The Moscow Times
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Russian Energy Giants Making African Inroads

By Anatoly Medetsky

November 19, 2012



Russian companies appear eager to gain new ground in Africa and plan to build two pipelines on the continent.

These would be the longest pipelines ever built by a Russian company in Africa.

The firms that pursue the projects in the Republic of Congo and Zimbabwe are state-controlled Rosneft, run by powerful Kremlin insider Igor Sechin, and privately held Stroitransgaz, majority-owned by Gennady Timchenko, an acquaintance of President Vladimir Putin's.

In countries like these, Russian companies do not face much competition from Western contractors, which are not willing to take the high political risks, said Marne Beukes, an energy analyst for sub-Saharan Africa at IHS Energy in London.

"Russian companies' willingness to take on projects where others fear to tread gives them the advantage when negotiating for such contracts, while the crucial need for pipeline infrastructure in these regions means that governments cannot afford to be picky," she said.

In the latest attempt to make inroads in Africa, Russia and the Congo signed a letter of intent for the construction of a 900-kilometer oil pipeline in the West African country.

The tentative deal took place as part of a visit to Moscow by Congolese President Denis Sassou Nguesso last week.

Engineering company Stroitransgaz is prepared to design and build the pipeline, a statement from the Energy Ministry said last week. In the oil-rich Congo, the pipeline would connect Brazzaville, Pointe-Noire and Oyo, the ministry said.

A Stroitransgaz spokeswoman declined comment Monday.

The Congo is one of the main oil producers in sub-Saharan Africa, but 70 percent of its people live in poverty. The government has tried in recent years to increase financial transparency in the oil industry, which is the mainstay of the economy.

Stroitransgaz perhaps has bigger plans for its project in Congo because its principal owner, Timchenko, has reportedly been considering greater diversification into upstream, said PFC Energy analyst Yelena Herold.

Rosneft last month agreed to construct a 700-kilometer oil-products pipeline, a storage depot and a sea terminal in Zimbabwe in a project estimated at $700 million.

The funding for the projects would likely come from such institutions as the African Development Bank and the World Bank and also from private investors, Beukes said.

Some of the previous Russian ventures on the continent, however, have not gone well, she said, pointing to Gazprom's predicament in Namibia and Equatorial Guinea.

As part of the visit by the Congolese president, Russia raised the prospect of oil companies like LUKoil and Gazprom Neft and electrical utility Inter RAO taking on energy projects in the African country, the Energy Ministry said.

Stroitransgaz is the only Russian company that has built pipelines in Africa before. It constructed two links in Algeria and is working on another one there.

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