

Rosneft Chief Trots the Globe Amid Sanctions

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Rosneft chief Igor Sechin (right) at the annual Russian-Japanese investment forum.

State-controlled oil giant Rosneft has launched a charm offensive amid the government's standoff with the West.

Around the time when the U.S. and European Union introduced sanctions last month, seeking to punish Russian officials for annexing the Crimean peninsula from Ukraine, Rosneft chief Igor Sechin embarked on a tour of Asia to tout potentially lucrative contracts.

Gas exporter Gazprom, which is also state-owned, has been on a similar drive. Its CEO Alexei Miller has received a prominent German business leader and a Gazprom-led consortium of several of the continent's major energy firms handed down a contract in the hugely expensive South Stream pipeline project as the Crimea crisis unfolded. But at the same time, the company's image among European policymakers could take a dive following its decision to remove as of April the price discount it granted to Ukraine in December, raising prices

by more than 40 percent.

While Russia has long pursued pivoting its energy supply capacity to the east, the spike of activity in Rosneft's campaign may well have been a response to Western threats to isolate the country, should relations deteriorate further.

"I certainly think there is probably some added urgency to the efforts at the moment because of the crisis in relations with Western countries, said John Lough, an associate fellow on the Russia and Eurasia program at Chatham House, a London-based think tank.

Rosneft seems to be sending the message that it could tap the vast demand in Asia, should Europe decide to turn its back to Russian energy supplies. Gazprom was likely seeking to remind European capitals of its role as a large investor in Europe and a customer for European technology.

The tour took Sechin to four countries, including Japan, where he attended an annual Russian-Japanese investment forum and met with senior executives from a range of Japanese business majors. On March 19, a day before the U.S. announced a second round of sanctions against Russia, Sechin in a speech at the forum invited Japanese companies to his country's oil industry and afterward met with the chiefs of companies that either consume or trade in oil and gas, such as Japan Petroleum Exploration, Tokyo Gas, Marubeni, Inpex, JX Nippon, Mitsui and Toyota, offering new or expanded relations.

In one of the meetings, with Marubeni chief Fumiya Kokubu, the conversation was about the Japanese company's trading in Rosneft's oil and oil products, according to a statement from Rosneft. The two executives "expressed a wish for stronger ties through new joint projects," the statement said.

Sechin subsequently traveled to South Korea where he offered Hyundai Heavy Industries the option of upgrading Rosneft's refineries and purchasing Rosneft's oil products. Separately, he asked if SK Trading, a major Korean oil trader, would like to take on more business with Rosneft. That trader bought 1.6 million tons of oil, worth a total of \$1.3 billion, from Rosneft in 2013 and the first two months of this year.

Of Russia's total exports of 207 million tons of oil last year, the country supplied 37 million tons, or 18 percent, to the east, mostly to China, according to the Energy Ministry. Rosneft accounts for the lion's share. Asia-bound deliveries increased 16 percent, compared with the previous year.

At the next stop, in Vietnam, Sechin discussed the company's joint projects in the country. Going on to India on March 25, he met with chief executives of the country's oil and gas producer, ONGC, oil trader Indian Oil Corporation, and refiner Reliance Industries.

Sechin did not stop there. On Monday, he was in Norway with the chief of that country's oil producer Statoil, Helge Lund, discussing ongoing oil projects in the Barents Sea and options for further cooperation.

In London on Tuesday, Sechin held talks with the chief of offshore drilling company Seadrill to discuss expanding their cooperation.

Some market watchers remained unimpressed, however, with this whirlwind activity.

"Igor Ivanovich is a regular traveler," said Gennady Sukhanov, who helps manage a Russian oil fund for brokerage TKB BNP Paribas Investment Partners.

Calls to Rosneft spokesman Mikhail Leontiyev went unanswered Tuesday afternoon.

Another state-controlled energy giant, Gazprom, also flexed some muscles last month. On March 14, a consortium it leads approved a 2 billion euro contract to hire Italy's Saipem to lay a pipeline across the bottom of the Black Sea to deliver Russian gas to Europe. The South Stream consortium includes Italy's oil company Eni, French and German energy companies EDF and Wintershall, respectively.

The contract drew attention to Russia's efforts to maintain its role as a major supplier of energy to Europe and its ability to create revenue for local companies.

Gazprom chief Alexei Miller also met with French Ambassador to Russia, Jean-Maurice Ripert, on March 26 to talk about expanding energy ties between the countries, according to a statement from Gazprom. Miller and Joe Kaeser, chief of Germany's engineering conglomerate Siemens, on the same day expressed the intention to extend the strategic cooperation agreement between the companies, Gazprom said.

While the steps by both Russian energy giants may have reminded the West about their importance and the existence of alternative markets, Rosneft's chief certainly covered more ground, literally, to make his case.

"It may just be that Rosneft is a more nimble, agile company when it comes to these things," said Lough from Chatham House.

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