Argus *FSU Energy*

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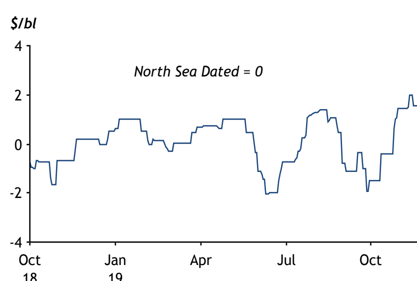
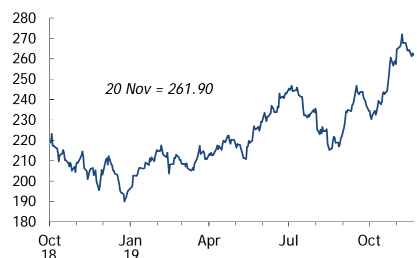
Urals Med vs North Sea Dated



RTS oil and gas index



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Poland to halt Russian gas imports

Poland plans a permanent halt to gas imports from Russia from 2023, aiming to fully cover its needs from other sources.

State-controlled importer and supplier PGNiG's decision not to extend a long-term 10.2bn m³/yr take-or-pay contract, expiring at the end of 2022, is "irrevocable", chief executive Piotr Wozniak told Polish state-owned TV this week. Import diversification will ensure supply security, PGNiG says — including the planned 10bn m³/yr Baltic Pipe link direct from Norway, new LNG import capacity and contracts, and upstream acquisitions.

PGNiG expects unspecified "retaliation" from Gazprom, but is well-prepared, Wozniak says. And it expects a favourable verdict early next year in its arbitration case over Gazprom prices, which would reduce the cost of imports in 2020-22. PGNiG signalled in 2017 that it would not renew the contract with Gazprom in its existing form, because supply was too expensive.

The Polish firm started arbitration proceedings over the price of imports under its long-term contract in 2015. The court ruled in PGNiG's favour last year, agreeing that it had the right to demand a price revision, but Gazprom appealed.

The Polish and Danish gas system operators reached an investment decision on the Baltic Pipe project in November last year. The pipeline should be completed by October 2022, with 8.8bn m³/yr of its capacity reserved for Poland. Under PGNiG's existing long-term LNG supply deal with Qatari state-controlled ed Qatargas, it will receive around 2mn t/yr from 2020 and it has long-term contracts with three US exporters covering 2022-42.

Combined, these contracts are for the equivalent of around 9.6bn m³/yr of pipeline gas — more than its minimum 8.7bn m³/yr take-or-pay requirement with Gazprom. And contracted supply will exceed import capacity at Poland's Swinoujscie LNG terminal, even after a planned expansion to 7.5bn m³/yr by 2022. A 4.5bn m³/yr floating LNG storage and regasification unit could be operational at Gdansk port from 2025. And PGNiG plans to re-export some LNG to Asia-Pacific from 2023, when contracted imports could exceed its requirements.

Gazprom's transit agreement for the Polish section of the 33bn m³/yr Yamal-Europe pipeline expires in May 2020, Wozniak points out. The transit contract has a clause encouraging an extension to 2045, but this is not yet agreed.

1Q LNG surge

PGNiG will significantly increase LNG imports in first-quarter 2020, as a hedge against potential disruption to supply from Russia. It has contracted the equivalent of 1bn m³ of pipeline gas for delivery in 10 LNG cargoes to Swinoujscie in January-March — including the first imports from Nigeria, as well as cargoes from Norway, Qatar and the US — three more than in first-quarter 2019.

PGNiG is increasing first-quarter LNG imports because of uncertainty over Russian transit shipments to Europe through Ukraine from 1 January after Gazprom's transit contract with Ukraine's state-owned Naftogaz expires. But PGNiG is "optimistic" that there will no disruption to its contracted supply from Gazprom. If this is the case, it will find alternative markets for the extra LNG supply it has booked, PGNiG says, without providing further details.

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EDITORIAL

Sour surge

IMO 2020 is the biggest revolution in oil markets in over a decade and the course of revolutions is never smooth. The global reduction to a maximum 0.5pc sulphur content in marine fuels from 1 January, down from 3.5pc, is overturning long-established price relationships and altering the pecking order of crudes.

Refiners returning from maintenance are scooping up available crudes to shore up stocks of middle distillates before January. First in line are light sweet grades with high gasoil and vacuum gasoil (VGO) yields, which appeal to less complex refiners. Crudes such as Nigerian Escravos and Caspian BTC Blend are trading at multi-year or record-highs against benchmark North Sea Dated.

Next are medium sour grades, including Urals. These are popular with complex refiners that can handle higher sulphur content, while benefiting from their high middle distillate and VGO yields. The international market for medium sour crude is tightening as a result.

Sour crude prices are finding support globally, just when most expected them to be under pressure from the imminent IMO 2020 changes. Urals has traded at record-high premiums to the benchmark recently — as high as $1.20/bl in Rotterdam and $2/bl in the Mediterranean market.

Medium sour grades are in tight supply east and west of Suez as a result of Opec production cuts and unilateral US sanctions targeting the Iranian and Venezuelan oil sectors. And as recent Urals premiums show, sour crude sellers can demand high prices because their oil has high yields of the crucial middle distillates that marine fuel blenders need.

The immediate cause of Urals strength was a scheduled 500,000 b/d drop in exports this month, mostly from the Baltic port of Ust-Luga — the tighter November programme is largely because of stronger domestic demand, as Russian refiners returned from maintenance. But initial indications for early December loadings suggest that the Urals market will remain tight next month.

Signs of the global medium sour supply shortfall are increasingly clear. The forward curve of Mideast Gulf sour benchmark Dubai is in steep backwardation — with the prompt month at a near $3/bl premium to the third. The backwardation steepened after attacks on Saudi Arabian oil facilities in mid-September but has been sustained by complex refiners in Asia-Pacific emerging from maintenance. In particular, China's burgeoning pool of complex refineries increasingly relies on Mideast Gulf crude, boosting imports by 300,000 b/d this year.

Dubai forward spreads and Urals differentials are key influences when Saudi Aramco decides prices for sales to Asia-Pacific and Europe. Their recent strength is almost certainly behind higher formula prices for Arab Light deliveries to both markets for December. But with high-sulphur fuel oil trading at more than $25/bl discount to sour crude, refiners may be unable to bear the cost for long.

Undesirable outcome

The IMO 2020 sulphur rules have created extraordinary instability. For now, refiners are running whatever gives them the increased middle distillate yields needed to make new, low-sulphur marine fuel blends. But sour crudes also have outsized yields of undesirable high-sulphur residues and a glut of unwanted high-sulphur fuel oil is emerging, with the lowest margins for the product in over a decade. These two forces cannot exist in opposition indefinitely.

High-sulphur residue is an inevitable by-product of refining sour crude, and its output will eventually prove to be the constraint on how much Saudi Arabia and Russia can charge for their grades. A new market is being born and it will take some time before the current imbalance evolves into some kind of equilibrium.

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NEWS

Gazprom repeats rejected offer

Gazprom has reiterated its terms for prolonging gas transit to Europe through Ukraine in a formal offer to state-owned Naftogaz — but the Ukrainian firm has already indicated that the conditions are unacceptable.

The formal proposal sent to Naftogaz on 18 November covers as extension of Gazprom's existing transit contract, which expires on 31 December, or a new one-year deal that takes forecast European 2020 demand into consideration. Gazprom requires the termination of all Naftogaz legal claims against it and wants an official response over whether Naftogaz will buy Russian gas directly from Gazprom next year — at a 25pc discount to prices paid by Ukrainian consumers.

Naftogaz chief executive Andriy Kobolev insists that Gazprom must pay the $2.56bn awarded by the Stockholm arbitration court in 2018 — it is not up for negotiation as part of the transit talks, he says. Naftogaz has not refused to buy Russian gas, Kobolev says — he argues that Gazprom failed to fulfil its obligations when it returned Ukrainian prepayments for Russian gas supply in 2018. Ukraine stopped buying Russian gas in November 2015, instead importing gas from Europe — much of it Russian in origin.

"Nothing is more expensive for Ukraine than cheap Russian gas," Kobolev says. In 2013, Naftogaz received a 30pc discount to Russia gas prices in return for Kiev allowing the stationing of the Russian fleet in Sevastopol — part of then Ukraine-controlled Crimea. Naftogaz paid over $5bn for gas bought from Russia, but received just $3bn in transit payments, in 2013 — a $2bn deficit, he says. In contrast, Naftogaz spent $2.1bn on gas imported from Europe and received $2.7bn in transit fees last year, "a positive difference" of nearly $600mn, Kobolev says.

The offer of cheaper Russian gas supply would not cover Gazprom's $2.56bn arbitration payout, Naftogaz managing director Yuriy Vitrenko says. Any discount should be calculated against the price in Germany — the lowest for Russian imports — less transport costs from Russia's western border, Vitrenko says.

Gazprom sent copies of its proposals to Ukrainian energy minister Oleksiy Orzhel and EU energy union commissioner Maros Sefcovic. The next round of EU-brokered transit talks between Russia and Ukraine is planned for the end of this month, although no date has been set.

Russian president Vladimir Putin has warned of a "risk that transit will stop... All [Naftogaz does] is make things worse", he said of the recent filing of a new arbitration case against Gazprom. Naftogaz is claiming a retrospective, upward revision of its transit tariff for Gazprom shipments through Ukraine between 13 March 2018 and 31 December 2019, which Vitrenko says could be worth $11.8bn.

IN BRIEF

Eugal names date

The first string of the German onshore continuation of Gazprom's 55bn m³/yr Nord Stream 2 pipeline, Eugal, will be commissioned on 1 January, operator Gascade says. The 480km line connecting the receiving station at Lubmin, in Mecklenburg-Vorpommern, to the metering station in Deutschneudorf, Saxony, has been completed and successfully tested. Gascade will begin filling the route in December. Eugal will be able to receive gas delivered through the 55bn m³/yr Nord Stream 1 pipeline until Nord Stream 2 is completed — it is linked to the former's Nel onshore continuation in Germany. Gascade plans to ship around 30bn m³ through Eugal's first string in 2020, rising to 55bn m³/yr in 2021 once the second string is commissioned in late 2020. Gascade is a joint venture between Gazprom and Germany chemicals company BASF, it holds a 50.5pc stake in Eugal.

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NEWS

Gazpromneft to keep spending

Russia's third-largest crude producer, Gazpromneft, expects no tangible decline in capital expenditure (capex) over the next few years, as a spike in upstream spending follows on from significant refinery investment.

