

VIETNAMESE-RUSSIAN COOPERATION IN EXPLORATION AND PRODUCTION OF OIL AND GAS FROM 1980 TO THE PRESENT

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Abstract

Cooperation in oil and gas exploration and production between Vietnam and Russia has a long history from the 1980s to the present. The cooperation was confirmed and promoted in the first two decades of the 21st century after the two countries established a strategic partnership in 2001 and developed it into a comprehensive strategic partnership in 2012. In this study, we evaluate and analyze the current situation and development trend of the comprehensive strategic partnership between Vietnam and Russia in oil and gas exploration and production. The research shows that the former Soviet Union and the current Russian Federation have supported Vietnam in developing its oil and gas energy industry. Today, both Vietnam and the Russian Federation are very interested in cultivating a cooperative relationship in the oil and gas sector for mutual economic and political interests. The article highlights the economic benefits that Vietnam and the Russian Federation have achieved from this long-term partnership.

Keywords: Economic cooperation; Petroleum; Russia; Vietnam.

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1. INTRODUCTION

The relationship between Vietnam and Russia results from the friendship between Vietnam and the Soviet Union from 1950 to 1991. In the process of Vietnam fighting for independence, freedom, unification, and post-conflict reconstruction, Vietnam received tremendous support and comprehensive assistance from the Soviet Union in political, economic, technical, and military matters. Regarding economics, Vietnam has built its oil and gas industry thanks to the help of the Soviet Union. From the initial foundation of the Russian-Vietnamese joint venture, Vietsovpetro, established in 1981 for geological exploration and oil and gas production on the southern continental shelf of Vietnam, the cooperation in oil and gas exploration and production between Vietnam and Russia has resulted in more joint ventures, such as Rusvietpetro, Vietgazprom, and Gazpromviet, and has expanded in many fields related to the oil and gas sector in both Vietnam and the Russian Federation.

This article aims to systematically analyze the sources and present data on the process of cooperation in the oil and gas sector between Russia and Vietnam from its inception to the present. We research and evaluate the current situation and achievements in oil and gas cooperation between Vietnam and Russia and forecast the development prospects of cooperation in the energy sector between the two countries for the upcoming period. The study shows that maintaining the Vietnamese-Russian relationship in the oil and gas sector must go hand in hand with developing new areas of cooperation to leverage the oil and gas cooperation, meeting the requirement of a comprehensive strategic partnership in the current period.

2. VIETNAMESE-SOVIET COOPERATION IN THE OIL AND GAS SECTOR IN THE TWENTIETH CENTURY

After the victory of the resistance war against the French in 1954, President Ho Chi Minh set a goal that Vietnam must focus on building the oil and gas industry. With that vision, President Ho Chi Minh visited several oil fields of the former Soviet Union in 1959, including the Nheftianye Kamnhi oil field on the Caspian Sea of Azerbaijan. After the visit, Ho Chi Minh asked the Soviet Union to help Vietnam build its oil and gas industry. Initially, Vietnam sent many students and trainees to the Soviet Union and other socialist countries to study and practice oil and gas exploration, production, and oil refining. Later, on December 17, 1979, General Secretary Le Duan made an official request to the General Secretary of the Communist Party of the Soviet Union, L. I. Brezhnev stating that Vietnam wishes the Soviet Union to help build Vietnam's oil and gas industry to start oil and gas production on the continental shelf of southern Vietnam (Tập đoàn Dầu khí Việt Nam, 2011a, 2011b).

In Moscow on July 3, 1980, Vietnam and the Soviet Union signed the first agreement on cooperation in geological exploration and oil and gas production in Vietnam. Accordingly, on June 19, 1981, the representatives of the two countries signed an "agreement between Vietnam and the Soviet Union on the establishment of a joint venture in geological exploration and oil and gas production on the southern continental

shelf of the Socialist Republic of Vietnam” (Vovk et al., 2018, p. 186). On June 26, 1986, Vietsovpetro conducted the first oil extraction in the Bach Ho field located on the continental shelf of Vietnam. This event was a turning point in oil and gas cooperation between Vietnam and the Soviet Union. The data show that from 1986 to 1990, Vietsovpetro produced a total crude oil output of 5.2 million tons, earning a revenue of 731.8 million USD from oil sales (Tập đoàn Dầu khí Việt Nam, 2011a, p. 303). Although oil production and sales were limited, they provided an essential, solid premise for Vietsovpetro to continue development.

