

## **Welcoming Address of Igor Sechin, Executive Secretary of the Presidential Commission for Strategic Development of the Fuel and Energy Sector and Environmental Security, CEO of Rosneft at the II Russian-Chinese Energy Business Forum (June 6-7 2019, St. Petersburg)**

### **Welcome ceremony**

Dear delegates and guests!

I am delighted to welcome you to the opening ceremony of the second Russian-Chinese Energy Business Forum. It takes place on the sidelines of the world's leading business event – the St. Petersburg International Economic Forum. It also coincides with the state visit to the Russian Federation of his Excellency Mr. Xi Jinping, the President of the People's Republic of China. We made sure these events take place at the same time so that our guests and colleagues could expand their network of business contacts and strengthen business ties while also getting a chance to see St. Petersburg – the cultural capital of Russia. It has become a tradition to host a range of cultural events in the city during the St. Petersburg Forum. We hope that you will get a chance to visit these events and familiarize yourselves with Russian culture and especially the culture of St. Petersburg.

I would like to express my gratitude to Mr. Zhang Jianhua, the Head of the State Energy Administration of the People's Republic of China, Mr. Wang Yilin, the Chairman of the Board of Directors of China National Oil and Gas Corporation (CNPC), as well as members of the organizing committee for their active participation in the organization of this Forum. The interest of Russian and Chinese business community to our event has been astonishing. I am positive many of our foreign partners from third countries will take great interest in the issues discussed at this Forum.

I would like to thank all participants for responding to our invitation and joining us. We have brought together representatives of over 100 corporations from China and Russia today. The total capitalization of the companies participating in the Forum amounts to about three trillion dollars.

During the first Russian-Chinese forum in November 2018 in Beijing, we defined the goals and objectives of this Forum. In addition, participating companies have signed 14 bilateral agreements. The past six months have seen an incredible amount of progress being made. We have established the Organizing Committee of the Forum, which included representatives of the authorities and the largest energy and financial companies.

During the preparation stages of the second Forum, we have received suggestions from business representatives of both countries regarding problems that they face in terms of economic policy, energy, finance, and adjacent areas. Therefore, this year's second Forum will be dedicated to close cooperation between government agencies and businesses. An important task of this Forum is to develop common and transparent rules of business interactions with customs, banking, and tax regulations. These rules should contribute to the rapid creation of mutually beneficial projects.

We expect that the financial institutions of the two countries will seek new ways to finance projects, support them, provide them with valuable advice, and develop regional banking networks. This will strengthen economic ties and improve the investment climate.

The development of Russian-Chinese cooperation is taking place against the backdrop of a new round of trade wars.

I believe that we already discussed this issue today at the Energy Panel session.

The main cause of trade wars consists of the weakness of other partners striving to obtain unilateral preferences through lower competition. And I would like to remind that while in 2000 the USA's per capita GDP was three times higher than that of China, today the Chinese GDP is 25% higher than the American one. A lot of Chinese companies became the world's leaders, and Asian growth rates are two times higher than in the United States.

According to the latest forecasts, further growth disparity may result in 2050 in the situation when the Chinese economy will be twice that of the American as regards this indicator.

China and Chinese companies dominate these days in some different industries. Along with new products and services, they offer new forms of interaction and cooperation aimed at partnership and joint development.

This is confirmed by documents already signed and prepared for signing at this Forum. They encompass a wide specter of cooperative actions in the energy sector, including finance investment agreements. I would like to note the joint projects in such essential areas as production, supply and local manufacturing of diversified energy equipment, from directed drilling to integrated power grid; construction of energy infrastructure facilities and nuclear power stations. And I would like to congratulate the participants of our Forum on a notable event that took place yesterday when Russian and Chinese companies signed the documents on the construction of new additional blocks in the People's Republic of China.

Also, I would like to note a number of joint projects in third countries, including engineering projects. This is a direct road to technological leadership.

We shall ensure a further development for the agreements signed in 2018. As examples, I am pleased to inform on the strategic cooperation agreement between PJSC Rosseti and China Energy Engineering Corporation and between PJSC RudHydro and POWERCHINA.

