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PROSPECTS OF COOPERATION BETWEEN CHINA AND RUSSIA IN GAS SUPPLY AREA

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Abstract. Cooperation between China and Russia in energy area is an important cornerstone of cooperation between the two countries and a positive force for maintaining global energy security. The total volume of gas supply by 2030 will be at least 98 billion cubic meters plus 100 million tons of liquefied natural gas. The article refers to the market reforms of China's natural gas market. A fair market competition mechanism has been implemented in natural gas exploration, production, and import. The article reviews the Chinese model of X+1+X marketization in the gas supply market. Conclusions are drawn on the positive trend of gas supply between the Russian Federation and the People's Republic of China and on the necessity of joint legal research in order to develop the legal regulation of gas supply.

Keywords: international legal regulation of gas supply, supplies of Russian natural gas to China.

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ПЕРСПЕКТИВЫ КИТАЙСКО-РОССИЙСКОГО СОТРУДНИЧЕСТВА В СФЕРЕ ГАЗОНАБЖЕНИЯ

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Аннотация. Китайско-российское энергетическое сотрудничество является важным краеугольным камнем сотрудничества между двумя странами и позитивной силой для поддержания глобальной энергетической безопасности. Совокупный объём поставок газа к 2030 году составит не менее 98 миллиардов метров кубических плюс 100 миллионов тонн сжиженного природного газа. В статье отмечается о проведенных в КНР рыночных реформ ранка природного газа. Механизм справедливой рыночной конкуренции был реализован в сфере разведки, добычи и импорта природного газа. В статье рассматривается Китайская модель маркизации «X+1+X» на рынке газоснабжения. Сделан вывод о позитивной тенденции в сфере газоснабжения между Российской Федерацией и Китайской Народной Республикой,

о потребности в проведении совместных правовых исследований в целях развития правового регулирования газоснабжения.

Ключевые слова: международно-правовое регулирование в сфере газоснабжения, поставки российского природного газа в КНР.

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On November 29, 2022, at the Russian-Chinese Energy Business Forum, Xi Jinping noted that China-Russia energy cooperation is an important cornerstone of cooperation between the two countries and a positive force for maintaining global energy security. China is willing to work with Russia to build a closer partnership in energy cooperation [1]. On March 21, 2023, Vladimir Putin held talks with Chinese President Xi Jinping in the Kremlin. Then Russian President Vladimir Putin said that the total volume of gas supplies by 2030 will be at least 98 billion cubic meters plus 100 million tons of liquefied natural gas. And they also discussed a good project - the new Power of Siberia 2 gas pipeline through Mongolia. Almost all the provisions of this agreement have been approved. It means 50 billion cubic meters of reliable, stable gas supplies from Russia [2].

Since 2014, China's state-owned oil and gas companies have actively and productively cooperated with Russian oil and gas companies in gas supply under Western sanctions, namely, in 2014, Gazprom PJSC (hereinafter referred to as Gazprom) signed a 30-year natural gas purchase agreement with China's CNPC; in 2015, China's SINOPEC acquired 10 % of SIBUR shares; in 2016, China's Silk Road Fund (hereinafter referred to as the CSRF) acquired 10 % of SIBUR shares; in the same year, the CSRF acquired 9.9 % of Yamal LNG OJSC shares; in addition to a 20 % stake acquired by CNPC in 2013, Chinese companies acquired 29.9 % of the shares of Yamal LNG project; in 2017, Beijing Gas acquired 20 % of shares of Verkhnechonskneftegaz PJSC (a subsidiary of Rosneft Oil Company PJSC (hereinafter referred to as Rosneft)); in 2018, Rosneft signed a joint venture agreement with Beijing Gas to develop a gas filling network in Russia; in 2019, CNPC and CNOOC acquired 10 % each of Novatek's Arctic LNG 2; in 2020, SIBUR and SINOPEC signed an agreement on cooperation in the joint venture for the joint construction of the Amur Gas Chemical Industrial Park, in which SINOPEC holds 40 % of shares; most importantly, on February 4, 2022, Gazprom and CNPC signed an additional contract for the supply of 10 billion cubic meters of Russian pipeline gas. So far, the total volume of natural gas supplies through the Power of Siberia

pipeline will reach 48 billion cubic meters (compared to 50.7 billion cubic meters supplied to Germany in 2021).