In 1991, the Soviet Union collapsed. The bilateral relations between Vietnam and Russia stagnated and were even “frozen” from 1991 to 1993. The cause of this stagnation was the impact of world politics and the changes within each country. After the Cold War, Vietnam and Russia were both in a period of redefining their “system of national interests,” and the foreign policy priorities of each country were different. To Vietnam, the foreign affairs task was to “create favorable conditions for the construction of socialism and the defense of the fatherland” and to “advocate equal and mutually beneficial cooperation with all countries based on the principles of peaceful coexistence regardless of socio-political regimes” (Đảng Cộng sản Việt Nam, 2005, p. 102). In addition, Vietnam upholds the motto “willing to be friends with countries around the world to strive for peace, independence, and development,” promoting diversification, multilateralization, and making great strides in improving relations with neighboring countries and the region. In particular, the Vietnamese-Russian relationship holds a critical position among Vietnam’s international associations. Vietnam believes that, regardless of changes in the Soviet Union, it is necessary to maintain relations with Russia and other former member states of the Soviet Union to meet Vietnam’s multifaceted interests.

In the strategy for socio-economic stabilization and development to the year 2000 signed at the 7th National Congress of the Communist Party of Vietnam in 1991, the policy for the oil and gas sector was set out as “strongly promote cooperation and joint ventures with foreign countries in oil and gas exploration and production and build the refining and petrochemical industry using modern technology, resulting in the development of several other industries that use raw materials” (Đảng Cộng sản Việt Nam, 2004, p. 164).

Russian Deputy Prime Minister Makharadze visited Vietnam in July 1992 and delivered a letter from President B. Yeltsin to Prime Minister Vo Van Kiet. In the letter, President B. Yeltsin stressed that Russia would continue to fulfill all past commitments of the Soviet Union to Vietnam. Accordingly, on May 27, 1993, the governments of Vietnam and the Russian Federation signed the Agreement on Russia Taking Over the Soviet Union’s Commitments to the Vietnam-Soviet Petroleum Agreement signed in 1981. During Prime Minister Vo Van Kiet’s official visit to Russia in June 1994, Vietnam and Russia signed the Treaty of Friendly Relation Regulations between the Socialist Republic of Vietnam and the Russian Federation. The treaty affirms that “the two countries maintain and develop friendly relations based on respecting each other’s sovereignty, independence, and territorial integrity. The two sides commit not to interfere in each other’s domestic affairs, for mutual benefit and equality” (Hoàng Liên, 1994, p. 4).

Energy cooperation, particularly in the oil and gas industry, is the most critical content in the treaty.

In an effort to improve political-diplomatic relations, during the fifth meeting of the Russia-Vietnam Intergovernmental Committee on Economics, Trade and Scientific-Technological Cooperation, which took place from September 11 to 15, 1997, there was an agreement to “ask relevant organizations of the Russian Federation and the Socialist Republic of Vietnam to prepare proposals regarding main directions and fields of cooperation to derive mutual benefit in the development of Vietnam’s oil and gas industry in terms of oil and gas exploration and production in gas fields on the continental shelf of Vietnam, transportation, and supply of gas to serve industrial and consumer needs” (Vovk et al., 2018, p. 311). The legal basis for oil and gas cooperation between Vietnam and Russia has continued to be established, creating favorable conditions for Vietsovpetro to continue operating and developing. The total oil sales from 1991 to 1997 reached 6.3 billion USD, contributing 3.4 billion USD annually to the state budget of Vietnam and more than 200 million USD to the Russian state budget (Thông tấn xã Việt Nam, 2002).

