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Energy Policy in the Arctic: Yamal LNG in Russian International and domestic political agenda

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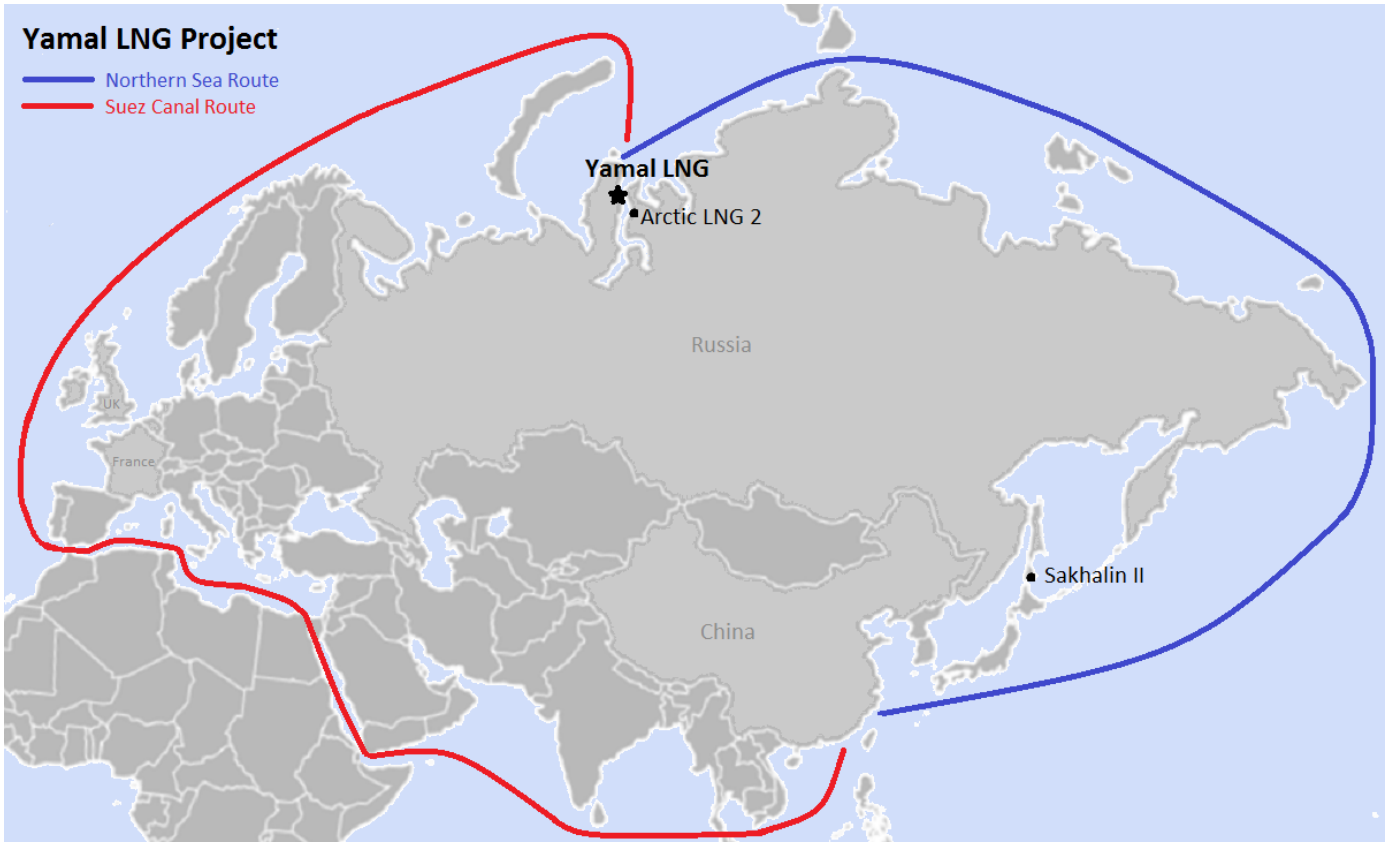
Abstract

The past decade the Russian oil and gas industry has been marked by ambitious projects. The plant producing liquefied natural gas (LNG) in the Yamal peninsula became the first Russia's project in the Arctic of such complexity and scale. Said to be a matter of strategic importance by the Russian government, it fits well into its larger perspective of the development of the Arctic and the Northern Sea Route. However, it became evident that it would be impossible to implement Yamal LNG without the support of either European or Asian stakeholders – it heavily relies on foreign technology and funding. Especially after the 2014 Western sanctions, the project's attention pivoted to the East: it was able to secure the missing funding and launch the production. The paper outlines the characteristics of the project, analyses its role in the international and domestic political agenda in Russia, and suggests that even though the hydrocarbons exploitation in the Arctic and LNG projects play an important role in regards to the wider international agenda of Russia's Arctic policy, Yamal LNG had a bigger impact on the domestic politics and internal natural gas market than on the country's external energy relations.

