

# Russian NOCs

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# 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

**OIL**

12.1%

2

In the world



**GAS**

21.2%

1

In the world



**COAL**

6.3%

3

In the world



## Rosneft vs. Gazprom

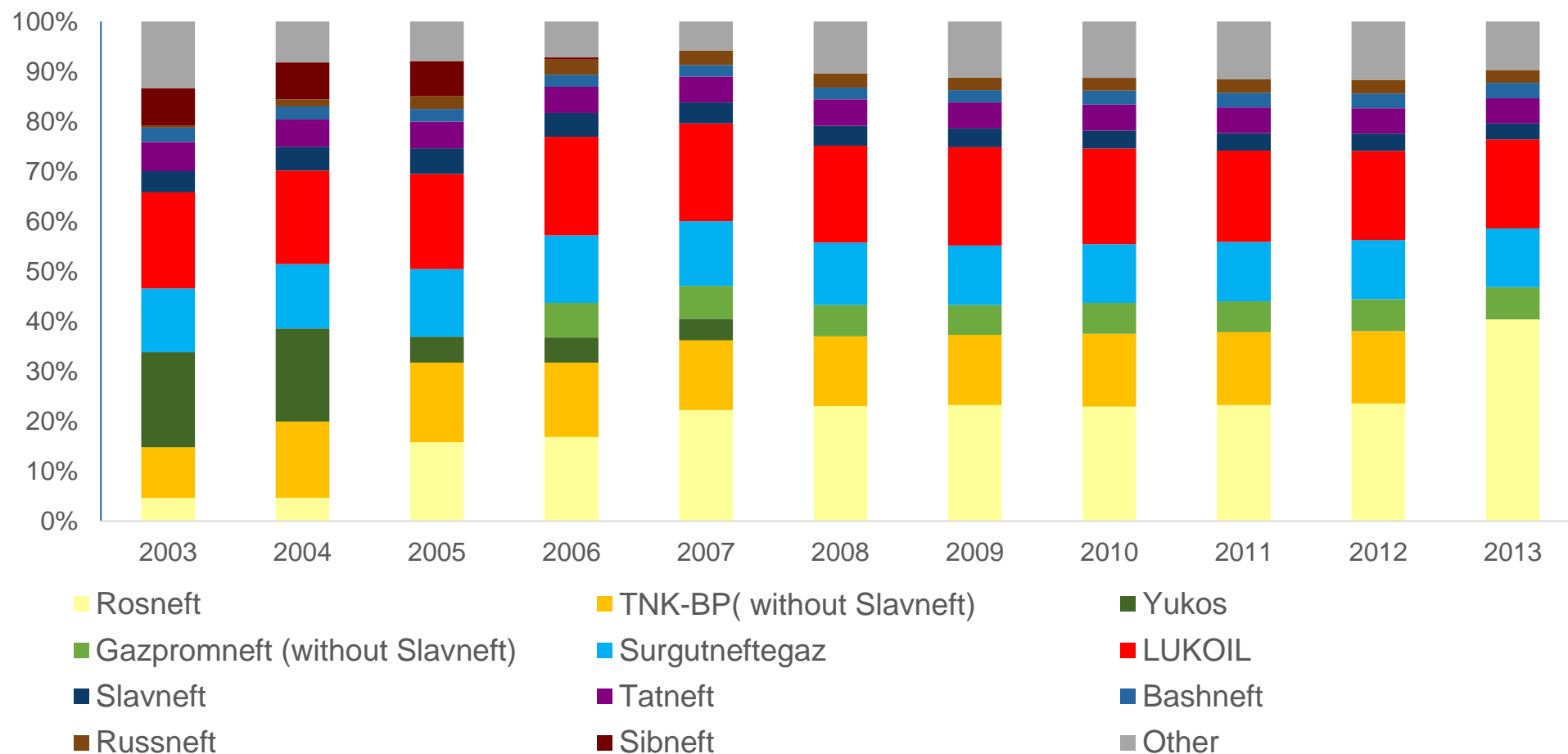
- The largest publicly traded oil company in terms of reserves (39.4 billion barrels 1P )
- **Revenue 2012:** 3 078 bn. RUB
- **Government share:** 69.5%
- **Gas production 2012:** 16.39 bcm



