

# Gazprom, CNPC Agree on Gas Supply Terms

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Turkmenistan's Galkynysh gas field, pictured here, is another key source of supply for China's growing appetite. **Cathrin Bach**

Gazprom and China National Petroleum Corporation (CNPC) on Thursday agreed on some key terms of supplying gas to China along the so-called eastern route, but the price remained unsettled.

It was not immediately clear if the deal marked a major breakthrough. Russia and China have signed numerous gas-supply agreements in past years, but differences on the price have stopped them from a final commitment.

Pricing is "the contract's different chapter, on which intensive work is ongoing," a Gazprom spokesman said.

Gazprom chief Alexei Miller said both sides were intent on signing a supply contract by the

end of the year. "I'd like to thank the Chinese colleagues for fast and well-coordinated work in the course of past months," he said.

One thing Gazprom said about the value of the potential deal Thursday is that the Henry Hub price, named after a distribution point on a gas pipeline in Louisiana, would not be the base for determining the price for China. It is China that reportedly proposed the link to Henry Hub, which would have sent the price to relative rock-bottom levels.

The legally-binding agreement with CNPC, which was announced on the sidelines of the G20 forum of the world's leading economies outside St. Petersburg, set the volume and starting time for the sales, Gazprom said in a statement.

Signed as President Vladimir Putin and his Chinese counterpart Xi Jinping looked on, the deal also determined the level of the minimum offtake, Gazprom said.

The company did not name any of the numbers, but news reports said previously that Gazprom intended to send 30 billion cubic meters (bcm) of gas through that route every year. The gas would come from the large Chayandinskoye field in the Sakha Republic, where the company looks to start production in 2017.

A giant pipeline would carry the gas toward China, crossing the border near Blagoveshchensk and Dalnerechensk, according to a map on the gas giant's website. Gazprom deputy chief Vitaly Markelov said in July that the company would start building the pipeline only after it signed a contract with China.

As talks between the countries dragged on in past years, China found a rich source of gas in Turkmenistan. The Chinese president on Wednesday took part in a ceremony to start gas deliveries from Turkmenistan's Galkynysh field, which could incrementally boost annual supplies to a total of 65 bcm from 20 bcm last year.

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