Over the past decade, the narrative of the Arctic as a strategic region has gained solid footing in the Russian federal and regional policy, as well as in its foreign agenda. For the Russian authorities the megaproject Yamal LNG, launched by the private company Novatek with significant investments and technological support from the Russian authorities and foreign stakeholders, located in Russia's Arctic region Yamalo-Nenets Autonomous Okrug, became the matter of strategic importance. In Russia the project is often claimed to be a good example of industry progressing in spite of the Western sanctions – Russian companies were deprived of American and European loans but Chinese partners of Novatek and the Russian government were able to fill the missing gaps in financing.



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Yamal LNG is the second Russian LNG project, but the first one of such a scale. In 2009 the first Russian LNG plant was launched by the largest natural gas exploiter public company Gazprom within its Sakhalin-2 project. It produces about 9.6 million tons of LNG each year using the liquefaction technologies developed by Royal Dutch Shell (Gazprom n.d). Located in the Far East of the country it exports LNG mainly to Japan, South Korea, and China.

As particularly emphasized by the Russian authorities, Yamal LNG is of high importance for boosting Russian-Chinese cooperation on energy. Has Yamal LNG then become part of the socalled "pivot to the east"? China is now the major foreign shareholder of the project and buyer of its future

produce. Other countries in the Asia-Pacific region act mostly as suppliers of the technology and construction materials for the development of the LNG facilities in the Arctic region, as they already import LNG from Sakhalin-2.

The paper aims to overview the EU and Chinese implications in Yamal LNG project and analyze the discourse on the project on the national and regional level to show how it fits into the Russia's foreign and domestic political agenda. We can argue that, despite the fact that the implementation of the project can be considered a major development of Russia's and the world's LNG industry, and trigger for the greater cooperation with China, it had a smaller impact on Russia's foreign affairs than on its domestic politics.

The paper is structured as follows. First, it briefly addresses the scholarly discussion on the role of energy in the Russian foreign policy conduct. Is Russian international behaviour influenced by the economic need of development of natural resources, on which it heavily relies, and is the internal energy market dependent on the changes in political relations with other countries?

Secondly, it outlines the milestones of the project implementation. Yamal LNG, as it is often stressed, has unique characteristics that set it apart from the other ongoing projects in Russia's hydrocarbons industry: it is implemented by the private company Novatek, which therefore contested the hegemony of Gazprom over the LNG projects in Russia; it has attracted investments of the stakeholders that have not participated in Arctic economic or political affairs before; it also has a unique location, which implies not only new opportunities, but also the new challenges. Then, the implications of the European and Asian countries in the project are reviewed with the aim to estimate the extent to which they participate in the Yamal LNG project, what are the major advances and challenges of the cooperation, and how it reflected on the international agenda on energy resources. The Russian authorities stress the importance of the international cooperation in the project, as the capital, technology, material and labour were provided by the foreign stakeholders. Also, it is important to define the challenges, in particular, sanctions imposed by the Western countries after the Russia's illegal actions in Ukraine and annexation of Crimea.

The last part offers analysis of the discourse on the project at the national and regional levels in Russia. Yamal LNG became a "success story" not only for Novatek but also for Yamal regional authorities, Russian government, and personally Vladimir Putin, but does the project influence the foreign agenda of Russia?

Interdependence of the Russian energy policy and its foreign affairs

So far, there were only few political science academic works on the Russian LNG projects, and Yamal LNG in particular, as the project is in the process of development. For instance, Bros, A. and Mitrova, T. (2016) analyse the impact of the post-Crimean sanctions on Yamal LNG and EU-Russian relations, and on the Russian response to the challenges in funding the project. Bennett, M.M. (2016) writes about the Chinese involvement in the development of the Northern Sea Route and the project. Lunden, L.P. and Fjaertoft, D. (2014) explore the scope of the government support to the Yamal LNG project, its economic viability and benefits. However, observing the development of the world's LNG market and new possibilities and challenges for international cooperation it is safe to suggest that these issues can be the matter of vivid interest of scholars in political science.