Thus, the ups and downs of Vietnamese-Soviet and Vietnamese-Russian cooperation at the end of the 20th century have significantly contributed to Vietnam’s energy industry, especially the oil and gas sector. After 1991, the Soviet Union disbanded. The Russian Federation inherited the achievements of the cooperation in oil and gas exploration and production with Vietnam through the Vietsovpetro joint venture. Russia considered this an important field of cooperation that the two countries should promote jointly, according to the principle of equality and mutual benefit. The Vietnamese-Russian relationship developed rapidly in the late 1990s and a breakthrough in cooperation in all respects occurred at the beginning of the 21st century (Vũ, 2018).

3. VIETNAMESE-RUSSIAN COOPERATION IN OIL AND GAS SINCE 2000

3.1. Signing and ratifying documents as the legal basis

At the beginning of the 21st century, the country’s comprehensive reform initiated by the Communist Party of Vietnam at the 6th National Congress in 1986 was implemented and promoted. This task has brought about outstanding achievements, such as changes in socio-economic life and an upgrade of the country’s position in the international arena. In foreign affairs, Vietnam implements the policy of multilateralization and diversification in foreign relations, actively integrates into the world economy and focuses on promoting relations with major countries and countries in the region. The 9th National Congress in 2001 set forth the foreign policy motto: “Vietnam is willing to be a friend and a reliable partner to all countries, striving for peace, independence, and development” (Đảng Cộng sản Việt Nam, 2001, p. 42). Vietnam has established its position as a reliable partner in terms of equality and mutual benefits.

As for Vietnam, although Vietnam’s policies toward Russia are not directly mentioned, it is stated in the documents of the Communist Party that Vietnam always considers the comprehensive strategic partnership with Russia as one of its top priorities

in foreign policy. It is proven in the way that Vietnam advocates “developing strong, stable, and sustainable existing international relations,” focusing on friendly relations with traditional partners and in the sense of “promoting diversity in relations with major countries” (Ban Tư tưởng - Văn hóa Trung ương, 2003, p. 52).

As for Russia, after the pro-Western policy in the early 1990s showed its insurmountable limits, Russia switched to a new foreign policy called “Eurasia balance,” focusing on the Asia-Pacific region (Luu, 2018). In particular, Russia paid great attention to Southeast Asia to find more partners and reaffirm its position in this region.

In that context, a new phase in Vietnamese-Russian relations was opened with the Joint Statement on Strategic Partnership, signed by the two sides during President V. Putin’s first official visit to Vietnam in March 2001. After signing the Joint Statement on Strategic Partnership, the two countries started maximizing the discussions in expanding cooperation areas. The energy sector agreement, including cooperation in oil and gas, is one of eight agreements in the Joint Statement. The Joint Statement stated that Vietsovetro’s high operational efficiency in oil and gas exploration and production on the southern continental shelf (Vietnam) is the basis for increasing the scale of cooperation by expanding the operation area of this enterprise and the development of a new hydrocarbon field in the Socialist Republic of Vietnam (Fedorov, 2018). Accordingly, on March 1, 2001, the representatives of the two countries signed the Intergovernmental Protocol, enclosed with the agreement between the governments of the Socialist Republic of Vietnam and the Russian Federation on continuing the cooperation in geological exploration and oil and gas production within the framework of the Vietsovetro joint venture in the next period.

The next stage included high-level visits by key political leaders of the Vietnamese government to Russia to strengthen the strategic partnership. In particular, the cooperation in oil and gas exploration and production is always a priority discussed in all high-level visits of the leaders from the two countries. One of the critical events in the history of cooperation in the oil and gas sector between Vietnam and Russia was President V. Putin’s second visit to Vietnam in 2006. During the visit, the representatives from the two countries signed two important documents on cooperation related to the energy sector: (1) Agreement on Cooperation in Oil and Gas Production on the Southern Continental Shelf of Vietnam; (2) Agreement on the Cooperation between Russian Joint-Stock Company, Gazprom, and Vietnam Oil and Gas Group. Simultaneously, the two sides announced the development of a new organizational and legal structure for Vietsovetro. They recommended that the governments of the two countries and companies Zarubezhneft and Petrovietnam determine the possibility of cooperation, specific conditions, and transition progress. In addition, the governments and economic entities of the two countries were also advised to determine the possibility of cooperation in the oil and gas sector and other economic activities in Vietnam, Russia, and third countries.

