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Russian-Chinese Coal Project Hits Financing Hurdle Due to Secondary Sanctions

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A joint Russian-Chinese coal project in Siberia is facing difficulties with financing due to Western secondary sanctions on cross-border payments to Russia, the CEO of Russian metals and renewables giant En+ said Thursday.

The United States expanded its secondary sanctions against Russia in June, giving the Treasury Department the authority to penalize foreign banks that engage in business with Russia.

The Zashulansky coal deposit, the largest in Russia's Zabaikalsky region, is being developed by Razrezugol, a joint venture established between En+ and China Energy Investment Corporation (CHN Energy) on a parity basis.

"The task at this forum is to continue discussing this project and try to speed things up [and

solve] all our current problems. They ... are related to financing and restrictions on the use of financial resources," En+ CEO Vladimir Kolmogorov told the RBC news website at the Eastern Economic Forum in Vladivostok.

"The restrictions are, of course, tied to sanctions. And our Chinese colleagues are concerned that the process isn't so quick and easy," Kolmogorov said.

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He added that while the sanctions have caused delays, he considers the situation "surmountable" and hopes to continue developing the project with En+'s Chinese partners.

Razrezugol obtained a license to develop the Zashulanskoye deposit in 2013. The Chinese partners, represented by Shenhua Group (now China Energy), called the project — whose commercial reserves are estimated at 742 million tons — "an important step in the implementation of the roadmap for Sino-Russian cooperation in the coal sector."

However, according to the Kommersant business daily, a decline in thermal coal prices dampened Chinese companies' interest in such ventures. As a result, the development of the Zashulansky deposit was put on hold until the owners resumed the approval of project documentation in 2021.

In 2023, the partners agreed to produce 5 million tons of thermal coal annually by the end of 2027. En+ and China Energy also signed several agreements to jointly develop low-carbon energy projects.

In April 2024, En+ announced plans to invest 50 billion rubles ($557.8 million) into the Zashulansky deposit's development. These funds will be used for constructing a coal mine, infrastructure, a public railway station, and a highway, as well as for purchasing machinery and equipment.

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