

Russia, China Still Haggling on Gas Price as Putin Arrives in Beijing

By [The Moscow Times](#)

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China and Russia have not yet clinched a price agreement on a long-awaited multi-billion dollar gas supply contract, a Russian government official said Tuesday, amid growing urgency for the Kremlin to seal a deal as it comes under pressure from Western nations over the crisis in Ukraine.

Russian President Vladimir Putin is on a two-day to China and expectations have run high in recent months for both parties to ink a gas supply contract for Gazprom to supply China National Petroleum Corp, or CNPC, with 38 billion cubic meters of natural gas per year for 30 years.

Analysts have estimated the deal to be worth about \$400 billion.

After more than a decade of false starts and price haggling, the crisis in Ukraine, which has left European countries looking at ways to reduce dependency on Russian natural gas

supplies, and Beijing's drive to switch from coal use to cleaner fuels, have finally created a convergence of interests.

"The visit is not over yet. Talks will continue ... substantial progress is reached but there is still work to do on price," Putin's spokesman, Dmitry Peskov, told reporters.

"Talks are going on today, it can happen absolutely any moment."

Chinese state media on Monday quoted Putin as saying that preparations for a gas deal had entered "the final phase", while Russia's state-controlled Gazprom said at the weekend that it was still "one digit" away from a deal.

But on Monday, sources close to Gazprom and in the gas industry said the Russian company wanted China to pay \$25 billion now to secure future gas supplies, which should start in 2018 at a yearly rate of 38 billion cubic meters. China has so far not been willing to commit, concerned that other suppliers would seek similar deals.

The failure to reach a deal so far, despite talks of a narrowing price gap, suggests China is driving a hard bargain.

"Despite all the talk out of Russia, despite their desperation, China has the upper hand," said Gordon Kwan, regional head of oil and gas research at Nomura Research.

"China wants to really squeeze the price lower. China has other options such as the gas project in Sichuan and North America liquefied natural gas. I think it will be a mistake by Russia if they couldn't agree on a deal just because of the price."

Russia and China said in a joint statement that they would strengthen cooperation in the energy sector and infrastructure development in Russia.

Both countries will also step up financial cooperation and will look to increase trade in the ruble and the yuan.

China's Xi has underscored the importance of ties with Russia, and Moscow was the first capital he visited after assuming the presidency last year. Xi also attended the Winter Olympics in Sochi at Putin's invitation.

But, while the two see eye-to-eye on many international diplomatic issues, including the conflict in Syria, and generally vote as one on the United Nations Security Council, China has not been so willing to support Russia on Ukraine.

Both countries however called for more regional and political cooperation on Ukraine in a joint statement.

See also:

[Putin Says Russia-China Gas Deal Preparations in 'Final Phase' Ahead of Visit](https://www.themoscowtimes.com/2014/05/20/russia-china-still-haggling-on-gas-price-as-putin-arrives-in-beijing-a35578)

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