

Russia-China Oil Price Dispute Valued at \$100M

By [The Moscow Times](#)

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An oil dispute between Russia and China has escalated, industry sources said Friday, as Moscow believes Beijing has underpaid it \$100 million for oil in 2011 under a landmark 20-year supply deal.

Analysts said the dispute around the deal, which was blessed by the countries' leadership, could jeopardize cooperation between the world's No. 1 energy producer and consumer.

"Russia and China don't have a long history of trade, and these [price] disagreements could influence the discussions on gas supplies in the future, and maybe even lead to a delay," said Valery Nesterov from the Troika Dialog brokerage, referring to Russia's plans to sign a major gas deal with China this year.

Kommersant newspaper reported earlier this month that oil major Rosneft and China's National Petroleum Corp. disagreed over \$38 million in payment for January.

Industry sources told Reuters on Friday that Moscow believed the sum had now risen to \$100 million for January and February.

CNPC was not available for comment.

Pipeline monopoly Transneft said the two sides had some disagreements but declined specific comment, while Rosneft said it was delivering supplies according to the contract.

"We have certain disagreements [with China], but we expect that we will sort them out," Transneft spokesman Igor Dyomin said. "We assume that we have contracts and both sides should adhere to them. We have fully met our obligations so far."

Rosneft and Transneft borrowed an unprecedented \$25 billion from China in 2009 to finish building Russia's first pipeline link to China as part of a broader deal to supply Beijing with 300 million tons of crude over 30 years.

The deal is worth \$220 billion under current prices.

Industry sources said the current dispute centers around the pricing formula, with China saying Russia should give it a discount because it is cheaper to send crude to China than to the Pacific port of Kozmino, while Moscow insists it applies similar tariffs to both routes.

"On an annual basis the difference could amount to a few billions of dollars," one industry source said.

Denis Borisov, oil analyst at Bank of Moscow, said he believed Russia would ultimately agree to a compromise because it badly needed to clinch a gas deal to China to diversify its exports away from saturated European gas markets.

"Talks may last long but the gas deal won't be sacrificed. ... I think gas cooperation is a top priority for Russia," he said.

Transneft is appealing a court ruling in favor of Alexei Navalny, the social activist who filed a suit against the company over information disclosure on the basis of his small stake in the oil pipeline monopoly, Interfax reported. Transneft filed the appeal on March 21, court documents show. The Moscow Arbitration Court ruled in favor of Navalny on Feb. 14. The court had suggested that the two sides reach an amicable settlement. Navalny had indicated his willingness to settle even if it involved a confidentiality clause prohibiting him from disclosing to third parties the information contained in the minutes of the Transneft board meetings the company might share with him.

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