Gazpromneft is entering the most capital-intensive period of its refinery upgrade programme — investing in a deep processing complex at its 430,000 b/d Omsk refinery and completing the Euro Plus complex at the 240,000 b/d Moscow plant, financial director Alexei Yankevich said on 18 November.

The company increased overall capex by 16pc on the year to Rbs295bn ($4.62bn) in January-September — downstream spending was 32pc higher at Rbs80bn, with upstream investment at Rbs90bn. Gazpromneft is on track to hit around Rbs400bn in capex this year — around Rbs25bn, or 6.7pc more than in 2018 — and will maintain a similar level of spending in 2020-22.

Brownfield subsidiaries Noyabrskneftegaz and Gazpromneft-Khantos are developing new blocks that will drive future output growth. Noyabrskneftegaz's 380mn bl Otdalyonnaya group of fields is nearing production capacity of 1.7mn t/yr (34,000 b/d). While Gazpromneft-Khantos' Zima project — including the Zhagrin field and the Severo-Vaisky and Srednevaisky blocks — should peak at 80,000 b/d of oil equivalent (boe/d) in 2024, helping to offset natural declines elsewhere.

Gazpromneft expects its downstream capex requirements to ease back in 2022-23, but upstream spending will then be rising as Gazpromneft develops new fields in Yamal-Nenets — including satellite fields around 1.8bn bl Novoportovskoye, as well as 525mn bl Severo-Samburgskoye and 559mn bl Tazovskoye. It plans to establish a hub centred on Novoportovskoye, enabling continued utilisation of its Arctic Gateway crude terminal once the main field enters its natural decline.

Oil and gas production might increase by 1pc at the most next year if the Opec/non-Opec output restraint agreement continues unchanged throughout 2020, Yankevich said. But Gazpromneft expects some changes to the parameters of the deal, including quotas, when it expires at the end of March, he added.

Gazpromneft output increased by 4.4pc on the year to 1.95mn boe/d in January-September — oil production was 1.3pc higher at 1.3mn b/d. Refinery throughputs fell by 2.3pc on the year to 804,000 b/d, largely because of maintenance — at Gazpromneft-controlled Serbian oil firm NIS' 110,000 b/d Pancevo refinery in January-June and at the 365,000 b/d Yaroslavl plant, co-owned with Rosneft.

IN BRIEF

Lukoil starts new Filanovsky phase

Lukoil has started output under phase-three development of its Caspian offshore 1.12bn bl Filanovsky. The first production well has been commissioned and is yielding 1,838 t/d (13,400 b/d). Crude is delivered by subsea pipeline to Filanovsky's central platform. Phase-three development of Filanovsky covers the western area, where Lukoil will drill eight further wells to extend the output plateau of 6mn t/yr (120,000 b/d) reached last year. It began drilling in September and aims to commission the next phase-three well by the end of 2019. Lukoil hopes to begin commercial oil output at Caspian offshore 285mn bl Graifer field in 2023 — formerly know as Rakushechnoye, but renamed in honour of chairman Valery Graifer. Lukoil plans to start assembling a platform for the field this year — estimating project costs at around $1bn. Graifer lies 100km offshore, about 8.5km from Filanovsky. The firm's Caspian offshore output, from Filanovsky and the 218mn bl Korchagin field, was up by 8pc on the year at 146,300 b/d in January-October. Filanovsky was brought on stream in 2016 and Korchagin in 2010.

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WESTERN SIBERIA

SPD banks on optimisation

West Siberia-based Shell-Gazpromneft joint venture Salym Petroleum Development (SPD) is focused on optimising crude output, aiming to deliver longer-term growth, management said during a site visit attended by *Argus* this week.

SPD hopes to raise production by 100,000t this year, from 6.138mn t (123,000 b/d) in 2018, general director Michael Collins told a briefing in Salym, Khanty-Mansiysk, on 20 November. This implies an increase of just 1.6pc in 2019, but SPD plans to lift output above 7mn t/yr (140,000 b/d) sometime before 2025.

Growth will come from SPD's three producing fields — 700mn bl West Salym, 131mn bl Vadelyp and 182.5mn bl Upper Salym — where it hopes to discover and add new reserves, and new blocks now under exploration, Collins says. "We have a good portfolio and there are always choices," Collins says, although the ability to achieve its production target — a roughly 14pc increase — will also depend on factors such as oil prices, he added.

When SPD began developing West Salym, it initially planned to operate the Salym fields until 2020. It now expects operations to continue until 2037. But with no significant reserves additions expected, the main goal is performance optimisation of existing assets, according to deputy operations manager, and leader of SPD's well, reservoir and facilities management (WRFM) team, Roger Knight.

"If existing assets are declining very fast, it is very difficult to grow, so strong WRFM performance is the cash engine and the foundation for growth," and SPD has a track record of delivering output growth through optimisation, Knight says.

The WRFM team aims to reduce operating costs by 60-70¢/bl to $4/bl. And it is focusing on increasing well run-life, resulting in the need for fewer interventions, as well as improving energy efficiency and water control. "Technically, we are optimising all the way from the reservoir to our wells and to the surface through the use of data and smart systems," Knight says.

SPD began commercial production in 2004 and delivered Russia's highest output growth for six years when it peaked at 8.4mn t (168,000 b/d) in 2011. Production gradually declined to 6.1mn t in 2015, with water-cut rising, although modest growth resumed in 2016. The project's average water cut is now 82pc, with four rigs drilling 80-85 new wells a year to maintain output.

New horizons

SPD plans to increase capital expenditure by 20-30pc in the next few years to cover the development of new areas, Collins says, without giving a figure for 2019. This summer, it started developing the southern hub, beside Upper Salym — the project's longest-producing asset — which could eventually become part of the latter. SPD has drilled two wells so far, with flows of 160 t/d and 240 t/d — significantly above an average project rate of 20 t/d. SPD also plans to begin 3D seismic studies of the East Shapshinsky block, for which it recently received the licence.

What SPD calls "common" wells, producing up to 50 t/d, account for 80pc of output, with 100 t/d "silver" wells and "golden" wells, producing more than 100 t/d, making up the balance. SPD has no more than 50 golden wells, which require more attention than those with lower flows, because their contribution to overall output is more important, head of operations Alexander Strokolist says.

Salym crude is around 30-31°API, with sulphur content of about 1.5pc. Water and gas are separated at a central processing unit, before crude flows through an 88km link to the Transneft pipeline system. Separated water is reinjected to maintain reservoir pressure, while associated gas from the Salym fields is treated at the nearby Berezkagaz processing facility. Half of the marketable gas is used at SPD's own power plant, while the rest is sold in Russia.

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WESTERN SIBERIA

Achim, not Bazhenov

When SPD production decline began after 2011, it hoped that development of Bazhenov shale formation reserves at the Salym fields would drive growth. US and EU sanctions imposed on Russia in 2014 forced Shell to suspend work on shale projects in the country. But SPD still plans to explore and develop Achim formation reserves, which are not targeted by sanctions. And it will try to confirm the production potential of low-permeability Tyumen formation deposits, although previous attempts have proved unsuccessful.

Part of SPD's asset portfolio is not viable under Russia's present taxation system, Collins says — its fields generally hold conventional crude reserves, in reservoirs typical to west Siberia. This makes the unit an unlikely candidate for tax concessions — granted mainly to highly depleted fields, hard-to-recover reserves and high-viscosity crude.

The venture's management previously had high hopes that chemical flooding technology would boost oil recovery from wells with very high water cut. A pilot project launched in 2016 was completed successfully, Collins says, but SPD has not implemented the use of alkaline surfactant polymer (ASP) flooding, which is uneconomical under Russia's standard tax system. SPD shareholders have so far been unable to persuade the government to consider tax breaks for the use of ASP.

SPD is the oldest of Shell's two key Russian assets. It secured the rights to develop the Salym fields with producer Evikhon back in 1993. Gazpromneft entered SPD in 2009 after buying Sibir Energy and its 50pc holding in the venture. The acquisition of the greenfield asset helped the Russian firm to return to production growth, which has continued with the commissioning of new greenfield projects.

Going steady

Crude output in western Siberia, Russia's main oil-producing region, appears to be stable for a second consecutive year after a decade of steady decline.

Oil output of 196.5mn t (4.71mn b/d) in January-October was unchanged against the first 10 months of 2018, according to the administration of Khanty-Mansiysk autonomous district's subsoil use department — Khanty-Mansiysk accounts for 43pc of total Russian crude production.

The region's natural gas output — including associated production — rose by 1.3pc on the year to 30.4bn m³ in January-October.

Production decline in western Siberia of 1.5pc/yr in 2008-17 was reversed in 2018 — rising by 0.5pc to 236.5mn t (4.73mn b/d) — despite most Russian oil producers, apart from Rosneft, capping output at their least efficient wells at mature fields in west Siberia as part of Russia's contribution to Opec/non-Opec restraint agreements since 2017.

Rosneft is ramping up production at its Kondaneft greenfield unit in western Siberia, which almost doubled output on the year to 55,000 b/d in January-October. It also increased production at its smaller, regional Nyaganneftegaz and Varyeganneftegaz units.

And Rosneft increased production at its depleted Samotlor field in west Siberia by 0.5pc to 386,700 b/d — a second year of growth at the field, which benefits from mineral extraction tax concessions. Tax breaks for Samotlor have supported a 50pc increase in drilling at the field, Rosneft says.

Rosneft, Surgutneftegaz and Lukoil account for 80pc of output in west Siberia. Other producers include Gazpromneft, Slavneft, Russneft, Tomskneft, Salym Petroleum Development and a number of small independents.

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NEWS

Gazprom fills Turkish Stream

Gazprom has filled both sub-sea legs of its 31.5bn m^3/yr Turkish Stream pipeline beneath the Black Sea. The pipeline runs from the Russkaya compressor station in Russia to Turkey's Kiyikoy receiving terminal, where testing is under way.

Both 15.75bn m^3/yr legs of Turkish Stream will be commissioned by the end of this year, with commercial deliveries starting in 2020, Gazprom says. The first leg will deliver gas for Turkey, while the second will carry gas for transit to the Turkish border with Bulgaria, for onward supply to Europe.

The necessary connecting infrastructure for shipments across Bulgaria, Serbia and Hungary to Austria is not yet in place, although Sofia has said that it could be ready to take some Turkish Stream gas this year.

Turkish Stream is designed to supply markets in Turkey and Europe without the need for transit shipments through Ukraine — a key route for Gazprom exports, carrying 86.8bn m^3 from Russia last year. Gazprom's transit contract with Ukrainian state-owned Naftogaz expires at the end of this year and Gazprom recently offered terms — deemed unacceptable by Ukraine — for extending this contract, or for a new one-year deal (*see p11*).