- 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

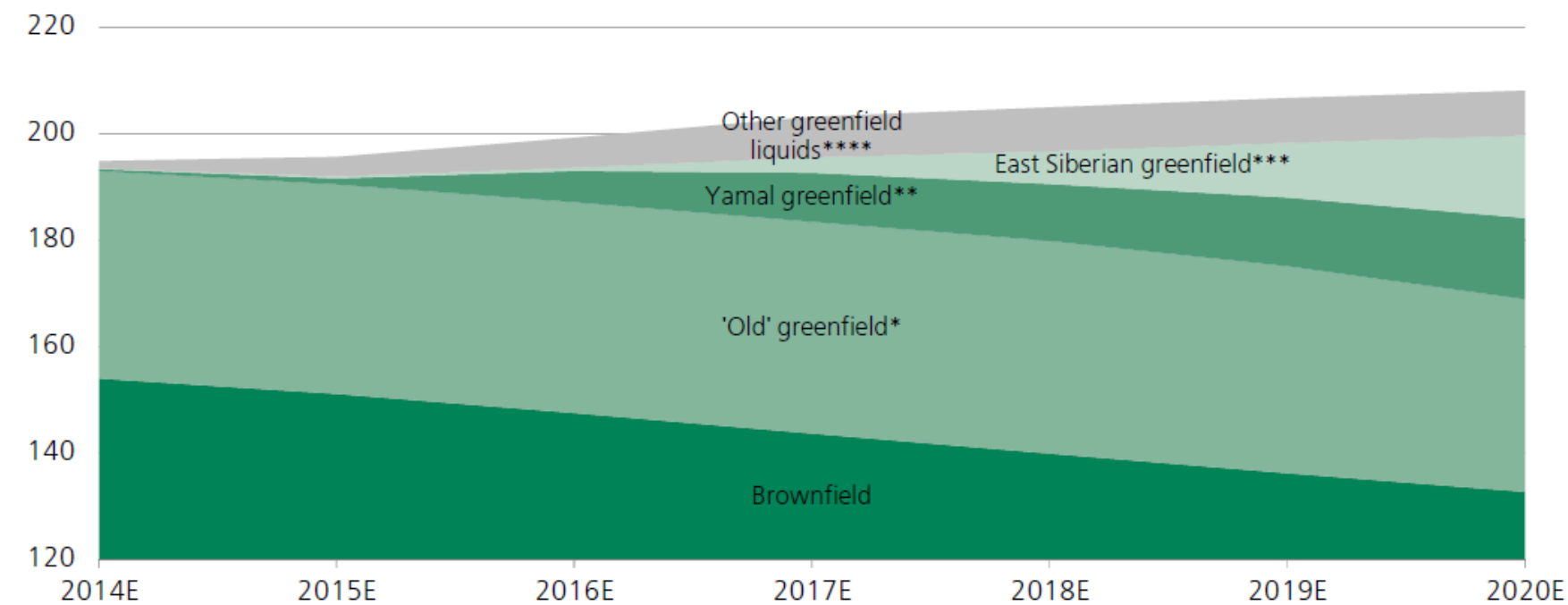
Mar '12	Taas-Yuryakh (35.3%)	0.4
Aug '12	Itera (51%)*	0.2
Jan '13	NOC Venezuela (20%)	0.2
Mar '13	TNK-BP	55.3
Jun '13	Saras (21%)	0.4
Jul '13	Itera (49%)	2.9
Sep '13	SeverEnergiya (19.6%)	1.8
Sep '13	ALROSA gas assets	1.4
Sep '13	Domodedovo Airport bid (reported)	2.3
<b>Total confirmed, 2012-13**</b>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

