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Novak Says No Increase in Asian Exports for Now

By The Moscow Times

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Russia's energy minister played down the prospect of any increase in oil exports to Asia before new Siberian fields come on stream, as state oil company Rosneft said it had advanced a plan to increase supplies to China.

Russia, the world's largest producer of crude oil, will not boost exports to Asia at the expense of other export flows, Russia's Energy Minister Alexander Novak said.

Earlier Rosneft Chief Executive Igor Sechin had completed a visit to China, resulting in what a company spokeswoman said was a mutual understanding about increasing oil supplies.

Rosneft helped lead Russia's oil industry into Asia in the last decade with the launch of the remote Arctic Vankor field, now pumping over 400,000 barrels a day, and a loans-for-oil deal with China which helped finance construction of a pipeline.

Vankor is now in the final stage of ramp-up to peak capacity. In order to supply China and other Asian customers with new oil, Rosneft must bring on line more eastern fields which can be linked to the East Siberia-Pacific Ocean pipeline.

"Output will stay at about 505 to 510 million tons per year according to our strategy," Novak was quoted as saying in a transcript of an interview provided by Russia Today English language television channel.

"And for now one cannot say that we will be redirecting some additional resources to the far East," Novak said.

"We will look at increasing export flows only when we launch such projects as Yurubcheno-Tokhomskoye field ... Kuyumbinskoye field ... and so on," Novak added, listing fields in eastern Siberia due for launch after the middle of the decade.

Last week, industry sources told Reuters that 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.

During his visit to China, in recent years the world's fastest-growing 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 companies in Japan, his next destination after China on a tour or Asian centers.

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.

Russian 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 (LNG) capacity.

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

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.

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