

Chinese politics & policy

China paves way for renminbi fundraising by Russian energy giants

Russian 'panda bond' sales would be first since 2017 and reflect deepening ties between Moscow and Beijing



President Vladimir Putin said on Tuesday that Russia's ties with China were at an 'unprecedentedly high level' © Alexander Kazakov/Sputnik/Getty Images

Cheng Leng in Hong Kong

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China is preparing to reopen its domestic bond market to major Russian energy companies, in a shift of policy that reflects deepening diplomatic and economic ties between Beijing and Moscow.

Two people familiar with the matter said senior Chinese financial regulators told top Russian energy executives at a late August meeting in [China](#)'s southern city of Guangzhou that they would support their companies' plans to sell renminbi "panda bonds".

Such borrowing would be the first Russian corporate fundraising in mainland China since Moscow's full-scale invasion of Ukraine in 2022 and the first Russian debt sold on China's public onshore market since state aluminium producer Rusal's panda

bond issue raised a total Rmb1.5bn (\$210mn) in 2017.

Russian President Vladimir Putin held talks with his Chinese counterpart Xi Jinping in Beijing on Tuesday, saying strategic ties between the two countries were at an “unprecedentedly high level”.

After the talks, Moscow announced it had reached agreement with Beijing on [construction of the long-discussed Power of Siberia 2 pipeline](#), a project led by Russian state monopoly Gazprom that analysts say could reshape global energy flows.



Gazprom hopes the Power of Siberia 2 pipeline will hugely increase the amount of gas it can sell to China © Andrey Rudakov/Bloomberg

Extensive US and European sanctions have closed off Russian borrowers’ access to global financial markets since 2022, and Chinese banks have shunned public financing deals involving Russian companies out of fear of being subjected to secondary sanctions.

However, the tightening ties between Beijing and Moscow are now making the banks less cautious. At the same time, the renminbi is becoming an increasingly important foreign currency for the sanction-hit Russian economy.

In 2022 Russian companies began selling renminbi-denominated bonds on their

In 2022, Russian companies began selling renminbi-denominated bonds on their domestic market. Most such bonds are issued by a small group of companies that includes Rusal and Gazprom.

The revival of Russian panda bonds was likely to be limited to two or three companies at first, the people familiar with the plans said.

Russia's state nuclear company Rosatom and its affiliates, which are not subject to broad sanctions by major western countries, were expected to be among the first borrowers to tap the world's second-largest bond market, they said.

Lawyers warned that a successful bond sale would require Russian companies to address lingering concerns about sanctions among Chinese banks, which are the main buyers and brokers of panda bonds.

"The broker would still face the risk of secondary sanctions from the US Office of Foreign Assets Control," said Allen Wong, a partner at Beijing Jincheng Tongda & Neal Law Firm, adding that banks would struggle to conceal their involvement in a public market.

One potential workaround was to issue panda bonds through Russian entities not yet under sanctions, but there was a risk the entity could be targeted after the debt was sold.

"The idea is appealing," Wong said. "But to make it work needs further study and top-down approvals."





Electricity pylons near a Russian power station operated by a Rosatom unit © Andrey Rudakov/Bloomberg

More than 40 Russian business people and Chinese financial experts met at Moscow's embassy in Beijing in July to discuss how to improve Russian companies' creditworthiness in order to raise capital in China.

On Friday, Gazprom secured a triple A rating and stable outlook from Shenzhen-based Chinese rating agency CSCI Pengyuan. A strong credit rating is a prerequisite for foreign companies to tap the domestic bond market.

The rating was based on Gazprom's strategic importance to Russia's oil sector and its solid financial profile despite high geopolitical risks and oil price volatility, CSCI Pengyuan said. Gazprom has been under US sanctions since 2022.

An increasing number of important Russian energy firms have secured Chinese credit ratings. They include Atomenergoprom, an affiliate of Rosatom; top LNG supplier Novatek, whose Arctic plant that was recently put under sanctions supplied a cargo to China in August; and Zarubezhneft, which develops Russian energy projects overseas.

The People's Bank of China, China Securities Regulatory Commission, Beijing's National Association of Financial Market Institutional Investors, Rosatom and Gazprom did not immediately respond to requests for comment.

US rating agency Fitch Ratings downgraded Gazprom to double C in 2022 — a level that signals default is “probable” — before withdrawing its ratings on all Russian entities to comply with EU sanctions.

An escalating sanctions regime “could impose insurmountable barriers to many corporations' ability to make timely payments on foreign and local currency debt to certain international creditors”, Fitch said at that time.

But a project manager at one of the top Chinese rating agencies said that “one person’s trash” was “another’s treasure”.

He added: “Fitch’s call may be true to its own clients, but for Chinese or even Indian investors, these Russian deals, if they get done, would offer the most credible assets they can find on the market.”

Additional reporting by Anastasia Stognei in Berlin

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