\* 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

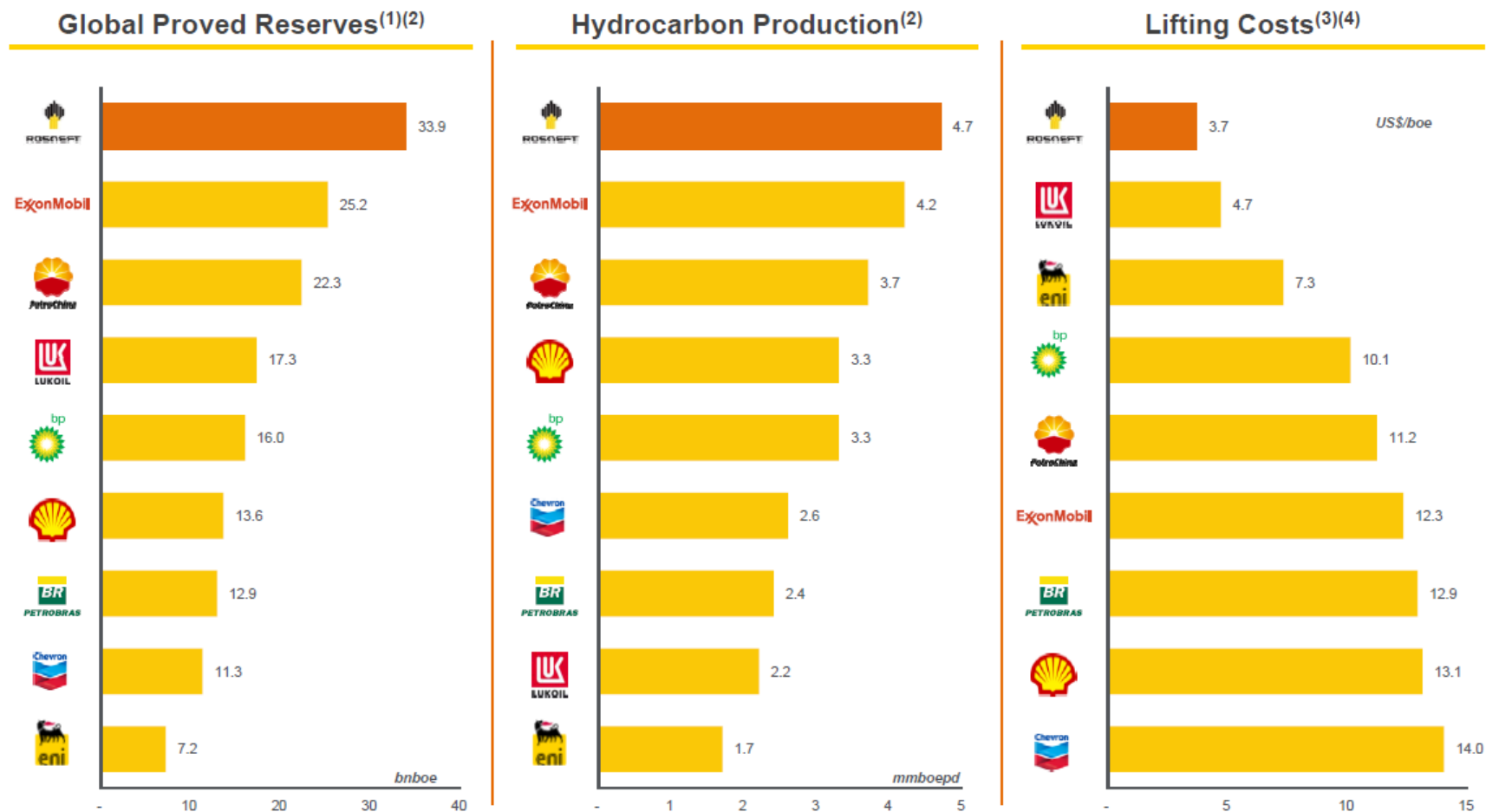
\*\* Messoyakha (50%), Suzun, Tagul, Russkoye

\*\*\* Yurubcheno-Tokhomskoye, 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

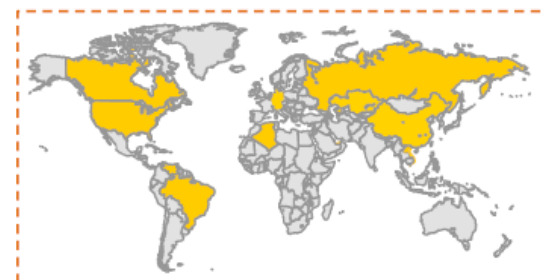
(3) Includes materials and supplies, equipment maintenance and repairs, wages and salaries, activities to enhance oil recovery, procurement of fuel and lubricants, electricity etc/

(4) Rosneft data is proforma with TNK-BP for 2012. Peers data is 2011.



