INSTITUTE FOR FINANCIAL STUDIES

GERMAN SHIPYARD DEAL: A STRATEGIC MOVE

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After the launch of a liquefied natural gas facility in Sakhalin the problem of LNG transportation came to the foreground. One option is to freight a readily available LNG tanker. Another choice is to build LNG carriers domestically, in the framework of the United Shipbuilding Corporation effort to shore up Russian ship-building industry. Plans exist to enhance the capacity of the Sakhalin-based plant and build another LNG facility on Yamal, therefore construction of LNG tankers could be very helpful for supporting Russia's ship-building industry.

Russia's gas giant Gazprom needs tankers to ship LNG to Asia Pacific, therefore it is expected to become the first customer of Russia's shipyards. Gazprom intends to buy four LNG vessels – two tankers with the capacity of 155 thousand cubic meters from North Shipyard and Baltic Plant and the other two, with the capacity of 215 thousand cubic meters, from Vyborg Ship-building Plant. The tankers are priced at 200 to 250 million US dollars, and four contracts will total around 1 billion US dollars.

Intending to develop gas fields on the Arctic Yamal peninsula and explore fields in the northern seas including the Shtokman field, Gazprom might require more vessels from ship-building companies. However, the domestic manufacturers will only carry out minor ship-building works because Russian shipyards need upgrading and cannot cope with large-scale tasks like this. South Korea's, Japan's and Germany's best shipyards will perform the larger part of the work – receiving the majority of funds. Efforts to support domestic manufacturers should not affect the interests of corporations that award billion-dollar contracts to manufacturers expecting their orders fulfilled timely. With this in mind, special measures should be worked out to rescue the ship-building industry.

It would be a mistake to think that the world's leading manufacturers will transfer their facilities to Russian shipyards. Russia should stake on companies hit by the financial crisis rather than big plants that have many orders.

In this case measures to revive the industry will be a common effort, with the most complicated works fulfilled in Russia or abroad but in the frames of close cooperation with Russian manufacturers. Thus Russian manufacturers will receive foreign technology and use it at their own facilities. This process will take years, however, and should be carried out according to the 'from simple to complex' principle. When the transfer of technology benefits the developer (who takes part in a deal) the scheme might prove vital.

Gazprom is ready to buy LNG tankers from Russian shipyards. Another thing, Russia is launching several large oil and gas projects that will require tankers to carry gas in future. And, the last but not the least, companies that have the needed technology and find themselves in a financial difficulty have been already purchased.

Russian businessman V. Yusufov bought two German shipyards – in Wismar and Warnemunde. The shipyards will first fulfill their obligations under a contract with Sweden – for two ferries, then they will take part in a bid initiated by Rosmorport for ice-breakers construction and afterwards – in a bid announced by Gazprom.

The German shipyards, going for bankruptcy, face serious troubles in finding new clients and completing the existing contracts. If the German ship-building companies are awarded Russian contracts, their production facilities will be utilized for a long time, while Russia will get foreign technology and quality and management control standards.

Russia's big oil and gas project might give a strong impulse to the development of the country's ship-building industry. If the German shipyard project is successfully carried out, this scheme could be used in future. Improved and carefully tailored to each new project, this plan could become an important element in the strategy for rescuing the Russian ship-building industry.