Many researchers study energy as a tool of foreign policy: how states cooperate or compete using resources to reach their political and economic goals. In this regard, a lot of attention is paid to Russia, as one of the major actors in global oil and gas industry, as well as the state with the economy based heavily on natural resource export. Russian external actions, thus, should be influenced significantly by the energy market developments, or vice versa, energy politics may be shaped according to the political agenda.

To explain Russia's energy policy Orttung and Overland (2010) analyse its conflicts over the natural resources with other countries and argue that while Russian authorities set rational economic and political goals, they are often "constrained by the set of tools available" at the moment. Therefore, those foreign policy "tools" structure the country's foreign policy and "the nature of its relationship" with others and "shape the patterns of the international behavior". Authors suggest (Orttung and Overland, 2010, p. 75) that relying on the economy largely dependent on energy recourses export, Russia possess quite a limited number of other means to influence international politics, besides probably its military capacities. Even though Russia seeks "to expand its political influence abroad and maximize profits from its energy sales", it is limited by the toolbox available to use energy in conducting its foreign policy, and "often has difficulty converting its vast resources into effective instruments of influence". This "toolbox", although, changes over time, but still imposes tight constraints on Russia's ability to achieve certain foreign policy goals. Thus, because of the "limited toolbox" of its foreign energy policy, "Russia is sometimes willing to sacrifice economic gain to assert political advantage, and vice versa" (Orttung and Overland, 2010, p. 84).

Indeed, in the case of Yamal LNG we can observe that Novatek and Russian authorities, who directly and indirectly support the implementation of the project, are restricted by certain limitations when using the project in the foreign energy affairs. Although, Yamal LNG has provided Russian natural gas industry with some new opportunities such as bigger production and export of LNG, development of the Northern Sea Route and new advanced technologies like LNG ice-breakers, Russia's foreign policy is still limited by other factors. These factors are for instance: lack of investment offers due to sanctions, increasing distrust of the prospect partners, and decreasing world prices on LNG. During the whole process of planning, construction and launching of the project the Novatek and state authorities were constrained by the certain issues and had to shape their external policies in accordance with the situtation.

Lack of coherent strategy in mobilizing energy as a tool of foreign affairs, or inability to pursue the strategic political interests by the Russian state was also addressed by scholars. Reflecting on Russia's strategy in using energy as a foreign policy tool, Legvold (2008, p. 10) claims that Russia does not have any strategic vision of what its foreign energy policy should look like. He suggests that "no one is Russia's enemy and no one, an ally; everyone is a potential partner and everyone, a potential competitor", and Russia, rather than develop the consistent strategy for the foreign energy policy, is guided by "impulses and urges", even though they are "in many respects deeply felt and focused". Further, Legvold (2008, p. 15) supports the hypothesis of other researchers, saying that Russia sometimes would prefer reaching a political goal over economic efficiency.

Despite of its rhetorical and practical "pivot to the east" Russia did not always follow its Asia-oriented policy while developing Yamal LNG. As we will observe, technological and engineering support and a part of investments were provided by the European stakeholders. Besides, the Chinese involvement in the project increased considerably only after the 2014 sanctions, having attracted Chinese investments, Russia secured the further development of the project. Whether these partnerships were strategically planned in advance, in case Russia's intervention in Ukraine would cause serious political consequences, or not – Yamal LNG showed that Russia would partner with different stakeholders depending on the current state of affairs. Explaining Russian energy policy in Asia, Legvold (2008, p. 10), for instance, points out that there is no "conscious and coherent design in Russia's mobilization of energy" to reach political goals in this region.

Overview of the Yamal LNG project

The Arctic made its comeback to the political agenda of the new administration immediately after Putin's office came into power in 2000. It was stated that exploration and security of Russia's northern frontiers are crucial for the further development of the country. In 2008 former President Dmitry Medvedev signed the programmatic document Basics of the State Policy of the Russian Federation in the Arctic for the period up to 2020 and for a further perspective. It stated that two of the main priorities and the first basic interests of Russia in the region are the use of the Arctic zone as a strategic resource base, that can to a great extent secure the need in hydrocarbons, and the use of the Northern Sea Route as the united national transport route of the country (President of Russia, 2008).

The authorities, nevertheless, admit that the current state of the economic development of the country's Arctic zone may be characterized by lack of modern Russian technologies for exploration and extraction of hydrocarbons in the harsh conditions of the Arctic region, and also by deterioration of transport, industrial and energy infrastructure, and ice-breakers fleet. Another issue is high power intensity and low efficiency of the extraction (President of Russia, 2008).

