

**Welcoming Address of Igor Sechin, Executive Secretary of the
Presidential Commission for Strategic Development of the Fuel and
Energy Sector and Environmental Security**

Beijing, November 29, 2018

Dear colleagues, Ladies and Gentlemen,

I welcome you to the first Russian-Chinese Energy Business Forum. First of all, I would like to express my gratitude to our leaders - for their complete support of the Forum, to the business community of the two countries - for their vibrant response to our invitation, to organisers themselves - for the excellent setting.

I regard it my duty to tell you how the idea of today's event was born.

There are executives of companies with total capitalisation of about \$2 trillion present in the audience.

It is hardly possible to overestimate such power!

The idea of the Energy Forum was initiated by Wang Qishan, my dearest friend and confidant, the Vice President of the People's Republic of China. At his time, Mr Wang Qishan was supervising foreign affairs in the State Council of China and made a great contribution to developing of cooperation with Russia. I was then instructed to hold an energy dialogue between Russia and China on the state level. The coordination level of our countries was low at the time - in 2007, the commodity turnover was less than \$40 billion. The Energy Dialogue we organised then and the projects implemented within its framework have become the foundation of the further deepening of our partnership in every single area of energy cooperation.

During our joint work, Russian supplies of fuel and energy sources to China have tripled. Russia has introduced itself as the biggest energy supplier to China. Over the past 10 years, more than 300 million tonnes of oil, 55 million tonnes of petroleum-based products, 150 million tonnes of coal, and 20 billion kilowatt-hours of electricity were sent to Chinese consumers.

To secure the faultless oil supplies, a unique pipeline system, Eastern Siberia–Pacific Ocean, with a branch to Daqing was implemented; an exploration of new Eastern Siberia Oil and Gas Province was started. The cooperation is based on mutual interests along the entire chain^ production to transportation to refining to marketing.

The Russian-Chinese energy cooperation encompasses the gas industry as well. There are supplies of liquefied natural gas from Yamal fields; Sila Sibiri gas pipeline is being constructed; as well as the biggest borderline gas-processing plant and gas chemical complex. We start to gain success in coal mining, nuclear power, and related industries.

I have to mention a large-scale project on construction of two trains of Tianwan Nuclear Power Plant, also originated from Mr Wang Qishan, as did the referral of most important technology of the BN-800 fast breeder reactor.

The investment requirement of the energy projects implemented and being implemented in the Russian East to be marketed in China is around \$100 billion.

The energy cooperation contributed to an expansion of the relations in other areas. The trade relations have gone beyond energy supplies. Russian business entities have increased their purchases of machinery and equipment made in China, and started to attract Chinese construction and service enterprises. We see the synergy: services of Chinese banks are gaining popularity; there is an opportunity to create vertically integrated chains; we have prospects of joint work on the markets of other countries looming.

Our estimates are for the commodity turnover between our countries to grow to \$110 billion by the end of 2018.

Russian oil major Rosneft has made a significant contribution to the cooperation growth by implementing an unprecedented in its scale long-term project of supplying oil to China together with CNPC, the leading Chinese company. Last year Rosneft delivered around 40 million tonnes of oil, thus satisfying around 6.5% of the demand for fuel

in China. Rosneft recognizes its leading role and responsibility in ensuring China's energy security.

The results are astonishing, but the potential of the Russian-Chinese cooperation in the fuel and energy sector is far from drained. As you know, the leaders of our countries set a task to bring the commodity turnover to \$200 million.

Mr Wang Qishan suggested creating a regular platform to exchange opinions and projects in order to meet the set challenge as soon as possible and boost the bilateral energy cooperation. His idea gained support of the state leaders. Regular energy business forums are supposed to contribute to reviving of the spirit of the economic relations of our countries.

The leaders of our countries provided full support to the idea.

I would also like to thank Han Zheng, the First Vice Premier of the State Council of China, for his encompassing endorsement of the Forum.

One of the areas where we can deepen our cooperation is the one within the framework of the Belt and Road initiative developed by President of the People's Republic of China Xi Jinping. Another area is about a significant expansion of the Russia-China Energy Bridge shaped with the Eastern Siberia–Pacific Ocean pipeline and oil supplies from the Eastern Siberia. Now these opportunities are getting greater through the dynamic use of the Northeast Passage that will make it possible to connect new, even offshore, fields to the supplies. We need additional pivots and new infrastructure channels of energy cooperation.

