

Far East Pipeline to Open

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In a ceremony on Tuesday, Transneft plans to open the country's first oil pipeline to reach the Pacific coast, in a bid to widen Russia's supply to Asian markets.

The event is set to take place in Khabarovsk, however, which isn't on the coast.

Ending at oil port Kozmino, the East-Siberia-Pacific-Ocean, or ESPO, pipeline will almost double Russian deliveries from that outlet to 25 million metric tons per year. ESPO will be carrying additional oil as well as some of the supplies that the port has been receiving by railroad.

ESPO is one of the pipelines that unnerved the European Commission, the European Union's governing body. The commission's energy department last week asked Transneft to brief it on the company's investment program, Tokarev said.

Should the Russian government permit it, the state-run pipeline operator is ready

to quench the need of European officials for information, he added. The commission is "concerned about the security of European energy supply in connection with the introduction of the new links," he said, Vedomosti reported.

Tokarev was referring to ESPO and the second phase of the Baltic Pipeline System, according to Vedomosti. Started earlier this year, the Baltic pipeline carries crude to the port of Ust-Luga for shipment to destinations that are not limited to Europe. It takes business away from the Druzhba pipeline, which feeds a few European refineries, some of which had to suspend operations recently because of a lack of supply.

The first section of the new ESPO link, which stopped about halfway to the Pacific coast, went into operation in December 2009 and was inaugurated by then-Prime Minister Vladimir Putin.

While officially marking the start of supplies through the extended pipeline, Tuesday's ceremony doesn't mean that work on the project is over. Transneft will build more pumping stations along the route to increase its capacity.

The link will be able to put through an additional 15 million tons by the end of 2014, Transneft chief Nikolai Tokarev said last week.

More oil could flow into the pipeline starting in 2016, when oil producers expect to launch new fields in Eastern Siberia and Yamal.

Kozmino is handling 15 million tons of outbound oil this year.

At least 3 million tons of oil will continue traveling to the port by rail until the pipeline adds capacity, Tokarev said.

Transneft deputy vice president Igor Katsal said last week that crude oil would not be redirected from westward exports, which would remain unchanged next year.

He said China bought about a third of Kozmino's shipments so far this year.

The entire ESPO project, including construction of the Kozmino port, has so far cost 623 billion rubles, Katsal said last month.

Transneft on Thursday agreed to donate 3 billion rubles to the Moscow city government for the construction and renovation of city clinics. Mayor Sergei Sobyenin thanked Tokarev, who celebrated his birthday that day.

"Usually, people give gifts to the birthday man, but it's Nikolai Petrovich [Tokarev] who is giving gifts to Moscow and Muscovites," Sobyenin said.

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