Following the State Policy development, in 2010, Vladimir Putin, then Russian Prime Minister, signed the Complex Plan of the development of liquefied natural gas production on the Yamal peninsula. The Plan outlined the major steps to perform the pilot LNG project and set the provisional deadlines – the plant to be built and started within 2012-2018. It was also recommended to free the LNG production from taxes (President of Russia, 2010). To encourage the implementation of the State Policy in the region President Putin, already as the president, approved the Strategy for the development of the Arctic zone of the Russian Federation and national security for the period up to 2020 (President of Russia, 2013).

Due to the failure to decrease dependency of the state economy on natural recourses and the shifted to the Arctic focus of the political agenda in Russia, the idea of the socalled LNG megaprojects in Yamal region became visible. In 2013 Novatek, the private Russian gas company launched the Yamal LNG project, which comprises natural gas extraction, liquefaction, and shipping to the markets in Asia, Europe, and the United States. In addition, the whole production, transportation hub, and living infrastructure were built: the 100 km long pipeline, Sabetta harbor and international airport, accommodation facilities for thousands of workers, as well as design and construction of fifteen LNG ice breakers (Yamal LNG, 2015).

Situated on the margins of the South Tambey onshore natural gas and condensate field of the Yamal peninsula, the project has a major advantage – the possibility to extract, liquefy, load and ship the gas in one place. Also, the geographical location of the plant assures more efficient liquefaction of the natural gas due to the low annual temperature. The Yamalo-Nenets Autonomous Region, where the gas field is situated, provides about 80% of Russia's natural gas, while Russia accounts for slightly more than 17% of the world's natural gas extraction (Analytical Center for the Government of the Russian Federation, 2018). Another important issue, that became political, is that the aggravating global warming leads to freeing of the Northern Sea Route from ice during the summer period, making it possible to shorten shipping time to the Asian markets by half.

The shareholders of the Yamal LNG are Novatek (50.1%), French Total (20%), China National Petroleum Corporation (20%) and the latest to join Chinese Silk Road Fund (9.9%). Total also holds a 19% share of Novatek itself. The cost of the project is estimated to be $27 billion. It is estimated to produce around 16.5 million metric tons of LNG per year (Total, 2018).

In the light of the crisis in Ukraine, together with fall of the gas prices, sanctions, and their consequences, the Yamal LNG suffered from some economic difficulties. Nevertheless, by the mid-2016 Novatek was able to secure the last loans and investments with the help of Chinese and Russian banks. The Russian National Fund also provided financial help to the project. At the same time, experts note that although the natural gas production in Russia suffered a recession in 2015-2016, it closed the 2017 year with the 7.9% growth of production (Caspian Policy Center, 2018).

The 1st train (production line) was started in December 2017 with the symbolic presence of President Putin, who personally pushed the button to start filling the tanker (Ministry of Energy, 2017). In April 2018 Yamal LNG started shipping under longterm contracts with Total, CNPC, Gazprom Marketing & Trading, Spanish Gas Natural Fenosa, and Novatek Gas & Power (LNG World News, 2008). In the first months after the launch of the first train, Yamal LNG shipped more cargoes than has been announced before, to the US, Europe, Asia, and Northern Africa.

The first shipment to China was delivered in April, via the Suez Canal (Katona, 2018). But it is noteworthy that the first cargo sent from Yamal to China by the Northern Sea Route and delivered in July 2018 (CNPC, 2018), when the navigation became possible because of the melted ice in the Arctic, made the headlines and drawn the wide attention of the Russian and foreign media. Russian minister of energy Aleksandr Novak even called the Northern Sea Route the Ice Silk Road (Ministry of Energy, 2018) repeating the rhetoric of the Chinese authorities.

EU implications in the project

EU alternative fuels policy

The European Union actively supports the use of LNG, as the main alternative to pipeline gas. In 2014 the European Commission proposed a Directive to ensure "a minimum coverage of the corresponding recharging and refueling infrastructure" to encourage the development of alternative fuels as LNG is largely used in Europe, and in 2017 proposed the Action Plan on alternative fuels infrastructure (European Commission, 2017).

In 2016, the European Commission presented the energy security package and the Union's strategy for liquefied natural gas and gas storage (European Economic and Social Committee, 2016). The Strategy outlined the key points to improving access of the Member States to LNG: creation of the internal energy market and ending "dependency of certain Member States on one gas supply source". It also underlines the importance for the Union to become a player on the international LNG market.

