

# Sino-Russian Arctic offshore extraction cooperation in the light of One Belt One Road Initiative



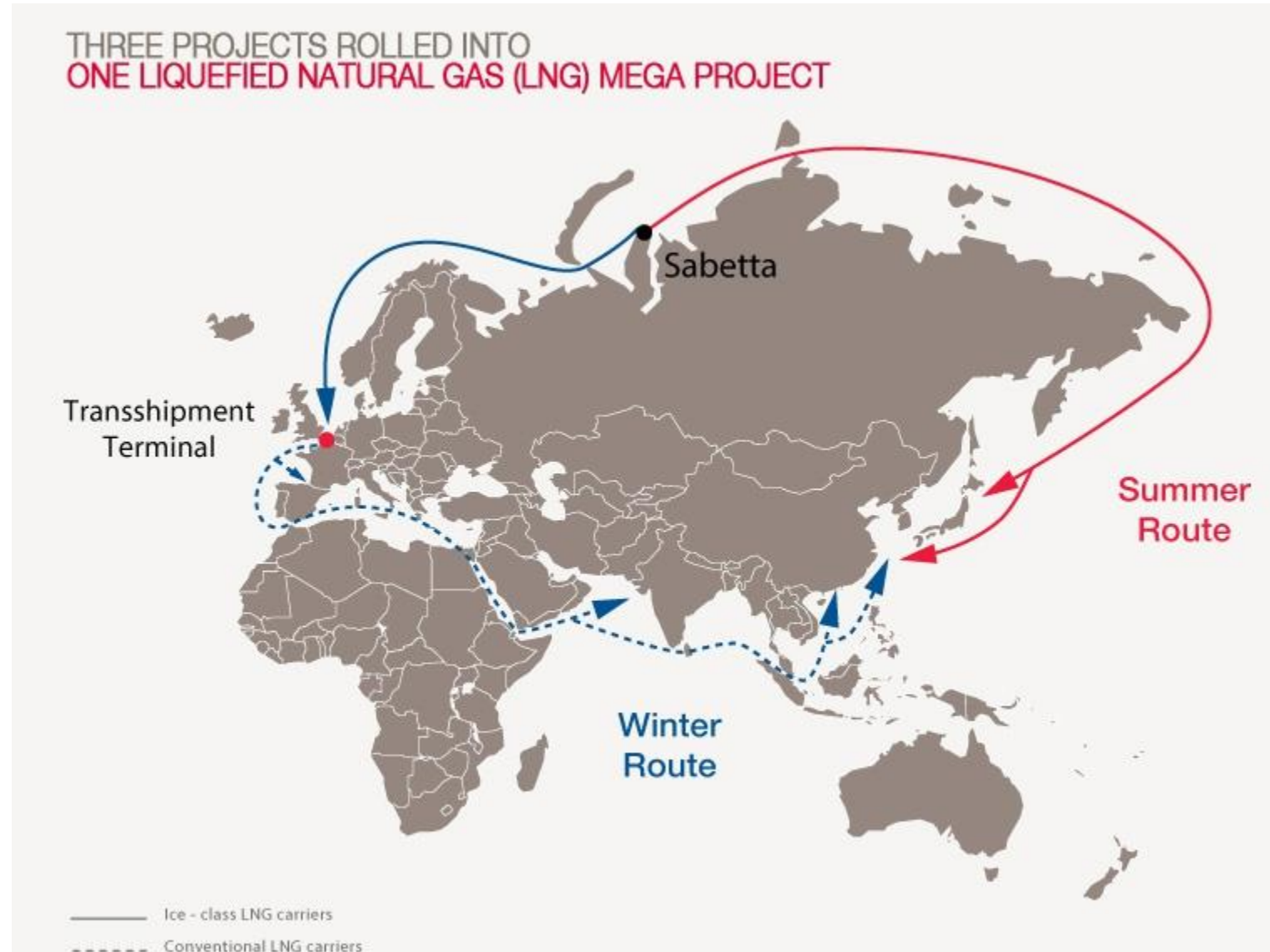
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# The current Sino-Russian offshore cooperation

## Yamal LNG:

- 20% owned by CNPC and 9.9% by Silk Road Fund;
- 15-year loans from Export-Import Bank of China (10.6 billion \$) and China Development Bank (1.5 billion \$);
- Interest rates: EURIBOR 6M + 3.3% margin during construction and + 3.55% after; SHIBOR 6M + 3.30% and 3.55%



# Nuances in Sino-Russian Arctic offshore model

- Financial support of “ARCTIC LNG” project if Novatek is not inclined to contract all gas.

