

Russian NOCs

Dr. Tatiana Mitrova
Head of Oil and Gas Department
Energy Research Institute of the Russian Academy of Sciences



Paris
April 11, 2014

Russia is the key energy producing and exporting country

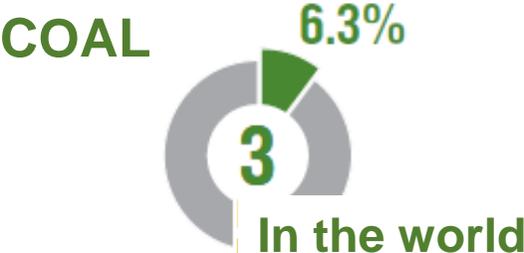
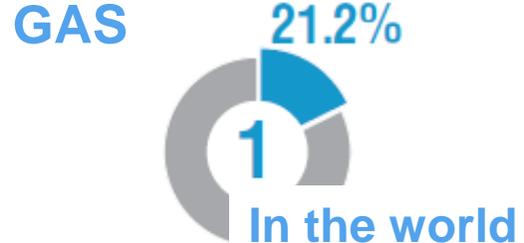
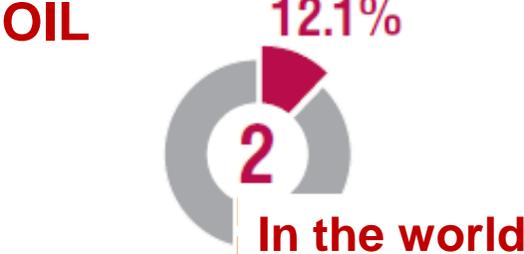
Russian share in the global primary energy export



Russian share in the global primary energy production



EXPORT



Source: Energy Ministry of the Russian Federation

Rosneft vs. Gazprom

- The largest publicly traded oil company in terms of reserves (39.4 billion barrels 1P)

- **Revenue 2012:** 3 078 bn. RUB

- **Government share:** 69.5%

- **Gas production 2012:** 16.39 bcm



- The largest company in the world in terms of gas reserves (18%) and production (14%)

