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Russian Oil Giant Rosneft Expands in Middle East

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Headquarter of Russia's state-owned oil giant Rosneft is seen through the jagged walls of Moscow's Kremlin. **Ivan Sekretarev / AP**

Russia's state-owned oil company Rosneft has begun to expand its operations in the Middle East with deals in Libya and Iraq, Bloomberg News reported Tuesday.

Rosneft, which is run by Putin ally Igor Sechin, struck a deal to purchase an undisclosed amount of crude oil from the Libyan National Oil Corp on Monday. The deal will also allow the Russian company to invest in exploration and production in the volatile North African country.

The chairman of National Oil Corp welcomed the deal, saying it would help to stabilize the warring country's economy.

"We need the assistance and investment of major international oil companies to reach our production goals and stabilize our economy," NOC Chairman Mustafa Sanalla said in a statement.

Rosneft announced on the same day it had struck a deal with authorities of the autonomous Kurdish region in northern Iraq to purchase oil until 2019. The deal with Kurdish authorities will also allow the Russian company to invest in exploration and production.

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Chris Weafer, a Marco Advisory analyst, told Bloomberg that the deals combined "potentially good economics for Rosneft and good politics for the Kremlin."

"Expect more deals from Rosneft in the Middle East and North Africa and across the developing world," he said.

The Kurdish Minister of Natural Resources, Ashti Hawrami, said the agreement had ushered in a new era of cooperation between Russian and the Kurdish government.

"This deal represents a new beginning in our relationship with Rosneft and opens up the possibility of a broader relationship in all fields of energy cooperation," Hawrami said.

Speaking on the condition of anonymity, one Kurdish official with knowledge of the deal told the Iraq Oil Report that the agreement was a reflection of growing confidence in northern Iraq's oil market.

"It is the first time the KRG has supplied crude directly to a major global oil refiner and reflects the growing confidence of the international oil market in KRG crude," a Kurdish official said.

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