The following analysis of LNG export and import from different countries helps to better predict the potential and opportunities for further cooperation between China and Russia in the natural gas sector in the future.

The data shows that in 2015, China's LNG imports were lower than Europe's and even much lower than Japan's. Since 2015, however, China's LNG imports have grown rapidly. In 2021, China overtook Europe and Japan to become the world's largest LNG importer. In the same year, China's, Europe's, and Japan's LNG imports accounted for 21.2 %, 21 %, and 19.6 % of total global imports, respectively.

The figure above shows that Australia, the USA, and Russia started exporting large volumes of LNG in 2015, 2016, and 2017, respectively. Due to the success of the technological revolution in shale gas production in the USA, the average annual growth rate is 49.1 %. Australia, Russia, and Qatar have annual growth rates of 15.3 %, 10.7 %, and 0.6 %, respectively. In 2021, Australia, Qatar, the USA, and Russia accounted for 20.9 %, 20.7 %, 18.4 %, and 7.7 % of total global LNG exports, respectively.

In 2019, China's pipeline gas trade accounted for only about 50 % of its LNG trade. In 2019, China's dependence on foreign natural gas reached 42.6 % [3]. In 2021, China imported 168 billion cubic meters of natural gas. Of these, imports from Australia, Turkmenistan, Russia, the USA, Qatar, and Malaysia accounted for 129 bcm, or 77 %. PNG (pipeline) imports were 59.1 bcm. LNG imports were 108.9 billion cubic meters. Australia was the largest source of LNG imports to China with 43 bcm. The USA surpassed Qatar to become the second largest source of LNG imports to China with 12.4 bcm. [4].

In 2021, China's natural gas consumption will reach 369 billion cubic meters, an increase of 41 billion cubic meters and a year-on-year increase of 12.5 % [5]. Natural gas consumption is estimated to reach 430–450 billion cubic meters in 2025 and 550–600 billion cubic

Since 2015, the Chinese government has taken radical market reform measures and completed the reform of the natural gas market mechanism in a short period of time, which took the EU more than 10 years. The fair market competition mechanism has been implemented in natural gas exploration, production, and import. At the end of 2019, the natural gas pipeline network of the three major state-owned oil and gas companies was unbundled and reorganized into a national pipeline network company (PipeChina) in 2020.

At present, China's natural gas market has implemented the X+1+X marketization model. The first X means that China has allowed private enterprises and foreign enterprises to compete fairly with state-owned enterprises in natural gas exploration, production, and import. The number "1" indicates that PipeChina has monopolized the national natural gas pipeline network. The second X refers to the full implementation of the market competition system in natural gas sales in the domestic market.

In summary, this article believes that Chinese private enterprises will become important buyers of foreign LNG in the future for the following reasons:

1. Under the influence of the Chinese government's goals of "carbon peak" in 2030 and "carbon neutrality" in 2060, China's three largest oil and gas companies have begun to transform from traditional oil and gas companies to integrated energy companies. The business importance of oil and gas in PetroChina and Sinopec is gradually declining. For example, CNPC will follow the transformation path in three stages: "clean substitution", "strategic succession" and "green transition". It will strive to build a "low-carbon energy ecosystem" with the integrated development of fossil energy and clean energy. And SINOPEC aims to become "China's largest hydrogen energy company".

2. In contrast to the current situation of gas supply to Russia, there is almost only one domestic gas company that guarantees domestic natural gas supply. China's gas supply market is highly marketized. There are about 3,000 gas companies in the country [8]. This has created a pattern of fierce market competition dominated by state-owned enterprises and group enterprises (including private and foreign enterprises), complemented by many small and medium-sized private enterprises. A total of 15 major gas groups own 1,100 gas companies, of which 40.5 % are state and state-owned holding companies, 49.8 % are private companies, and 9.7 % are foreign-owned companies [9].

3. After PipeChina began to operate independently in 2020, private companies, in addition to relying on the three major state-owned oil and gas companies to provide stable natural gas resources, began to actively

seek to independently sign long-term, medium-term, and spot LNG sales contracts with foreign natural gas sellers.

Russia-China cooperation in gas supply has great prospects, which increases the importance of joint legal studies of gas law in order to develop legal regulation in the gas supply sector.

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