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Rosneft, China in Tentative Deal to Raise Oil Flows

By The Moscow Times

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Rosneft is in talks on boosting oil supplies to China and on developing oil fields jointly with Japanese firms. **Maxim Stulov**

Russia's top crude producer Rosneft agreed in principle to boost oil deliveries to China during a visit to Asian consumer countries by chief executive Igor Sechin, but no details on volumes or delivery routes were disclosed.

"A mutual understanding has been reached about increasing oil supplies to China," a Rosneft spokeswoman said Tuesday after Sechin completed a visit to China and flew to Japan.

Last week, industry sources said Rosneft could double oil supplies to China from the current level of 300,000 barrels per day, which would make Beijing the largest consumer of Russian oil, possibly in return for a loan.

Rosneft denied it was in talks for a loan. The state-controlled oil company has little extra

crude to divert to China without tapping westward flows to Europe and export capacity would have to be expanded to accommodate any large increase.

During his visit to China, the world's top energy consumer, Sechin offered to increase oil supplies and proposed that Chinese firms take part in an ambitious project to develop offshore oil and gas, estimated at 100 billion tons of oil equivalent, in Russia.

Rosneft also said Sechin would discuss offshore projects with Japanese companies.

Russia, the world's top crude producer, will need hundreds of billions of dollars to unlock the potential of the Arctic. It has been seeking partnerships with overseas companies for expertise and finance and has already signed deals with Exxon Mobil, Statoil and Eni.

Rosneft held talks with Japanese companies including Marubeni in 2011 on a potential partnership to develop offshore oilfields in the Sea of Okhotsk, but no agreement was reached.

President Vladimir Putin has urged energy companies to look east, in particular on the gas side, and ordered a rethink of Russia's gas export strategy to reduce dependence on weak European markets while developing liquefied natural gas capacity.

Only Rosneft and Gazprom, both state-owned, have exclusive access to Russian undersea mineral resources.

Japan is the world's largest consumer of LNG and has increased consumption, shipped in by tankers, after the disaster at its Fukushima nuclear plant in March 2011.

Rosneft may also chip in to feed Japan with frozen gas, albeit in the more distant future, as it mulls possibly building its own LNG plant on the Pacific island of Sakhalin, where it already pumps oil in partnership with the U.S. major ExxonMobil and Japan's Sodeco.

Sources at Rosneft said the plant could potentially produce up to 10 million tonnes of LNG a year — the same amount as a Shell-led plant, also in Sakhalin, Russia's only active LNG project.

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