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Russia and China Sign Deal to Advance Power of Siberia 2 Pipeline

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Gazprom's chief executive Alexei Miller. **Sergei Bobylev / POOL / TASS**

Russia and China signed a "legally binding" memorandum on Tuesday to advance construction of the long-delayed Power of Siberia 2 pipeline, a project that would cement Beijing's role as Moscow's most important energy customer as it seeks to replace lost European markets.

The deal was one of four agreements struck between Russia's state energy giant Gazprom and the China National Petroleum Corporation, Gazprom's chief executive, Alexei Miller, told reporters.

"This will now be the largest, most ambitious and most capital-intensive project in the global gas industry," Miller said.

Together, the projects envision as much as 106 billion cubic meters of Russian natural gas supplied to China each year, according to the Interfax news agency. Before its full-scale invasion of Ukraine in 2022, Russia exported more than 150 billion cubic meters of gas

annually to Europe.

Related article: As Power of Siberia 2 Pipeline Stagnates, So Do Russia's Hopes for Pivoting Gas Exports Eastward

President Vladimir Putin first pitched the $13.6 billion pipeline to Chinese leader Xi Jinping in 2022. The project, which would deliver 50 billion cubic meters of gas annually to northwest China, had stalled amid lengthy negotiations over pricing and volumes.

Earlier reporting suggested that Beijing sought to commit to only part of the pipeline's capacity and at heavily discounted Russian domestic rates. Tuesday's ceremony in Beijing, attended by both Putin and Xi, marked the first formal commitment to move the project forward.

Miller said the launch date and price terms still had to be negotiated. He noted that the original Power of Siberia pipeline, which began delivering gas in 2019, was completed five years after its signing and ahead of schedule.

Gazprom also agreed to increase annual shipments through the existing Power of Siberia line, which runs from eastern Siberia, from 38 billion cubic meters to 44 billion. The Power of Siberia 2 is expected to run for 30 years through Mongolia via the Soyuz Vostok transit line.

China has already benefited from steeply discounted Russian oil, coal and gas exports, as Moscow seeks to offset the loss of its European energy customers.

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