

China Gas Deal Could Reach \$700Bln Over 3 Decades

By [The Moscow Times](#)

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China may have to pay \$700 billion over 30 years for Russian gas under a long-term contract being negotiated by the countries, if the world's biggest energy user agrees to pay European prices, Sanford C. Bernstein said.

"Assuming European prices at the China border of \$350 per thousand cubic meters, then this deal alone could be worth \$700 billion over 30 years, contributing 2 percent to Russian GDP each year," Neil Beveridge and Oswald Clint, senior analysts at Bernstein, wrote in a research note late last week. An accord is likely to be signed ahead of President Hu Jintao's visit to Russia this week, they said.

Russia plans to supply as much as 68 billion cubic meters a year of natural gas to China from Siberia through two pipelines yet to be built. Gazprom said it asked China National Petroleum, the country's largest energy producer, to continue the gas-supply talks on Tuesday in Moscow after seeking to resolve terms last week.

A western pipeline will transport 30 bcm a year, while an eastern link will export 38 bcm annually, Gazprom says on its web site.

Investment in the project by Russia and China could total \$100 billion, with first gas to be delivered in 2015 through the western route, according to Beveridge and Clint.

"Given the enormous capital costs and Chinese surplus foreign exchange reserves, it is likely that China will provide debt financing for the project," the analysts said. "Moreover we expect China to seek upstream equity participation in return for market access as part of any agreement."

Russia's ambassador to China said late last week that the two countries are still negotiating the pact and it would be inappropriate to set a date for the companies involved to conclude the deal.

(Bloomberg, Reuters)

China has settled in full with Rosneft for oil deliveries, Rosneft's president, Eduard Khudainatov, told reporters, Interfax reported.

"We haven't left anything unsaid. All misunderstandings that have arisen have been ironed out. The Chinese side has settled with us in full," he said.

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