Later, on October 31, 2010, Russian President D. A. Medvedev arrived in Vietnam, and a joint statement was signed. The parties agreed to create favorable conditions for the operation of Russian-Vietnamese joint ventures, such as Rusvietpetro,

Vietsovpetro, Gazpromviet, and Vietgazprom. These companies were in the process of expanding the oil and gas exploration and production areas in the Russian Federation, Vietnam, and third countries. Notably, on December 27, 2010, the governments of Vietnam and Russia signed the Intergovernmental Agreement on Continuing Cooperation within the Vietsovpetro Framework until 2030. The extension of this cooperation agreement demonstrated the confidence of the two countries in the success of Vietsovpetro and simultaneously expressed their desire to further promote cooperation in oil and gas exploration and production in a sensible manner by both sides.

The bilateral “strategic partnership” between Vietnam and Russia was officially upgraded to a “comprehensive strategic partnership” during the state visit of Vietnamese President Truong Tan Sang to Russia in July 2012 (Báo Điện tử Chính phủ, 2013). Russian President V. Putin and Prime Minister D. A. Medvedev made return visits to Vietnam in November 2013. At the end of the high-level talks, the two countries’ leaders attended the signing ceremony of 17 cooperation documents in many fields. Regarding cooperation in the oil and gas sector, there are five documents titles:

- (1) Memorandum of Understanding between Vietnam Oil and Gas Group (Petrovietnam) and Rosneft Company on the Participation in Block 15-1/05 on the Continental Shelf of Vietnam; (2) Agreement between Petrovietnam and Rosneft Company on Primary Conditions for Cooperation in Oil and Gas Exploration and Production in the Pechora Sea; (3) Agreement between Petrovietnam and Gazprom Company on the Establishment of a Joint Venture using Gas as Engine Fuel; (4) Memorandum of Understanding between Petrovietnam and Zarubezneft on Developing and Improving the Efficiency of the Rusvietpetro Joint Venture; (5) Agreement between Petrovietnam and Gazprom Neft in the Field of Oil Refining and Petrochemicals (Nguyễn, 2013).

On April 20, 2016, in Hanoi, representatives of Vietnam’s Ministry of Industry and Trade and the Russian Ministry of Energy signed an intergovernmental agreement on the continued cooperation in geological exploration and oil and gas production on the Russian territory within the scope of the Rusvietpetro joint venture. Concurrently, the protocol amending the intergovernmental agreement on the continued cooperation in geological exploration and oil and gas production in the continental shelf of the Socialist Republic of Vietnam of the joint venture Vietsovpetro (signed on December 27, 2010) was also issued. In Russia, President V. Putin signed a federal law to ratify the agreement between the governments of the Russian Federation and Vietnam on cooperation in geological exploration and oil and gas production within the framework of the Rusvietpetro joint venture (signed on July 3, 2016). In addition, the intergovernmental agreement on Rusvietpetro and the protocol amending the intergovernmental agreement on the continued cooperation of the Vietsovpetro joint venture in geological exploration and oil and gas production on Vietnam’s continental shelf (signed on December 27, 2010) have also come into effect.

During his official visit to Russia on May 17, 2016, Prime Minister Nguyen Xuan Phuc visited two large Russian oil and gas corporations, Gazprom and Zarubezhneft.

During this visit, the two sides signed a memorandum of understanding between Petrovietnam and Gazprom on cooperation in oil and gas exploration and production in Vietnam and third countries (Nguyễn, 2016).