Representatives from Russia, Ukraine and the European Commission held a technical meeting on 20 November to discuss transit arrangements. The next round of EU-brokered negotiations between Russia and Ukraine are planned for the end of this month in Brussels, although no date has been set.

Bulgarian state-owned transmission system operator Bulgartransgaz is offering capacity for "reverse flow" on the Trans-Balkan pipeline, which normally handles Russian transit gas shipped though Ukraine to southeast Europe and Turkey. The capacity on offer may allow countries such as Bulgaria, North Macedonia and Romania to take supplies delivered through Turkish Stream, limiting supply interruptions if transit deliveries from Russia through Ukraine are halted.

Another way

Bulgartransgaz will offer 287.6GWh/d (27mn m^3/d, or around 10bn m^3/yr) of firm entry capacity from Turkey and 158.4GWh/d (15mn m^3/d) of firm exit capacity to Romania for 1 January-30 September. Total entry capacity from Turkey at Strandzha-Malkoclar is 577.1GWh/d (18.6bn m^3/yr), of this, 289.5GWh/d is already booked from 1 January-30 September 2021 — probably by Gazprom for Turkish Stream gas — rising to 510.7GWh/d for 1 October 2021-30 September 2039.

Bulgaria expects to receive Turkish Stream gas from the start of next year under its existing supply contract with Gazprom. But infrastructure in Bulgaria to deliver Turkish Stream gas to Serbia may not be completed until June 2021.

Serbia expects its section of the route, to the border with Hungary, to be finished at the start next year, but other expected markets for the second leg of the project — including Hungary, and Bosnia and Herzegovina — are also unlikely to be ready to take Turkish Stream gas until 2021-22, at the earliest.

Germany, Turkey drive 3Q sales drop

Gazprom third-quarter sales to Europe, excluding the Baltic states, and Turkey fell by 4.6pc on the year to 45.4bn m^3, as deliveries to Germany and Turkey dropped. Sales had edged up on the year in April-June, driven by strong deliveries to central and eastern Europe. Quarterly sales to Germany were the lowest since January-March 2015 at 10.3bn m^3. But exports to the Netherlands, France, Austria, Slovakia, Hungary and Croatia were higher than a year earlier.

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Q&A: GAZPROMNEFT

Taking the lead

Gazpromneft, Russia's third-largest crude producer, has closed the gap with its global peers in recent years. The company's head of strategy and innovation, Sergey Vakulenko, described the outlook for the firm in a recent interview with Argus*. Edited highlights follow:*

How would you sum up Gazpromneft's strategy?

If you look at the history of the company, the initial strategy in 2009 was largely about attaining the scale of the super-majors by 2020. We are pretty much there. In terms of liquids production, we are slightly below Total and seriously ahead of Norway's Equinor and Italy's Eni, and similar companies.

The 2013 strategy was about reaching the level of international companies, not only in scale but also in our practices. At the same time, we began projects of a kind never implemented anywhere else, such as Novy Port [the 1.8bn bl Novoportovskoye field], which is unique. We invited one of the majors to join the Novy Port project — it said it could not be done. It was brought on stream, on schedule and on budget, so in our attempts to achieve the levels of international companies, we have started to do things that they do not do.

The new strategy [to 2030] is, to a very large extent, about becoming a global benchmark in certain areas. And, of course, delivering superb returns to our shareholders. We have an excellent portfolio of opportunities and strategic bets. And we do not have to bring them all to maturity to achieve our goals. We can choose the best and the most profitable.

What are the highlights?

Novy Port will become a hub with smaller fields, to utilise the Arctic Gateway terminal for crude exports. And we will lay a 20bn m^3/yr gas pipeline across the Ob estuary to Gazprom's Yamburg field by 2021-22. Fields in the Nadym-Pur-Taz region are going into decline, freeing up pipeline capacity gas from the south of the Yamal area — initially this would be Novy Port gas.

What are your offshore priorities?

We have a plan for offshore exploration and drilling until 2030, which is updated yearly. Gazpromneft evaluates asset development options based on a cluster approach and we conduct geological work in parallel across all our Arctic licences — including Dolginskoye and the Severo-Zapadnoye block, where we performed full 3D seismic exploration in 2017-18. It is important to gain an understanding of their reserves before we determine the outlook for developing new assets.

Work at the Kheisovsky licence [in the northern Barents Sea], has included the creation of a geological concept and basin modelling. And 5,000km of 2D seismic exploration was performed at Severo-Vrangelevsky [in Russia's far east Chukchi Sea] in 2018 — we plan further seismic exploration here to single out the most attractive structures for detailed study.

Prirazlomnoye [in the Pechora Sea] is a self-sufficient project — we continue to develop the field, increasing the number of wells to design capacity. Taking economic feasibility and technological capabilities into consideration, Gazpromneft may use Prirazlomnoye infrastructure to develop Dolginskoye.

Where are you now with your Sakhalin offshore project in Russia's far east and are you close to finding a partner?

These are discoveries that have to be appraised — they will probably need two or three appraisal wells. There are interested parties.

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Q&A: GAZPROMNEFT

Could the recent upstream agreement with Novatek on offshore co-operation be extended to these fields?
I am not able to comment on that.

How is your pilot project targeting the Bazhenov shale formation progressing?
We are experimenting at the Palyanovskaya testing grounds to determine the best, most efficient well architecture. When we started working on Bazhenov our development cost was around Rbs25,000/t — $55/bl. We have driven it down to Rbs12,000/t and when we are at Rbs8,000/t, it is becoming commercial.

By experimenting with different fracking techniques, we are trying to achieve a better fissure system — or artificial collector, as they call it. And we are working with the drilling and fracking contractors to make them more efficient — shortening the time taken for operations to limit the number of days that the rig and fracking fleet is in place, therefore reducing the cost.

People focus a lot on Bazhenov, but the Achimov is probably more important to us because we have quite a lot of Achimov reserves in our acreage. Achimov may be substantially smaller than Bazhenov, but it has tens of billions of barrels of reserves. And Achimov is generally easier to develop than Bazhenov. Whatever we do on Bazhenov is directly applicable to Achimov, and probably our first significant oil production from tight reserves will be from Achimov.

You signed an agreement focusing on Achimov with Shell recently. Why did you decide to take a partner?
We like joint ventures for many reasons. Two heads are better than one. We have the expertise to do it on our own, but most oil and gas projects in this world are joint ventures. And doing the project alone would mean that we have to postpone or forego other options, and we do not want to do that.

How long before Achimov potential is exhausted?
This partnership with Shell will be a 20-30 year project. Achimov as a play is much smaller than Bazhenov, so eventually there will probably be fewer projects, but every project you launch on Achimov will last for decades.

Russian energy officials in the government have given some quite apocalyptic forecasts for the longer-term production outlook. Why is that?
They are saying that if we retain tax rates as they are at the moment, output will decline because the cost of production and development is rising. It is the energy ministry sending a gentle reminder to the finance ministry that the amount of rent they can count on must be lowered.

If there were only profit tax in Russia, oil production might rise by 20-30pc to about 700mn t/yr. There are quite a lot of projects that would potentially bring money to the country before the fiscal split, but after the fiscal split, at today's tax rates, they would not. In reality, it is the finance ministry and its tax policy that controls how much Russia produces.

Being smart it is trying to discriminate — taxing different kinds of reserves differently. The ministry now says that there are so many fields operating under different tax regimes that it is losing income. But it knows that those projects would not have gone ahead at the full rate of tax, so it is not really a tax break.

Judging from experience, once the state, the finance ministry and others recognise the threat of production declining they will adjust to ensure output continues. So, there is also an industrial policy element — trying to balance how much investment goes to virgin provinces, to technology-heavy elements and to

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Q&A: GAZPROMNEFT

brownfields — bearing in mind that you would like to keep your old oil heartland afloat because otherwise you would run into social problems.

The profit-based tax system was seen as panacea — Novy Port was part of the pilot launched on 1 January. But more recently, we have heard concerns about whether it works for some fields.
The reason is that there is an element of cost-stop — high-cost oil fields under that system might not work. I fully understand when the state says, "well, we have cheaper reserves here, so why would we see more capital going towards more expensive reserves? Develop this first, train your technologies on this, and maybe more difficult fields will become more affordable."

But you could say that not all technologies applicable in one place are applicable in another. You could also say that it might be wiser to try to monetise your crude sooner rather than later. And, by developing technologies, the oil industry acts as a locomotive to the rest of the country — for IT, machinery building, material sciences, chemistry and so on. When these other positive effects on the economy are taken into consideration, it makes development of those high-cost areas, to some extent, more reasonable.

Do you think the Opec/non-Opec restraint agreement is beneficial for companies because it removes market volatility and will it be extended beyond the end of March 2020?
There are still price fluctuations of $5-10/bl, but not wide swings, so, I think, yes, it is beneficial. I am quite certain the agreement will be extended in some shape or form. What the output quotas will be and whether a more sophisticated mechanism will be introduced, I cannot say at this stage. It seems that there will be some movement towards more sophisticated mechanisms that take into account more market signals than at the moment.

Are you expecting to receive tax breaks for South Priobskoye, as Rosneft did for its part of the field?
We think it would be fair.

Your refinery modernisation programme is nearly completed, so what happens next?
We are starting to think about petrochemicals at Omsk. Part of the reason is that we might have much more condensate than we have now. We are doing feasibility studies at the moment. There is definitely some potential and scope for it, but it is at an early stage. There is already some capacity there — we have a stake in a petrochemicals partner in the Omsk cluster, which uses some of our feedstock. And we also have a stake in Petrochemija in Serbia.

How do you see the motor fuels market? Does declining European diesel demand worry you, considering your heavy investment in Euro 5 diesel output?
The traditional market for Russian downstream products, western Europe, is in decline. The domestic motor fuel market is pretty stable. We do not see signs of switching to other energy sources.

There is some decline, as a result of "dieselgate" and various ordinances taken by city governments in the courts, but it is not going to be a drastic fall in diesel demand. There is an installed vehicle base and they last for 10 years or more — commercial vehicles last even longer. And trucks are not switching to gasoline from diesel yet. Although they might switch to LNG.

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NEWS

Nord Stream 2 best-case delivers 2Q start-up

The granting of a construction permit to lay Gazprom's 55bn m³/yr Nord Stream 2 pipeline through Danish waters removed one of the biggest hurdles to project completion. But Nord Stream 2 flows to Germany are unlikely to start before the middle of second-quarter 2020.

