

Rosneft Cedes Fields to China

By [The Moscow Times](#)

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Rosneft will cede a share of its oil riches to China under a memorandum signed Friday to jointly develop East Siberia deposits, in the first such deal between China's largest oil company and Russia.

The world's top oil producer, Russia has previously preferred to sign long-term supply deals backed by loans with China, the biggest oil importer.

But with net debt of more than \$57 billion, pressure is growing on Rosneft to partner with Beijing.

The state-owned company said it signed a memorandum with China National Petroleum Corp, or CNPC, to jointly tap oil reserves.

These include the Srednebotuobinsk field previously owned by oil producer Taas-Yuryakh, which Rosneft recently took over.

Rosneft will have a controlling stake of 51 percent in the future joint venture, while CNPC will own 49 percent.

"Chinese companies would like to enter upstream projects all over the world, this is a global trend. I think Rosneft is trying to find ways of such cooperation with CNPC, and the project is just a small proxy," said Alexei Kokin, from brokerage Uralsib Capital.

"Rosneft does not have endless resources; they understand that they will have to look for Chinese money."

The deposit is close to the Eastern Siberia-Pacific Ocean, or ESPO, pipeline. Rosneft delivers 300,000 barrels per day of oil to China via an ESPO pipeline spur and earlier this year agreed to double supply volumes.

An official at CNPC, who asked not to be named, said the two companies would likely now start negotiating detailed terms.

"Whether they can sign a solid agreement depends on commercial terms," he said.

Rosneft has a similar deal with another Chinese company, Sinopec, which is producing oil just west of the Urals in the Republic of Udmurtia.

Rosneft, which in March acquired British-Russian oil firm TNK-BP for \$55 billion, also needs to increase its upstream base to honor a pledge to increase sales to China.

Some analysts and observers doubt that Rosneft has enough resources to boost supplies to China to the agreed level.

Chief executive Igor Sechin said Friday that the company did have sufficient resources to reach its targets.

"The agreements reached prove once again that Rosneft has a sufficient resource base to meet its strategic goals," Sechin said in a statement.

According to Rosneft, the Srednebotuobinsk field is expected to produce 1 million tons of oil in 2014 and more than 5 million tons annually from 2017.

Last month, energy-hungry China overtook the U.S. as the world's top net oil importer.

It is on track to spend \$500 billion on crude oil imports by 2020, far outstripping U.S. imports which peaked at \$335 billion, according to consultancy Wood Mackenzie.

Fitch Ratings has downgraded Rosneft's long-term foreign and local currency Issuer Default Ratings to 'BBB-' from 'BBB' and removed them from Rating Watch Negative, with the added commentary that "the outlook is stable," according to a statement by the ratings agency on Friday.

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