

Rosneft Deal to Put China at Top of Russia's Oil Customers

By [The Moscow Times](#)

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Russia will sharply boost oil supply to China, making Beijing its top customer, in a package of deals to be signed this week, industry sources said.

Russia's top crude producer Rosneft will increase exports to China by some 34 million tons to about 50 million tons (1 million barrels per day) by 2018, the sources said.

The deal could be signed later this week during a visit to Moscow by China's new president, Xi Jinping, as part of a broader agreement which may include more arms deliveries and long-discussed gas supply.

The oil agreement may also involve loans up to \$30 billion for Rosneft, which is in the process of acquiring Anglo-Russian oil company TNK-BP for \$55 billion.

A Rosneft spokesman declined to comment.

"No one expected that Rosneft would venture for such a massive oil supply increase to China," a source said, adding that thanks to possible cheap money from China, Rosneft might refinance the loans it amassed from Western banks for the TNK-BP deal.

The source said that on Thursday, President Vladimir Putin was expected to chair a meeting attended by Igor Sechin, his long-standing ally and Rosneft's president, as well as newly appointed Central Bank head Elvira Nabiullina and Federal Customs Service officials, to discuss the deal.

Russia has been steadily increasing crude exports to Asia at the expense of Europe with flows due to amount to about 15 percent of its oil exports this year via pipelines to China and to the Pacific coast.

Putin has urged domestic companies to forge closer ties with Asia as demand for energy in Europe, Russia's largest oil and gas market, has been sluggish due to the financial crisis there.

China and Russia have found renewed common grounds in international politics and share similar views on global issues such as Syria.

The sources said Rosneft planned to increase oil supplies via the East Siberia-Pacific Ocean (ESPO) pipeline by 1 million tons this year already, by a further 2 million tons next year and by a further 5 million tons from 2015 to 2017.

Starting from 2018, the ESPO would ship 30 million tons in total, double the current volumes.

Rosneft also wants to ship 7 million tons to China via the Pacific port of Kozmino this year and increase it to 9 million tons in 2014.

And the sources say Rosneft is also considering shipments via Kazakhstan to China to the tune of up to 10 million tons a year starting from Jan. 1, 2014.

Rosneft is no stranger to loans-for-oil deals with China. In 2008, together with state oil pipeline operator Transneft, it secured a \$25 billion deal to finance construction of ESPO, which now supplies China and other Asian customers with crude.

Russia, the world's biggest oil producer, and China appear to be natural partners when it comes to trade in raw materials, but over nearly two decades they have failed to seal a gas supply deal, largely because Moscow will not cut its price to levels within reach of Chinese end-users, who are highly sensitive to input cost inflation.

"It will be very difficult to agree a gas deal by itself," a source said, adding that the price issue was still live.

According to Interfax news agency, Deputy Energy Minister Yury Sentyurin said the ministry was preparing an inter-governmental agreement on increasing oil supplies to China. He declined to give details.

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