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Rosneft in 25 year $270Bln Oil Deal With China

By The Moscow Times

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The deal will allow Rosneft to steeply cut its debt and develop Arctic fields. **Maxim Stulov**

ST PETERSBURG — Rosneft agreed to a $270 billion deal to double oil supplies to China on Friday, as the Kremlin energy champion shifts its focus to Asia from saturated and crisis-hit European markets.

The deal, one of the biggest ever in the history of the global oil industry, will bring Rosneft $60 billion to $70 billion in upfront pre-payment from China, the holders of the world's largest foreign exchange reserves.

It will also allow Rosneft, the world's biggest publicly listed oil firm, to steeply cut its heavy debts and develop new remote Arctic fields.

"The estimate of the sum of the contract in today's market prices is absolutely unprecedented — $270 billion," Russian President Vladimir Putin told an economic forum in Russia's St.

Petersburg after the deal was agreed.

The agreement highlights a growing partnership between China, the globe's top energy consumer, and Russia, the largest oil producer, and comes despite previously uneasy relations between Rosneft and Beijing over energy pricing.

Rosneft's boss Igor Sechin, a close ally of Putin, said his firm would supply China with 300,000 barrels per day over 25 years starting in the second half of the decade, on top of the 300,000 bpd it already ships to the world's No.2 oil consumer.

Putin later said total supplies could amount to as much as 900,000 bpd.

The speed of change in Russian export patterns has been dramatic — switching huge volumes from Europe in only five years.

Russia first started supplying China by railway and then by a new pipeline while opening a Pacific port, Kozmino, in 2009.

Together with supplies to Kozmino, it is already exporting around 750,000 barrels per day to Asia, or 17 percent of its overall exports of 4.4 million bpd.

Europe, by contrast, has lost out. A decline in deliveries in the past few years partially contributed to Russian Urals crude oil often trading at a premium to benchmark dated Brent.

Meanwhile, Rosneft and Statoil have agreed to explore for shale oil in the Samara region in the southeastern part of European Russia, the Norwegian company said on Friday.

New techniques unlocking oil trapped in shale rock are boosting world crude reserves by an expected 11 percent, according to a U.S. government report.

Rosneft and Statoil will explore for shale oil in 12 license blocks in the Domanik shale geological formation, Statoil said.

Rosneft would have a stake of 51 percent in the project while the Norwegian firm would hold 49 percent and provide $60 million to finance the initiative. Statoil did not give an estimate of the scale of possible reserves.

The two firms have also signed a deal to explore jointly for oil and gas in the Okhotsk and Barents Seas, nearly a year after an agreement was first announced, Statoil said.

Statoil confirmed it and Rosneft would cooperate via joint ventures, with Rosneft holding an equity share of 66.67 percent in each of the operating joint ventures, while Statoil would hold a share of 33.33 percent.

Rosneft had said one joint venture was set to operate at the Perseyevsky license block in the western part of the Barents Sea, with prospective recoverable resources at over 2 billion tonnes of oil equivalent.

Other joint ventures will explore the Magadan 1, Lisyansky and Kashevarovsky license blocks in the northern part of the Sea of Okhotsk, with prospective recoverable resources at more than 1.4 billion tons.

GENEVA — Switzerland's Vitol has signed a preliminary agreement with Rosneft to purchase liquefied natural gas from a planned facility in eastern Russia from 2019, Vitol said on Friday.

"This landmark development will diversify and strengthen our supplies of LNG and enable us to expand the possibilities of serving our clients in the Asia-Pacific region," said Vitol chief executive Ian Taylor in a statement.

Vitol is the world's top oil trader with annual revenues of over $300 billion.

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