 20 billion cubic meters are domestic production, the rest – about 38 billion cubic meters (or 65% of the consumption) is imported gas (the source country – Russian Federation).

According to the National Energy Strategy of Ukraine until 2030, it is planned both to decrease the consumption of the natural gas, and to increase its domestic production.

Decrease in consumption is planned to be achieved through energy-saving and usage of renewable sources of energy. Increase in domestic production – through development of offshore gas deposits in Black and Azov Seas, shale gas and methane (coal deposits).

In order to achieve these goals Ukraine is actively cooperating with Shell, Exxon Mobil, Deep Exploration companies, as well as with other leading international energy companies. But the real growth of domestic production through implementation of these projects will take place not earlier than in 10 years.

In the same time, as of today, the liquid natural gas market is one of the most dynamically developing. And the LNG supply to Ukraine is practically the only possibility to diversify the sources of natural gas supply for Ukraine.

Therefore, Ukraine is striving to ensure its energy security and independence through access to the international LNG market. The Ukraine's biggest interest is the resources from the North Africa, Middle East and Caspian Region. Availability of numerous sources of LNG guarantees the stability of the supply and reasonable prices for this kind of energy resource due to the competition.

This project will allow to decrease dependence of Ukraine on monopoly supplier of the natural gas and in the same time to resolve one of the key national security issues – energy independence.

Major opportunities for market entry

The current and future gas balance of Ukraine can guarantee reception and consumption of 10 billion cubic meters of natural gas in liquid form, and Ukraine's gas transportation system will allow, if necessary, to transport it to Europe.

One of the strengths of using the LNG terminal for transportation of gas to Europe is availability of large natural gas storage capacities in Ukraine.

One of the possibilities for using natural gas storage for supplying the gas to Europe is procurement of the LNG on the spot market during the low price season and storing it, with further selling of the gas on European spot market when prices go up.



LNG-Terminal

Project Brief

Investment parameters

State support

National Project "LNG Terminal" has the full support of the State.

The government will:

- Finance 100% of the project feasibility study.
- Give high level assistance in the purchase or leasing of land and all necessary administrative licenses and permits.
- Guarantee an economically viable pricing policy.
- Commit to long term contracts for the supply of gas to consumers.

Investment level

The total level of investment is currently estimated to be US\$1.5-2 billion however this cannot be confirmed until the project feasibility study has been completed and accepted by all parties.

Payback period

Estimated at 8-9 years.

Investment mechanism

The investor or investors will be required to be directly involved in the development and management of the LNG Terminal project in partnership with the state. The State's share will be variable ranging from 25% plus one share. This will be subject to negotiation.

Terminal location

Four sites are currently under consideration, two at the port "Yuzhnyi" in the Odessa region and two in the Ochakiv district of the Mykolayivska region. The final location will be determined by the feasibility study.

Project Timing

Phase one is expected to be completed by 2015.

Phase two is expected to be completed in 2016.

The Project is managed by:

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