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Naftogaz held talks with big US oil groups about Ukraine energy projects

State gas producer says it met with ExxonMobil, Halliburton and Chevron in bid to increase output in war-torn country



The state energy company's efforts to increase natural gas production follows months of Russian bombardment of Ukraine's energy network © Reuters

Myles McCormick in Washington APRIL 21 2023

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Ukraine's state energy company has held talks with ExxonMobil, Halliburton and Chevron about projects in the war-torn country as Kyiv looks to lure back foreign investment into its energy sector.

The negotiations with big US fossil fuel players are part of a strategic push to increase natural gas production that Ukrainian officials believe could help replace [Russian supply to Europe](#) in the years ahead, and come after months of Russian bombardment of Ukraine's energy network.

Oleksiy Chernyshov, chief executive of Naftogaz, Ukraine's national energy company, said he held meetings in recent days in Washington with Halliburton and ExxonMobil. He said he met with Chevron leadership in January.

"We understand that it's rather hard for the private companies to step in during the war," he told the Financial Times. "We are working on insurance mechanisms to protect their equity. For sure, it will take some time. But we don't wait — we go ahead."

Chernyshov said he also met with White House officials, members of Congress and senators from both parties in recent days in a bid to drum up more political support for US investment in Ukraine's energy sector.

Ukraine's energy infrastructure has been battered by Russian missiles since [Vladimir Putin](#) ordered a full-scale invasion of its neighbour in February last year. Russian bombardments have targeted energy infrastructure and also demolished the country's main refinery as part of an attempt to debilitate the economy.

Ukraine has long touted its upstream potential, emphasising the near-term prospects for shale and unconventional production increases onshore in Kharkiv, Poltava and Transcarpathia, in the country's west. Naftogaz said it hopes to tap US expertise in the kind of onshore shale drilling that has made America the world's biggest oil and gas producer.

A drop in Ukrainian energy demand amid economic turmoil following the invasion means the country may also have spare natural gas that could be shipped to Europe, as well as storage facilities that could be used as the bloc builds up stocks ahead of the winter.

Ukraine has also boasted of strong prospects for offshore natural gas in the Black Sea off Crimea. But these remain off limits until after the war. The Russian navy seized control of much of Ukraine's territorial waters after the invasion and has blockaded Ukrainian ports, allowing only grain to leave under a UN deal.

Naftogaz hopes to sign a contract soon with Halliburton that would help increase production to a target of 13.5bn cubic metres this year, a jump of about 1bn cm from 2022 levels. Chernyshov said it was difficult to commit to a long-term production target until the war was over.

“It’s a lot. And in order to achieve it we might need serious service expansion and technological drivers that Halliburton is capable to provide,” said Chernyshov. “We want them to expand [their presence] dramatically. We want them there seriously — boots on the ground.”

The oilfield services group was among the first international companies to enter Iraq after the US invasion in 2003. It has a small presence in Ukraine. Halliburton was not immediately able to provide comment.

The talks with Exxon and Chevron — oil producers which do not have operations in the country — are at an early stage and would take longer to yield results, however. Naftogaz said it was open to a host of different arrangements.

“We will welcome them,” said Chernyshov. “We can do joint production on gas together, PSA agreement — production sharing agreement — they can have a licence and produce by themselves, we will welcome it.”

[Chevron](#) and Shell inked shale gas agreements with Ukraine many years ago, before the Maidan revolution of 2014, but pulled out after market conditions changed and Russia annexed Crimea and backed separatists in a war in the eastern Donbas region.

Exxon declined to comment on the talks. Chevron had not responded to a request for comment at the time of publication.

Additional reporting by Roman Olearchyk in Kyiv

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