To further promote oil and gas cooperation, in 2019, leaders of the Ministry of Industry and Trade participated in a meeting with Prime Minister Nguyen Xuan Phuc and Prime Minister D. A. Medvedev of the Russian Federation. In addition to the economic and trade fields, the two prime ministers affirmed that energy cooperation is a pillar of the Vietnamese-Russian relationship. The two sides agreed to encourage oil and gas enterprises of the two countries to cooperate in oil and gas exploration and production.

The signing and ratification of documents created a legal basis, demonstrating the strong support from the two governments and the policy priority for developing the oil and gas sector. In general, to the present day, the cooperation in oil and gas exploration and production between Vietnam and Russia has made new strides in terms of scale, location, and results achieved.

3.2. Some achievements in Vietnamese-Russian cooperation in oil and gas exploration and production

In the first two decades of the 21st century, the cooperation in oil and gas exploration and production between Vietnam and Russia was conducted by the Vietnam Oil and Gas Group (Petrovietnam) with many major oil and gas partners of the Russian Federation, such as Zarubezhneft, Gazprom, and Rosneft. These cooperative activities have expanded in both scale and extent, bringing practical benefits to both sides.

3.2.1. Petrovietnam-Zarubezhneft cooperation

The cooperation between Petrovietnam and Zarubezhneft was conducted through two joint ventures, Vietsovpetro in 1981 in Vietnam and Rusvietpetro in 2008 in Russia, in which the Vietsovpetro joint venture has operated effectively. The total revenue from oil exports of Vietsovpetro from 2000 to 2010 was 16,000 million USD, and that of Russia was 5,000 million USD (Table 1). The achievements of Vietsovpetro have marked a new development in the relationship of strategic and traditional cooperation between Vietnam and Russia in the new context (Tập đoàn Dầu khí Việt Nam, 2011a, 2011b).

Table 1. Revenue of the Vietsovpetro joint venture from 1991 to 2010

Revenue from oil exports	1991 to 2000	2000 to 2010
Vietnam	6817	16,000
Russia	2027.1	5000

Note: Units are million USD.

Source: Tạp chí Kinh tế Việt Nam (2003) and Tập đoàn Dầu khí Việt Nam (2011c).

As of 2020, after nearly 40 years of establishment (1981-2020), Vietsovpetro has produced 241 million tons of crude oil. Vietsovpetro's oil and gas sales reached 84 billion USD, and the profit brought to Vietnam was about 53 billion USD, contributing a

significant source of revenue to the state budget. In addition to crude oil, Vietsovpetro has collected and transported more than 36 billion cubic meters of associated gas, which has contributed to promoting the development of the gas, electricity, and fertilizer industries in Ba Ria-Vung Tau Province and ensuring energy security and general socio-economic development of the country (Vietsovpetro, 2021). With such results, half of the total crude oil production in Vietnam has been produced by Vietsovpetro, making Vietsovpetro the company with the highest revenue compared to foreign companies operating in Vietnam's oil and gas industry (Nguyen & Chernenko, 2018).

In terms of production scale, Vietsovpetro has grown continuously, with initial exploitation in only two oil fields, Bach Ho and Rong, and mainly operated in oil and gas exploration and production. By 2020, Vietsovpetro had become the unit of Petrovietnam with the most output in the oil and gas sector and had extended operations to many other related industries, such as the construction of oil and gas facilities, oil and gas transportation, warehousing, and ports. In addition, since its inception and throughout its development, Vietsovpetro has always been a leading unit in productivity, pioneering in applying advanced scientific and technical achievements to improve its oil recovery coefficient and bring great revenue to both Vietnam and the Russian Federation (Table 2). Vietsovpetro's operation in the oil and gas sector is of great significance for opening a new stage of development in Vietnam's oil and gas industry and contributing to making Vietnam the third-largest oil producer in Southeast Asia (Petrovietnam, 2019).