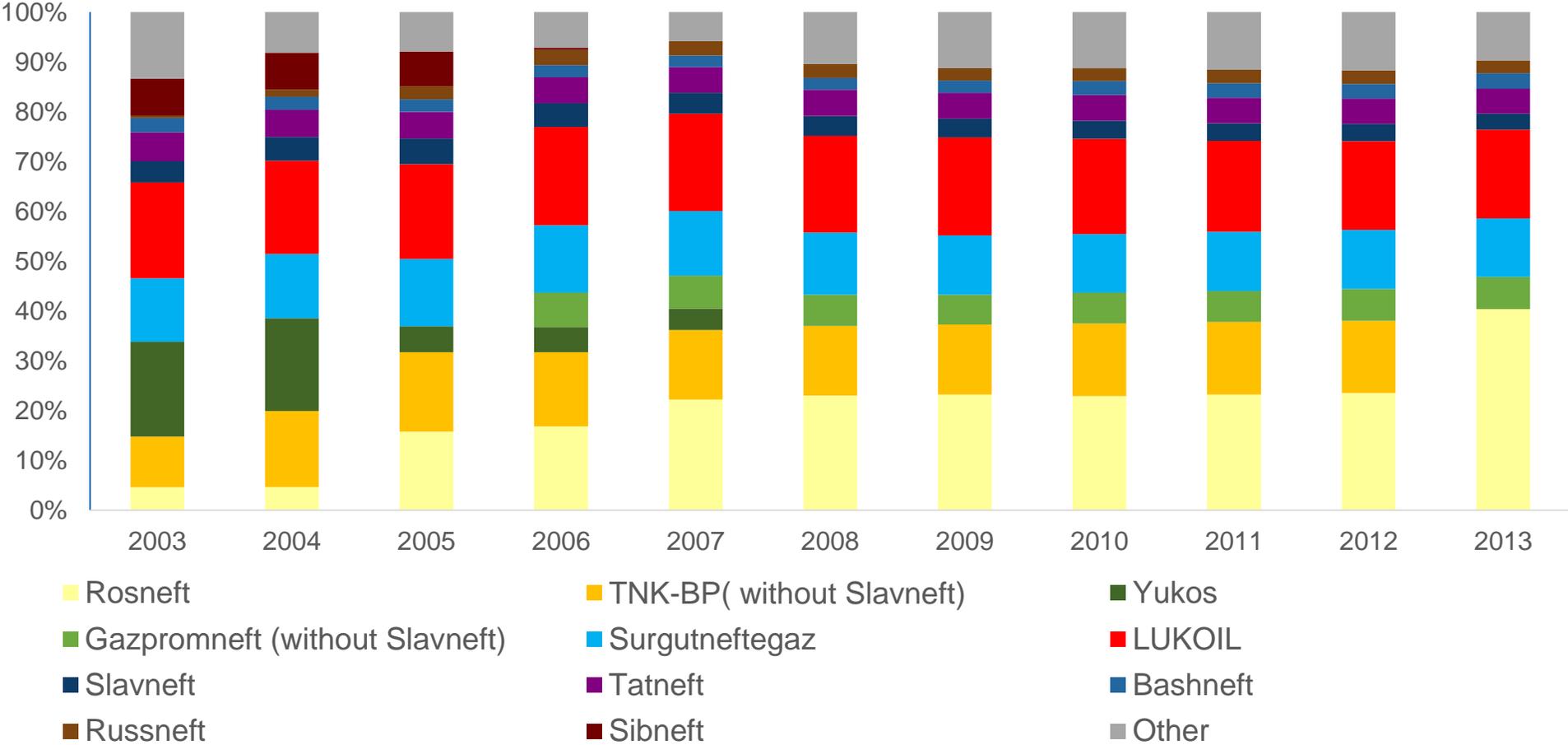
- **Revenue 2012:** 5 003 bn. RUB

- **Government share:** 50%

- **Gas production 2012:** 488 bcm

Step by step Russian oil industry is becoming more state-controlled (nearly 50% of total production)

The structure of Russian oil production by company



Sources: CDU TEK, company data, NGV

Rosneft's amazing rise

- Following its formation in 1993 Rosneft was the largest oil company in Russia, but it has got the worst assets (after all attractive assets were privatized). Its assets were the last remains of the Soviet Ministry of Oil, the second-rate bits that the emerging private companies did not want.
- By 1998 Rosneft was a minor company (just 4% of country's output), seemingly without a future – it might have disappeared completely in a planned, but ultimately aborted sales process.
- The election of Vladimir Putin as president of Russia marked a change in the company's fortune, as it became one of the core stones of the new government's strategy for the state to retake control over the economy, in particular – the energy sector.
- Through a combination of acquisitions and organic growth Rosneft reasserted itself as a major player in the Russian oil sector already by the end of 2005, and following the privatization in 2006 has gone on to become Russia's largest oil producer and largest oil company by market capitalization. Rosneft became the world's biggest publically listed oil producer by output, providing 40% of Russia's oil production.
- The rise of Rosneft has been driven just as much by internal political elite dynamics as it has by the challenges which Russia's oil industry faces, as it attempts to tap more remote fields in East Siberia and the Arctic.

Expansion of M&As

Rosneft's acquisitions, \$ bln

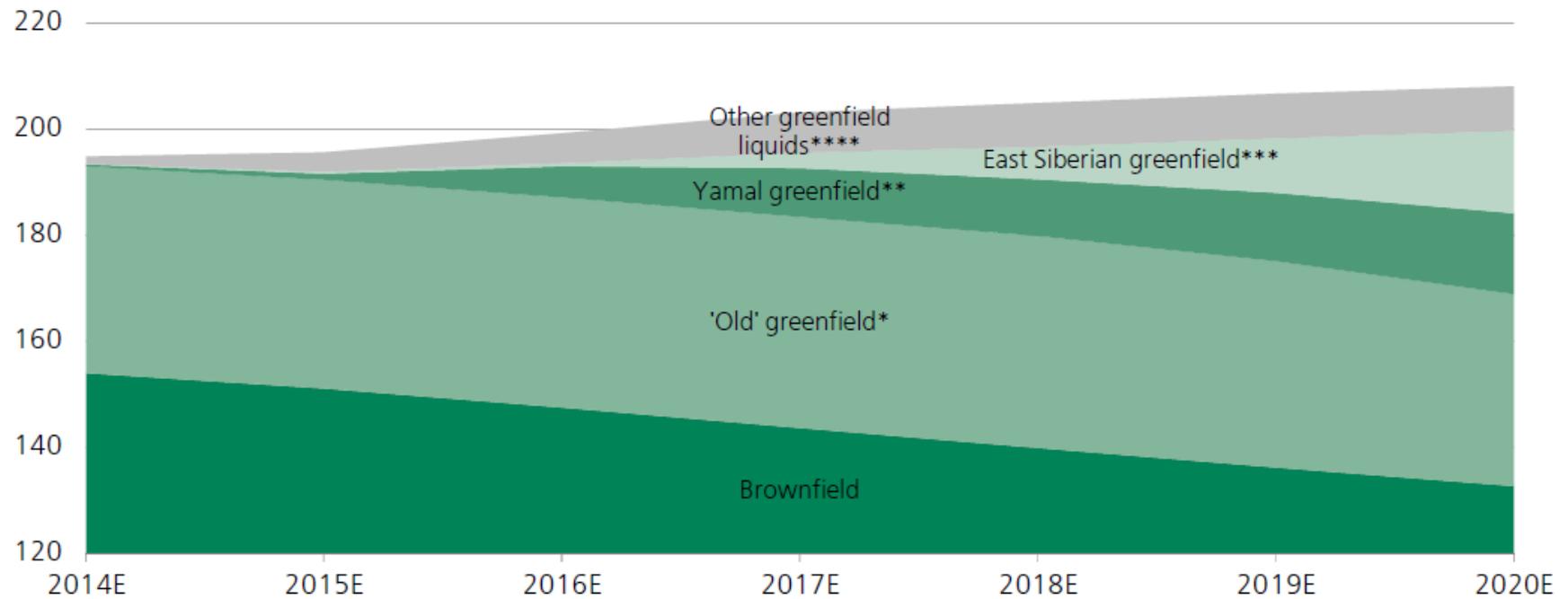
Mar '12	Taas-Yuryakh (35.3%)	0.4
Aug '12	Itera (51%)*	0.2
Jan '13	NOC Venezuela (20%)	0.2
Mar '13	TNK-BP	55.3
Jun '13	Saras (21%)	0.4
Jul '13	Itera (49%)	2.9
Sep '13	SeverEnergiya (19.6%)	1.8
Sep '13	ALROSA gas assets	1.4
Sep '13	Domodedovo Airport bid (reported)	2.3
Total confirmed, 2012-13**		62.5

