

# French oil giant Total uses Chinese funds to finance Russian oil project

Athiyan Silva  
11 April 2015

Skirting US and European Union (EU) economic sanctions against Russia over the Ukraine crisis, French oil giant Total is moving ahead with a \$27 billion project to develop a liquid natural gas (LNG) at Yamal, near the Arctic Ocean in Siberia. Because sanctions against Russia are cutting off Total's ability to finance the project from US or European banks, Total is looking to Chinese banks for up to \$15 billion.

Total CEO Patrick Pouyanné told the *Wall Street Journal* that Total will finance the project with a mixture of euros and yuan, the Chinese currency. Pouyanné said there was “a strong willingness to build the project financing [from Chinese financial institutions] and it's not an easy task, to be clear. We would have preferred to do it with dollars.”

“The oil-and-gas business is mainly a dollar-driven business, so when you begin to use other currencies, you have some currency risks,” Pouyanné said, referring to the danger of sudden shifts in the exchange rate between dollars, euros, yuan, and the ruble, the Russian currency. “You can hedge euros easily. It's more complex with the yuan or ruble.”

This is the largest private international corporate deal involving Chinese banks, according to the *Journal*, surpassing a \$12 billion loan to German automaker Daimler in 2013 by a group of banks, two of which were Chinese. Total—France's main oil and gas company and one of the big five global oil companies, with 2014 revenues of \$235.9 billion—is heavily invested in developing its production capacity in Russia. It expects to produce the equivalent of 400,000 barrels of oil per day in Russia by 2020, or roughly one fifth of its total energy output.

In a sign of the political and strategic character of the project, Total's plan to develop Yamal is reportedly being followed and supervised by Russian president

Vladimir Putin personally. Total expects to produce 16.5 million metric tons of LNG annually at the Yamal plant, which would be shipped to European and Asian, and particularly Chinese, markets via ice-breaking tankers. It is sharing 20 percent for this project with Russia's Novatek and the China National Petroleum Corporation.

Total's operations in Yamal point to the deepening inter-imperialist tensions stirred up by the reckless US-led war drive against Russia over Ukraine, and the increasingly fragile role of the US dollar as the leading global currency.

The news that Chinese banks would help fund Total's Yamal operations came only a few days after a broad coalition of countries—including Britain, Germany, France, Italy, South Korea, and Australia—joined the China-led Asian Infrastructure Investment Bank (AIIB). They openly defied US pressure not to join the AIIB, which Washington sees as a rival to US-led institutions like the International Monetary Fund or the World Bank (see: The conflict over the China-backed Asian investment bank).

Washington's financial and military oversight of the collective affairs of the imperialist powers in Eurasia is increasingly challenged. It has been widely noted that the crisis over Ukraine provoked by the February 2014 Kiev putsch backed by Washington and Berlin threatens a nuclear catastrophe, with French president François Hollande warning of “total war” between NATO and Russia.

Now, as North American and European powers seek to exert their influence and their multinational corporations seek to divide up markets in Russia and Asia, the economic conflict over the division of profits is coming to the fore.

Last year, Washington forced Paris to abandon the

delivery of Mistral-class helicopter carrier warships to Russia, according to a contract signed in 2011. The first delivery was to take place in October 2014 and the second this year.

In February 2014, a French business delegation traveling to Tehran was blocked by US officials, who threatened to impose penalties for any breach by France of the US-led sanctions regime on Iran.

Last June, France's largest bank, BNP Paribas, was fined a record \$9 billion and faced a partial suspension of its operations in dollars, reportedly because it had violated sanctions imposed by US imperialism on countries like Sudan, Iran and Cuba. Putin claimed that the fine was in fact punishment for France's failure to strongly support US operations against Russia in Ukraine (see: BNP Paribas fine highlights France-US tensions over Ukraine).

Now, US sanctions against Russia and its "pivot to Asia" aimed at isolating China threaten to cut European multinationals off from lucrative investment opportunities opening up based on fast-growing Chinese markets.

China is turning to closer ties to Russia for energy that would be transported overland, avoiding vulnerable shipping lanes threatened by the US Navy, while Russia is turning to China to find markets to sell energy resources that might face Western sanctions.

Last May, Russian leader Putin visited Shanghai and signed a \$400 billion dollar agreement for energy supplies with Chinese leaders. Three months later, work on gas pipeline construction officially began in Siberia towards China.

French and European capitalists are increasingly concerned that the US sanctions are costing them valuable market share and profit opportunities. Last March 25, French and Russian businessmen met in Paris and discussed how to strengthen their economic ties. They revealed their concern about the sanction over Russia.

Thirty-seven of France's leading CAC-40 corporations operate in Russia, together with 1,200 medium and small companies. Total, carmaker Renault, food corporation Danone, pharmaceutical firm Sanofi, retailer Auchan, and sporting goods store Decathlon all have more than 50,000 workers there.

Michelle Assouline of the Medef business federation declared: "It turns out that political decisions transform

into an economic weapon. The sanctions that seem to be directed against Russia are directed against French companies."

Claude Goasguen, a former minister for state reforms and right-wing mayor of Paris's wealthy 16th district, bluntly declared: "Europe doesn't agree with how the sanctions are applied."



To contact the WSWS and the  
Socialist Equality Party visit:

**[wsws.org/contact](http://wsws.org/contact)**