Danish energy agency DEA granted its permit on 30 October, but construction of the last offshore pipeline section cannot start until a four-week appeal deadline expires on 27 November. Any appeal against the permit would be assessed, but construction would not necessarily be blocked if one were lodged, it says.

Nord Stream 2 is "finalising the detailed timeline" for completing the Danish section, the operating company says. At an average pipelaying rate "of 3-4 km/d, each of the pipeline's two strings will take 6-8 weeks", it said in October — progress will depend on "weather conditions and the terms of the permit".

With a six-week timeline — and the two strings laid simultaneously — construction would be completed around 9 January, if work starts on 28 November. An eight-week timeline would mean completion around 23 January. But Nord Stream 2's permit application to the DEA says that "construction work for the first of the two… pipelines is expected to commence in early 2020". And if only one string can be laid at a time, completion would take until late February or early March.

But even if pipelaying in Danish waters is completed by the end of February, the remaining work offshore Germany cannot proceed without an amendment to Nord Stream 2's permit. The permit issued by the German maritime and hydrographic agency BSH restricts work in specified areas — including a 16.5km uncompleted stretch of Nord Stream 2 from the Danish-German border — to 15 May-30 September, because of environmental concerns.

Nord Stream 2 submitted an environmental impact assessment amendment for public viewing on 7 October-6 November. Appeals against can be made until 6 December, to be followed by closed-door meetings between objectors, Nord Stream 2 and German authorities on 16 December, BSH says. If an amendment is granted, the German section could be laid in about a week and all pipelaying completed in late February or early March. All other offshore and onshore works are finished.

It should take around two months to dry and test the pipeline, and about four weeks to fill the route — based on the same processes followed for the 55bn m³/yr Nord Stream 1 line in 2011 — suggesting that Nord Stream 2 could be ready to operate in June. But without the amendment to its German permit, commissioning could be pushed back to August.

EU rules

With physical obstacles to construction overcome, Nord Stream 2 must now deal with EU energy market rules. Germany will implement the amended EU gas directive by 24 February — applying the principles to existing offshore sections of pipelines in the territorial waters of a member state. This requires the unbundling of pipeline ownership from that of the gas supplier and third-party access to Nord Stream 2 capacity. The directive applies only to the final 12km offshore section through German territorial waters, but any legal restrictions here would, in principle, affect operation of the entire pipeline.

Gazprom is the sole shareholder in Nord Stream 2 and has a monopoly on pipeline gas exports from Russia. Ownership of the 12km German section could be transferred to an independent operator, but meeting third-party access obligations would prevent Gazprom from utilising the pipeline's full capacity. An intergovernmental agreement between Russia and Germany could exempt Nord Stream 2 from EU rules, but would need approval from the European Commission.

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NEWS

Ukraine proposes sharp rise in border gas tariffs

Ukrainian state-owned gas system operator GTSOU, which will take control of the pipeline network on 1 January, has published border tariffs for next year.

But the significant increases that it wants to implement could deter imports and discourage potential re-exports to Europe of gas held in storage by international companies and Ukrainian private-sector firms, traders say. GTSOU has proposed a more than 171pc hike to entry tariffs, to $17.05/’000m³ from $6.29/’000m³ from the start of next year, with exit tariffs jumping by 176pc to $45.59/’000m³, from an average of $16.52/’000m³ now.

The new tariffs are based on the assumption of no Russian transit flows through Ukraine to Europe from 1 January — Gazprom’s gas transit contract with state-owned Naftogaz expires at the end of this year — but the tariffs could be revised lower if transit capacity is booked under a new deal, GTSOU says.

The proposed entry tariff would increase gas prices in Ukraine by reducing the incentive to import, market participants say. Prices would be at least $10/’000m³ higher under the new higher tariffs, one trader says.

Ukraine does not normally export gas to neighbouring markets, but some of the country’s foreign operators and Ukrainian private-sector firms were holding more than 7bn m³ in storage in late October. Some may have planned to re-export this gas to Europe — to help meet demand if transit shipments halt on 1 January. But GTSOU’s hike to exit tariffs would make this “impossible”, one trader working at an international company says.

The proposed tariffs must be approved by Ukrainian energy regulator Nerc before they can be passed into law. GTSOU will take over the gas transmission system from state-owned Naftogaz subsidiary Ukrtransgaz.

IN BRIEF

Gazprom ups FSU sales

Gazprom increased gas exports to FSU countries by 20pc on the year to 8.04bn m³ in the third quarter. Strong sales in July-September lifted exports to 25.54bn m³ in the first nine months of this year, an increase of nearly 2pc against the same period a year earlier (*see table*). Kazakhstan and Latvia have significantly upped their imports from Gazprom this year, but Azerbaijan halted purchases of Russian gas — it received 800mn m³ in January-September 2018. Latvia usually stops imports from Russia in winter, when it relies on its stocks — which also help to meet demand in Lithuania and Estonia. Gazprom sales to Ukraine are to the separatist-controlled Donetsk and Luhansk regions in the east of the country — Ukrainian state-owned Naftogaz has not bought Russian gas since November 2015.

Gazprom FSU sales		*bn m³*
	Jan-Sep	±% Jan-Sep 18
Belarus	14.5	1.2
Kazakhstan	2.8	19.9
Moldova	2.0	0.3
Ukraine*	1.8	1.5
Armenia	1.6	13.8
Latvia	1.5	48.6
Lithuania	0.8	-9.2
Estonia	0.2	-24.3
Kyrgyzstan	0.2	-4.8
Georgia	0.1	160.0
South Osetia	0.0	8.7
Azerbaijan	0.0	-100.0
Total	25.5	1.8

**to separatist-controlled Donetsk and Luhansk regions*

Gazprom domestic sales fall

Gazprom sold just over 183.7bn m³ of gas in Russia in January-September — 0.4pc less than a year earlier. The company sells at a regulated price on the domestic market through subsidiary Gazprom Mezhregiongaz. But Gazprom sells at an unregulated price on the St Petersburg International Mercantile Exchange (Spimex), allowing it to compete with other Russian producers offering gas on the exchange — Rosneft and independent Novatek, its main competitors, can undercut Gazprom’s regulated price for Russian industrial consumers by 10-15pc. But Gazprom’s Spimex sales of 8.31bn m³ in January-September were down by 17pc on the year — continuing a steady decline since 2017. The Russian government recently authorised a 7.5bn m³/yr increase to 25bn m³/yr for Gazprom’s allocation for sales through the exchange.

Spimex gas sales				*bn m³*
Contract	Gazprom		Other	
	Jan-Sep	Jan -Sep 18	Jan-Sep	Jan -Sep 18
Month-ahead	6.73	8.59	1.18	2.06
Day-ahead	1.58	1.37	0.24	0.28
Total	8.31	9.96	1.42	2.35

— Gazprom

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EXPORTS AND TRADE

Arctic crude supplies slip

Exports of Russian crude and condensate from the Arctic region, outside the Transneft pipeline system, fell by 4.6pc on the month to 384,500 b/d (1.61mn t) in October. The seasonal halt to loadings of Lukoil's Sandibinskaya grade and lower condensate shipments were behind the drop.

Gazpromneft upped exports from the *Umba* floating storage tanker by more than 4pc to 214,000 b/d (916,500t) last month — but shipments remained lower than usual, despite the completion of September maintenance at the offshore 511mn bl Prirazlomnoye field. Novy Port Light from the onshore 1.8bn bl Novoportovskoye field and Prirazlomnoye's Arco crude are loaded through the *Umba* — moored in Kola bay, near the Barents Sea port of Murmansk — but Gazpromneft does not provide a breakdown of exports by grade.

Russian state-controlled shipowner Sovcomflot's 42,000t *Mikhail Lazarev* started shipping Novoportovskoye crude at the start of October — the ninth tanker involved in transport from the field, alongside *Shturman Albanov*, *Shturman Koshelev*, *Shturman Malygin*, *Shturman Ovtsyn*, *Shturman Skuratov*, *Shturman Sherbinin*, *Ice Condor* and *Ice Eagle*.

Lukoil increased exports of Varandey Blend from the *Kola* floating storage tanker in Kola bay by 6.4pc on the month to almost 150,000 b/d (616,500t). Destinations for the grade included the German North Sea port of Wilhelmshaven — the first delivery in two months. Exports of Sandibinskaya crude from the Gulf of Ob are only during the summer navigation season — Sandibinskaya accumulated on the *Kola* in August-September was exported in early September.

Arctic condensate exports fell by 41pc on the month to 21,000 b/d (80,000t) in October, following the suspension of shipments by metals and mining firm Nornickel. It plans to load about 25,000t by the end of this year, taking 2019 exports to about 85,300t — 11pc less than in 2018.

Condensate supplies from the Novatek-led Yamal LNG consortium fell by a third to 21,000 b/d (80,000t) last month — including 40,000t transferred from the *Yuriy Kuchiev* to Novatek's *Sabetta*, off Southwold on the UK east coast, data from oil analytics company Vortexa show. The *Boris Sokolov* is expected to supply a similar sized cargo to the *Sabetta* this month, but its destination is not known.