* excluding the fair value of Rosneft's asset contribution (as it found its way back to Rosneft)

** excluding the Domodedovo bid

Source: Rosneft, Sberbank Investment Research

Rosneft oil production plans



* Vankor, Verkhnechonsk, Uvat

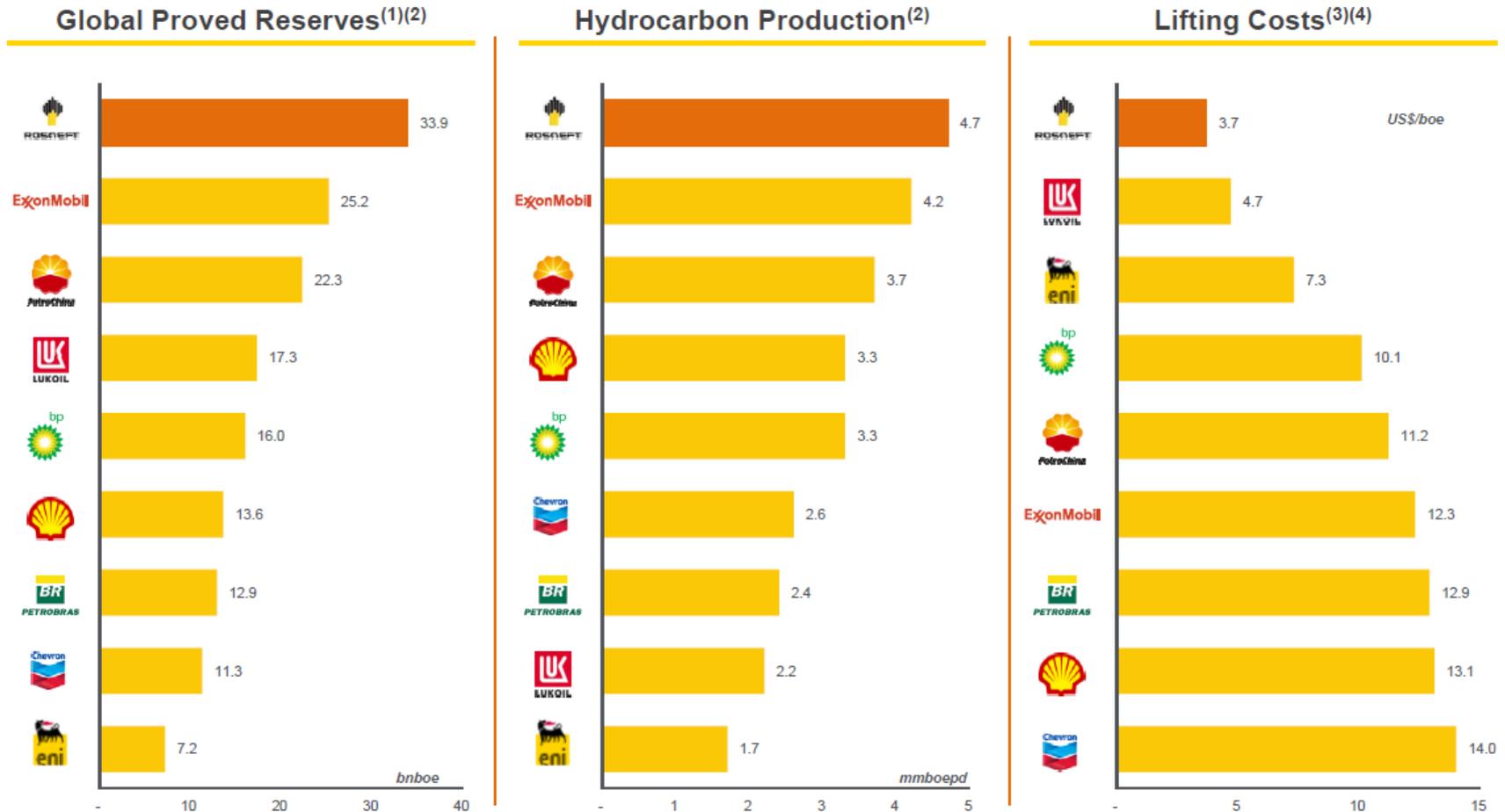
** Messoyakha (50%), Suzun, Tagul, Russkoye

*** Yurubcheno-Tokhonskoye, Taas-Yuryakh (35%), Sevastianova-Sanarsky-Lisovsky, Kuyumba (50%), Lodochnoye

**** Labaganskoye, Naulskoye, Rospan and formerly ALROSA condensate

Source: Company, Sberbank Investment Research

Rosneft's new positioning in the global market



- Notes: (1) SEC Reserves as of 31.12.2012
 (2) Rosneft data includes affiliates and TNK-BP
 (3) Includes materials and supplies, equipment maintenance and repairs, wages and salaries, activities to enhance oil recovery, procurement of fuel and lubricants, electricity etc/
 (4) Rosneft data is proforma with TNK-BP for 2012. Peers data is 2011.

