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Transneft and Rosneft Agree on China Pipeline Expansion

By The Moscow Times

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Transneft, which is owned by the state, transports about 93 percent of Russian oil.

Transneft will expand the spur of the Eastern Siberia — Pacific Ocean oil pipeline from Skovorodino to the Chinese border to support Rosneft's growing oil supplies to that country, a news report said Monday.

On Friday, Rosneft CEO Igor Sechin and Transneft's president Nikolai Tokarev signed an agreement "on the principles of co-financing the increase of oil supplies to China." The sides agreed that Transneft would finance the expansion of the existing pipeline, while Rosneft would pay back the investment through a special long-term tariff to be determined by the Federal Tariff Service, Vedomosti reported.

In March, Rosneft signed a new contract with China's state oil company CNPC to supply an additional 360 million tons of oil over the next 25 years.

The contract stipulates that the flow capacity of the Skovorodino-Mohe pipeline, which has been operational since 2011, should be doubled from the current 15 million tons per year to 30 million tons per year by 2018.

The sides did not disclose the amount of investment required for the pipeline expansion, but industry experts put the cost at $200 million to $300 million.

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