

Sakhalin-2 Operator No Longer Seeking ECGD,US Exim Funds –Co

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LONDON -(Dow Jones)- Sakhalin Energy, the operator of the Sakhalin-2 gas and oil project, said Monday it's no longer seeking loans from the U.K.'s Export Credits Guarantee Department, or ECGD, and the Export-Import Bank of the United States, or US Exim, but hopes to finalize talks on project financing by the end of the first half of 2008 with other banks.

A spokesman said the company has serious concerns over the possible delays on loan decisions from both credit agencies.

In the case of the ECGD, U.K.-based non-governmental organizations the Corner House and conservation group WWF have made a joint claim for a judicial review of the credit agency's decision in March 2004 to support the Sakhalin-2 oil-and-gas project off the far eastern coast of Russia.

As for US Exim, the decision would have involved lengthy consultations over the loans, the spokesman said, without giving further detail.

The spokesman said the decision not to seek project financing from the agencies was dictated by the tight start-up and operating schedule, not by political reasons.

Sakhalin Energy will continue to hold talks on financing with other potential creditors such as the Japanese Bank for International Cooperation and major commercial banks, the spokesman added.

It was reported earlier, that the company will need about \$5 billion for project financing.

The company hopes to finish the second phase of the project by the end of 2008 and start liquified natural gas production shortly after that.

The Sakhalin-2 project was initiated by Royal Dutch Shell PLC (RDSB.LN), Mitsubishi Corp. (MSBHY) and Mitsui Corp. (MITSY) to produce LNG on the remote eastern-Siberian island of Sakhalin for export to Asia, where it is used in power generation.

Russian energy giant OAO Gazprom's (GAZP.RS) assumed control of the project last year after the Russian state applied severe pressure to Shell over environmental damage and cost overruns. Shell and other foreign companies continue to have stakes in the project.

Russian President Vladimir Putin said all environmental concerns were resolved on the day Gazprom took over the project.

-By Alexander Kolyandr, Dow Jones Newswires; +44 20 7842 9410;Alexander.Kolyandr@dowjones.com