Rosneft today: scale of operations

9 overlapping regions in Upstream, 11 in Downstream

Europe



Rosneft Assets

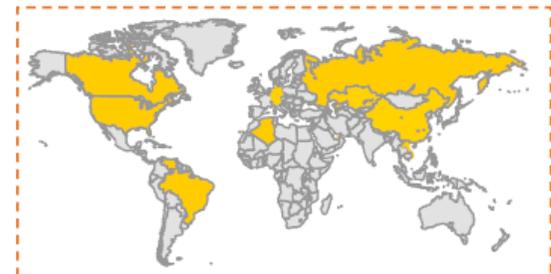
- Oil production Exploration Gas production Refineries

TNK-BP Asset

- Oil production Exploration Gas production Refineries

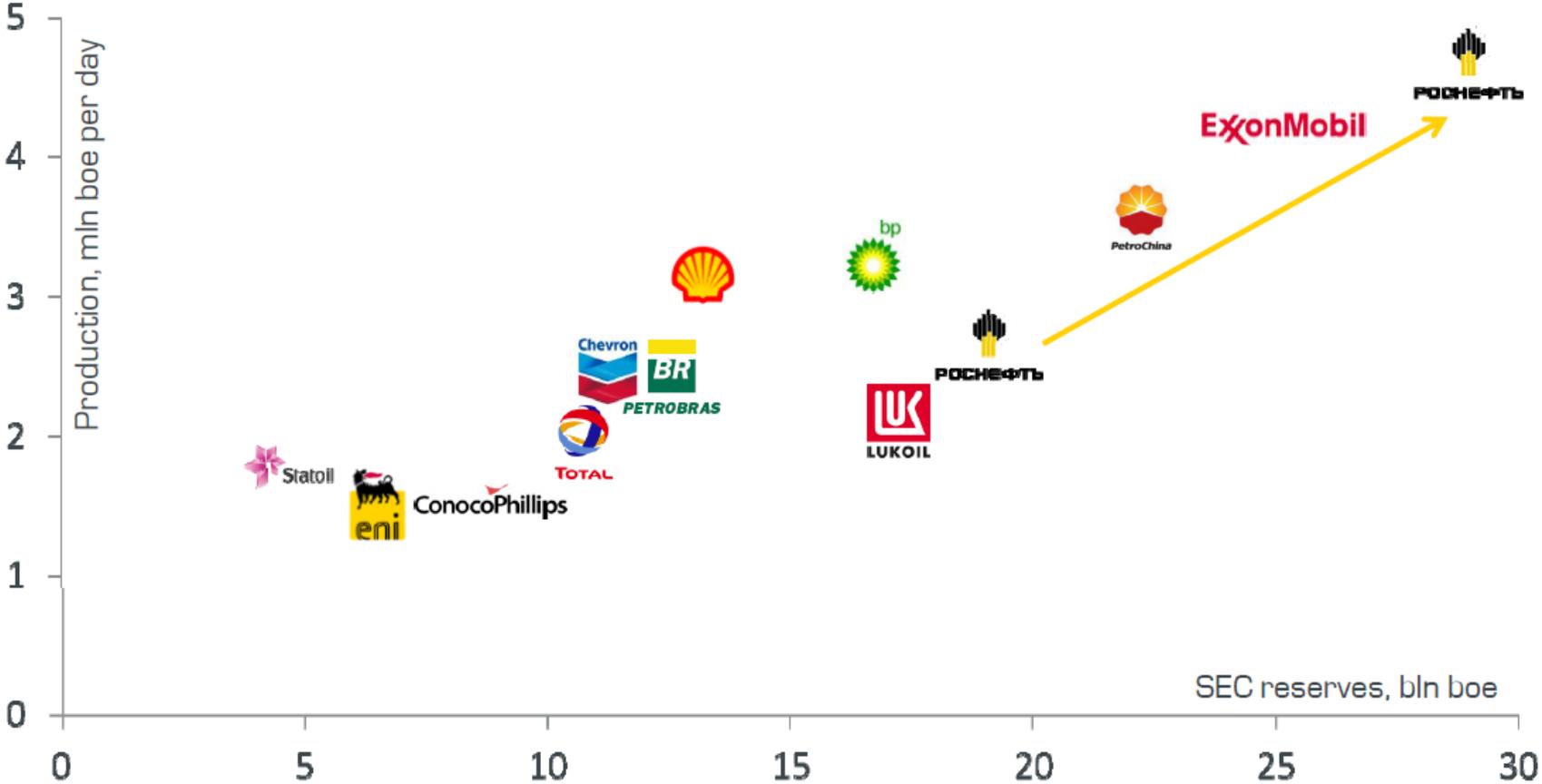
Itara Assets

- Gas production



Note: (1) Under PRMS (2) Company will also own stakes in 4 refineries in Germany, Mozyr refinery in Belarus and Lisichansky refinery in Ukraine