Construction costs – 10 - 23 billion dollars (company and expert estimations), where 80% - plant and relevant infrastructure. Preliminary volumes of “Arctic LNG” – 3 trains, 5-6,5 million tons each.



# Nuances in Sino-Russian Arctic offshore model

- Icebreaker capacity for new offshore deposits to support transfer of LNG to customers all year round.

2021 year: cargo traffic by Russian nuclear icebreaker fleet - 18 million tons of LNG (“Yamal LNG”), 8,5 million tons of raw oil (“Gazprom нефть”) and 1,3 million tons of rear and precious metals (“Norilsk Nickel”) apart from planned 7,3 of raw oil from Payakhskoe deposit, potential 8 million tons of coal (“Vostokugol”).

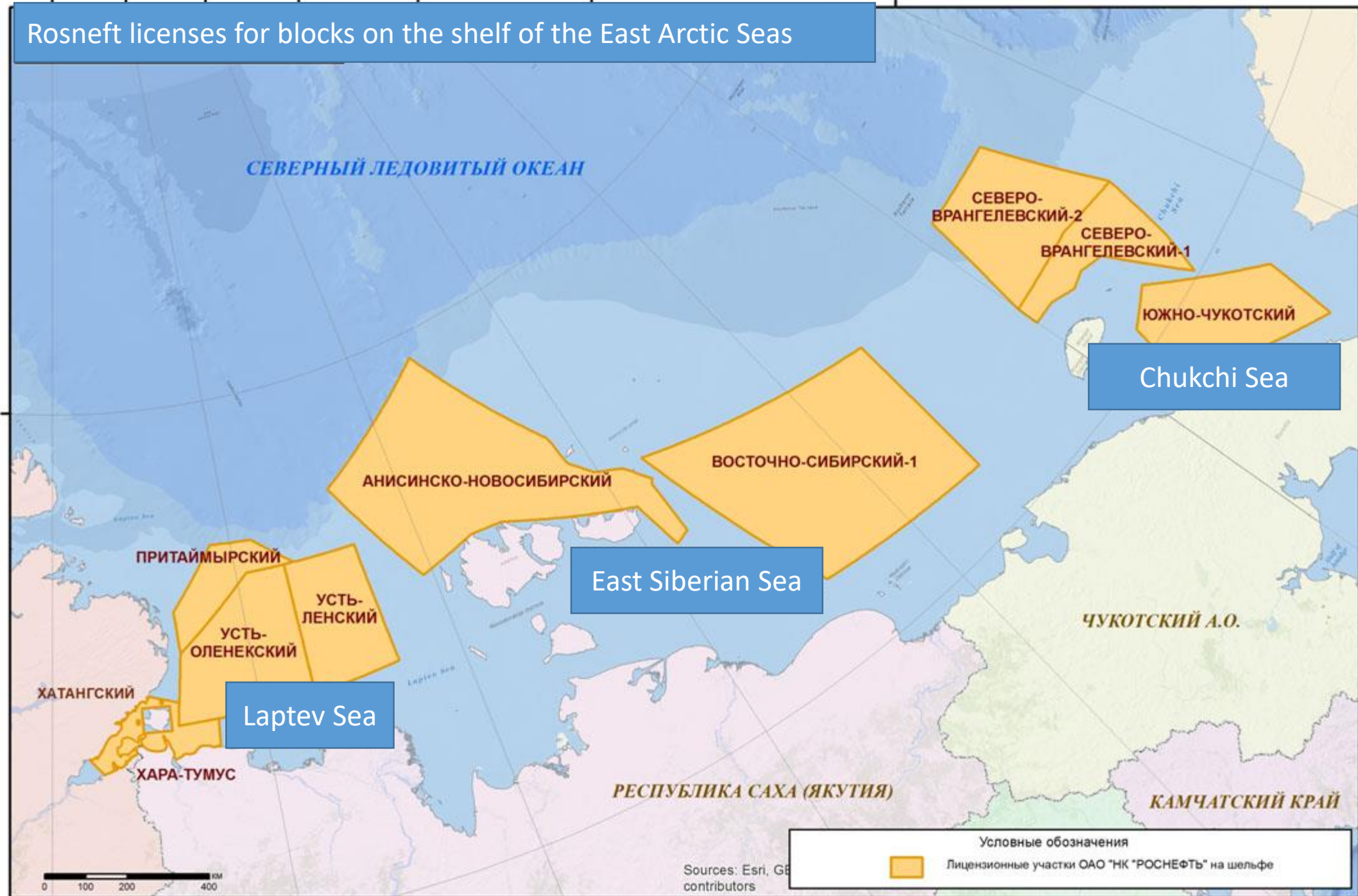


# Nuances in Sino-Russian Arctic offshore model

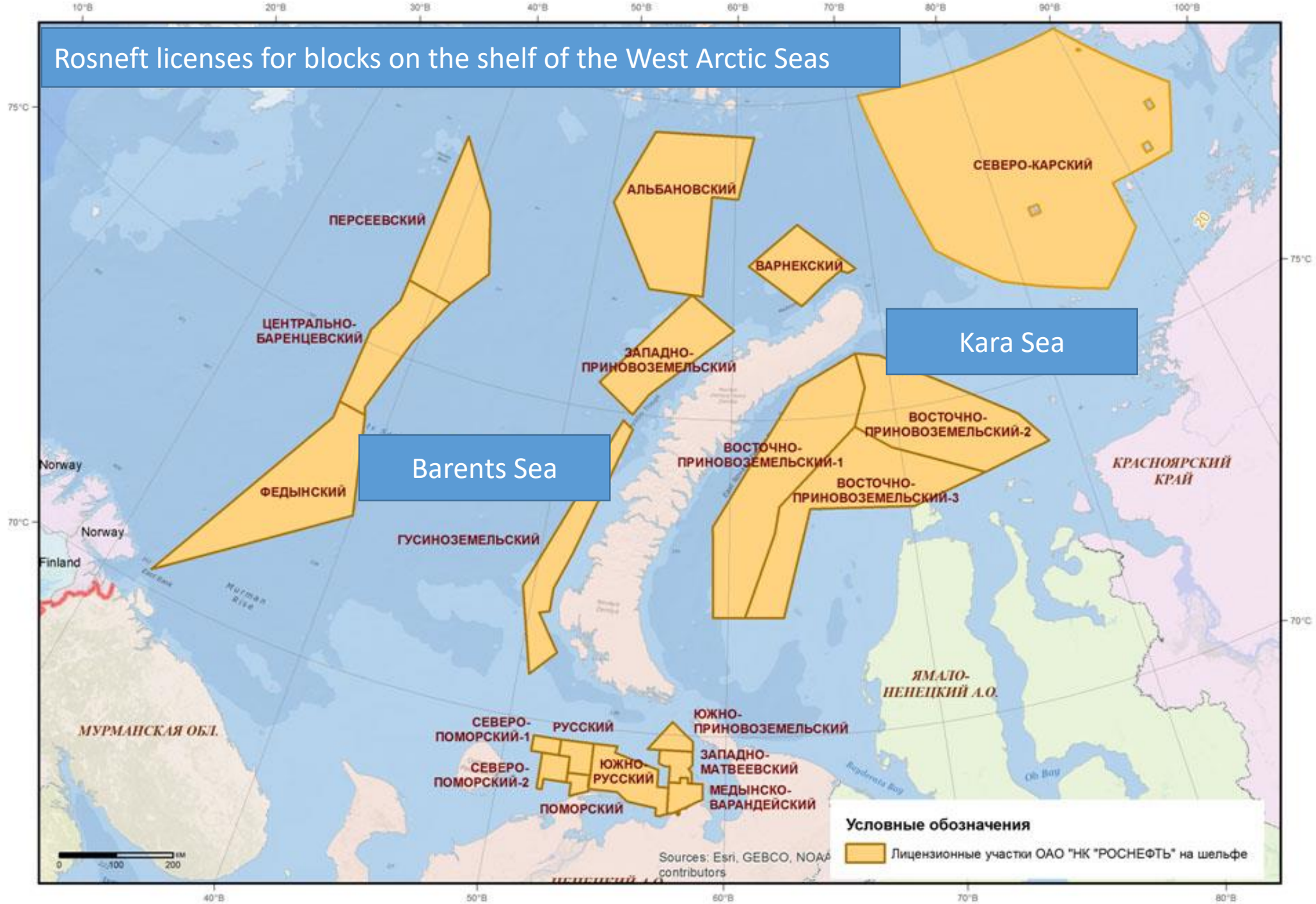
- No approach has been made yet to intensify any kind of investments or other participation with “Rosneft” or “Gazprom” in offshore projects.
- No agreement for “Novatek” resource base expansion;
- “Rosneft” owns 28 licenses in the Arctic. Company has 19 blocks in the Barents, Pechora and Kara Seas, 9 – in Laptev, East Siberian and Chukchi Seas. “Gazprom” possesses 27 licenses on the Russian Arctic shelf: 20 – in Kara Sea and 7 – in the Barents Sea.



