

**THE FOURTH RUSSIAN-CHINESE  
ENERGY BUSINESS FORUM**

Forum subject:

Enhancement of the Russian-Chinese energy cooperation  
in order to jointly promote energy security  
and sustainable development

**SPEECH OF THE**

Executive Secretary

of the Commission for the President of the Russian Federation

on the strategy of development of the

fuel and energy industry

and environmental safety,

Chief Executive Officer

of Rosneft Oil Company

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**Moscow-Beijing**

**November 29, 2022**

## SLIDE 1. Front Page

Dear participants and guests of the Forum!

First of all, let me share a **greeting from the President of the Russian Federation** Vladimir Vladimirovich Putin to the participants, organizers and guests of the Fourth Russian-Chinese Energy Business Forum.

Dear friends,

I would like to welcome you on the occasion of the regular Fourth Russian-Chinese Energy Business Forum.

Comprehensive partnership and strategic interaction between the Russian Federation and the People's Republic of China are developing extensively despite the complicated international environment. The energy sector remains one of the key and most dynamic areas of our economic cooperation.

We have managed to establish profound bilateral ties in the oil and gas, coal and electric power sectors recently. Large-scale joint projects to build nuclear power plants in China and to produce liquefied natural gas in the Russian Arctic are being consistently implemented.

The Russian-Chinese Energy Business Forum becomes more important for the cooperation expansion in such an important economy sector, providing regular dialogue among the representatives of government agencies, leading industry corporations, banking structures and experts of the two countries. Creation of the "Investment Atlas of the Russian-Chinese Energy Cooperation" is the most important Forum activity area. The development of this unique information and analytical platform undoubtedly provides new opportunities for mutually beneficial commercial initiatives.

I hope that the forum will be constructive and fruitful, and that the participants' ideas and proposals will get practical application.

I wish you success and all the best.

Vladimir Putin

## SLIDE 2. (Photograph of Xi Jinping and Vladimir Putin)

Dear friends and colleagues!

Commencing the Fourth Russian-Chinese Energy Business Forum, I would like to express my deep gratitude to the **leaders of Russia and China** - President Vladimir Vladimirovich Putin and President Xi Jinping. They are the ones who started the new format of the Russian-Chinese energy dialogue. Without their support and constant personal attention to the development of energy cooperation, the current level of the forum **which is unprecedentedly high** would be hard to achieve.

Let me welcome the participants of today's event: **Han Zheng**, First Deputy Prime Minister of the PRC; **Zhang Jianhua**, Head of the State Energy Administration of the PRC; **Dai Houliang**, Chairman of the CNPC Board of Directors; Deputy Prime Minister of the Russian Federation Alexander Valentinovich **Novak**; Ministers of the Russian Federation Nikolai Grigorievich **Shulginov** - Minister of Energy, Alexander Alexandrovich **Kozlov** - Minister of Natural Resources and Ecology, CEOs of Russian and Chinese companies, representatives of the academic community, mass media. Also, I extend my gratitude to all participants and organizers of the Forum.

Our forum is taking place right after the historic 20th Congress of the Communist Party of China, which provided a profound assessment of the global transformation happening today. As Chinese President Xi Jinping pointed out, **“China has entered a period of development in which strategic opportunities, risks, and challenges are concurrent and uncertainties and unforeseen factors are rising - the so-called “black swans” or “gray rhinos”**. Non-competitive pressure, sanctions, a radical breakdown of the existing world order, unprecedented volatility - all this, according to the Chinese President, ultimately leads to **“a shortage of development, a shortage of governance and a shortage of security”**. It

should be noted that our leaders' principal assessments of the processes taking place in the world today coincide.

The tectonic shifts occurring in the global economy are caused by the painful process of getting rid of the unipolar hegemony and the unwillingness of the hegemon that is leaving to accept the inevitable. Xi Jinping's 2015 proposal at the rostrum of the UN **to create a "community of one destiny for the humankind"** which underlies Chinese foreign policy (it is part of the preamble to the Chinese Constitution), is a worthy response to the challenges of the growing turbulence. The Western opponents cannot or do not want to understand the great humanitarian meaning of this idea, rejecting the concept of common destiny because of certain ideological considerations. They do not want to understand that it is not about a uniformity which is naturally alien to the Chinese cultural tradition. **"All phenomena develop together and do not impede one another, all principles are effected together and do not contradict one another"** - says a Chinese wisdom. China simply tells the world: "we are all in the same boat". And it turns out that **China is working to unite humanity, while the West is working to divide it.**

### SLIDE 3. China's Growing Contribution to the Global Economy

**China, like Russia, has always been against unilateral sanctions** and economic pressure, which turns into selfish promotion of one's own selfish interests, and has always advocated the universal and equal application of international law. Nevertheless, we see that the PRC is subjected to commercial discrimination. The goal is openly set to stop China's technological development and **prevent China from becoming the Number 1 technological power**

The decisions of the 20th Congress of the **Communist Party of China** have confirmed the course for comprehensive **modernization** of the country and the construction of socialism with Chinese characteristics. We see that in the new era China will rely upon a large domestic market as an advantage

of the country, while remaining open to the outer world and foreign investment.