Rosneft's global ambitions



Source: Company data

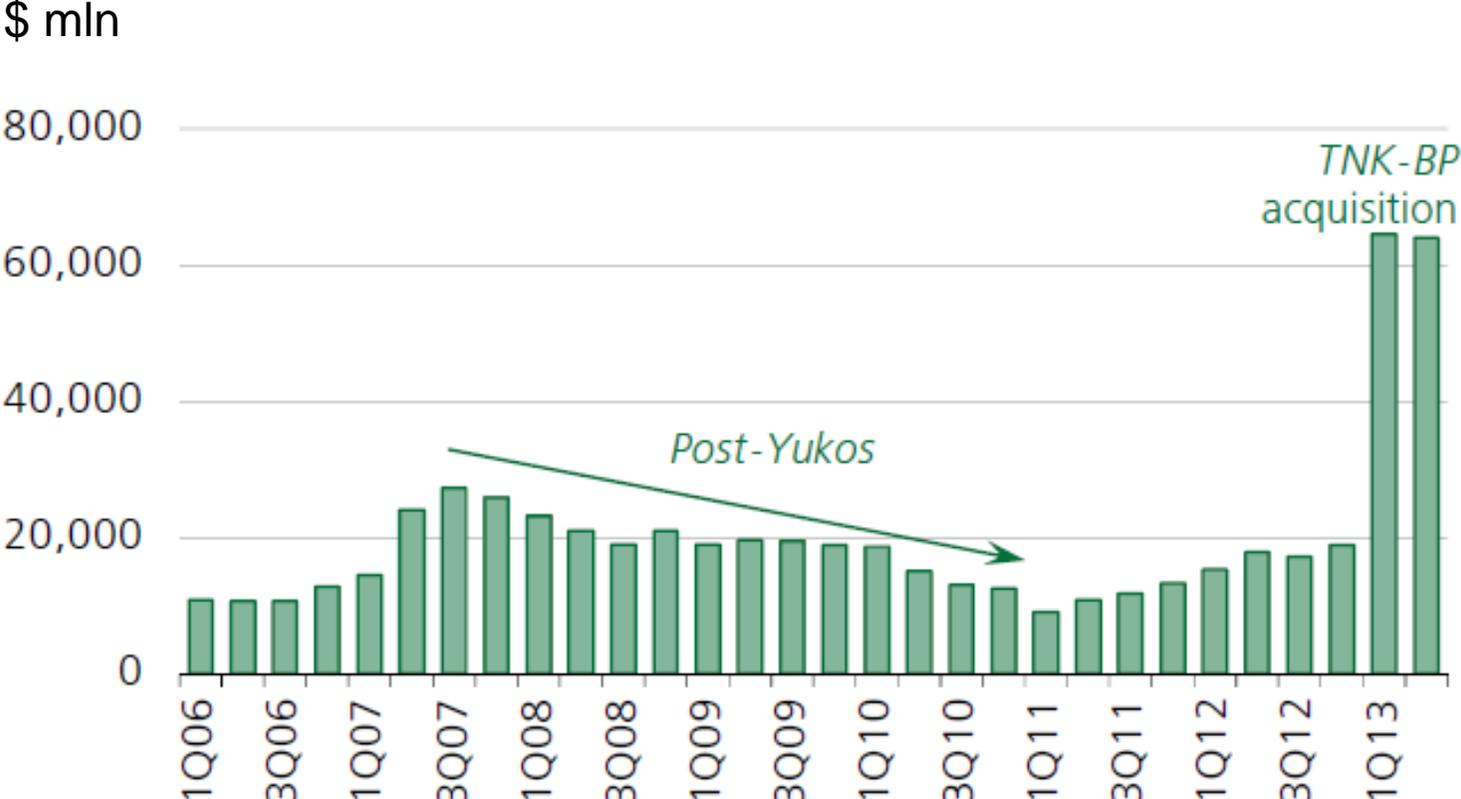
Rosneft`s strategic partnerships

	<p>Russian offshore</p> <p>Tight oil</p> <p>International projects</p>	<p>Drilling candidate chosen in the Kara Sea. Drilling to start 2014</p> <p>Pilot program accepted, finance up to USD 300 mln</p> <p>Stake in US Gulf of Mexico projects and Cardium in Canada (with limited budget)</p>
	<p>Russian offshore</p> <p>Tight oil</p> <p>Norwegian offshore</p>	<p>4 license areas in the Barents Sea and the Sea of Okhotsk</p> <p>Joint technical evaluation and development</p> <p>Joint bidding for offshore license blocks in Norwegian shelf</p>
	<p>Russian offshore</p> <p>Logistics & Trading</p>	<p>Development of 3 license blocks in the Barents and Black Seas</p> <p>Synergies in logistic and infrastructure networks</p>
	<p>Russian offshore</p> <p>Crude oil supplies</p>	<p>3 license areas in the Barents and Pechora Seas and several areas in Eastern Siberia</p> <p>Heads of terms on crude supplies with prepayment</p>

+ Others

Is it sustainable?

