

Transneft May Delay \$4.2Bln Arctic Oil Link to Asia, Europe

By [The Moscow Times](#)

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Oil pipeline operator Transneft could delay construction of a link connecting Arctic oil fields to Europe and Asia-bound networks until 2016 because of disagreements over financing.

Transneft has yet to agree on transit rates and volume guarantees with co-investors, including LUKoil, Gazprom Neft and TNK-BP, which may hold up plans for the 120 billion ruble (\$4.2 billion) Zapolyarye-Purpe pipeline, Transneft spokesman Igor Dyomin said Tuesday.

Zapolyarye, the Siberian region above the Arctic Circle, contains billions of barrels of oil resources, which Russia plans to tap to compensate for declines in traditional, more southerly fields, from which links extend to Asia and Europe. Prime Minister Vladimir Putin has called for Russian output to remain at 10 million barrels a day for at least a decade.

The first phase of the Arctic link was scheduled to start pumping oil in 2013, according

to Transneft's web site.

Transneft has sought to fund the Zapolyarye–Purpe project by selling about \$2.12 billion worth of shares in a unit that would build and operate the pipeline, to oil companies developing fields in the region, Dyomin said. The venture would borrow the other half of the project's estimated cost, he said.

Transneft would then use its portion of the transportation fees charged by the unit to buy out the partners, he said.

The oil companies have balked at the proposed tariffs and declined to provide financial guarantees for planned volumes, Dyomin said. Such guarantees aren't common in Russia, he said.

LUKoil, TNK–BP and Gazprom Neft press officials all said talks were continuing and declined to elaborate.

The operator may be able to build the link on its own after it pays debt due in 2013 to 2015, Dyomin said. Transneft has accumulated \$19.2 billion of debt as it constructs the East Siberia–Pacific Ocean pipeline and other new links.

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