Table 2. Revenue of the Vietsovpetro joint venture from 2011 to 2020

Year	Amount of oil extracted (million tons)	Total oil sales (billion USD)	Contribution to the state budget of Vietnam (million USD)	Profits of Vietnam (million USD)	Profits of Russia (million USD)
2011	6.40	5.61	3.550	-	580
2012	6.14	5.43	3.540	-	524.6
2013	5.56	4.75	2.890	470	451.7
2014	5.36	4.34	2.220	387.7	393.6
2015	5.20	2.19	998.4	216	208.1
2016	5.00	1.7	683	126	121.0
2017	4.73	1.97	788.7	146	143.1
2018	4.77	2.29	1.015	208.84	200.64
2019	3.75	1.79	1.152	240	206
2020	3.12	1.38	630	102	98

Source: Petrovietnam (n.d.).

With success in the oil and gas cooperation of the Vietsovpetro joint venture, Petrovietnam and Zarubezhneft established the Rusvietpetro joint venture in Russia in 2008. Petrovietnam has contributed 49% of the capital, developed and exploited four blocks with a total area of 807 km² in the Nhenhexky Autonomous Region in Russia. The project implementation process faced many difficulties due to the swampy terrain in the

Nhenhetxkyregion and temperatures that are usually -45°C . However, after two years of operation (2008-2010), Petrovietnam conducted the first oil extraction through the Rusvietpetro joint venture in the North Khosedayusky field, Nhenhetxki Autonomous Region of Russia. On July 29, 2011, “the Visovoye field in Block 2 of the project was put into industrial operation, bringing the total oil output to more than 6,000 tons/day (equivalent to 44,000 barrels/day)” (Vovk et al., 2018, p. 324). The formation of the Rusvietpetro joint venture was a turning point, marking the development of the cooperative relationship between Vietnam and Russia in the energy sector. Vietnam is one of the few foreign partners engaged in oil exploration in the territory of Russia.

By 2012, Rusvietpetro had completed and put into operation 3 of the 13 oil fields with the largest reserves, namely North Khosedayusky, Visovoye, and West Khosedayusky, with an output of 2.83 million tons and total revenue of 1 billion USD. Profit after tax was 240 million USD, and Petrovietnam received 49% according to the capital contribution ratio (Petrovietnam, 2014). With the effective operation of Rusvietpetro, since 2012, Petrovietnam no longer has to contribute capital to the investment projects but takes the proceeds from oil sales to reinvest in the projects, creating favorable conditions for Petrovietnam to gain more experience in implementing overseas investment projects (Tập đoàn Dầu khí Việt Nam, 2011a, 2011b). According to Petrovietnam, the cumulative total oil production of Rusvietpetro as of December 31, 2014, was more than 8 million tons, and incremental revenue was 4 billion USD for the participating parties (Petrovietnam, 2014).

After eight years of operation, from 2009 to 2017, the oil and gas output of the Rusvietpetro joint venture reached 16 million tons in 8 years, and the incremental revenue was 7 billion USD. Figures show that oil exploration by Rusvietpetro contributes about 15% of Petrovietnam’s annual output, making it the most effective of Petrovietnam’s joint ventures overseas (Năng lượng Việt Nam, 2018). Accumulated from the project start date to November 30, 2020, the amount of money transferred to Vietnam by Rusvietpetro Joint Venture Company Limited for Petrovietnam was 523.8 million USD (Thanh Hương, 2021). Rusvietpetro’s total crude oil production in 2020 was 2,828 million tons. Petrovietnam’s capital contribution in Rusvietpetro has generated profit after tax of about 37.1 million USD, and the repatriated dividend is expected to be 26.16 million USD (Năng lượng Việt Nam, 2021).

3.2.2. Petrovietnam-Gazprom cooperation

Petrovietnam cooperated with the Russian oil and gas company Gazprom in establishing the Vietgazprom joint venture in 2002 to operate the contract for blocks 111–113 on the continental shelf of Vietnam. On May 23, 2008, Gazprom and Petrovietnam signed an agreement to continue cooperation and expand Gazprom’s activities on the continental shelf of Vietnam to deeper offshore blocks, from Block 129 to Block 132. This strategic agreement demonstrates the determination of Gazprom and Petrovietnam to cooperate. In particular, Gazprom will be responsible for paying all costs in oil and gas search and exploration.