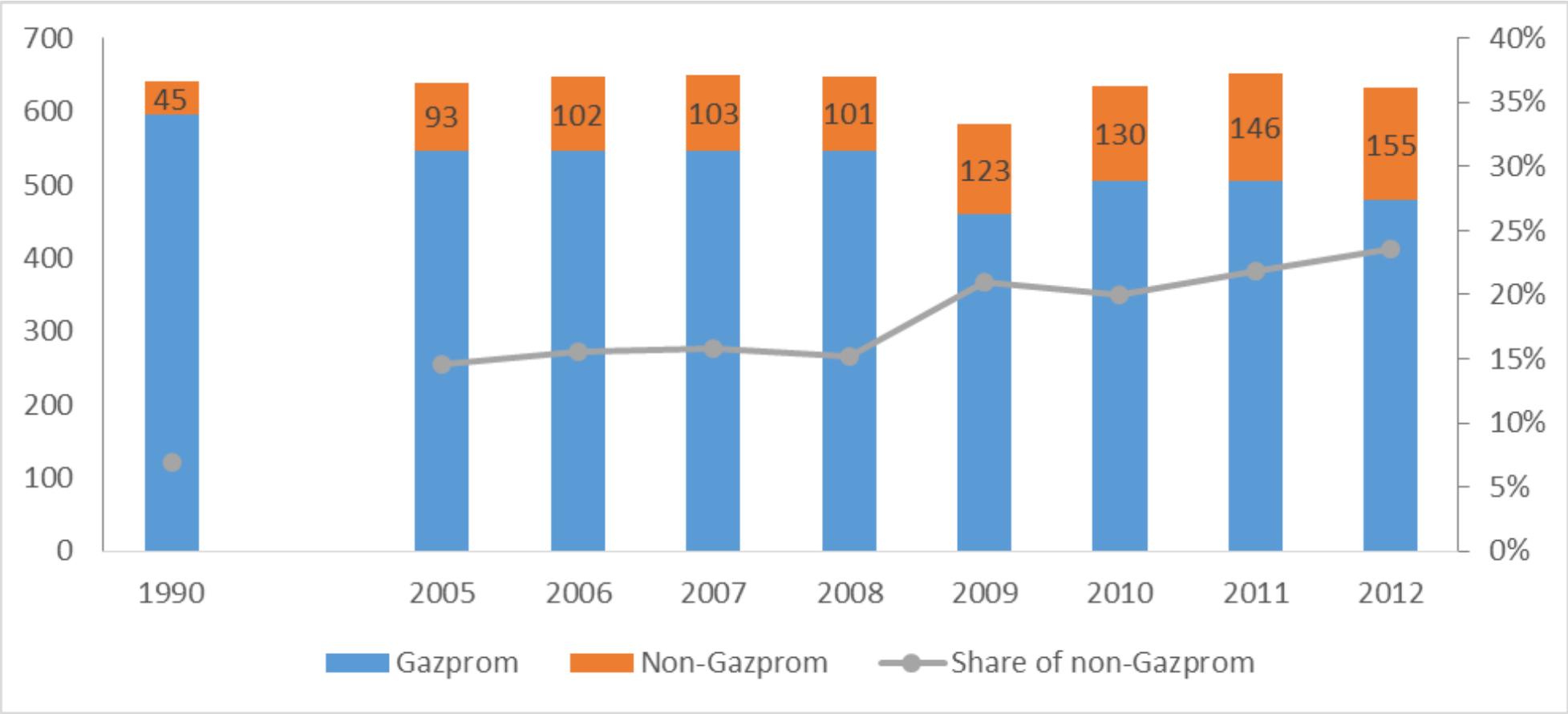
Rosneft`s net debt



Source: Sberbank

Increasing role of the IGPs at the expense of Gazprom

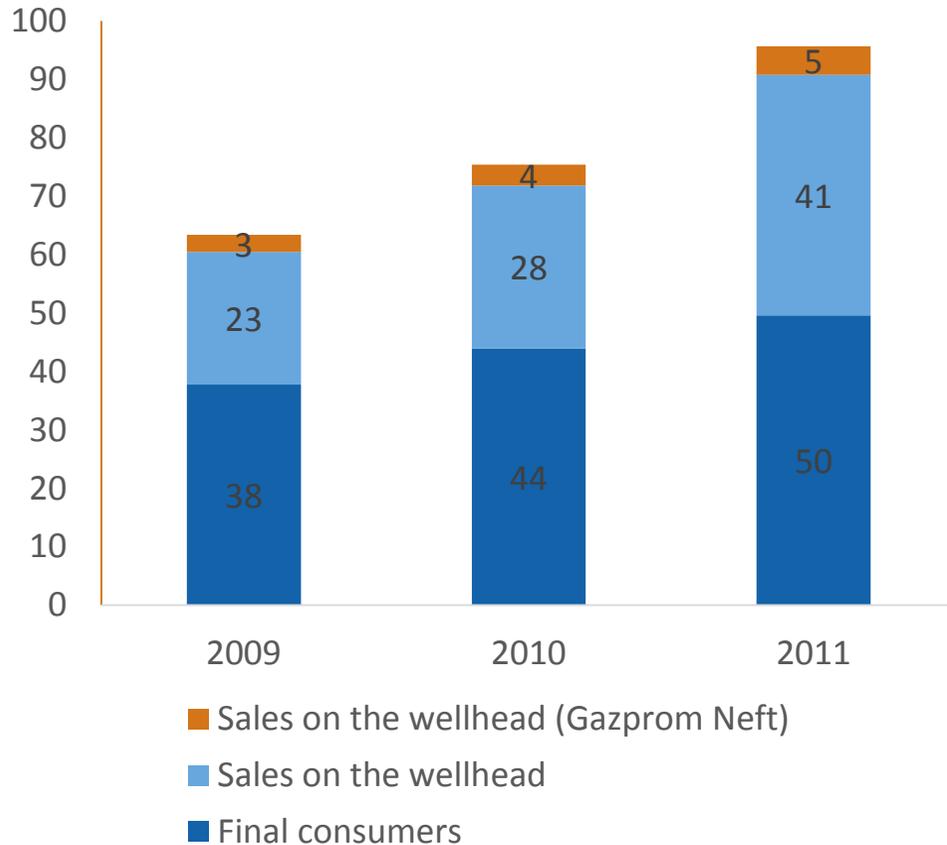
Russian gas production structure in 1990-2012, bcm



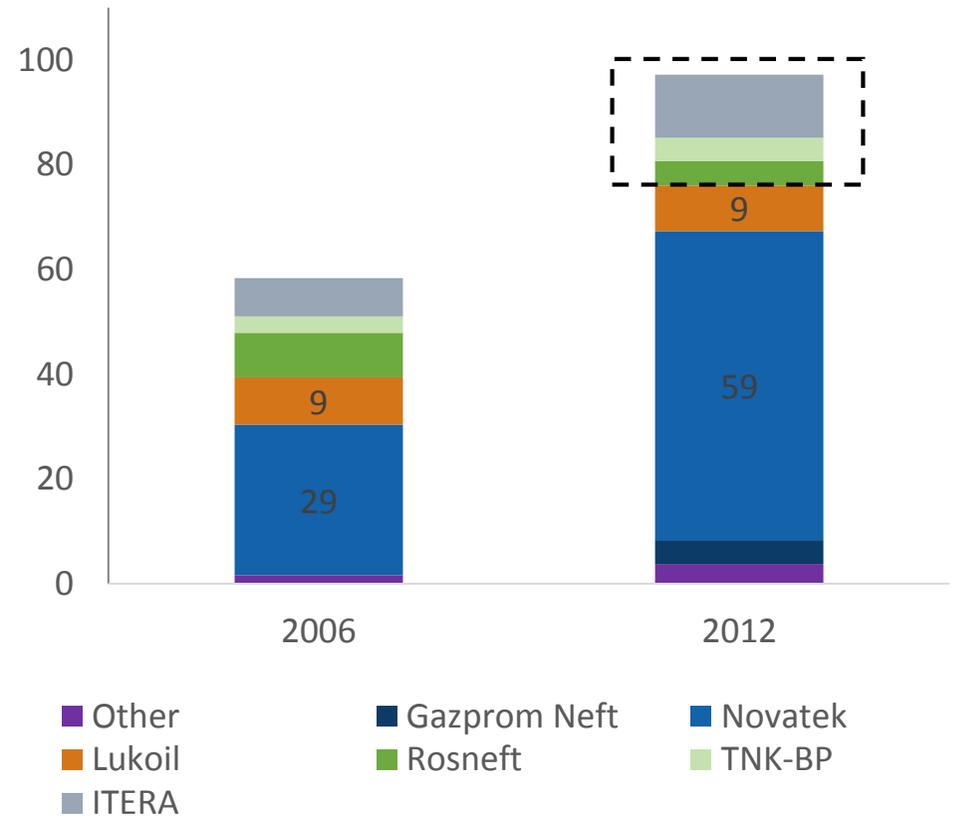
Sources: Rosstat, ERI RAS