I would like to reiterate President Xi Jinping's relevant observation that we should “**Get the house in good repair before rain comes**”. No wonder the 20th CPC Congress paid so much attention to **security**, which is becoming a political priority.

Speaking about the economy, the first thing here is **resource security**, that is, availability of reserves, reliable resource supply sources, control and security throughout supply logistics. And secondly, it is the **restoration** of forcibly destroyed **production and technology chains**. China, like no one in the world, integrates into the international specialization of labor. An attempt to squeeze China and Russia out of key areas of global cooperation could be very costly for the entire global economy, boomeranging on the initiators of such processes.

In this context, I would like to pay attention to the **unique opportunities that our cooperation offers in terms of ensuring both China's and Russia's economic security in sensitive areas**. In the field of resource supply, including energy resources, Russia is a reliable supplier with a huge potential that is capable of expanding. As for production and technological logistics, our partnership here seems to be the most protected in terms of security.

#### **SLIDE 4: Growth of Trade Turnover between Russia and China**

Amid the global energy crisis, **trade and economic relations between Russia and China have become a pole of stability and growth. Following the 2021 results, China has ranked first in the list of Russia's trade partners.**

Over 10 months of this year, **trade turnover between Russia and China reached \$ 153.9 billion**, having increased by 33% year-on-year. If the pace is maintained, by the end of this year the trade turnover may reach a record high of **\$180-190 billion**. One can expect that the target to reach

**\$200 billion** in trade turnover will be delivered even earlier than the deadline of 2024.

#### **SLIDE 5: Rise in RMB Trade**

The development of trade and an increase in trade turnover led to a significant increase in the volume of **settlements in national currencies**, the need for which we have repeatedly talked about at previous forums. The average daily trading volume in the yuan/ruble pair on the Moscow Exchange increased 45 times from 2 billion rubles at the beginning of the year to 90 billion rubles in October, **exceeding the average daily trading volume in the ruble/US dollar pair.**

I am pleased to note that settlements under foreign economic contracts, primarily for the supply of energy products, have been promptly adapted to the new conditions. I consider it important to develop clearing payments between China and Russia, which could then be joined by other interested countries such as from EAEU, SCO, BRICS. The existence of an independent settlement system is an important component of financial sovereignty in the contemporary world.

Rosneft has certain experience as well. The Company for instance, placed an issue of bonds in yuan to a total of 15 billions. According to banking analysts, this is the largest market placement of corporate bonds on the Russian market in its history.

#### **SLIDE 6. (Picture: Collaboration)**

**At the new stage of economic development, China searches and finds new ideas and directions** of investment growth and, in our opinion, Russia with its colossal resource potential could become one of such ideas. As President Xi Jinping noted in his speech at the 20th Congress, **“To forge iron, one must be strong”**. Our **investment partnership** could provide such a strength.

In particular, I would like to emphasize that the strategic decision to turn East, and especially the unprecedented level of our current relations with China, is **the result of our internal development** and understanding of the current processes in the world, rather than a consequence of pressure from the West to the East. Incidentally, it is from the point of view of Russian geography. And it is the South and the North in Chinese perception

### **SLIDE 7. Growth of Oil Supplies**

**An important role in the strategic turn to the East has traditionally belonged to Rosneft.** The company has always promoted **integral cooperation** with Chinese partners along the entire technological chain: that is exploration and production, refining, power generation, sales at potential markets, including retail sales. As a rule, such cooperation implies exchange of shares, setup of joint ventures, supply of equipment, and technological partnership.

At this stage Russian energy companies are ready to make proposals to Chinese partners in all key areas such as gas, oil, coal, electricity, and cooperation with Rosatom.

"Rosneft remains a key Russian oil supplier to China, accounting for about 7% of the Chinese market's total demand for crude oil.

**Total volume of Russian oil exports** to China in January-October 2022 increased by 9.5% year on year to reach almost 72 million tons which is a bit less than Saudi Arabia supplies (73.8 million tons).

### **SLIDE 8. Development of cooperation in the energy sector**

The gas sector is one of the most promising areas for building up our cooperation. In perspective, the Chinese gas market will be showing the highest growth rate in the world.

The Chinese gas consumption is expected to almost double by 2040 and so it will exceed 660 billion cubic meters per year (380 billion cubic meters per year at present).

The volume of pipeline gas supplies from Russia to China in the foreseeable future already will exceed 100 billion cubic meters per annum. At the same time, the Russian natural gas resource base potential significantly exceeds these volumes. This concerns both the gas reserves in Western Siberia that are being diverted from the European route, and also the vast resource base in Eastern Russia.

Rosneft Company alone has gas reserves in Eastern Siberia and the Far East, which can potentially be delivered to China through pipelines in the excess of 2 trillion cubic meters.

