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# Chinese to Lend $6Bln for Coal

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Energy Minister Sergei Shmatko at International Energy Week on Monday. **Vladimir Filonov**

The government will unveil coal deposits that Russian companies will develop using $6 billion in Chinese loans by the year's end, Deputy Energy Minister Anatoly Yanovsky said Monday.

The deposits may include assets owned by Sakhalinugol on Sakhalin Island and the Elegest coal field in eastern Siberia, Yanovsky said on the sidelines of the annual International Energy Week conference.

The announcement comes as Russia and China have stepped up cooperation in developing trade in oil and gas. Russian oil is scheduled to start flowing across the Chinese border in a new pipeline in January, and the governments expect an agreement on gas sales by July so they can start building another pipeline.

Yanovsky said it was for the Russian companies and Chinese banks to negotiate the coal deposits and was not for the Energy Ministry to decide. He didn't name the companies that were in talks.

Russian coal producers will use the Chinese loans to finance investments in return for a guarantee to increase supplies to China, where demand is rising for coal used in making steel and fueling 80 percent of its power plants.

Federation Council member and businessman Sergei Pugachyov's United Industrial Corporation has the permit to the Elegest coal field with reserves of 946 million metric tons of coal. In early September, the company hired Credit Suisse Group to privately place 75 percent of its shares.

Another major player, Mechel, obtained local financing to develop coal deposits and won't use Chinese money, Yanovsky said, Bloomberg reported. The company is currently developing the Elga mining project in eastern Siberia.

Nikolai Sosnovsky, a metals and mining analyst at UralSib Capital, said Evraz and Severstal might be vying to develop coal deposits if those sites held metallurgical coal.

He suggested that perhaps the government has to offer licenses in Tuva, where potential is high to discover coal reserves.

The loan is aimed at Russian — not Chinese — coal producers, in a diversion from China's traditional policy of giving loans to its own.

China, the world's biggest coal consumer, plans to increase its annual coal imports from Russia to 15 million tons in the next five years and raise that to at least 20 million tons in 20 years, according to the statement posted on the Russian Industry and Trade Ministry last month.

China presents itself as an increasingly attractive market for oil, gas and mining companies, especially after demand for fossil fuel on the European market decreased.

Gazprom appears to be moving forward in its bid to gain a larger footprint on the Chinese market, where it has been selling only scant shipments of liquefied natural gas from its Sakhalin project.

China is at the top of the strategic partners list in Asia for the company, Stanislav Tsygankov, Gazprom's head of international business, said during the conference.

"Today the European market is not the only market for us," Tsygankov said.

Russia expects to sign a gas supplies agreement with China in 2011 and will be ready to begin deliveries in 2015, Tsygankov said.

China's yearly demand for gas in 2020 will be about 300 billion cubic meters, Tsygankov estimated. China now produces 80 bcm of gas domestically.

As for the traditional market — Europe — Gazprom is optimistic. According to the company's forecasts, Europe's interest in gas imports will gradually increase to the mark of 380 bcm by 2020 and 440 bcm by 2030, he said.

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