Growing role of IGPs expansion on the final markets and their consolidation

Sales by the major independents, bcm



Major independents gas production, bcm

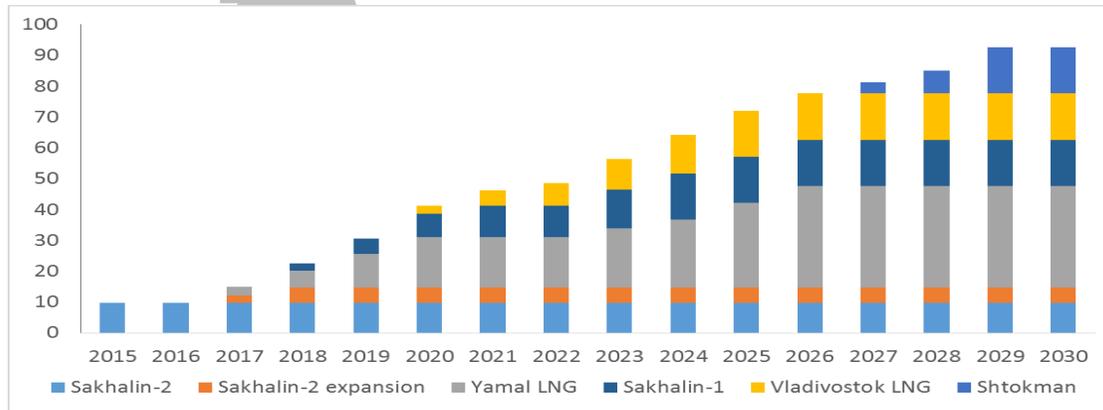


Sources: Rosstat, ERI RAS, CDU TEK

There are 4 Russian LNG projects under consideration currently, all of them face commercial, technical and regulatory challenges