Condensate supplies *'000t*

	Oct	Sep
Yamal LNG	80	119
Netherlands	40	0
MET	40	0
Norway, Slovag	0	40
Singapore	0	79
na	40	0
Nornickel	0	12
Finland, Porvoo	0	12
Total	**80**	**131**

Arctic exports outside Transneft system *'000t*

	Oct	±% Sep	Jan-Oct	±% Jan-Oct 18
Varandey Blend	616.5	6.4	6,235.3	6.4
From Varandey*	620.6	8.9	6,000.6	3.9
From the *Umba*	916.5	4.1	9,039.4	6.2
Novy Port Light*	662.8	-1.1	6,467.5	12.8
Arco*	342.0	20.6	2,599.5	1.3
Sandibinskaya	0.0	-100.0	89.6	-2.7
Kolguev	0.0	-	20.0	-0.5
Total crude†	**1,533.0**	**-1.1**	**15,384.3**	**6.2**
Nornickel	0.0	-100.0	76.3	14.4
Yamal LNG	80.0	-34.8	1,015.4	85.6
Total condensate	**80.0**	**-40.9**	**1,091.7**	**77.9**
Grand total	**1,613.0**	**-4.6**	**16,476.0**	**9.4**
Total, '000 b/d	*385.0*	*-4.6*	*401.1*	*9.4*

*Comparisons based on daily average exports *supplies direct from the fields †including exports not through Umba*

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EXPORTS AND TRADE

Primorsk loadings, Dec		'000t
Date	Exporter	Vol.
01-02	Surgutneftegaz	100
01-02	Rosneft	100
02-03	Surgutneftegaz	100
03-04	Lukoil	100
04-05	Rosneft	100
04-05	Rosneft	100
05-06	Gazpromneft	100
06-07	Rosneft	100
07-08	Lukoil	100
08-09	Surgutneftegaz	100
09-10	Rusvietpetro 74.6, Zarubezhneft 25.4	100
09-10	Rosneft	100
Total		**1,200**
Total, '000 b/d		*864*

Ust-Luga loadings, Dec		'000t
Date	Exporter	Vol.
02-03	Rosneft	100
03-04	Kazakh producers	100
Total		**200**
Total, '000 b/d		*180*

Novorossiysk loadings, Dec		'000t
Date	Exporter	Vol.
02-03	Lukoil	80
03-04	Rosneft	140
05-06	Rosneft	80
07-08	Kazakh producers	80
08-09	Turkmen transit 68, top-ups 12	80*
09-10	Rosneft	140
Total		**600**
Total, '000 b/d		*432*

** Siberian Light*

Arco, Novy Port Light supplies			'000t
Destination	Refineries served	Oct	Sep
UK		300	200
Immingham	Lindsey	200	100
Finnart	Grangemouth	100	100
Germany		100	100
Wilhelmshaven	Gelsenkirchen and Lingen, Wesseling, Harburg	100	100
Netherlands		300	335
Rotterdam	Rotterdam (BP, ExxonMobil, Gunvor, Koch, Shell); Flushing; Gelsenkirchen; Godorf; Antwerp (Total, ExxonMobil)	300	335
Maasvlakte		100	100
MET		200	235
Finland, Porvoo	Porvoo	100	0
France		0	100
Le Havre	Total refineries in northwest France; ExxonMobil, Port Jerome	0	100
Croatia, Omisalj	Pancevo Serbia; Mol refineries in Hungary, Slovakia	100	100

Varandey Blend supplies			'000t
Destination	Refineries served	Oct	Sep
UK, Fawley	Fawley	100	100
Germany		64	0
Wilhelmshaven	Gelsenkirchen and Lingen, Wesseling, Harburg	64	0
Netherlands		236	341
Rotterdam	Rotterdam (BP, ExxonMobil, Gunvor, Koch, Shell); Flushing; Gelsenkirchen; Godorf; Antwerp (Total, ExxonMobil)	236	341
Maasvlakte		0	141
MET		36	200
Shell		100	0
Team		100	0
France		200	100
Le Havre	Total refineries in northwest France; ExxonMobil, Port Jerome	200	100

Urals exports lower in early December

Crude loadings at Russian Baltic and Black Sea ports are scheduled slightly lower on the month in early December. There are 20 cargoes planned for export on 1-10 December, compared with 24 in the same period this month.

Baltic exports are at just over 1mn b/d — against just under 1.13mn b/d in November — Primorsk loading 864,000 b/d and Ust-Luga just 180,000 b/d on 1-10 December. Crude loadings from Novorossiysk on the Black Sea are scheduled at 432,000 b/d, compared with 553,000 b/d this month. Urals accounts for just over 374,000 b/d of Novorossiysk exports on 1-10 December period, with a single 80,000t cargo of Siberian Light scheduled to load.

Tight supply continues to support Urals values, despite poor high sulphur fuel-oil margins in Europe — the grade has retained premiums to benchmark North Sea Dated in the Mediterranean market and in northwest Europe, although they have fallen from record highs hit earlier in November.

Baltic cargoes for early December loading have changed hands at premiums at or just above $1/bl, down by 20¢/bl from the record high, while 80,000t Black Sea cargoes were most recently assessed at $1.55/bl premium, down by 50¢/bl. But a tight December loading programme could provide further support. The full December export scheduled should emerge early next week.

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EXPORTS AND TRADE

Mari-el refinery exports resume

The 32,000 b/d Mari-el refinery in western Siberia is restarting processing operations and will soon resume product exports, for the first time since August, market participants say.

Pipeline operator Transneft plans to deliver 80,000t (18,800 b/d) of crude to the Mari-el refinery this month and supplies could reach 90,000t in December. All of the crude delivered until the end of 2019 will be supplied by Shell, traders say.

Mari-el is now controlled by affiliates of independent refiner Yug-Rusi, market participants say — Yug-Rusi owns the 100,000 b/d Novoshakhtinsk refinery.

Crude shipments to Mari-el were halted in late July because of former owner New Stream's financial problems — it filed for bankruptcy in May. New Stream's flagship 180,000 b/d Antipinsky refinery is now owned by a venture between state-controlled Sberbank and affiliates of Azeri state-owned Socar.

The refinery is expected to supply 9,000t of 0.5pc sulphur gasoil to the IPP terminal, at Novorossiysk port on the Black Sea, and 2,200t of naphtha to the Baltic port of Ust-Luga's Portenergo terminal this month, traders say. Around 22,800t of fuel oil and 8,600t of vacuum gasoil will be delivered to St Petersburg's PNT terminal for trading firm Horizon in November.

Total product exports from Mari-el were 506,300t in January-August and 970,700t last year. Fuel oil and naphtha were shipped mainly to Poland in January-June, according to rail freight forwarding companies.

IN BRIEF

Transneft system crude quality

Destination	Density, °API		Sulphur, %	
	Oct	± Sep	Oct	± Sep
Novorossiysk (Urals)	29.92	-0.44	1.44	0.08
Primorsk (Urals)	30.07	0.09	1.58	-0.02
Ust-Luga (Urals)	31.05	0.17	1.59	-0.03
Druzhba (Urals)	31.24	0.06	1.60	-0.02
ESPO pipeline	35.55	0.08	0.52	0.00
Kozmino (ESPO Blend)	35.49	-0.02	0.52	0.01

— Transneft

Russian oil export duty *$/t*

Product	Dec	Nov
Crude	90.5	88.3
Clean products*/base oils	27.1	26.4
Naphtha	49.7	48.5
Dirty products†	90.5	88.3
Petroleum coke	5.8	5.7
Average Urals price‡ ($/bl)	61.33	60.08

**gasoline, gasoil, jet kerosine †fuel oil, VGO*
‡15 Oct-14 Nov — finance ministry

Urals sulphur content falls

Urals was lighter and sweeter on all export routes, apart from Novorossiysk, in October, according to pipeline operator Transneft. The company completed the decontamination of excessive organic chloride in its system at the end of September, helping to boost pipeline exports from Russia to a record high last month. Sulphur content on the Druzhba system was at its lowest in recent years, while the grade was at its lightest since fourth-quarter 2012. Urals sulphur content at Novorossiysk rose slightly last month. But Black Sea Urals remained the sweetest in the Transneft system, partly because of transit shipments of low-sulphur crude from Azerbaijan and Turkmenistan through Novorossiysk.

Hungary refills crude reserves

Hungary aims to complete restocking of the country's strategic crude reserves by mid-December. Hungarian integrated oil firm Mol withdrew 246,000t (1.8mn bl) earlier this year during second-quarter disruption to Russian Urals deliveries through the Druzhba pipeline, because of problems with contaminated crude. The restocking process started in September, based on Mol's Urals supply contracts — reserves had risen to 622,000t at end-October from 519,000t at the end of August. The purchase prices are not disclosed, but the state body responsible for managing Hungary's strategic reserves says that the proceeds from the earlier sales to Mol cover the replenishment costs. Druzhba Urals supply to Mol's 160,000 b/d Szazhalombatta refinery in Hungary and its 120,000 b/d Bratislava plant in Slovakia were halted for about five weeks in April-May. As well as drawing crude from strategic reserves, Mol increased purchases of seaborne crude — delivered through the 400,000 b/d Adria pipeline from the Croatian port of Omisalj. Mol reached a compensation agreement with Urals supplier Lukoil and Druzhba operator Transneft late last month, including costs for blending contaminated crude removed from the pipeline, but it provides no further details.

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EXPORTS AND TRADE

Refinery shutdowns may boost fuel oil, VGO demand

Demand for fuel oil and vacuum gasoil (VGO) in northwest Europe could receive a boost from planned and unplanned refinery shutdowns. Most supplies of these products come from Russia, through terminals on the Baltic Sea.

Trading company Gunvor has taken one of the two crude units at its 80,000 b/d Europoort refinery in Rotterdam off line because it is "uneconomical to run" — possibly a reflection of Urals' record-high values relative to benchmark North Sea Dated crude. Urals is one of Europoort's principal crude feedstocks. The grade's premium rose by 30¢/bl on the week to $1/bl on 20 November.

And Urals' strength has been compounded by record-low margins for high-sulphur fuel oil, with RMG cif Rotterdam barges at the widest discount to Urals in 11 years at $33.70/bl on 20 November.

The crude unit shutdown at Europoort could result in increased processing of high-sulphur straight-run fuel oil as an alternative feedstock to crude. M-100 high-sulphur straight-run has become increasingly appealing to refiners, because of the widening discount to crude, some traders say. M-100's premium to high-sulphur fuel oil hit an all-time high of $65/t recently.

Shell took vacuum distillation (VDU) and catalytic reforming units off line at its 420,000 b/d Pernis refinery in the Netherlands — the largest at the Amsterdam-Rotterdam-Antwerp hub — earlier this month. Reduced VGO production during the VDU shutdown could prompt the plant to buy more VGO as a feedstock for the fluid catalytic cracker and hydrocracker, traders say.

IN BRIEF

BNK offers 'mixed residual oil'

Belarusian state-owned products exporter BNK is offering up to 96,000t (12,000 t/month) of "mixed residual oil" from the 220,000 b/d Novopolotsk refinery for export in December-July 2020. The product — similar in quality to vacuum gasoil (VGO) — is offered on a fob Baltic ports basis and will be priced against 0.5-0.6pc sulphur VGO supplied on a cif northwest Europe and fob Rotterdam basis. The tender closes on 26 November. BNK last held a tender for mixed residual oil in April, offering up to 65,000t of the product in May-December. The company is also offering 3,000 t/month of SN-150 and 1,000 t/month of SN-500 base oils from Novopolotsk for export in December-August 2020. The products will be supplied by rail, on a dap Belarusian border basis, priced against *Argus* assessments for SN-150 and SN-500 on a fob Baltic ports basis. BNK was unable to find a buyer in July for 3,000 t/month of SN-150 offered for supply in August-February 2020.

