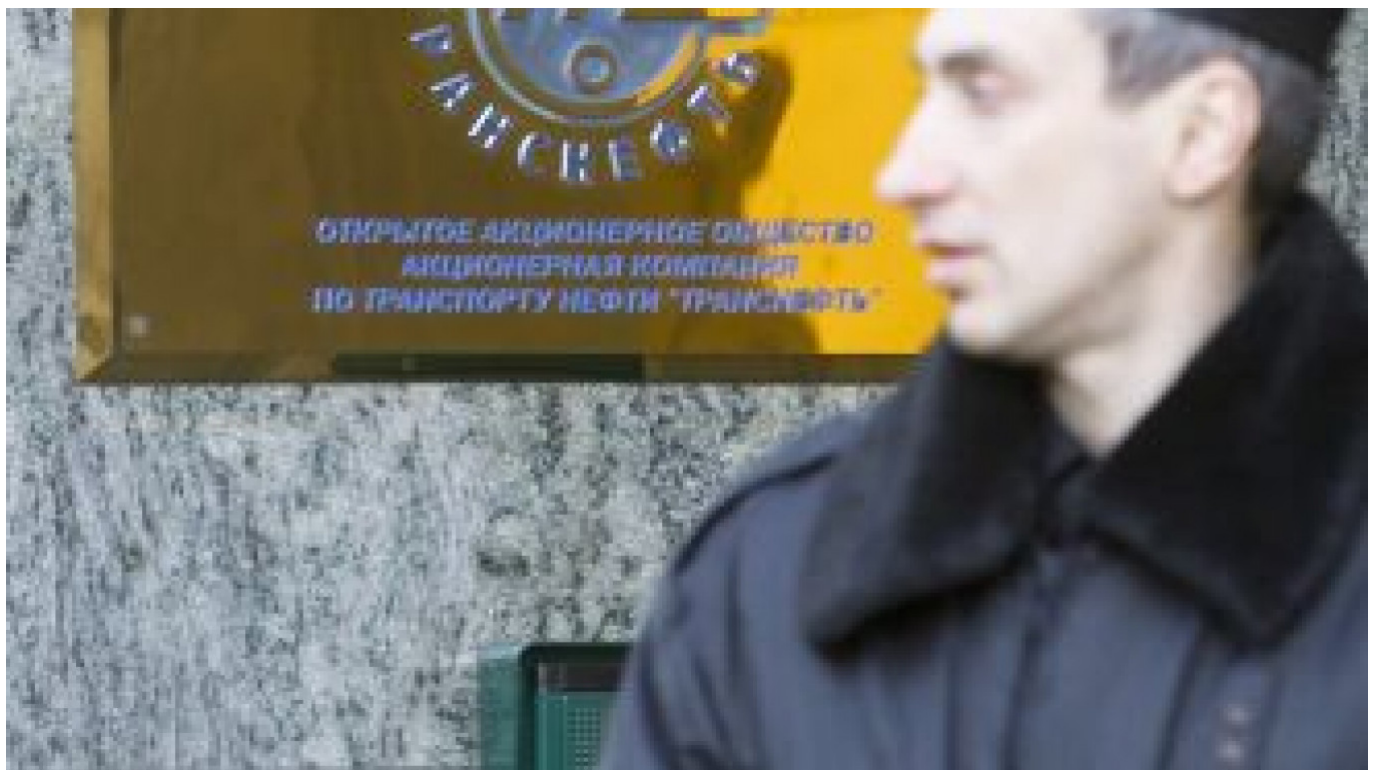


Construction of New Pipeline from North Siberia to China Kicks Off

By [Anatoly Medetsky](#)

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Transneft is enabling Russia's major energy companies to pivot eastward. **Andrei Makhonin**

Construction of a major pipeline kicked off Tuesday in an effort that will likely bring more oil from Siberia to China.

Governor Lev Kuznetsov made a show at the starting ceremony in his Krasnoyarsk region, braving the rubber-bullet injury he suffered during a robbery of his southern French villa days before.

Pipeline operator Transneft is building the Kuyumba-Taishet pipeline to connect the country's northern oil fields, which are waiting to be tapped, to the links that end in China and on the Pacific coast.

Rosneft has interests in the two large deposits that sit alongside the pipeline, and it is seeking to use the resources to ramp up its sales to China under its pre-paid contracts with

the country.

"It is the beginning of stepping up the work to produce oil for China," said Vasily Tanurkov, an oil analyst at the Veles Capital brokerage.

Gazprom Neft also owns reserves in that area.

The pipeline will be able to carry up to 15 million tons of oil per year.

At an estimated cost of 120 billion rubles (\$3.6 billion), the link will stretch for 700 kilometers. It is the second — and longer — pipeline now under construction by state-owned Transneft.

The company is also laying the Zapolyarye-Purpe pipeline, which is to measure 500 kilometers long. The light crude that the link will carry will most likely flow on to Asia as well, because the market there pays a bonus for the commodity's better quality compared to Russia's main oil blend called Urals, said Sergei Vakhrameyev, an analyst at investment company Ankor Invest.

Transneft has the technical capability to switch the flows westward if market conditions change, he said.

The pipeline will again serve Rosneft and Gazprom Neft, but also LUKoil and Gazprom, Vakhrameyev said.

Construction on both pipelines is scheduled to wrap up by the end of 2016.

Transneft completed its giant pipeline from eastern Siberia to the Pacific coast in December last year in a bid to diversify Russia's energy trade away from Europe.

Gazprom could sign a contract with China at the end of February, chief executive Alexei Miller said, Interfax reported Tuesday. Gazprom and Chinese counterpart CNPC agreed on the basic terms of an agreement in September, including: volumes, when deliveries should start, payment a take-or-pay" amendment, but they failed to agree on price. They had promised to reach a final deal by the end of this year.

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