

Russia's oil production: major trends

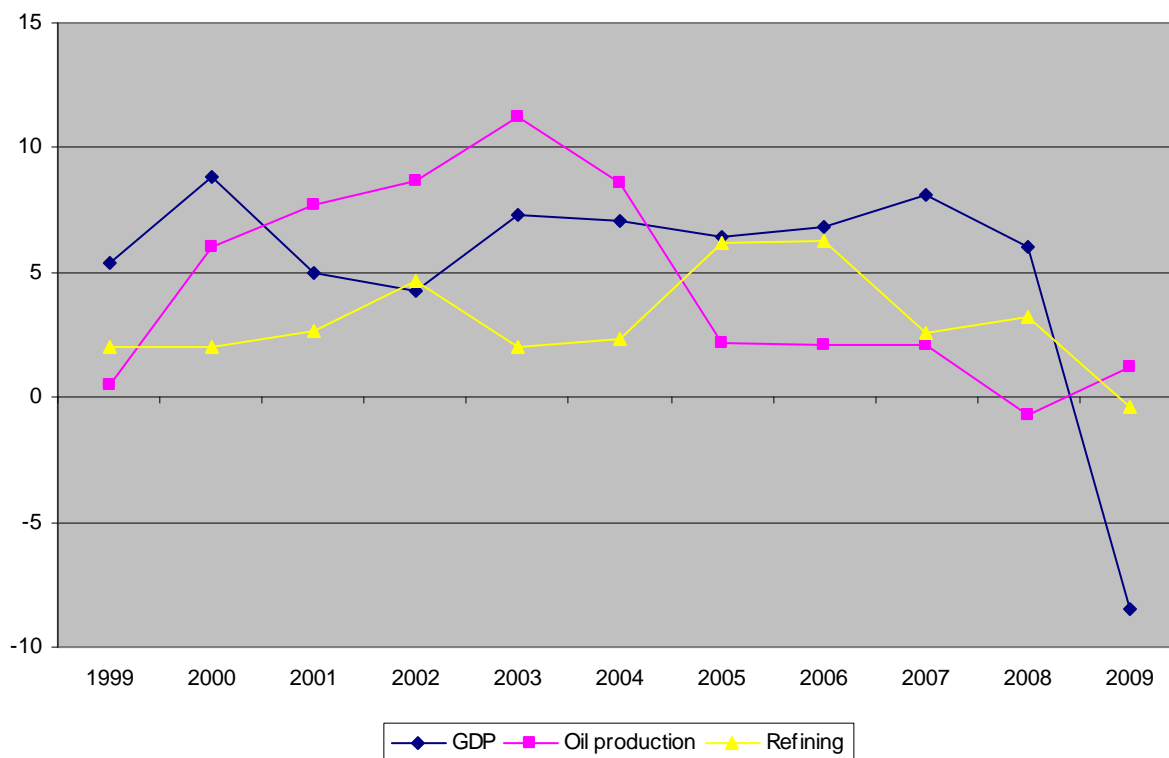
Russia oil production outperformed GDP

Russia oil production grew faster than GDP in 2001-2004 and it outperformed oil refining in 2000-2004. But in 2005 the trend changed dramatically. The oil industry lagged behind GDP by 6.7 percentage points last year, oil refining - by 3.9 percentage points.

The growth rate of oil industry fell from more than 8.0% on average in 2000-2004 to only 1.4% in 2005-2008. Oil industry contracted for the first time in ten years.

In 2009, oil production outperformed GDP considerably thanks to relatively good external demand.

Graph 1 Russia's Oil Sector via GDP in 1999-2009, annual growth



Source: The Federal Statistics Service

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Russia produced 494.228 million tons (3,592 million barrels) of oil and gas condensate in 2009, up 1.2% compared with 2008, the Fuel and Energy Central Dispatch Service said.

Russian gas production fell 12.4% to 582.353 billion cubic meters.

Russian oil VICs produced 438.136 million tones (3,184 million barrels), up by 0.4%.

Russian enterprises and partly foreign-owned joint ventures produced 25.989 million tonnes of oil in 2009.

Gazprom produced 12.042 million tonnes of oil in the period, and production-sharing agreement (PSA) operators - 14.769 million tonnes.

Oil reserves

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Russia increased oil reserves around 620 million tonnes in 2009, Natural Resources Minister Yury Trutnev said. Russia boosted geological gas reserves by 650 billion cubic meters in 2009, achieving full reserves replacement. (The ministry said oil and gas reserves replacement totaled 500 million tonnes and 650 bcm, respectively, in 2008.)

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Oil and gas condensate reserves on the Russian shelf in category C1 increased by 50 million tons in 2009. C1 gas reserves on the shelf increased by 100 billion cubic meters.

License holders have reduced financing for geological exploration of the shelf by 17% to 24.5 billion rubles this year, while the federal budget has cut back financing 44% to 0.8 billion rubles.

Budget financing for geological exploration work will increase slightly in 2010.

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Meanwhile, the Energy Ministry does not believe it is worthwhile to offer major new fields at auction right now.

The level of production today, Russian oil companies and their investment programs, are proving that the companies have quite enough reserves," Energy Minister Sergei Shmatko said. There is definitely no reason right now to say that new sections must be distributed in order to maintain production or investment money.

However, the government would like to offer sections located on the route of the Eastern Siberia-Pacific Ocean pipeline (ESPO).