Russia Rejects Plans to Expand Chevron-Led Caspian Sea Pipeline — Paper

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Russia's Energy Ministry has rejected a plan to expand the capacity of a Chevron-led oil pipeline from Kazakhstan to the Black Sea, *Kommersant* daily reported on Monday, Nov. 13.

The paper said shareholders in the Caspian Pipeline Consortium (CPC) had proposed adding $2.5 to the current pipeline transit fee of $27.38 per ton of oil to get Russia's agreement on a long-awaited expansion of the link.

The consortium wants to almost double capacity from 700,000 barrels per day to 1.3 million barrels per day, but has faced opposition from Russia, which fears the pipeline —- the only private crude oil link on its territory —- could increase tanker traffic at the already congested Bosphorus straits in Turkey.

Russia complains that low transit fees are delaying repayment of $5.3 billion in loans which CPC raised from its private shareholders. That in turn delays the moment when Russia starts receiving its profits as a shareholder.

But raising transit fees could also make the pipeline a less attractive option for oil exporters, which would give Russian pipeline monopoly Transneft a greater say in the growing Caspian export market.

The paper quoted sources close to Russia's state property agency as saying the Energy Ministry wanted the fee to be raised by nearly 40 percent.

It quoted a letter from Energy Minister Viktor Khristenko to Chevron as saying that Russia was going to stick to its tough position towards the Caspian Pipeline Consortium (CPC).

An Energy Ministry spokesman could not confirm the information. Chevron's Moscow office said the company had not received the letter officially, although it was aware that it was being prepared.

"Chevron is currently working very actively with all CPC shareholders on agreeing the basis for CPC expansion," a spokeswoman said, quoted by *Reuters*. "The work is going well and we expect it to conclude in the near future," she added.

Analysts say Russia's tough line on CPC —- the venture has also received back-tax claims —- is part of a broader Kremlin strategy to limit foreign involvement in the strategic energy sector.

Russia has slapped the group with a 4.7 billion ruble ($176.6 million) back-tax claim for

2002-2003 and is currently checking its accounts for 2004-2005.

CPC handles most of the oil exports from Kazakh oil fields to Novorossiisk, Russia's largest Black Sea port, for re-export to world markets.

Chevron is a 15 percent shareholder in CPC while Russia is a 24 percent shareholder in the consortium. Shareholders also include Kazakhstan and Oman as state shareholders as well as oil companies BP Plc, Royal Dutch Shell, Lukoil and Rosneft.

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