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What the Power of Siberia 2 Deal Really Means for Russia and China

By Moscow Times Reporter

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A view of the Kovykta gas condensate field along the Kovykta-Chayanda section of the Power of Siberia 1 pipeline. **Gazprom / TASS**

Moscow and Beijing on Tuesday reached an agreement to build Power of Siberia 2, a long-delayed pipeline to supply Russian gas to China.

If completed, it would provide China with a safeguard against geopolitical risks while giving Russia a crucial market for gas exports after the loss of Western buyers after the invasion of Ukraine.

What do we know?

Gazprom CEO Alexei Miller announced Tuesday that the Russian company and China's CNPC had signed a "legally binding" memorandum to build the Power of Siberia 2 gas pipeline to China.

The project, under development since 2020, will transport gas from western Siberian reserves to China via Mongolia.

The announcement is seen as a political win for the Kremlin, underscoring both countries' commitment to deepen ties amid stagnant bilateral trade and past quarrels over the pipeline's terms.

"The construction of the Power of Siberia 2 gas pipeline, the Soyuz Vostok transit pipeline through Mongolia and the related gas transportation facilities in China will now be the largest, most extensive and most capital-intensive project in the global gas industry," Miller boasted.

Power of Siberia 2 will add 50 billion cubic meters of export capacity per year to Russia's pipeline network, supplementing the 38 billion cubic meters currently shipped through the original Power of Siberia line from eastern Siberia.

Miller said Gazprom could deliver gas via the new route for up to 30 years.

What do we not know yet?

Although the project has ostensibly been green-lighted, several uncertainties remain. Official contracts for the pipeline have yet to be signed.

First, it is not yet clear whether China will commit to fixed volumes or take delivery on more flexible terms.

Second, Gazprom did not disclose the exact price for the supplies, saying only that it would be lower than what Russia currently charges European buyers.

Third, Moscow has yet to announce a construction schedule or its official cost. Estimates for the price tag range from $13.6 billion to $34 billion.

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

Senior China analyst Alexei Maslov told the Vedomosti business daily Russia is expected to finance the domestic section of the pipeline, while China would cover the costs of its own segment.

The Kommersant business daily, however, reported that the issue of China's financing for the project remains unresolved.

Alexei Gromov, chief energy director at the Institute for Energy and Finance, predicted that a proper contract for the Power of Siberia 2 could be signed later in 2025.

He noted that Beijing would prefer prices aligned with Russia's domestic rates, which stand around $120-130 per 1,000 cubic meters.

Moscow, meanwhile, wants terms similar to Power of Siberia 1, with prices indexed to the Asian oil-product basket — which Gromov estimated at about $265-285.

On Wednesday, President Vladimir Putin said that gas supplied via the new pipeline would be priced “on market principles” and set “by a certain formula,” without elaborating further.

Regarding the construction timeline, Gromov noted that building the pipeline on the Russian side could take around three years. The timeline for the Chinese segment of the pipeline remains unclear.

How does each side benefit?

For Russia, doubling its gas export capacity to China will offset the collapse of its sales to Europe, which have plunged from 157 bcm in 2021 to an expected 39 bcm in 2025.

Unlike oil, which Moscow has redirected by sea to Asian markets, gas is largely dependent on pipelines, making new infrastructure essential to increase volumes.

Most European countries have stopped purchasing Russian gas. This contributed to a 3.2% year-on-year decline in Russia’s natural gas output to 334.8 bcm in the first half of 2025, following the end of Ukrainian gas transit from Russia to Europe.

Energy analyst Sergei Vakulenko estimated that the Power of Siberia 2 could bring in rent between $2.5 billion to $4.3 billion per year.

“That’s a far cry from the $20 billion per annum in rent lost from the gas trade with Europe, but still a significant amount,” he said in a 2023 article for Carnegie Politika.

For Beijing, expanded Russian gas deliveries can act as a buffer against potential supply shocks stemming from instability in the Middle East or tensions with the West.

Russia, Qatar, Australia and the U.S. were the leading suppliers of gas to China by dollar value in the first seven months of 2025, Chinese customs data show.