Currently, the EU does not depend on Russian LNG because the need in the natural resources is covered by the pipeline gas. However, as the necessity to diversify the suppliers of gas in Europe emphasized (Wilson, 2015), the EU is planning to import LNG from the US, Australia, and other countries. The two major areas, concerning the Yamal LNG project, where the European countries, despite the sanctions and turbulent political climate, remain involved are technology provision, as well as storage and transfer services.

Technology

One of the leading European companies, actively involved in the Russian oil and gas sector, is French Total that has been present in Russia for more than 25 years. As Bros and Mitrova (2016, p. 5) note, the company has been striving for moving from the oil to other sectors, and involvement in the LNG business is helping it to kill "at least two birds with one stone – access to new resources and diversification of its activities".

The Russian LNG industry is highly dependent on the advanced foreign technologies used in almost all the stages of production: preparation and construction of the plant and other facilities, liquefaction, loading and shipping of the gas. The core element of the LNG production, the technology that allows liquefying the natural gas extracted from the field, used in the Yamal LNG project is provided by the American company Air Products (Air Products, 2014). The general contractor for engineering, construction and procurement of the project is, for instance, South Tambey LNG – the joint venture of the French Technip FMC and Japanese corporations JGC and Chiyoda. German Siemens supplies components for a power station; Finnish Aker Arctic designed the icebreaker support vessels and layout of the harbor. Dozens of other European construction and transportation companies take part in the development and implementation of the project.

LNG terminals

As prices for LNG are higher in Asia, it is more profitable to sell LNG to the countries in the region (Katona, 2018). Taking into account that parts of the Northern Sea Route are inaccessible during the wintertime, shipments to China and other countries pass by the Suez Canal. Using the ice-breaking LNG tankers is expensive in long navigation, so cargos from Yamal are sent to the northern European harbours, where the LNG is transferred to nonice classed vessels, which then ship the gas to the East. Ports like Rotterdam, Montoir, Dunkirk, Zeebrugge, Isle of Grain and other LNG terminals and gas hubs in Europe would benefit significantly from the project's shipments. The LNG can also be stored and mixed with gas from other suppliers. Europe holds around 20% of the world's LNG receiving and degasification capacity, and it is underused – utilization rate is about 25% in average. France, Belgium and the Netherlands are leading European reload capacity providers. For some LNG terminals, like Dunkirk, the Yamal LNG shipments may help to double the workload per year (Duran, 2018).

Sanctions

Due to the annexation of Crimea and Russia's actions in eastern Ukraine, the United States imposed sanctions on some financial operations, energy sector, and, personally, the second largest shareholder of Novatek, Gennady Timchenko. Starting from March 2014, The European Union has also been imposing restrictive measures against Russia "in response to the illegal annexation of Crimea and the deliberate destabilisation of Ukraine", targeting the military and energy sector. Economic sanctions included inter alia "limitation of access to EU primary and secondary capital markets for certain Russian banks and companies", and "curtail-ing Russian access to certain sensitive technologies and services that can be used for oil production and exploration". The sanctions particularly targeted access of Russia to the EU capital markets, banning EU nationals and companies to provide loans for more than 90 days, and restricted "exports of innovative extractive technology used by Russian companies to develop deepwater, Arctic and shale oil reserves" (European Commission, 2014). The EU Energy Commissioner Günther Oettinger stated that "there is no reason for us to help promote the growth of their industry and develop new resources for gas and oil" in the Arctic, and proposed to "put this equipment on the list of sanctions" (Euractiv, 2014).

The EU sanctions were, however, not as restrictive as the American ones: they concerned mostly oil industry, and thus did not directly affect Novatek, as the company focuses on the natural gas extraction. Nevertheless, the Yamal LNG project heavily relies on foreign investments, so the limited access to the American funding has shattered Novatek's plans. Researchers also note that European financial institutions were not willing to finance the Yamal project because of high risks (Bros and Mitrova, 2016, p. 3).

The United Kingdom, along with the US, took a firm stand against Russian actions in Ukraine and supported tightening the sanctions. In December 2017, due to the Austrian gas hub explosion and damage of a pipeline in the North Sea, following the sudden rise of the gas prices, the UK ordered the first LNG cargo from Yamal, which was initially said to be going to China (Vaughan, 2018). The move was widely cheered in Russia with the claims that, despite the sanctions, Europe is still dependent on Russian energy. The Russian Embassy in London even rejoiced over the fact with the tweet: "Feeling cold? Help is on the way – first shipment of LNG from Russia arrives in UK today!" with the photo of the LNG tanker coming from Sabetta (Russian Embassy UK Twitter, 2017). It was, however, claimed, that the gas to be reloaded and sent to Asia, due to the higher prices in the region. Later, some media stated that it could have been resold several times and at the end sent to the terminal Everett, near Boston, US, or elsewhere (DiSavino, 2018).

