The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Kremlin in Talks on LNG Exports to China

By Irina Filatova

February 24, 2013

Deputy Prime Minister Arkady Dvorkovich, pictured above, told journalists on Monday that a "significant breakthrough" had been made in gas cooperation with China.

Russia is negotiating to supply liquefied natural gas to China, and the two countries expect to reach a long-coveted gas cooperation agreement within a few months, Deputy Prime Minister Arkady Dvorkovich said Monday.

The deal, if closed, will bring the curtain down on years of price disputes between Gazprom and China National Petroleum Corporation, with the latter asking for a discount on the amount Russia charges European consumers.

"We have made a significant breakthrough on gas cooperation issues over the last few months, and there are all chances to reach certain agreements on expanding gas supplies," Dvorkovich told journalists after a meeting with Chinese Deputy Prime Minister Wang Qishan.

"As for further cooperation in the gas industry, we see big potential for liquefied natural gas supplies. ... This was discussed during today's negotiations," he said.

The LNG might be supplied by Gazprom, which is building a plant to liquefy gas near Vladivostok, as well as from the Yamal LNG facility, which is co-owned by Novatek and France's Total, Dvorkovich added.

This plan could be a good alternative to pipeline supplies amid the two countries' fruitless efforts to reach a gas agreement over the past few years, said Valery Nesterov, an oil and gas analyst at Sberbank CIB.

Although pipeline deliveries will cost Russia less, they still involve certain risks attributed to the country's dependence on transit countries and end users, Nesterov said, referring to the dispute over gas supplies that broke out between Russia and Ukraine in 2008.

Russia would benefit more from LNG exports to China, Nesterov said. This option would ensure greater flexibility in the signing of gas contracts and provide Russia an opportunity to sell gas to other interested countries, such as Thailand or Taiwan, if no agreement with China is reached.

Dvorkovich said the two countries are nearing an agreement and Gazprom is holding "active negotiations" on the gas deal with CNPC.

Russia hopes that the "main parameters" of the gas deal will be determined by the end of next month, when China's incoming president, Xi Jinping, is slated to visit Russia, the minister said. He added that it would take a few months to finalize the legal and financial details of the deal.

Russia and China, the world's largest energy consumer, have been negotiating the final gas price since 2006 because neither of them has been willing to bear potential losses from the contract.

Domestic prices for pipeline gas in China remain low as a result of strict government regulation, so the country has sought to pay less for gas than Russia's European consumers.

In 2010, Russia agreed to supply 30 billion cubic meters of natural gas to China annually starting in 2015 via the yet-to-be-built Altai gas pipeline, which will connect Siberia and China's western border with Russia.

China needs Russian gas, since it is likely to see a shortage of up to 30 billion cubic meters a year by 2020, Nesterov said. At the same time, the country is rapidly increasing imports of LNG, whose major consumers include power plants and fertilizer producers.

"They are ready to pay a good price for gas," Nesterov said.

The two countries plan to strengthen cooperation in the energy sector. Russia is slated to boost oil supplies to China in the wake of Rosneft chief executive Igor Sechin's visit earlier this month.

Dvorkovich said Russia could raise oil exports to China by 9 million metric tons a year, although China is interested in a greater increase. The oil will be delivered to the Tianjin refinery, which is being jointly built by Rosneft and CNPC, he said.

Certain figures have yet to be worked out, "but supplies should be sufficient for implementing the Tianjin refinery project," Dvorkovich said, Interfax reported. " This is about 9 million [metric] tons of oil."

Russia exports 15 million metric tons of oil to China annually.

A contract for additional supply might be signed in the next few months, Dvorkovich said.

Contact the author at irina.filatova@imedia.ru

Related articles:

- China's Secret Foreign Policy
- Asia Eyes Russian Arctic Gas As Australian Costs Climb
- Novak Says No Increase in Asian Exports for Now

Original url:
https://www.themoscowtimes.com/2013/02/24/kremlin-in-talks-on-lng-exports-to-china-a21852