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Gazprom and CNPC sign Agreement on Power of Siberia cross-border section and other documents for further cooperation

Alexey Miller, Chairman of the Gazprom Management Committee and Wang Yilin, Chairman of the Board of Directors of CNPC signed today in Beijing an Agreement to design and construct the cross-border section of the Power of Siberia gas pipeline, including its submerged crossing under the Amur River. Besides, a Memorandum of Understanding in the oil sector was entered into by Gazprom Neft and CNPC.

The documents were signed in the presence of Russian Prime Minister Dmitry Medvedev and Li Keqiang, Premier of the State Council of China.

The Agreement on design and construction of the cross-border section of the Power of Siberia gas pipeline, including the submerged crossing under the Amur River, also sets the procedure of technical decision making, engineering and construction of the section. Special attention is paid to the submerged crossing under Amur. The document was signed within the Sales and Purchase Agreement for the Russian gas supply to China via the eastern route.

The three-year Memorandum of Understanding in the oil sector stipulates the joint actions in exploration and production of oil reserves in Russia (including the Arctic shelf), China and third countries, as well as refining and sales of oil and its final products. The Memorandum envisages the cooperation in procurement of equipment and technologies for exploration, production and processing of hydrocarbon feedstock as well as joint fundraising campaigns for the future partnership.

Alexey Miller and Wang Yilin also signed today:

- an Agreement of communications at the Power of Siberia cross-border section, setting out the key technical requirements to the communications system and its maintenance during the construction and operation period;
- a Joint Action Plan on gas-fired power generation projects, including the study of possibilities to initiate such projects in China. As part of the Plan, a working group was set up and a number of potential projects were outlined targeting northeastern and eastern regions of the country;
- an Action Plan for the project of natural gas supply to China via a pipeline from the Russian Far East. According to the Plan, a feasibility study will be carried out and potential sales markets will be reviewed.

“Today we signed a whole range of important documents to deepen our strategic partnership with Chinese colleagues. They include an Agreement on the cross-border section of Power of Siberia to connect the Russian and Chinese gas transmission systems.

The eastern route is steadily progressing. The contract has entered into full legal force. Power of Siberia is advancing up to schedule, the resource base is expanding, the Amur GPP

has entered its construction phase. All the necessary facilities will be completed within the contract terms,” said Alexey Miller.

On the same day Alexey Miller and Wang Yilin had a working meeting.

The parties addressed the outlooks for developing the cooperation in the gas sector. It was pointed out that a working group was formed within the Joint Coordinating Committee (JCC) in order to study the possibility of setting up a joint venture to implement gas storage projects in China. The parties specified several possible UGS projects, inter alia, one within the eastern route and two within the western one. Cooperation in the Chinese UGS sector will boost the reliability of Russian gas supply to the Republic and smooth out seasonal fluctuations in gas consumption across densely populated regions of China.

In addition, a working group was set up within the JCC in order to examine the prospects for cooperation in the NGV area.

Special attention was paid to the standards conformity assessment and their mutual approval by Russia and China, inter alia at the level of an intergovernmental agreement.

In addition, Alexey Miller and Wang Yilin discussed the project for natural gas supply to China from Western Siberia via the western route. The Chinese party confirmed the initial plan to lay one gas string with an annual capacity of 30 billion cubic meters. Commercial negotiations regarding this contract will continue in the last two weeks of January 2016.

The participants are also looking into the prospects of constructing the second string and increasing the aggregate deliveries to 60 billion cubic meters per year.

Alexey Miller and Yang Hua, Chairman of CNOOC addressed the issues of cooperation and signed an Addendum to the Memorandum of Understanding during another working meeting today.

Background

CNPC is China's state-owned petroleum company and is one of the world's leading integrated energy companies.

On May 21, 2014 Gazprom and CNPC signed the Sales and Purchase Agreement for the Russian gas supply via the eastern route (Power of Siberia gas pipeline). The 30-year contract provides for gas supplies to China in the amount of 38 billion cubic meters of gas per year.

On May 8, 2015 Gazprom and CNPC inked the Heads of Agreement for pipeline gas supply from Russia to China via the western route (Power of Siberia-2 gas pipeline). Initially, 30 billion cubic meters of gas a year are due to be delivered to China from Western Siberian fields.

On September 3, 2015 Gazprom and CNPC signed the Memorandum of Understanding on the project for pipeline gas supply to China from the Russian Far East.

The Joint Coordinating Committee (JCC) between Gazprom and CNPC supervises the implementation of the Agreement of Strategic Cooperation between the two companies. The Working Groups set up within the JCC oversee the main areas of companies' cooperation.

The Amur GPP with the design capacity of up to 49 billion cubic meters of gas a year will be constructed near Svobodny in the Amur Region. The GPP will comprise the world's largest helium plant. The plant will be supplied via the Power of Siberia gas pipeline with multi-component gas from the Yakutia and Irkutsk gas production centers being set up by Gazprom within the Eastern Gas Program.

CNOOC is among three major petroleum companies in China, focused on hydrocarbon exploration & development as well as oil & gas production and sales. CNOOC holds an exclusive right for prospecting, exploration and production of oil and gas offshore China. The company is also the largest LNG importer of China.

On November 9, 2014 Gazprom and CNOOC signed a confidential Memorandum of Understanding in the oil and gas sector.

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