The Novatek chief financial officer Mark Gyetvay said that "It's kind of a shame that we've been vilified in the press for helping the city of Boston with their cold shortage, and then today we've been again vilified by the city of London for delivering LNG to London at a time when they needed gas" (Financial Times, 2018).

Asia in the Yamal LNG project

Sakhalin-2, the first major LNG project of Russia, has been already supplying the Asia-Pacific region. A number of stakeholders from different Asian countries such as Japan, South Korea, India, the Philippines, and Indonesia are implicated in the Yamal LNG project as contractors – technology and materials providers – or buyers. Korean Daewoo builds the LNG carriers; Japanese corporations, as mentioned above, provide engineering and managerial support; India is one of the importers of Russian LNG.

In the paper, however, it is pertinent to focus on China, as a major Asian actor in the Arctic hydrocarbon scene.

China

In the recent few years, China has shown enthusiasm to establish itself as an active Arctic player. It developed interest in climate change, se-curity, and international cooperation, as well as energy resources in the region. The Northern Sea Route, as a shorter and less costly navigation, is also a matter of an increasing Chinese interest. Due to the coal-to-gas strategy and policy of diversification of the energy import, endorsed by the government, growing need in energy resources, and plunge of global LNG prices made China look at the LNG market as a way to establish new source of energy supply (U.S. Energy Information Administration, 2015). In 2018 China became the world's second largest LNG importer after Japan. Experts, however, note that in short to medium term, the Yamal's LNG would not play a significant role in China's hydrocarbons imports (Weidacher Hsiung, 2016, p. 253).

The China National Petroleum Corporation (CNPC) became the third shareholder of the Yamal LNG – in September 2013 Novatek and CNPC signed the memorandum on financing and purchase of the 20% share of the project. The companies also signed a 15-year supply contract (Novatek, 2013). The last shareholder to join was the Silk Road Fund, a Chinese sovereign fund, which bought a 9.9% share of the project. In December 2015, the Fund has also lent Novatek €730 million for a 15 year period (Silk Road Fund, 2018). Later, in 2016, the company signed agreements with the Export-Import Bank of China and the China Development Bank on two 15-year credits for €9.3 billion to finance the project, making the country the major financial contributor to the implementation of the project (Mahneva, 2016). Chinese companies, such as Chinese Offshore Oil Engineering, also provide technology, equipment, and materials for the plant. Experts claim that now, having secured a big role in the implementation of the project, China "will work on projects that they are interested in only under conditions that they find acceptable" (Klimenko and Sørensen, 2017).

Yamal LNG as a part of the Belt and Road initiative

The Silk Road Fund introduced by the Chinese government is set to promote and implement its Belt and Road Initiative (BRI). The Initiative aims to encourage regional cooperation, create economic ties between China and countries of Europe, Africa, and Asia, and expand maritime and on-land routes and transport infrastructure (Silk Road Fund, 2018).

The federal law on the Agreement between Russia and China on the cooperation to implement Yamal LNG project was adopted in 2016. The Committee on International Affairs of the Federation Council underlined that the law contributes to "strengthening and development of good neighborly relations" and creates favorable environment for investments. It also "guarantees parity of the parties' rights and serves as a confirmation of the state support of the Project, needed to attract external financing". The authorities, thus, once again emphasized the importance of the Project for the political and economic cooperation of the countries (Federal Council Committee on International Affairs, 2016).

Yamal LNG became the first BRI's energy project in the Arctic region. Exploration and development of the important for China Northern Sea Route fits well into the Belt and Road concept. Following the COSCO Shipping Corporation's test navigation on the Northern Sea Route, and the transport authorities negotiations on Russia-China maritime cooperation, Chinese president Xi Jinping announced that the countries reached an agreement to build an Ice Silk Road – a project for "exploring transport infrastructure in the North Sea Route, resource development in the Arctic and cooperation in infrastructure, tourism, and science expeditions". Ministry of Commerce of China stated also that the authorities of the two countries will work to reach "the important agreement of the two leaders on the Ice Silk Road" (Ministry of Commerce of the People's Republic of China, 2017).