On February 15, 2009, Gazprom and Petrovietnam signed a strategic partnership agreement in Moscow in which they agreed to put up 51% and 49%, respectively, in the production of gas and condensate at the Nagumanov and North Purov fields (Karapetyan, 2012). Accordingly, Gazprom is allowed to continue to conduct activities at blocks 111-113 and 129-132 with consideration to participating in other open blocks on the continental shelf of Vietnam. On November 22, 2012, Petrovietnam and Gazprom performed a ceremony to start drilling well No. 3 at the Nagumanov gas field in Russia (Rogalev & Ruban, 2016). In 2013, in Vietnam, the Gazprom and Petrovietnam joint venture began commercial exploitation of gas fields Moc Tinh and Hai Thach. These two fields are located in two oil and gas blocks, 05-2 and 05-3, in Nam Con Son basin. Gas reserves recovered from these fields are 35.9 billion cubic meters, and the condensate is 15.2 million tons.

Energy cooperation between Petrovietnam and Gazprom is increasingly expanding. The operational activities are not limited to oil and gas exploration and production. Petrovietnam and Gazprom have also invested in projects, established joint ventures, and exchanged projects to supply liquefied natural gas from the Russian Far East to Vietnam. In the cooperation policy of Gazprom, some of Gazprom's subsidiaries, such as Gazprom EP International and Gazprom Neft, have cooperated in the exploration of crude oil. In Vietnam, the Dung Quat Refinery supplies gas and uses liquefied petroleum gas as fuel for cars. In terms of training, Gazprom has helped Petrovietnam staff earn doctoral degrees and has offered advanced courses for technical staff. In return, Petrovietnam accepts Gazprom trainees for internships every year.

3.2.3. Petrovietnam-Rosneft cooperation

In 2012, Vietnam and Russia signed a joint statement on a comprehensive strategic partnership. This allowed Russia's biggest oil company, Rosneft, to sign a cooperation agreement with Vietnam. The first cooperation was Rosneft's acquisition of all assets of TNK-BP Vietnam by purchasing a 35% share in the Block 06-1 contract and becoming the operator and investing in the Nam Con Son 2 gas pipeline system, which has a length of 400 km. Rosneft's presence soon confirmed its position as a strategic partner in Vietnam's oil and gas sector. Rosneft has also actively expanded cooperation to other oil and gas blocks on Vietnam's continental shelf, giving Petrovietnam the right to exploit eight blocks in the Pechora Sea in Russia. On November 12, 2012, two important documents, namely the Memorandum of Understanding between Petrovietnam and Rosneft on the Participation in Block 15-1/05 on the Continental Shelf of Vietnam and the Agreement between Petrovietnam and Rosneft on Basic Conditions for Cooperation in Oil and Gas Exploration and Production in the Pechora Sea, were officially signed (Nguyễn, 2013). In 2015, the gas produced from Block 06-1 accounted for 12% of Vietnam's energy consumption (Fedorov, 2018).

By June 2014, to expand cooperation, a tri-party agreement between Rosneft, Zarubezhneft, and Petrovietnam on Expanding Cooperation in Blocks 125-126, Open Lots, and Other Assigned Lots at Phu Khanh Basin, Vietnam's Continental Shelf was signed (Petrovietnam, 2015). Rosneft and Petrovietnam also signed long-term agreements

on crude oil supply for the Vietnamese market and cooperation in prospecting and exploration in the Pechora Sea of the Russian Federation.

Thus, cooperation in oil and gas exploration and production between Vietnam and Russia in the first two decades of the twenty-first century has been reciprocal and mutually beneficial. In Vietnam, Vietsovpetro, Vietgazprom, and Rosneft have effectively explored and produced oil and gas, bringing considerable revenue to both sides. In addition, Rusvietpetro and Gazpromviet have been expanding cooperation in many fields related to the oil and gas sector in both Vietnam and Russia. For Vietnam, the collaboration in this field is economically meaningful. Moreover, it is also of strategic significance and importance in energy security, protecting Vietnam's sovereignty over sea and islands.