Gdansk port set for record oil throughputs

The rise in Polish seaborne crude imports following second-quarter crude contamination problems on the Druzhba pipeline system will boost oil throughputs at Gdansk port to a record high in 2019. The port had handled more than 15mn t of crude and products by mid-November, according to oil terminal operator Naftoport — already higher than the 14.9mn t of throughputs in 2018. Crude imports through Gdansk spiked in the second quarter, when Urals supply to Poland through the northern leg of the Druzhba pipeline were halted for seven weeks, Naftoport says. And Polish oil firm Grupa Lotos increased diesel imports through Gdansk in the third quarter, in an attempt to gain market share in Poland before start-up of a delayed coker at its 210,000 b/d Gdansk refinery. The unit was commissioned last month and should be operating at capacity by the end of this year, increasing diesel output by about 15pc, or 900,000 t/yr.

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IN BRIEF

Kozak puts NS 2 completion in mid-2020

Gazprom's 55bn m^3/yr Nord Stream 2 pipeline to Germany will be operational "in mid-2020", Russian deputy prime minister in charge of energy issues Dmitry Kozak said on 21 November. This is the first time that Moscow has acknowledged publicly that the project will miss its end-2019 start-up target. Energy minister Alexander Novak said only the previous day that Nord Stream 2 could be commissioned towards the of this year. But Kozak's timeframe looks much more realistic, given that laying the last substantial uncompleted part of the route, through Danish waters, cannot start until 28 November at the earliest (*see p11*). It could take 6-8 weeks, depending on weather conditions, to complete pipelaying and around three months to dry and test the pipeline, and fill it with gas. Danish energy agency DEA granted the permit allowing construction of Nord Stream 2 in Denmark's exclusive economic zone on 30 October.

Putin pledges continuing Opec co-operation

Russia will continue co-operation with Saudi Arabia and other Opec members, President Vladimir Putin says. Oil-producing countries participating in the Opec/non-Opec restraint deal have "disputes on some insignificant elements" of the agreement, but they have a common goal — "to ensure the market is balanced, acceptable for producers and consumers alike, and predictable", Putin told the Russia Calling investment forum in Moscow on 20 November. Russia "does not have a goal, as such", to be the world's largest oil producer and will not use "barbaric", environmentally damaging methods to extract oil from shale reserves, Putin said — it will focus on production optimisation and on increasing energy efficiency, he added. The rise in US crude output and exports "is filling certain niches, but not ours", according to Putin.

Shakh-Deniz production target revised

Azerbaijan's BP-led Shakh Deniz consortium plans to produce 19bn m^3 of gas this year, with production forecast to rise to 22bn m^3 next year and 24bn m^3 in 2021, state-owned Socar says. The offshore 1.2 trillion m^3 Shakh Deniz field produced 12.2bn m^3 in January-September, 53pc more than a year earlier, suggesting fourth-quarter output will more than double on the year to 6.8bn m^3. Rising production is being driven by the ramp up of phase-two development, which is scheduled to hit 16bn m^3/yr in 2022, taking overall Shakh Deniz gas output to 26bn m^3/yr. As recently as September, the Azeri energy ministry forecast Shakh Deniz production at 17.39bn m^3 this year, 19.9bn m^3 in 2020 and 23bn m^3 in 2021. Stronger than expected demand may have prompted a revision to the development plans — Azeri exports to Georgia and Turkey were up by 27pc on the year at 7.64bn m^3 in January-September, with domestic sales 52pc higher at 4.56bn m^3. BP operates Shakh Deniz with a 28.8pc holding, while Socar has 10pc.

Gazprom LNG sales fall in 3Q

Gazprom's sales of LNG dropped by 37.5pc on the year to 1bn m^3 July-September, because of "lower demand". But sales were more than 5pc higher than a year earlier in the first nine months of this year at 3.63bn m^3, driven largely by a year-on-year tripling of Gazprom's first-quarter sales. The company sells LNG through subsidiaries Gazprom Marketing and Trading Singapore, and Gazprom Global LNG. The firm's LNG portfolio comprises offtake from the Gazprom-led 9.6mn t/yr Sakhalin 2 export project in Russia's far east, supply under long-term contracts with the Novatek-led 17.44mn t/yr Yamal LNG project and the 1.2mn t/yr Kribi plant offshore Cameroon, as well as spot market purchases.

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STOCK MARKETS

Energy shares				20 Nov
Russia $	**20 Nov**	**±13 Nov**	**52 week low**	**52 week high**
Indexes				
RTS	1,448.40	+10.55	1,033.31	1,487.82
RTS Oil & Gas	261.90	-2.22	187.28	272.25
Oil & gas issuer	20 Nov	±13 Nov	52 week low	52 week high
Bashneft	30.22	+0.15	27.76	33.90
Gazprom	3.88	-0.03	2.11	3.97
Rosneft	7.05	-0.09	5.86	7.03
Lukoil Holding	95.28	+1.27	67.80	92.20
Novatek	20.43	-0.56	16.40	21.64
Gazpromneft	6.63	+0.113	4.82	6.76
Surgutneft.	0.73	-0.01	0.37	0.77
Surgutneft. pref	0.59	-0.00	0.48	0.70
Tatneft	11.90	-0.11	na	na
Transneft pref	2,731	+13.92	2,195	2,723
Utilities				
Mosenergo	0.037	0.001	0.025	0.038
ADRs and GDRs				
Gazprom	7.78	-0.03	4.28	8.50
Lukoil	95.24	+0.78	68.40	97.24
Mosenergo €	1.56	-0.08	1.00	1.85
Novatek	205.40	-4.60	163.00	219.80
Mol	na	na	na	na
Central & Eastern Europe (local currency)				
Hungary				
Mol	3,006	-10.00	2,800	3,398
Latvia				
Latvijas Gaze	9.80	-0.20	9.80	10.60
Lithuania				
Klaipedos Nafta	0.37	-0.003	0.36	0.46
Poland				
PKN	96.80	-5.65	85.90	114.35
Grupa Lotos	87.72	-6.08	71.04	99.60
Romania				
Rompetrol	0.048	nc	0.043	0.052
Slovakia				
Slovnaft	90.50	nc	81.00	118.00
Slovenia				
Petrol	353.00	+1.00	302.00	362.00
Independent E&P companies (UK pence)				
JKX	27.10	-1.50	26.40	65.50
Urals Energy	na	na	na	na

Gazpromneft profit falls with oil prices

Profit for **Gazpromneft**, Russia's third-largest oil producer, dropped by around 20pc on the year in the third quarter, hit by lower crude prices.

Gazpromneft's profit of Rbs105bn ($1.65bn) in July-September was down against the Rbs132bn recorded in third-quarter 2018, as the average price of Urals fell by nearly 18pc to around $61/bl over the same period. Lower oil prices more than offset the positive effects of higher output and tax breaks for production from certain fields — such as Arctic offshore 511mn bl Prirazlomnoye.

Oil and gas output was around 3pc higher than a year earlier at 1.98mn b/d of oil equivalent (boe/d) in the third quarter, driven by a 6pc increase in gas production. Crude and condensate output was largely unchanged at 1.35mn b/d in July-September and Gazpromneft expects production to remain broadly stable next year, considering the need for restraint under the Opec/non-Opec agreement until the end of March — and possibly longer if the deal is extended again. But there is the potential for a 1pc rise in oil output if Russian producers' quotas remain unchanged, the company says.

Gazpromneft refinery throughputs were down by 1pc compared with third-quarter 2018 to 11.09mn t (880,000 b/d) in July-September. Upgrades at the firm's Russian refineries are in progress — the addition of a deep processing complex at the 430,000 b/d Omsk refinery is under way and the Euro Plus complex at the 240,000 b/d Moscow plant should be completed next year.

Brokerage Aton views Gazpromneft's results as neutral, but it draws attention to the company's potential 2019 dividend payout, which could be at around a 5pc premium to the dividends of other Russian oil companies, it says. Gazpromneft financial director Alexei Yankevich says the dividend for 2019 will probably exceed Rbs200bn, which suggests a yield of 10pc.

Bank Uralsib notes that the 1.9pc quarter-on-quarter fall in Gazpromneft's earnings before interest, tax, depreciation and amortisation (ebitda) was less sharp than the decline in oil prices over the same period. Ebitda was down by 19pc on the year to Rbs186bn, although this was around 13pc above market forecasts. Uralsib maintains a hold rating on Gazpromneft stock, which rose by 1.7pc on the week to close at $6.63/share on 20 November.

Challenging times for Nostrum

Kazakh producer **Nostrum Oil and Gas** reported a nearly 72pc year-on-year drop in profit to $3.5mn in January-September, with revenue almost 20pc lower at $250.3mn and ebitda down by nearly 16pc at $158.3mn. Nostrum chief executive Kai-Uwe Kessel describes the first nine months of 2019 as "very challenging". Faster-than-expected declines at its key producing field prompted Nostrum to cut sales guidance for 2019 by 1,000 boe/d to 27,000 boe/d.

Bank VTB suggests that the firm may have to launch a new well if it is to meet its 2019 production target of 29,000 b/d — guidance for 2020 was not provided. Nostrum's London-listed shares gained about 17pc on the week, despite its disappointing results, to close at around 29¢/share.

Currency exchange rates (per $)					20 Nov
Central and eastern Europe					
Bulgarian lev	1.77	Romanian leu	4.32	Georgian lari	2.97
Croatian kuna	6.72	**Former Soviet Union**		Kazakh tenge	387.16
Czech koruna	23.07	Russian rouble	63.77	Turkmen manat	3.51
Hungarian forint	300.90	Azeri manat	1.70	Ukrainian hryvnia	24.17
Polish zloty	3.88	Belarusian rouble	2.0457	Uzbek som	9,500.00

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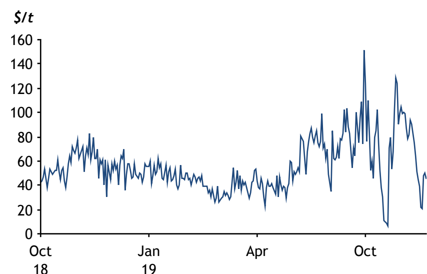
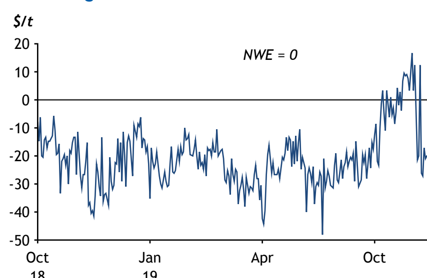
PRODUCTS MARKETS

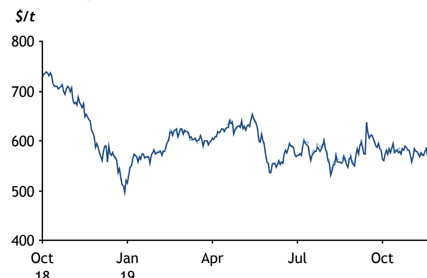
HSFO: 180cst Singapore diff to 3.5% NWE



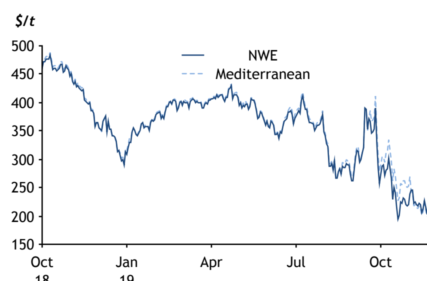
Heating oil: New York Harbor vs NWE



Heating oil: cif NWE/Mediterranean



Russian HSFO cif NWE/Mediterranean



Freight Rates		20 Nov
	WS	$/t
Black Sea-Mediterranean		
Clean 30,000*t*	222.5	22.01
Dirty 30,000*t*	320.0	28.83
Baltic-UKC		
Clean 30,000*t*	160.0	14.77
Dirty 30,000*t*	265.0	24.80

Fuel oil discounts deepen

- High-sulphur fuel oil margins fell further, as Asia-Pacific demand continued dropping away. Diesel values in northwest Europe came under pressure from rising supply from FSU terminals.