No less promising is the growing supply of Russian liquefied natural gas to China. Today Russia exports to China relatively small volumes of LNG, but in the future the volume of LNG supplies may become comparable to our supplies from pipeline projects. In 2022, the Power of Siberia pipeline will deliver to China more than 15 billion cubic meters. The projected capacity of the Power of Siberia pipeline permits to transport up to 38 billion cubic meters per year. The total capacity of existing and projected pipelines from Russia to China is about 100 billion cubic meters (38 - the Power of Siberia, 50 - the Power of Siberia-2, 10 - Far East), which is equivalent to 27% of gas consumption in China last year (365 billion cubic meters). According to Gazprom, at the end of 2022 they will start supplying gas to the Power of Siberia from the Kovyktinskoye field.

**The supply of high-quality Russian coal** to China in the 10 months of 2022 amounted to 53 million tons. This is about 23% of the overall imports to China (2nd place after Indonesia (134 million tons)).

Russia is expanding coal export opportunities to the east and investing heavily in the **Eastern railroad domain**, - that is the Baikal-Amur Mainline and the Trans-Siberian Railway. Today this is definitely a **top priority railway construction project** in our country, and so it is subject to the close attention of the President of the Russian Federation. We expect that the development of the Eastern railroad domain already in the next few years (up to 2025) will augment the transportation capacity to 195 million tons per year and will help significantly increase the export of coal to the Asia Pacific region.

This year, amid the abnormal heat and power shortages, at the request of the Chinese side **Inter RAO** increased its **supplies of power energy** from



Russia to China. In January-October, supplies went up by 33% compared to the same period last year and amounted almost 4 billion kWh.

Our countries continue successful cooperation in the **nuclear sector**. The first and second stages of the Tianwan nuclear power plant that consist of Power Units from No. 1 to No. 4 are already in use. These modern power units VVER-1000 are most reliable in the world. The contracts for the projects of the Tianwan nuclear power plant Units No. 7 and No. 8 and **Xudapu nuclear power plant** Units No. 3 and No. 4 of are underway.

In the opinion of almost all analysts, the main problem of the energy industry is the global underinvestment in conventional energy sources, which was largely due to the politicized and inadequate implementation of accelerated "green transition" creating risks of a global energy deficit. All that said, I would like to emphasize that Russian companies are not cutting back on investments in new projects and technologies.

#### **SLIDE 9 (Photo of Vostok Oil)**

The largest investment project in the world and the biggest project in Russia is the Vostok Oil project in the northern part of Krasnoyarsk Kray. We expect that by 2033 the production level from this project will reach **115 million tons of oil**. It is close to **2.5% of the current global oil production**. The project envisages direct transport of light and low-sulphur oil by **Northern Sea Route**. In this year alone, the resource base of the project rose by 300 million tons to reach the number of **6.5 billion tons**.

China's stated **concept of "dual control" over total emissions and their intensity** is also relevant to Russia. "Vostok Oil" is the only new project in the world that provides not only reliable but also environmentally responsible oil supplies, as the design solutions include the application of advanced environmental protection technologies from the well drilling stage to the specialized design of oil pipelines and tankers for oil export.

“Vostok Oil” project will provide long-term reliable and guaranteed energy supplies to Asia's growing economies and reduce price volatility by preventing price spikes that destroy market stability and cause damage to all the market participants.

The development of critical **infrastructure projects**, including those aimed at **economic integration with China**, such as the Baikal-Amur Mainline modernization and establishment of the Europe-China transport corridor, is ongoing.

**SLIDE 10. (Photo: NSR)**

Northern Sea Route development and its transformation into one of the world's main transportation arteries is the largest global infrastructure project with Chinese participation. The trend of **cargo traffic increase along the NSR** has been observed for several years. In 2021 the traffic reached a record, exceeding 33.5 million tons, and by 2024 it is expected to reach 80 million tons. Cooperation between Russia and China in the Arctic is developing dynamically. We welcome Chinese partners in the Russian Arctic projects, including the joint development of the Northern Sea Route and the associated coastal infrastructure.

Last week on November 22 nuclear **icebreaker Yakutia** was launched and the national flag was raised on the nuclear **icebreaker Ural** with the participation of Russian President Vladimir Putin. Nuclear icebreaker fleet renovation is the key condition for the Northern Sea Route further development.

Two weeks ago the first ever **railway bridge over the Amur River** between the Russian Federation and the People's Republic of China was commissioned. Maximum bridge traffic capacity will be up to 20 million tons of cargo per year. The cargo transportation distance to the northern provinces of China will be reduced by more than 700 km compared to the existing routes.

I would like to take this opportunity to **congratulate colleagues from Russian Railways and Rosatom** on these achievements. By the way, today we have here Alexander Markovich Lokshin (First Deputy General Director for Nuclear Power Engineering of Rosatom) and Shilo Alexey Nikolaevich, Deputy General Director - Head of the Corporate Transport Service Center

of JSC "Russian Railways". I would like to ask you to convey our congratulations to colleagues.

**SLIDE 11. (Final Slide)**

The world is changing radically. **Russia and China inevitably strive for a mutually beneficial partnership**, which creates new opportunities to build the community of a shared future for humankind as was rightly noted by the Chinese President Xi Jinping.

In conclusion, I would like to congratulate all participants on the start of the Fourth Russian-Chinese Energy Business Forum. I would like to thank the guests and organizers, and I wish everyone fruitful work.

Thank you for your attention!