

Gazprom Pipeline To China Delayed Until Q1 2014

By [The Moscow Times](#)

September 04, 2013

The  Moscow Times

Gazprom has postponed construction of a pipeline to China until next year as Moscow and Beijing have failed so far to agree to terms on pricing, Vedomosti reported Wednesday.

The delay is an embarrassing setback for President Vladimir Putin, who has urged Russian companies to expand their reach in the lucrative energy markets of Asia, and comes just after the former Soviet republic of Turkmenistan agreed to increase its gas supplies to China.

The delay is also a blow for Gazprom, which has been in talks for years over gas supplies to energy-hungry China, seen as a major market for Russian gas, which is sold primarily to Europe.

Moscow is seeking to diversify its gas sales away from cash-strapped Europe, where Gazprom covers a quarter of gas needs, and which is in turn trying to secure other sources of fuel to lessen its energy dependence on its former Cold War foe.

Vedomosti reported construction of the pipeline would be started in the first quarter of 2014 rather than this November. It said the pipeline, known in Russian as Sila Sibiri, or the Power of Siberia, was estimated to cost \$38 billion and was designed to carry gas to Russia's Pacific coast to feed a new liquefaction plant at Vladivostok.

A spokesman for Gazprom declined to comment.

Gazprom said it planned to secure a pricing agreement on sales of 38 billion cubic meters of gas to China annually by the end of the year. That compares with the 152 bcm that it aims to sell to the European Union and Turkey this year.

Gas producer Novatek has agreed on a 284 billion ruble (\$8.5 billion) deal to supply more gas to E.ON Russia in 2014-17, the Russian subsidiary of Germany's E.ON, E.ON Russia said Wednesday.

The agreement allows Novatek, the country's No. 2 gas producer, to strengthen its position in the country's domestic gas market, where it has been increasing market share at the expense of other companies, such as state-owned Gazprom.

The volumes would be supplied to E.ON Russia's Surgut power plant in Western Siberia.

A source close to the deal said the increase would come at the expense of Surgutneftegas, Russia's No. 3 oil producer.

E.ON Russia and Surgutneftegas both declined to comment on gas supplies.

Last year, Novatek accounted for 35 percent of total E.ON Russia's gas purchases of 13.5 billion cubic meters, on par with Surgutneftegas, according to E.ON Russia's financial report. Rosneft and LUKoil also supply E.ON Russia with gas.

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