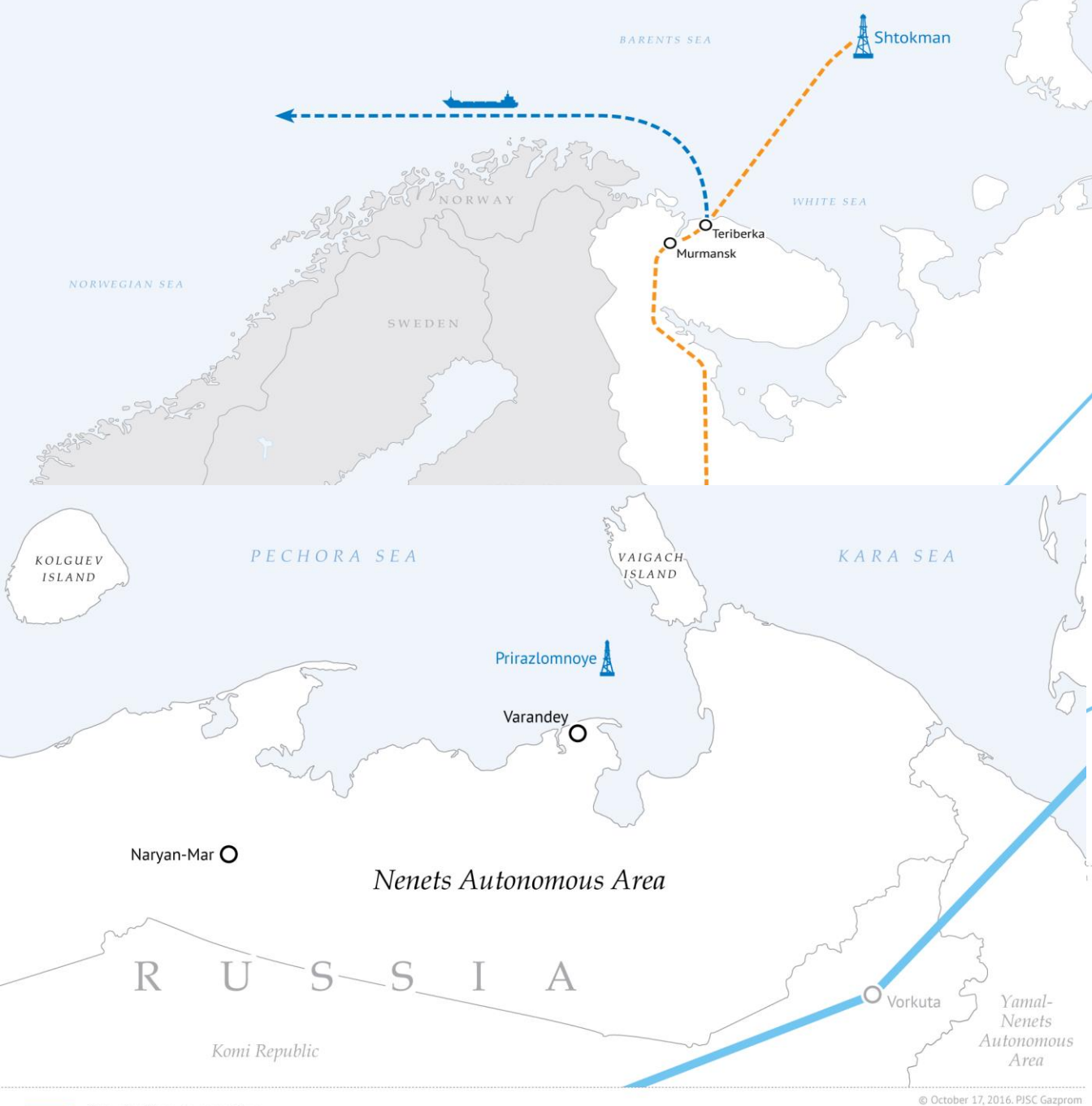
## Rosneft licenses for blocks on the shelf of the East Arctic Seas