Yamal LNG in the internal political discourse and Russia's external relations

External and domestic politics of a state are interdependent – researchers traditionally suggested that external politics is influenced or even shaped by the internal developments in the country. In the case of the current Russian Arctic energy politics, we observe that the international situation and Yamal LNG in its context played a big role in generation of internal discourses on the positive development in the Russian Arctic, and Russia's energy industry in general, on both national and regional level.

In Russia discourse on the project has stretched from the confirmation of the necessity of the development of the Arctic resources as a strategy, potentially working in mid-term, to the enthusiastic claims of the global hegemony of Russia on the world's LNG arena.

The implementation of the project fits well into the frames of the current Russian Arctic policy. As noted above, Arctic had been firmly established on the Russian political agenda on both domestic and international levels. Since Russia strives for exploration of the Arctic hydrocarbon resources and development of the Northern Sea Route but lacks technological development and financing opportunities, Yamal LNG, funded by the foreign investors, came in handy in developing the narrative of the Arctic as a prospective region. In this regard, for Russian authorities Yamal LNG was very instrumental for setting the right tone: they seized the opportunity to show that they were able to implement a huge in its scale innovative international project which, moreover, overcame the sanctions.

On the regional level, the project has also become a highly political issue. Rich in hydrocarbon resources Yamal-Nenets Autonomous Region suffers from underdeveloped socio-economic infrastructure, poor roads and transportation facilities, corruption, and also ecological issues due to the vast development of the oil and gas industry. Being the only relatively successful project of the industry of the past few years, and particularly, in the light of the economic recession after the Ukrainian crisis, it provided the local authorities with the opportunity to declare advances in regional development. Dmitry Kobylkin, ex-governor of the Yamalo-Nenets Region, who was nicknamed "Captain Arctica" by local and nation-wide media, actively promoted development of the project and the Northern Sea Route as a part of a wider Arctic agenda. In 2015 he was named "Russia's most efficient governor" (Civil Society Development Foundation, 2015), in an competitive rating compiled by the pro-government NGO Civil Society Development Foundation, reportedly due to the implementation of Yamal LNG. In May 2018, the newly elected president Putin appointed him Minister of Natural Resources and Ecology.

We can also trace how the tone of the official rhetoric about the project changed from ambitious but still cautious to confident. In the final stages before the launch of the 1st production line Putin stated: "If we continue to work this fast, which is somewhat surprising even for me, then Russia without any doubts will become the biggest producer of the liquefied natural gas in the world" (RBC, 2017). Sanctions have also shattered the confidence when the project confronted the economic difficulties. But later, when Novatek with the help of the Russian authorities, was able to secure the Chinese investments, the prospective of success became visible. During the ceremony of the start of the filling the first tanker with LNG, Putin stressed that "this is not just an important event in our country's energy sector… This is a more ambitious project… I mean we are faced the enormous task of developing the Arctic and the Northern Sea Route" (Fadeeva, Dzyadko, 2018).

Despite the fact that the Yamal LNG is implemented by the private company, it has been enjoying the full support of the state. Before the start of the construction, as outlined in the Putin's Plan of the development of liquefied natural gas production on the Yamal peninsula, and during the whole process, the project benefited from the significant financial, legal and administrative assistance of the Russian authorities. The key element of the project's transport infrastructure – Sabetta sea harbor – was financed and constructed by the state. Russian National Wealth Fund also provided 150 billion of rubles (RIA Novosti, 2014). Then, the extraction of the natural gas of the South-Tambey field was exempt from taxes; also, the property tax, as well export of the LNG and import of the foreign equipment duties were waived (Government of Russia, 2014).

The Russian authorities and Vladimir Putin personally continually claim Yamal LNG to be a trigger for future economic development of the Arctic. However, some experts argue (Lunden and Fjaertoft, 2014), the project itself is not a profitable venture for the State: as mentioned above, extraction and export of the gas is exempt from taxes, world prices on LNG remain relatively low, as the market is currently oversupplied, and most

importantly, like in the Yamal project case, the cost of development, implementation, and production is very high for the technologically backward infrastructures.

The role of Putin and the government in general in the project, is emphasized. For him the project became a successful initiative for the Arctic and turned into a personal benefit. For the Russian business, it became the guarantee of support and help with access to the foreign capital. Putin personally "launched" the filling of the first tanker by the LNG. He also awarded Leonid Michelson, the head of Novatek, as well Yamal LNG's CEO and to other members of the project staff with the Medals of the Order "For Merit to the Fatherland" (President of Russia, 2018).