4. OUTLOOK FOR VIETNAMESE-RUSSIAN OIL AND GAS COOPERATION

In recent years, cooperation in oil and gas exploration and production by Russian enterprises in some areas on the continental shelf of Vietnam has encountered difficulties and challenges, both subjectively and objectively. However, Vietnam has always steadfastly protected its legitimate rights and interests and promoted cooperation in oil and gas exploration and production with Russia. This is a long-term, mutually beneficial cooperative relationship that Vietnam steadfastly and consistently pursues and is a solid pillar of the comprehensive strategic partnership between Vietnam and Russia.

The Vietnamese-Russian oil and gas cooperative relationship has prospects for future development. Many investment cooperation plans between the parties were implemented immediately after the free trade agreement between Vietnam and the Eurasian Economic Union led by the Russian Federation took effect in 2016. Therefore, future oil and gas cooperation between Vietnam and Russia will continue to thrive since Russia is one of the top exporters of oil and gas products in the world and “will occupy the leading position in the world in oil exports by 2030” (Nguyễn, 2011, p. 33). Previously, Russia's traditional oil export market was European countries. But now, Russia wants to diversify the target market by expanding its market to Asia-Pacific countries. Therefore, Russia has increased the production of new reserves in Eastern Siberia and the Far East, and the construction of gas pipelines and liquefaction plants to supply this market, mainly China, Korea, and Japan.

On the other hand, Vietnam is mainly developing its refining and petrochemical industries. The Vietsovpetro joint venture has been expanding its market to Russia and third countries. The Vietnam Oil and Gas Group has cooperated with Russia's Gazprom Group in production projects in Vietnam and has established the Gazpromviet joint venture to develop new projects in third countries in the Commonwealth of Independent States (CIS), South America, and Africa. This is also in line with Russia's interests in wanting to diversify markets in the Asia-Pacific region and East Asia. The Vietnamese-Russian cooperation in oil and gas exploration and production opens the prospect of closer cooperation in the coming years. Russia will jointly produce and supply crude oil for Vietnam to refine into oil and gas products for East Asian markets.

5. CONCLUSION

In the ups and downs of past Vietnamese-Soviet and current Vietnamese-Russian relationships, cooperation in oil and gas exploration and production is a critical economic field. The former Soviet Union made a significant contribution by laying the foundation for Vietnam's oil and gas industry. At the beginning of the twenty-first century, cooperation in oil and gas exploration and production between Vietnam and Russia reached new heights, expanding its scale and operation area. Many major Russian oil and gas companies have made their way to Vietnam, resulting in many signed and implemented projects.

The cooperation between Zarubezhneft and Petrovietnam in the Vietsovetpetro joint venture in Vietnam and the Rusvietpetro joint venture in Russia has brought about high efficiency and significant revenue for both countries. Among Russia's oil and gas projects in Vietnam, the Vietsovetpetro joint venture is a successful example, making Vietnam the third-largest oil exporter in Southeast Asia. Vietsovetpetro has also become a reliable partner with many customers and many leading oil and gas companies globally, which is a factor attracting potential international and domestic investments to develop the oil and gas industry in the long term. These achievements have helped Vietsovetpetro affirm its brand and reputation and expand its oil and gas markets outside Vietnam.

The results of Vietnamese-Russian cooperation in oil and gas affirm the effectiveness of economic cooperation between the two countries and contribute to preserving and cultivating the friendship between the Vietnamese people and the people of the former Soviet Union, Russia, and CIS countries. For Vietnam, oil and gas cooperation is not only meaningful in terms of the economy but also in terms of security and sovereignty over sea and islands. The participation of Russia in the East Sea has contributed to affirming Vietnam's sovereignty, creating an advantageous geopolitical position for Vietnam in resolving current disputes in the East Sea.

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