## Rosneft licenses for blocks on the shelf of the West Arctic Seas







Gas pipelines in operation  
Fields

Gas pipelines in operation  
Fields

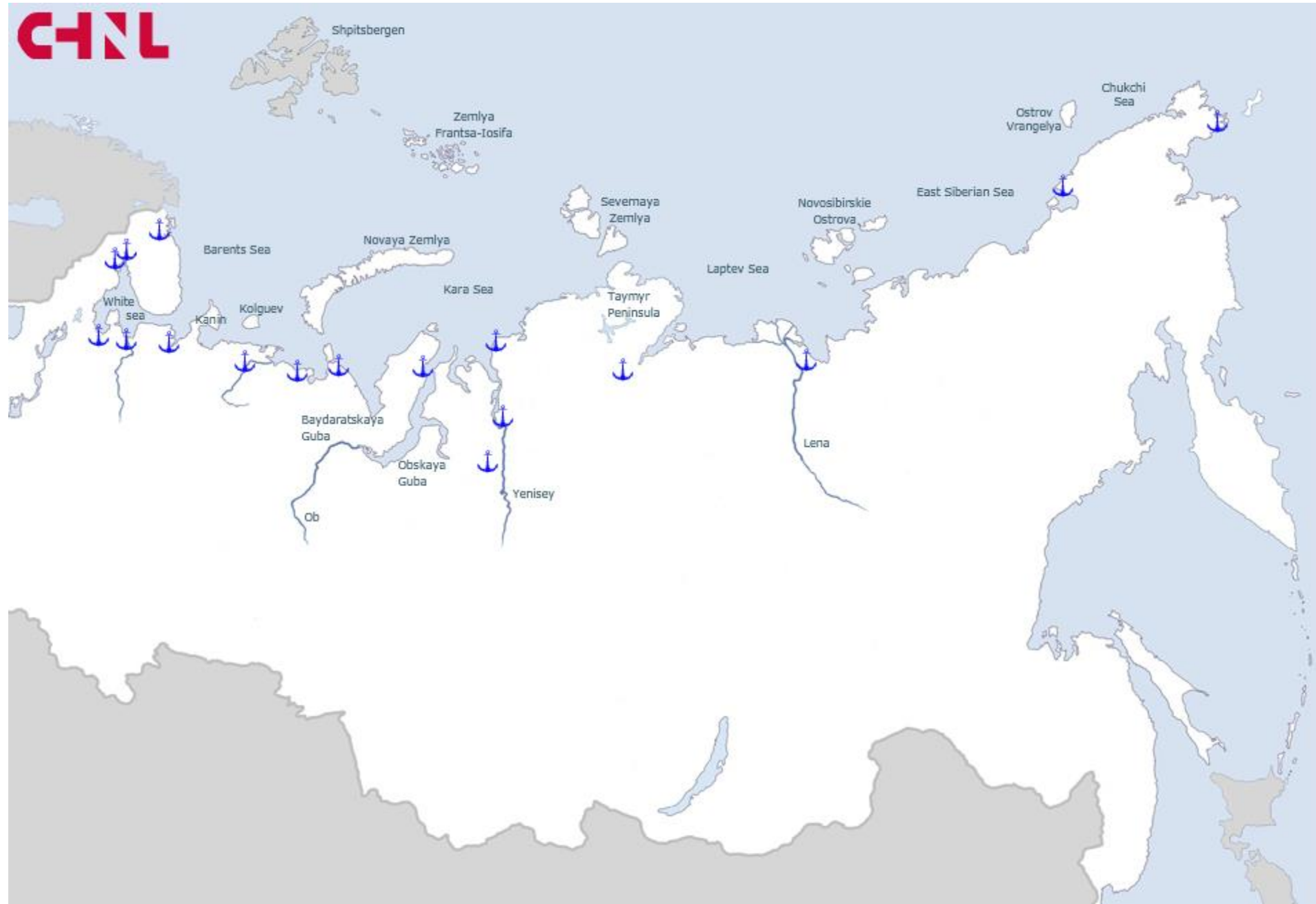
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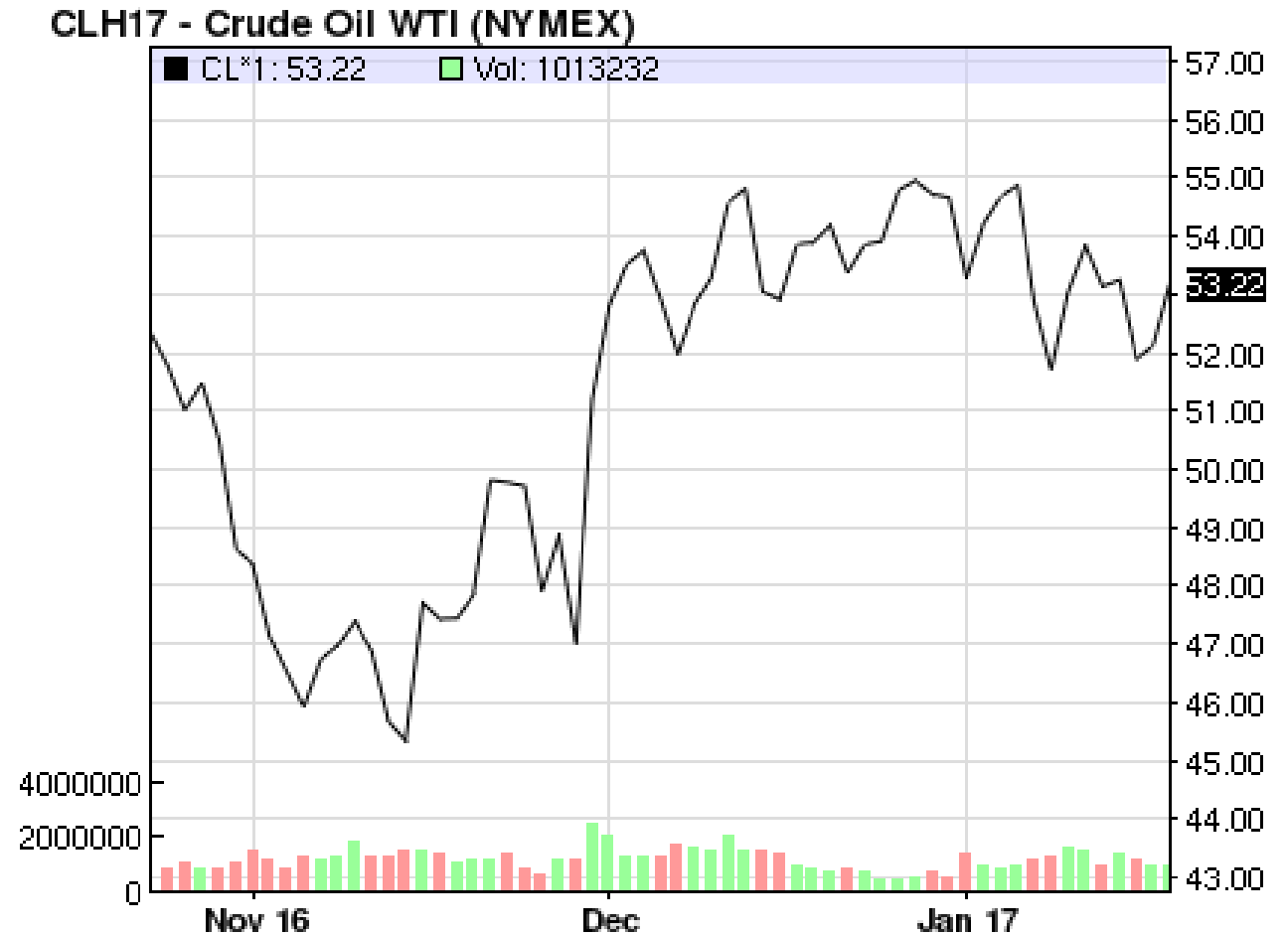
# Nuances in Sino-Russian Arctic offshore model