A great potential lies in the investment cooperation between the two countries. For example, at the end of 2017, the volume of accumulated foreign direct investments from China *to Russia amounted to \$15 billion. This is not much provided the scale of our economies. Without mutual and large-scale investment it will be complicated for us to move to a new level of interaction in the energy sector, which our leaders call upon and our companies are striving for.

The Russian-Chinese cooperation development is constantly monitored by the President of the Russian Federation and his

* calculated for China, including Hong Kong

Commission for Strategic Development of the Fuel and Energy Sector and Environmental Security. I am the Executive Secretary of the commission. The Commission considers the most important initiatives that have an impact on the Russian energy sector development in the long term.

The most important factor that we increasingly take into consideration is a continuing increase in global energy consumption, and the Asia-Pacific Region leads here and is the most prospective. According to the existing estimates, the consumption of the crude energy in the Asia-Pacific Region will increase 1.5 times by 2040. At that, the annual oil and gas demand of China will grow by 125-250 million tonnes and 350-550 billion cubic metres respectively in the next 20-25 years.

For reference: According to published long-term forecasts, in 2017–2040, an increase in consumption of liquid hydrocarbons and gas in China will be respectively:

IEA-2018 - 170 million tonnes and 434 billion cubic metres;

OPEC-2018 – 245 million tonnes and 543 billion cubic metres;

BP-2018 – 177 million tonnes and 429 billion cubic metres;

IHS-2017 – 125 million tonnes and 487 billion cubic metres;

IEEJ-2019 – 229 million tonnes and 357 billion cubic metres.

As you know, China and Russia are connected by the comprehensive, equitable, trusting partnership and strategic interaction. The Chinese growing energy demand can be largely satisfied by a multiple increase in energy supplies from Russia, which has a huge high-quality resource base. To employ this capability, dozens of billions of dollars of investment in the production and transportation to the consumer are required.

At the same time, we see how rapidly China's energy industry has been transforming in recent years. Many of the tasks given to the Chinese energy sector for the current 13th Five-Year Plan (2016-2020) have already been completed - for example, to reduce coal consumption - and even exceeded, in case of solar power plants commission. The time to adopt a new ambitious five-year plan is coming, and today is the right time to "time check in the main strategic areas of the two countries' energy development and synchronize them. Russia is working very hard to update the country's long-term economic and energy development

programs. We need mutual confidence in new large-scale projects in the energy and related industries that will be sought-for and mutually beneficial.

Joint exploration of oil and gas resources offshore the Arctic and Russian Far East, as well as development of the navigation on the Northeast Passage may become new growing points of the Russian-Chinese cooperation. Another promising opportunity is to build a renewables-based power grid complex in Russia's Far East with the goal of power exports to China. Also, it is possible to expand the cooperation through petrochemistry and gas processing projects. I see great synergy in their joint implementation.

And of course, the cooperation should apply to integration areas of supply chains and state-of-the-art equipment localization, new system solutions, to address issues of energy digitization and project financing. In this regard, it is necessary to develop more actively the cooperation between the leading banks of our countries. Special consideration will be given to these and other issues at both thematic sessions of today's Forum.

Certain aspects of the current political conditions in the world, increasing protectionism and threat of trade wars in the world economy serve as additional incentives to cooperate more closely and make decisions faster.

Russia sees the prospects of economic growth acceleration mostly related to the rapid development of the eastern territories and exploration of their natural resources. In its turn, China is interested in securing of its energy and establishing of safe supply channels.

The high degree of coherence of the energy infrastructure is a guarantee of the strategic stability of relations between our countries, an energy security factor, and a token of high level of mutual trust.

I think that there are all necessary conditions to take our cooperation to the new level, to make it integral, diversified and spread over those spheres that were not included before.

Dear colleagues, I am sure that you have considerations and ideas on how to develop mutually beneficial cooperation between Russia and China. All of them worth to look at and discuss.

There are executives of the largest enterprises in the industry and state representatives responsible for the energy sector gathered in this audience. There are many people in charge of decision-making on the energy development in Russia and in China, of establishing and implementing major projects.

Today, we have a beautiful opportunity to create the middle-term and long-term agenda of the Russian-Chinese energy dialogue.

I hope that all participants will treat this task responsibly. I expect the Forum to be an open discussion, a functional negotiation, a way to concrete arrangements on new projects. We intend to make the Forum an annual event hosted in China and Russia in turns.

With the opportunity present, I would like to invite my colleagues from China to visit Russia next June and take part in the 23rd Saint-Petersburg International Economic Forum. We can continue our exchange of opinions there.

Thank you for your attention!