

# Gazprom Faces Setback as China Rejects Kazakhstan Gas Export Proposal

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**Russian state-controlled energy giant Gazprom has encountered a significant setback in its efforts to redirect gas exports eastward, as China has reportedly dismissed a proposal to increase volumes via Kazakhstan's existing pipeline network. This development further exacerbates the financial challenges facing the once-formidable Russian energy company.**

Hit hard by the dramatic reduction in its European market share following geopolitical events, Gazprom has been actively seeking to bolster exports to China. One proposed solution involved leveraging Kazakhstan's existing pipeline infrastructure to deliver an additional 35 billion cubic meters (bcm) of natural gas annually to China.

However, these plans appear to have been curtailed following comments made by China's envoy to Russia, Zhang Hanhui. According to Interfax news agency reports on April 15th, Zhang indicated that the existing pipeline infrastructure through Kazakhstan is already operating at full capacity, rendering the proposed increase in Russian gas transit impractical without significant and costly new construction. Zhang asserted that the planned Power of Siberia 2 (PS-2) pipeline route via Mongolia remains the more viable option for increasing Russian gas imports.

The Power of Siberia 2 project, with a projected capacity of 50 bcm, has faced delays due to unresolved financing and political considerations. Gazprom's current financial constraints, stemming from substantial losses in its gas unit following the disruption of European markets, appear to be a major impediment to funding new pipeline infrastructure. The company reported a loss of approximately \$7 billion in 2023, its first ever, with losses reportedly growing to around \$10 billion in 2024. Some reports suggest potential cumulative losses of \$179 billion over the next decade.

These financial pressures have already forced Gazprom to withdraw from energy development projects in several countries, including Bolivia, India, Tajikistan, Uzbekistan, and Venezuela. Reports also indicate a potential major restructuring of Gazprom, involving asset sales and significant workforce reductions at its headquarters.

Meanwhile, Central Asian nations, which had been benefiting from discounted Russian gas purchases, are reportedly reconsidering their reliance on Russian energy due to political factors, including Russia's treatment of Central Asian migrant workers. Kyrgyzstan's foreign minister recently indicated a desire to reduce Russian gas imports, citing concerns over the treatment of Kyrgyz nationals in Russia.