

3 Year Transneft Investment Set at \$15.4Bln

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Transneft's board of directors has approved a five-year investment program that was increased to account for planned expansion of the East Siberia-Pacific Ocean pipeline, although the source of financing for the project remains in question, Vedomosti reported Tuesday.

The state-run oil pipeline monopoly's plan will see a total of 500 billion rubles (\$15.4 billion) invested from 2014 to 2018, beginning with 161 billion rubles in 2013 and 189 billion rubles in 2014.

The majority, 348 billion rubles, will go to crude oil pipelines and the remaining 152 billion rubles to oil products pipelines, with investment focusing on projects in Siberia and the Far East.

The plan takes into consideration the Russian government's pledge in 2013 to increase oil

deliveries to China from 15 million tons to 31 million tons a year, to be achieved in part by the expansion of the East Siberia–Pacific Ocean pipeline.

Transneft head Nikolai Tokarev has said the company would not invest its own funds in construction on the pipeline, which is set to begin in 2014, and proposed that Transneft raise the tariffs that Rosneft pays on oil transport in order to fund the project.

While Rosneft said it was prepared to help finance construction on the pipeline, Transneft's rates on oil transport are a sore point between the two companies, becoming the subject of a public disagreement between their leaders, Tokarev and Igor Sechin, in August.

There is also the possibility that a recently announced tariff freeze, which will strike gas, electricity and railroad companies in 2014, could extend to Transneft.

This would make a substantial dent in the company's profits, 67.5 percent of which came from tariffs on oil transport in 2012.

Transneft would be forced to decrease its investments if the company was affected by the freeze, Transneft spokesman Igor Dyomin said, without specifying which areas of investment would face cuts.

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