In spite of the growing interest in liquefied natural gas, at the moment, neither Europe nor Asia is dependent on Russian LNG. Bros and Mitrova (2016, p. 17) note that despite a significant involvement in the project, the Asian countries will "not want to put their relationship with the United States at risk". Other experts also point out that, as China is establishing its domination on the market, Russia will become even more dependent on its finances, technology, and materials, and less powerful in decision-making (Shagina, 2018). As for the EU, the European policy of diversification of natural recourses suppliers makes it turn to the LNG from the US and other countries.

In any case, the strategic importance of the project is constantly underlined. Before Yamal LNG was launched, Russia did not claim the leadership in LNG production. Even after Sakhalin-2 was launched, Russia's share on the global LNG market was about 4-5%. Experts also stress that Yamal LNG became the only successful project of Russian energy industry during the years of the post-Ukraine economic crisis (Katona, 2018).

Concluding remarks

Yamal LNG fits well into the larger narrative of the Arctic domination of Russia, which has been promoted actively since the late 2000s. The project is undoubtedly important for the development of the LNG industry in Russia. Novatek and Russian authorities tested the possibility to implement a project of such scale in the harsh Arctic climate and unfavourble political and economic situation. Even though interest in LNG in Europe, Asia and around the world is increasing, Yamal LNG may not be that successful in a short term due to several factors: low LNG prices, oversupplied market, the high cost of production and transportation in the Arctic conditions.

Europe relies heavily on pipeline supplies and provides the LNG suppliers with reloading and storage facilities. China, one of the major stakeholders of the project, is actively participating in the project on financial and technical level and is interested in the exploration of the Northern Sea Route as a part of its Belt and Road Initiative. As mentioned above, it may use the opportunity to become a legitimate actor in the Arctic and secure access to new navigation routes and the region's resources. Russia, in its turn, profits from access to foreign capital in case of sanctions. Nevertheless, the socalled "pivot to the East", in regards to the project, seems to be quite disproportional. China aims to diversify its suppliers, and will not focus only on Russian LNG, while the Yamal LNG project could have had difficulties to survive without its investments.

Also, the relative success of Yamal LNG was achieved with the significant support from the authorities. Putin provided Novatek with large administrative and financial resources, while economically Russian state will probably not benefit from it significantly: exempt from taxes, and expensive in implementation and service, the project does not seem to be profitable for the state, at least in short and middle-term perspective. Thus, we can assert that, despite the claims that the project will lead Russia to become the largest supplier of LNG, Yamal LNG mostly met the challenge to reaffirm claims about the efficiency of the Putin's governance in development of the country's oil and gas industry.

As the researchers note, lack of strategic vision, a "limited toolbox" for the conduct of foreign energy policy or other factors often lead Russia to sacrifice certain economic gains for the sake of reaching a political goal, or on the contrary, show political flexibility in order to assure the economic benefit. One can recognize this kind of behavior in the case of Yamal LNG. Trying to assure that the project is implemented to make Russia "the major player on the LNG scene", the country's authorities put the economic interest of the state on the second place.

Following the successful launch of the LNG production at Yamal site, Novatek plans to develop the second LNG plant with a bigger capacity and new technology of gas liquefaction – Arctic LNG 2, and start the first production line by 2023. In 2017 the company's project won the bid for the license for geological survey, exploration and production on Gydan peninsula's Utrennee and Shtormovoye fields located in Yamalo-Nenets Autonomus Region (Novatek, 2017). Total and CNPC have already confirmed their participation in the project by signing the agreements with Novatek. Total's overall interest in Arctic LNG 2 will be around 21.5% (Total, 2018).

The project's development is also marked by the possible participation of the new actors on the Arctic LNG scene, like Saudi Arabia. In February 2018 Novatek and the Saudi Arabian National Oil Company Saudi Aramco signed Memorandum of Understanding (MOU) with the intention to "collaborate internationally on natural gas projects, including LNG supplies, development of LNG markets, gas exploration and production projects, as well as research and technology development" (Novatek, 2018). It was later claimed that Saudi Arabia is planning to invest $ 5 billion and possibly becoming a shareholder in the Arctic LNG-2 project (Tass, 2018). Novatek, thus, is exploring the options to expand the partners and investors geography to secure funding in case of unfavorable economic or political climate. It will be also interesting to follow its development and international cooperation on the project in the light of the new sanctions, being imposed by the US at the moment.

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