- Lack of supportive infrastructure



# Nuances in Sino-Russian Arctic offshore model

- Russian Arctic can be given a green light only after 2020 and oil price level at around 90\$ per barrel?



# Nuances in Sino-Russian Arctic offshore model

- Long payback time
- Representatives of Ministry of Finance and regional authorities numerously stated about financial complexity of providing investments to several projects simultaneously (in particular, Murmansk, Arkhangelsk and “Belkomur” development).
- The budget plans for a deficit of 3.2 percent GDP for 2017, reducing the figure to 2.2 percent and 1.2 percent in the subsequent years (2018-2019)



# Nuances in Sino-Russian Arctic offshore model

- Not enough 3D exploration activity.
- Unexplored mineral potential in the Russian Arctic – 91%, onshore – 53%.
- Under current speed of exploration activity Russian existing resource bases will dry up in 28 years.
- Russia can fully cover its needs in 2D seismic works whereas 3D is available only on 20-30% because national companies and state desperately need construction of its own scientific fleet
- Moscow secured only 1,3 billion rubles (~20 million dollars) for the period 2016-2017 to support seismic cluster in shipbuilding for offshore purposes.

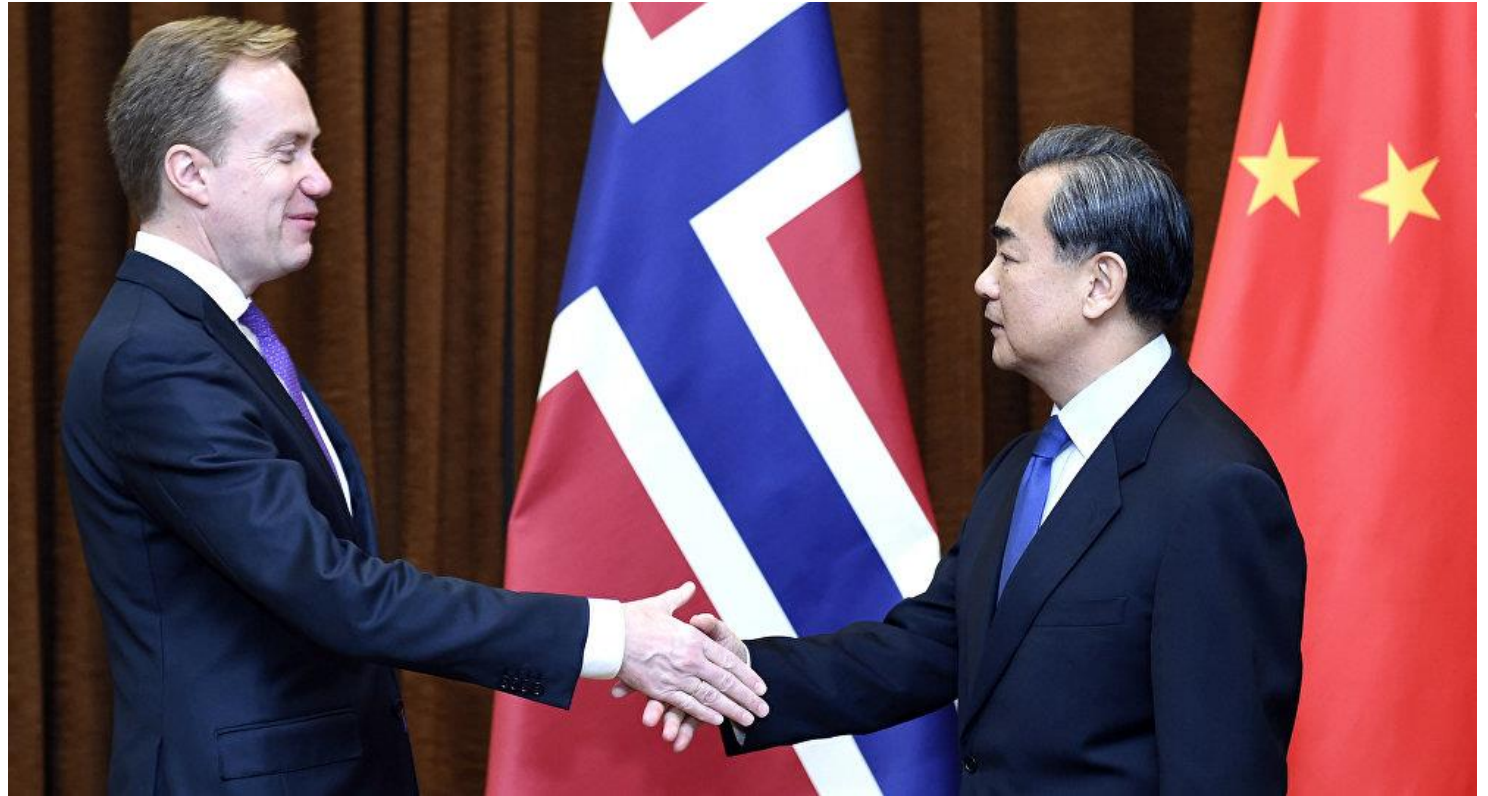
# Nuances in Sino-Russian Arctic offshore model

- Other actors investment interest in Russian offshore projects: India, Japan, Italy, South Korea.



# Nuances in Sino-Russian Arctic offshore model

- Chinese ambitions to have more control in mutual offshore projects.
- Beijing's intention to keep two-track Arctic policy: towards Russia and Nordic states in order to acquire necessary competences.





# Recommendations for Russia-China cooperation on the NSR

- 1) Set up consultations (with “Sovfraht”, “Rosatom”, NSR administration) to find mutual understand what types of cargo Beijing is ready to transfer;
- 2) Logistics companies in Russia and China should intensify bilateral efforts to choose transport hubs on East and West of Russia to reduce risks for commercial caravans on the NSR;
- 3) Launch an exchange process of ice conditions information, navigation charts and weather conditions;
- 4) Attention to financial support of Northern Latitudinal Railway;
- 5) Consulting mechanism between ports administrations of Russia and China

The background image shows a high-angle view from the deck of a ship, likely an icebreaker, navigating through a field of sea ice. The ship's red-painted deck and railings are visible in the lower half of the frame. The sea ice consists of numerous small, irregular floes. In the distance, the horizon line separates the icy water from a sky with soft, colorful clouds from a recent sunset or sunrise. The overall color palette is dominated by blues, greys, and the warm oranges and yellows of the low sun.

Thank you for attention!

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