

Russia Plans World's Longest Tunnel, a Link to Alaska (Update4)

By Yuriy Humber and Bradley Cook

April 18 (Bloomberg) -- Russia plans to build the world's longest tunnel, a transport and pipeline link under the Bering Strait to Alaska, as part of a \$65 billion project to supply the U.S. with oil, natural gas and electricity from Siberia.

The project, which Russia is coordinating with the U.S. and Canada, would take 10 to 15 years to complete, Viktor Razbegin, deputy head of industrial research at the Russian Economy Ministry, told reporters in Moscow today. State organizations and private companies in partnership would build and control the route, known as TKM-World Link, he said.

A 6,000-kilometer (3,700-mile) transport corridor from Siberia into the U.S. will feed into the tunnel, which at 64 miles will be more than twice as long as the underwater section of the Channel Tunnel between the U.K. and France, according to the plan. The tunnel would run in three sections to link the two islands in the Bering Strait between Russia and the U.S.

"This will be a business project, not a political one," Maxim Bystrov, deputy head of Russia's agency for special economic zones, said at the media briefing. Russian officials will formally present the plan to the U.S. and Canadian governments next week, Razbegin said.

The Bering Strait tunnel will cost \$10 billion to \$12 billion, and the rest of the investment will be spent on the entire transport corridor, the plan estimates.

"The project is a monster," Yevgeny Nadorshin, chief economist with Trust Investment Bank in Moscow, said in an interview. "The Chinese are crying out for our commodities and willing to finance the transport links, and we're sending oil to Alaska."

In Alaska, a supporter of the project is former Governor Walter Joseph Hickel, who plans to co-chair a conference on the subject in Moscow next week.

"Governor Hickel has long supported this concept, and he talks about it and writes about it," said Malcolm Roberts, a senior fellow at the Anchorage-based Institute of the North, a research policy group focused on Arctic issues. Hickel governed Alaska from 1966 to 1969 as a Republican and then from 1990 to 1994 as a member of the Independence Party.

Alaska's current officials, however, are preoccupied with other issues, including a plan to develop a pipeline to transport natural gas from the North Slope to the lower 48 U.S. states, Roberts said.

The U.S. government's Federal Railroad Administration isn't directly involved in talks about the link, agency spokesman Warren Flatau said today.

Finance Agencies

Tsar Nicholas II, Russia's last emperor, was the first Russian leader to approve a plan for a tunnel under the Bering Strait, in 1905, 38 years after his grandfather sold Alaska to America for \$7.2 million. World War I ended the project.

The planned undersea tunnel would contain a high-speed railway, highway and pipelines, as well as power and fiber-optic cables, according to TKM-World Link. Investors in the so-called public-private partnership include OAO Russian Railways, national utility OAO Unified Energy System and pipeline operator OAO Transneft, according to a press release which was handed out at the media briefing and bore the companies' logos.

Russia and the U.S. may each eventually take 25 percent stakes, with private investors and international finance agencies as other shareholders, Razbegin said. ``The governments will act as guarantors for private money," he said.

The World Link will save North America and Far East Russia \$20 billion a year on electricity costs, said Vasily Zubakin, deputy chief executive officer of OAO Hydro OGK, Unified Energy's hydropower unit and a potential investor.

Transport Electricity

``It's cheaper to transport electricity east, and with our unique tidal resources, the potential is real," Zubakin said. Hydro OGK plans by 2020 to build the Tugurskaya and Pendzhinskaya tidal plants, each with capacity of as much as 10 gigawatts, in the Okhotsk Sea, close to Sakhalin Island.

The project envisions building high-voltage power lines with a capacity of up to 15 gigawatts to supply the new rail links and also export to North America.

Russian Railways is working on the rail route from Pravaya Lena, south of Yakutsk in the Sakha republic, to Uelen on the Bering Strait, a 3,500 kilometer stretch. The link could carry commodities from eastern Siberia and Sakha to North American export markets, said Artur Alexeyev, Sakha's vice president.

The two regions hold most of Russia's metal and mineral reserves ``and yet only 1.5 percent of it is developed due to lack of infrastructure and tough conditions," Alexeyev said.

Cluster Projects

Rail links in Russia and the U.S., where an almost 2,000-kilometer stretch from Angora to Fort Nelson in Canada would continue the route, would cost up to \$15 billion, Razbegin said. With cargo traffic of as much as 100 million tons annually expected on the World Link, the investments in the rail section could be repaid in 20 years, he said.

``The transit link is that string on which all our industrial cluster projects could hang," Zubakin said.

Japan, China and Korea have expressed interest in the project, with Japanese companies offering to burrow the tunnel under the Bering Strait for \$60 million a kilometer, half the price set down in the project, Razbegin said.

`` This will certainly help to develop Siberia and the Far East, but better port infrastructure would do that too and not cost \$65 billion," Trust's Nadorshin said. `` For all we know, the U.S. doesn't want to make Alaska a transport hub."

The figures for the project come from a preliminary feasibility study. A full study could be funded from Russia's investment fund, set aside for large infrastructure projects, Bystrov said.