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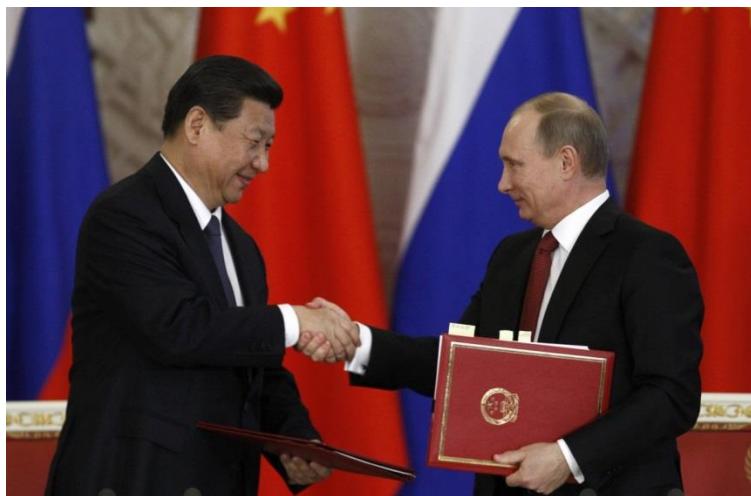
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<http://www.businessinsider.com/russia-scores-massive-gas-pipeline-deal-with-china-2014-5>

Forget Sanctions Over Ukraine: Russia Scores Massive Gas Pipeline Deal With China

Sophie Song

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Russia's President Vladimir Putin shakes hands with Chinese President Xi Jinping in Moscow.

China and Russia are set to cement their energy alliance next week with an expected agreement to build a natural gas pipeline between the two nations that would secure a huge new market for the world's largest energy producer and provide a guaranteed energy supply for China's growing economy as both nations face confrontations with the West.

The deal, which the two countries negotiated over the last decade, is expected to be signed when Russian President Vladimir Putin visits Beijing next week.

The deal between Russia's Gazprom and China's state-owned energy giant CNPC was confirmed by sources in the Russian energy sector, according to a note from the Eurasia Group, a consultancy.

Current geopolitical conditions resulting from Russia's ongoing crisis in Ukraine appear to have aligned the two super powers in such a manner favorable to finally concluding the deal.

"As the Ukraine crisis threatens Russian access to Western credit in the short term, while likely eroding Russia's European gas market share over the next decade, Moscow is keen to secure a major new gas export market in Asia, as well as to demonstrate to the West that it has energy consumer options," the Eurasia note said.

Escalating tensions in Ukraine have led developed nations, including the U.S., Canada, the European Union and Japan, to impose sanctions on a number of high-profile Russian companies close to the Putin.

Experts expect the agreement to include a 30-year delivery contract between Gazprom and CNPC for 38 billion cubic meters of natural gas per year, with the potential to expand the annual capacity to 61 billion cubic meters. If the deal can be inked next week, construction for the pipeline will likely begin by the end of the year, and with operations beginning in 2018.

The price tag for the deal has not been announced, but Russia is expected to offer some concessions in lieu of prepayment from CNPC to help fund construction.

Unlike Western nations, China has steadily deepened economic ties with Russia in recent months. Chinese companies have been involved in building a bridge from Russia to Crimea and invested in a \$27 billion liquid natural gas project with Russia's second-largest natural gas producer, Novatek.

The latest deal, if successfully concluded, "would mark a crucial advancement in the growing Russia-China bilateral energy relationship, advance China's environmental agenda and perpetuate the push to erode Gazprom's gas pipeline export monopoly," the Eurasia Group said.