Russian potential LNG capacity expansion, mln. t



LNG export liberalization – a part of a power game



Igor Sechin

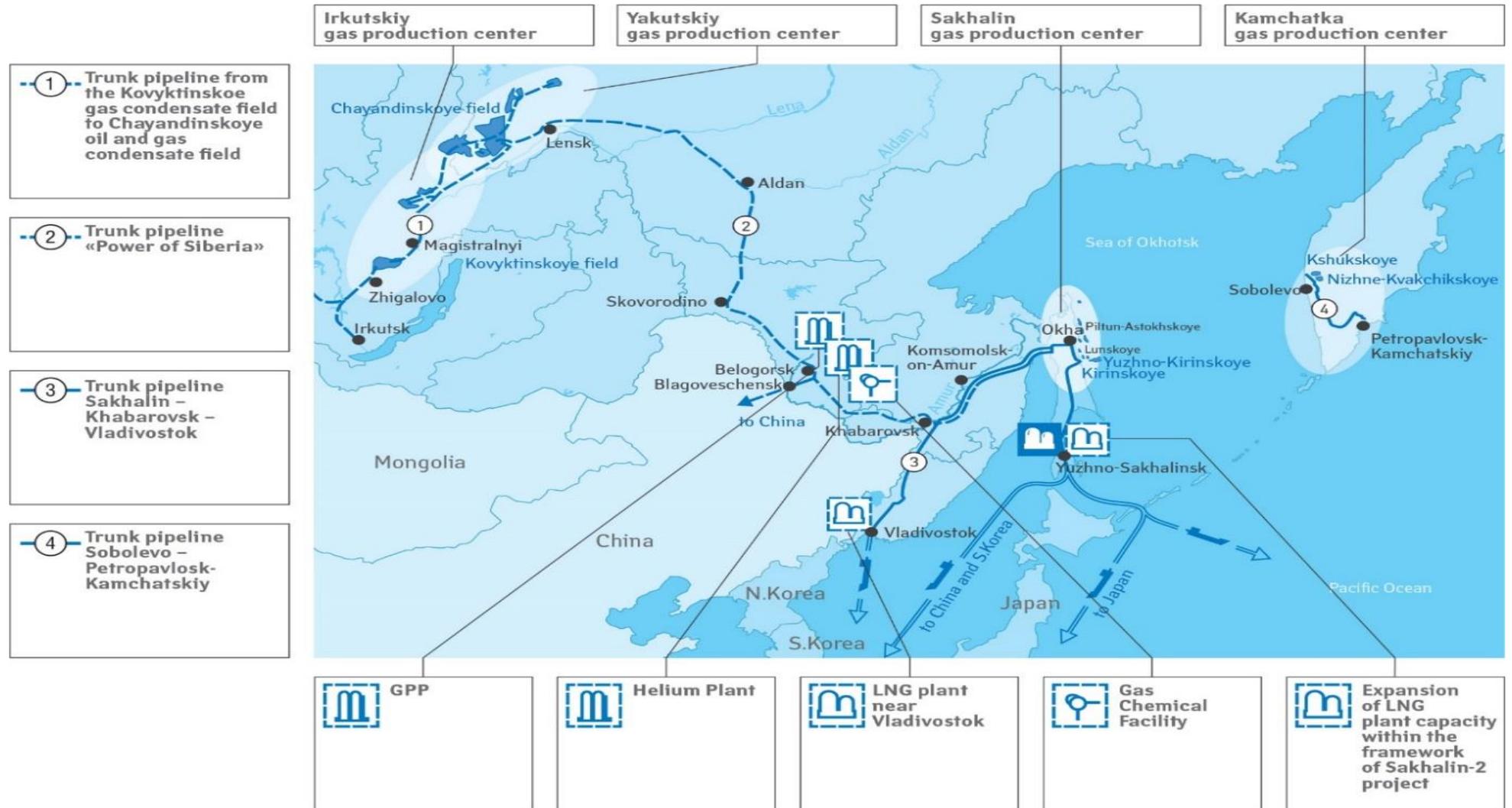


Alexey Miller



Gennady Timchenko

Eastern gas programme discussion demonstrates increasing rivalry



Source: Gazprom

Contacts

Energy Research Institute of the Russian Academy of Sciences

Vavilova str., 44/2, office 410
118333, Moscow,
Russian Federation

phone: +7 985 368 39 75

fax: +7 499 135 88 70

web: www.eriras.ru

e-mail: mitrovat@me.com