

Russia, China Open Milestone Pipeline

By [The Moscow Times](#)

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Russia, the world's top crude exporter, said it had begun scheduled oil shipments to China via an East Siberian link on Saturday as the Kremlin cements ties with its energy-hungry neighbor.

So far, Russia's 50,000 kilometer oil pipeline network has been concentrated in West Siberia and run toward Europe.

With the commissioning of the Eastern Siberia-Pacific Ocean pipeline (ESPO), Moscow is carving out a large chunk of the world's second-largest energy consumers' market.

"The shipments started at 0030 (4:30 p.m. EST on Friday). We plan to pump 1.3 million tons of oil in January," Igor Dyomin, a spokesman for Russian oil pipeline monopoly Transneft, told Reuters.

According to the final schedule for crude oil exports and transit, in January-March 2011, Russia will ship 3.68 million tons of oil to China via ESPO.

An annual plan envisages the supply of 15 million tons (300,000 barrels per day). Many oil market participants expected it would effectively double Russian sales to China, which totaled 12.8 million tons (308,000 bpd) in the first 10 months of 2010.

Transneft started to ship the barrels along the first stage of the pipeline, which runs in a 2,757 kilometer arch above Lake Baikal. So far the oil had been transported only by rail to the Pacific port of Kozmino.

On Saturday, the crude flowed to Daqing in China from Russia's Skovorodino via the pipeline.

When the 4,070-km the pipeline's second stage is finished in 2013, it will be the world's longest. At a cost of \$25 billion, it dwarfs all other infrastructure projects in post-Soviet Russia.

Russian state oil firm Rosneft has been sending oil to China by rail ever since it bought the biggest unit of defunct oil giant Yukos six years ago. The purchase was facilitated by a \$6 billion loan from China, which effectively prepaid \$17 per barrel for 48.4 million tons of oil.

That contract ran out this year, and Rosneft decided not to extend it, citing the low selling price.

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