The electrical energy sector observes a convergence in such important areas as design and construction of nuclear power plants, development of networks and production and supply of equipment.

There is a whole number of oil and gas, coal and electrical energy sector companies that cooperate closely. Negotiations demonstrate greater mutual understanding and indicate the fact that the Forum creates all the conditions and ample opportunities for joint practical work.

I would like to highlight three program themes which would largely determine the character and the results of our future cooperation.

The cooperation between China and Russia is becoming a major factor in the development of world energy markets. This is reflected in the following figures: together our states produce more than 30% of fossil energy reserves and consume about a third of them themselves. Russia and China provide 17% of the world oil production and gas condensate and 20% of global consumption.

Energetics is the base for trade and economic cooperation between Russia and China. Energy products constitute around 40% of the trade, which, according to the results of the previous year, amounted to 108 billion dollars. These are the aims set by the President of the PRC and the President of the Russian Federation, and the objective was even surpassed.

We can conduct a joint well-balanced energy policy either in our interests or in the interests of our partners. The greatest opportunities stem from enhancing cooperation in the Asia-Pacific Region, which remains the largest consumer and a net importer of hydrocarbons.

Our projects for the development of new centers of oil extraction in East Siberia, in the Arctic and the Far East, allow hedging risks related to underinvestment in the exploitation of traditional oil reserves.

Besides, with a growth in production and, consequently, in the trade of hydrocarbons, we can create new benchmark oil grades and influence their

pricing. Development of trade in national currencies would also help to raise the status of our currencies as well as to reduce the risk of sanctions pressure.

Another important topic is the development of environmentally friendly traditional energetics.

Modern technologies for oil and gas extraction not only reduce costs but greatly mitigate the risks of accidents and emissions. Advance in the raw material processing technologies and improvement of the quality of motor fuel represent a powerful mechanism for reducing the negative anthropogenic impact on the environment. In this regard, I would like to remember the cooperation with Beijing Gas, which also concerns projects in the sphere of gaseous motor fuel development in Russia.

Energetics and economics of the future are related to the exploration of the resources of the Arctic. This is the third topic I would like to discuss.

The surface resources of the Russian Arctic are estimated at 10 billion tons of oil equivalent. We are proceeding to their exploration.

Rosneft creates the Arctic field cluster which should become an engine of development of the whole Arctic region. The resources of the cluster are estimated at 2 billion 600 million tons. The most prospective areas are located in the north of the Krasnoyarsk Region, near the Northern Sea Route.

As we know, the People's Republic of China shows interest, and there is an agreement on Chinese companies' joining in the project of the development of the Northern Sea Route.

The presence of oil in the region is confirmed, and the quality of the oil can be considered premium. I will provide certain characteristics. The resources contain low sulfur oil where the sulfur indicators are lower than 0,04. This is indeed a premium oil, similar in its properties to the oil grade "White Tiger."

The resources need detailed geological study; however, already according to preliminary estimates, annual extraction of up to 100 million tons of oil is possible from the year 2027 on, which is a short-term perspective.

The government of the Russian Federation is now preparing a law which implies special state measures to support investments in the Arctic region.

Of equal importance is a global transport corridor from Asia to Europe, part of which is the Northern Sea Route. Its employment will accelerate by a

quarter and cheapen by 15% transportation from East Asia to Europe. The project is beneficial to both China and Russia.

The President of the PRC Xi Jinping has called for joint construction of “Ice Silk Road.”

Indeed, the topics proposed do not cover the entire spectrum of Russian-Chinese interests. The collaboration should extend to related businesses such as integrated supply chains, localization of modern equipment, new system solutions, digitalization of energetics, and financial instruments. This requires more active cooperation between leading banks and IT-companies of Russia and China.

We have an extensive program. I am sure that the participants of the Forum would engage in productive work and interesting discussions and, most importantly, I wish for new ambitious projects to initiate.

Thank you! I wish you good work!