- There were no reported bookings for Russian high-sulphur fuel oil shipments to Asia-Pacific this week, with the market continuing to shrink as demand dries up before the introduction of a 0.5pc sulphur cap on marine fuels in January. RMG barges cif discount to Urals crude widened by $2.26/bl on the week to $33.70/bl on 20 November — a new 11-year low.

- BP booked a handful of tankers to load 370,000t of high-sulphur straight-run fuel oil at Baltic ports for the US Gulf coast on 23-29 November. M-100 high-sulphur straight run has retained its record-high $65/t premium to high-sulphur cracked fuel oil, as increasingly wide high-sulphur fuel oil discounts to crude make M-100 an appealing alternative feedstock.

- Baltic ports will load 306,000t of diesel for northwest Europe on 22 November-1 December, while 120,000t of gasoil was booked for shipment to the Mediterranean region from the Black Sea on 22-25 November. French diesel's premium to benchmark North Sea Dated crude fell by $2.07/bl on the week to $14/bl.

- Around 237,000t of Russian naphtha was booked this week to load on 25 November-10 December, up from 140,000t booked last week. Black Sea loadings account for 170,000t of the total, with trading company Trafigura chartering tankers for the long-haul voyage to Asia-Pacific. Naphtha's discounts to North Sea Dated widened by 5¢/bl to $3.82/bl.

Product prices				20 Nov
		$/t		±13 Nov
NW Europe (cif)				
Heating oil	570.00	-	571.00	-1.50
Diesel	578.75	-	579.75	-3.75
Fuel oil 3.5% sulphur	201.75	-	205.75	-2.50
Gasoline 95R unleaded	595.75	-	596.25	+11.25
Naphtha 65 para	533.50	-	534.50	+13.50
Jet	613.00	-	614.00	-4.25
VGO 1.6% sulphur	446.75	-	450.25	-7.88
West Mediterranean (cif)				
Heating oil	575.25	-	576.25	+2.50
Fuel oil 3.5% sulphur	196.75	-	200.75	-2.50
Gasoline 95R unleaded	618.50	-	619.00	+22.75
Naphtha 65 para	521.00	-	522.00	+11.25
Rotterdam barges (fob)				
Heating oil	561.75	-	562.25	+1.50
Fuel oil 3.5% sulphur	198.75	-	202.75	-2.50
VGO 1.6% sulphur	440.00	-	443.25	-7.88
Futures				
Ice gasoil	Dec		573.75	-1.50

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CRUDE MARKETS

BTC Blend eases back from highs

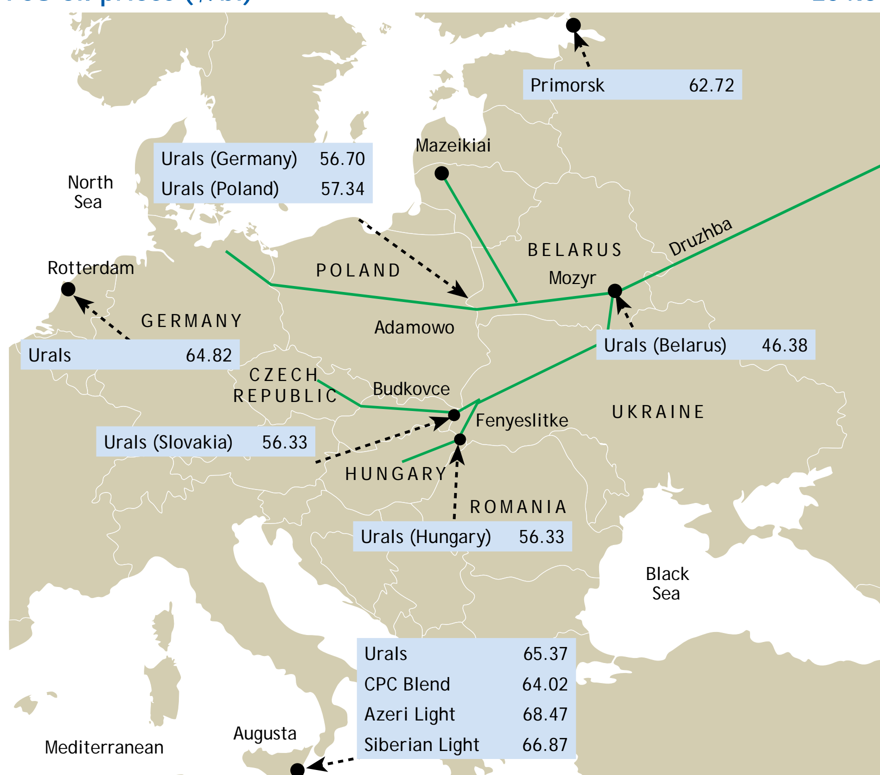
• Caspian BTC Blend's premium to benchmark North Sea Dated crude fell, but the grade remains supported by steady demand for low-sulphur, middle distillate-rich crude. Caspian CPC Blend moved to a slightly higher premium alongside Baltic Urals, but Black Sea Urals lost ground against the benchmark. North Sea Dated rose by $1.57/bl on the week to $63.82/bl on 20 November.

• Light sweet BTC Blend loading in the second half of December changed hands at firm $5.80/bl premiums, just off the record-high $5.95/bl hit last week. But more-prompt supply was on offer at lower premiums — Norwegian state-controlled Equinor unsuccessfully offered a cross-month 650,000 bl cargo at $4.90/bl premium, for loading on 30 November-4 December.

• Light sour CPC Blend gained 15¢/bl against North Sea Dated, its premium rising to 20¢/bl with support from steady demand in Asia-Pacific, despite a record-high December loading programme. Spain's Repsol picked up a cargo at a 20¢/bl premium for loading on 18-20 December. As many as five 135,000t cargoes could be heading east of Suez next month, according to shipping reports. UK-Chinese refiner Petroineos is moving a 135,000t cargo loading on 25-26 December to a buyer on India's west coast on the *Aleksey Kosygin*.

• Urals edged 20¢/bl higher in northwest Europe, with early December cargoes changing hands at or just above a $1.05/bl premium to the benchmark. Tight availability next month is expected to bolster Baltic values further — a combined 1mn b/d will load from Primorsk and Ust-Luga in the first 10 days of December, compared with 1.13mn b/d scheduled this month.

FSU oil prices (*$/bl*) 20 Nov



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CRUDE MARKETS

Crude prices				20 Nov
NW Europe	$/bl		±13 Nov	± N Sea Dated
North Sea Dated	63.79	63.85	+1.57	–
Urals (cif)	64.79	64.85	+1.87	+1.00
Urals Primorsk (fob netback)	62.69	62.75	+1.14	-1.10
Mediterranean				
Urals 80kt (cif)	65.34	65.40	+1.12	+1.55
Urals 135kt (cif)	65.09	65.15	+1.12	+1.30
Urals 80kt Novo (fob netback)	62.12	62.18	+0.20	-1.67
Urals 135kt Novo (fob netback)	63.20	63.26	+0.85	-0.59
Siberian Light (cif)	66.84	66.90	+1.57	+3.05
CPC blend (cif)	63.99	64.05	+1.72	+0.20
CPC Terminal (fob netback)	62.31	62.37	+1.44	-1.48
Azeri Light (cif)	68.44	68.50	+1.02	+4.65
BTC (cif)	69.19	69.25	+1.02	+5.40
BTC Ceyhan (fob netback)	67.34	67.40	+0.35	+3.55
Tengiz (cif)	64.09	64.15	+1.72	+0.30
Kirkuk (fob)	60.59	60.65	+1.87	-3.20
Saharan Blend (fob)	64.94	65.00	+1.72	+1.15

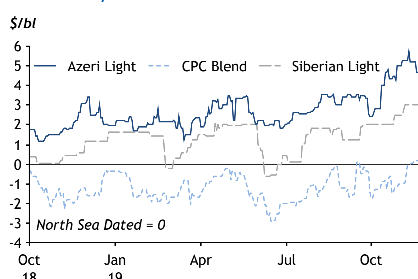
Druzhba monthly prices	Oct-2019		± N Sea Dated*	
			Low	High
Slovakia	56.08	56.58	-3.65	-3.15
Hungary	56.08	56.58	-3.65	-3.15
Poland	57.14	57.54	-2.59	-2.19
Germany	55.88	57.52	-3.85	-2.21
*monthly average				
			±13 Nov	± N Sea Dated
Belarus	46.35	46.41	nc	-17.44

Far East				±Dubai swaps
ESPO Blend	64.95	65.05	-1.92	+7.69
Sokol (cif)	65.66	65.76	-1.80	+8.40
Sakhalin Blend (fob)	63.76	63.86	-1.25	+6.50

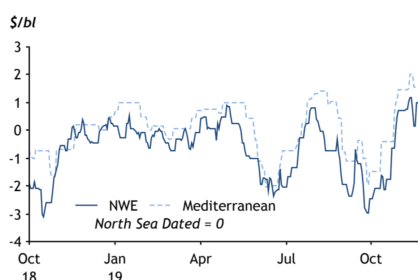
CIF basis Singapore				± N Sea Dated
BTC Blend	71.97	72.03	+0.65	+8.18
Urals (Black Sea)	68.04	68.10	+1.16	+4.25

Futures				
Ice Brent	Jan	62.40	+0.03	–

Azeri Lt, CPC Blend & Sib Lt vs Dated



Ural differentials to North Sea Dated



Freight Rates		20 Nov
Black Sea-Mediterranean	WS	$/t
Crude 135,000*t*	137.5	12.21
Crude 80,000*t*	225.0	19.98
Primorsk to UKC		
Crude 100,000*t*	160.0	14.91
Mediterranean/Black Sea-Far East		
Crude 135,000*t* (lump sum)	4,700,000	34.81

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FSU PRODUCT EXPORTS

FSU product exports, Oct												*'000t*
	Fuel oil				Gasoil/Diesel/Heating oil				Naphtha			
	Oct	±% Sep	YTD	±% YTD 18	Oct	±% Sep	YTD	±% YTD 18	Oct	±% Sep	YTD	±% YTD 18
Baltic and northern ports	2,824	0.5	26,776	0.1	2,214	25.8	19,866	-11.3	1,091	7.7	10,069	-8.0
Arkhangelsk												
Baltiysk												
Kaliningrad (Svetly)					75	-3.2	268	-57.8				
Klaipeda	173	7.3	2,181	-24.3	0	nc	249	-53.6				
Liepaja												
Murmansk	0	nc	20	na					0	nc	180	-76.9
Primorsk					1,104	39.8	11,083	-11.9				
Riga	2	-95.8	541	20.8	11	-55.6	264	3.5	0	-100.0	49	-73.4
Sillamae†	186	-6.3	1,832	36.1								
St Petersburg†	274	-34.8	2,853	-8.8	268	0.5	2,210	-0.5				
Tallinn*	23	271.0	1,366	-32.4	0	-100.0	52	-37.3	0	nc	56	75.0
Ust-Luga	1,697	20.8	13,311	3.7	40	-5.6	473	-15.1	916	8.4	8,098	2.1
Ventspils	88	-32.9	1,004	-36.6	299	8.4	2,267	-14.9	30	-21.5	225	-32.6
Vysotsk	381	-13.0	3,668	46.3	417	60.1	3,000	5.1	145	17.9	1,461	-8.3
Black Sea total	1,659	-11.9	16,533	-0.1	1,438	-14.7	15,345	-1.6	697	31.2	6,367	17.4
Batumi	10	na	76	8.6								
Chernomorsk (Ilichevsk)	0	nc	10	-98.7	0	nc	13	na				
Kavkaz	0	nc	33	-57.7	0	nc	28	-91.9	0	nc	119	21.4
Kerch strait‡	795	-4.5	5,396	92.0	72	-11.8	353	-72.4	24	287.1	516	507.1
Kulevi	30	na	106	-10.9	0	-100.0	356	-3.3				
Nikolaev	0	nc	5	-99.5								
Novorossiysk	117	-58.1	2,854	-15.6	817	-27.1	9,825	17.7	382	213.3	2,764	55.5
Odessa	0	-100.0	142	-27.9	0	nc	30	na				
Pivdenne (Yuzhny)					0	nc	5	25.0				
Sevastopol												
Taganrog	0	-100.0	142	140.7								
Taman	320	41.4	4,127	22.1	101	291.0	755	-5.3	51	na	51	-61.4
Tuapse	387	-23.3	3,642	-9.3	448	6.5	3,980	-9.9	240	-40.4	2,917	-11.6
Overland	0	-100.0	356	-5.3	72	-35.5	895	12.2	54	-47.2	1,008	98.4
China												
Finland									27	-44.4	410	-3.1
Hungary												
Moldova												
Mongolia	0	-100.0	2	100.0	72	-35.5	892	13.6	1	na	6	-78.6
Poland	0	nc	354	-5.6	0	nc	3	50.0	26	-51.6	592	938.6
Romania												
Slovakia												
Pacific total	194	15.2	796	63.8	211	5.8	2,202	-17.2	107	16.3	829	-17.7
Nakhodka	194	55.2	635	44.6	174	0.8	1,598	-23.5	0	-100.0	212	-17.2
Slavyanka					37	37.7	577	9.1				
Vanino	0	-100.0	161	242.6	0	nc	27	-32.5	8	na	29	-54.0
Vladivostok												
Vostochny									99	52.1	588	-14.5
Total Russia	4,677	-3.8	44,461	0.7	3,935	4.7	38,308	-7.6	1,949	12.1	18,273	2.2

**includes loadings from Alexela Paldiski terminal †includes product supplied by river ‡ loadings from floating storage (product supplied by river)*

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FSU PRODUCT EXPORTS

FSU product exports, Oct												'000t
	VGO				Gasoline				Jet-kerosine			
	Oct	±% Sep	YTD	±% YTD 18	Oct	±% Sep	YTD	±% YTD 18	Oct	±% Sep	YTD	±% YTD 18
Baltic and northern ports	**467**	**-1.3**	**4,396**	**-22.9**	**586**	**-16.8**	**7,142**	**-0.3**	**166**	**37.3**	**1,617**	**13.9**
Arkhangelsk					75	48.1	682	49.6	0	-100.0	285	41.1
Baltiysk												
Kaliningrad (Svetly)					28	na	159	na				
Klaipeda	0	nc	92	217.2	95	-18.6	1,612	13.4	0	nc	15	na
Liepaja												
Murmansk	0	-100.0	609	-61.1								
Primorsk												
Riga	44	-7.4	389	-29.1	12	na	49	-81.7	0	nc	9	na
Sillamae†	45	-63.4	579	-13.3								
St Petersburg†	95	196.6	870	150.0					45	45.2	356	34.8
Tallinn*	44	85.1	266	-69.2	122	9.3	1,270	-8.8				
Ust-Luga	44	-63.9	633	8.8	161	139.7	449	-59.2	121	74.8	952	8.6
Ventspils					93	-71.6	2,861	22.2				
Vysotsk	195	102.9	958	-12.3	0	-100.0	60	-62.7				
Black Sea total	**800**	**156.4**	**5,209**	**-0.6**	**41**	**-59.9**	**564**	**344.1**				
Batumi												
Chernomorsk (Ilichevsk)												
Kavkaz					0	-100.0	130	34.0				
Kerch strait‡	230	112.0	1,480	11.5	0	nc	6	-80.0				
Kulevi												
Nikolaev												
Novorossiysk	193	227.7	1,133	17.0								
Odessa												
Pivdenne (Yuzhny)												
Sevastopol												
Taganrog												
Taman	194	na	1,469	18.8	41	-52.2	428	na				
Tuapse	183	26.5	1,127	-18.2								
Overland	**0**	**nc**	**5**	**-75.0**	**32**	**-20.6**	**398**	**11.8**	**6**	**-58.5**	**62**	**-45.6**
China												
Finland	0	nc	5	na					0	nc	1	na
Hungary												
Moldova									0	nc	2	-89.5
Mongolia					32	-20.6	385	8.1	6	-58.5	59	-37.9
Poland					0	nc	13	na				
Romania												
Slovakia												
Pacific total	**247**	**8.7**	**1,668**	**12.6**	**0**	**-100.0**	**20**	**-55.6**				
Nakhodka	0	nc	43	na								
Slavyanka	80	9.0	532	37.1								
Vanino	167	8.5	1,093	0.0								
Vladivostok												
Vostochny					0	-100.0	20	-55.6				
Total Russia	**1,514**	**49.5**	**11,278**	**-9.3**	**659**	**-22.7**	**8,124**	**5.6**	**172**	**27.1**	**1,679**	**9.5**
All products	***12,906***	***4.4***	***122,123***	***-2.4***								

**includes loadings from Alexela Paldiski terminal †includes product supplied by river †† loadings from floating storage (product supplied by river)*

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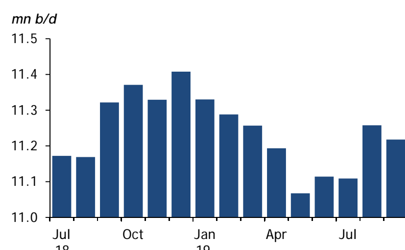
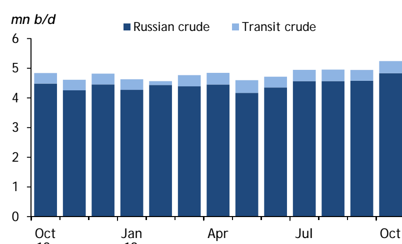
NETBACKS

Russian oil production



Russian pipeline crude exports



Russian crude netbacks (*$/bl*)				20 Nov
	Primorsk	Ust-Luga	Novorossiysk (Urals)	Novorossiysk (Sib Light)
Urals cif	**64.82**	**64.82**	**65.37**	**66.87**
Freight	1.94	1.94	2.50	2.44
Insurance	0.02	0.02	0.02	0.02
Demurrage and navigation dues	0.14	0.14	0.70	0.68
Urals fob/daf	62.72	62.72	62.15	63.73
Port loading	0.33	0.39	0.44	0.43
Export duty	12.29	12.23	12.28	11.95
Transit through Belarus	–	–	–	–
Transit through Ukraine	–	–	–	–
Nizhnevartovsk				
Tariff through Russia	4.83	4.68	4.63	4.19
Netback to Nizhnevartovsk	45.27	45.42	44.80	47.16
Domestic market price, ex-VAT	39.31	39.31	39.31	39.31
Export margin	**5.96**	**6.11**	**5.49**	**7.85**
Samara				
Tariff through Russia	–	2.37	2.27	–
Netback to Samara	–	47.73	47.16	–
Domestic market price, ex-VAT	–	38.36	38.36	–
Export margin	**–**	**9.37**	**8.80**	**–**

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Registered office
Lacon House, 84 Theobald's Road,
London, WC1X 8NL
Tel: +44 20 7780 4200

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Global SVP editorial
Christopher Johnson

Editor in chief
Diane Munro

Managing editor
Andrew Bonnington

Editor
John Gawthrop
Tel: +44 20 7780 4243
fsu@argusmedia.com

Customer support and sales:
support@argusmedia.com
sales@argusmedia.com

London, UK
Tel: +44 20 7780 4200

Astana, Kazakhstan
Tel: +7 7172 72 92 94

Beijing, China Tel: +86 10 8535 7688

Dubai Tel: +971 4434 5112

Houston, US
Tel: +1 713 968 0000

Moscow, Russia Tel: +7 495 933 7571

New York, US
Tel: +1 646 376 6130

Sao Paulo, Brazil
Tel: +55 11 3235 2700

Singapore Tel: +65 6496 9966

Tokyo, Japan Tel: +81 3 3561 1805

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