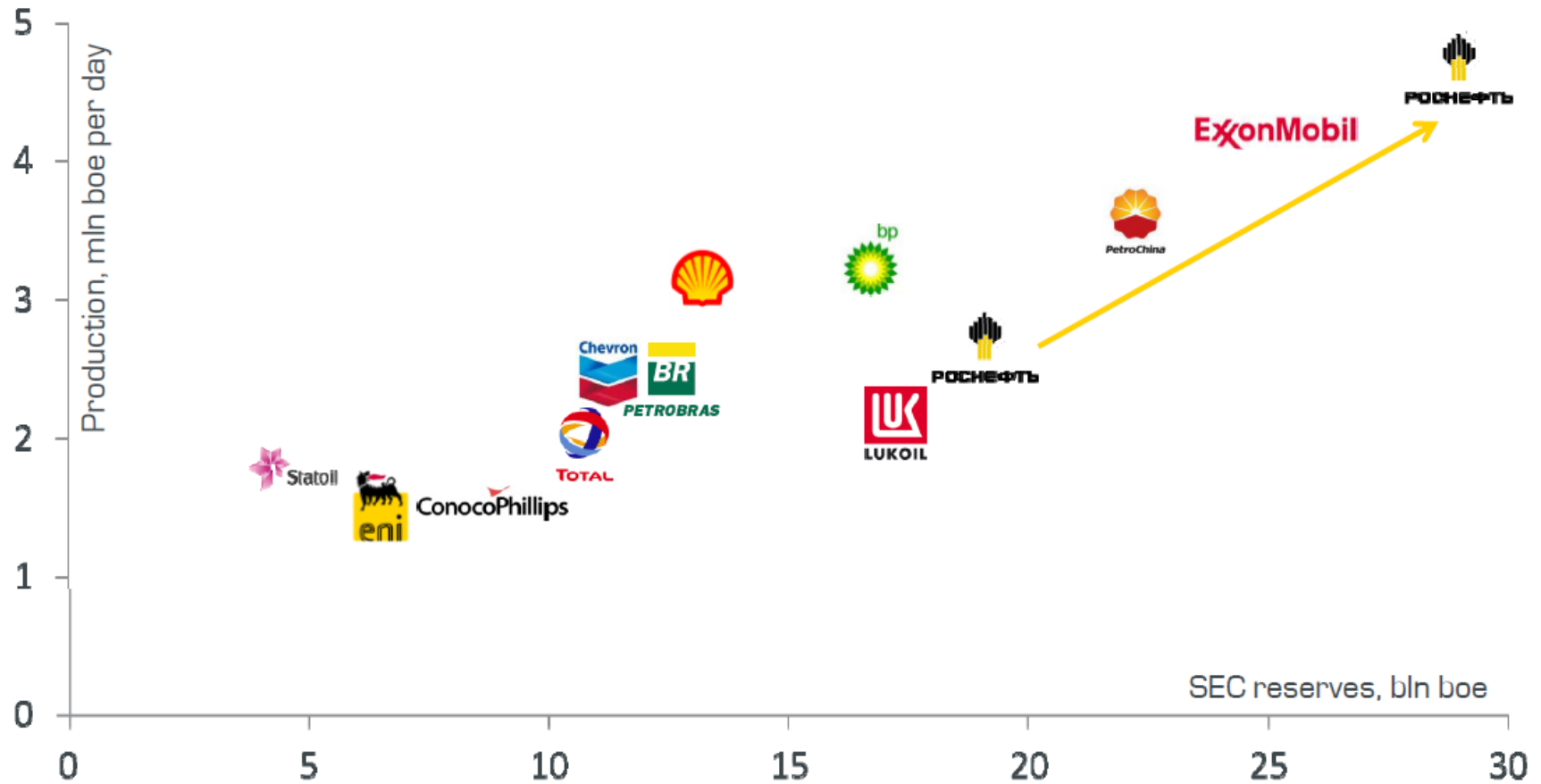
# Rosneft today: scale of operations

**9 overlapping regions in Upstream, 11 in Downstream**



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



## **Russian offshore**

Drilling candidate chosen in the Kara Sea. Drilling to start 2014

## **Tight oil**

Pilot program accepted, finance up to USD 300 mln

## **International projects**

Stake in US Gulf of Mexico projects and Cardium in Canada (with limited budget)



## **Russian offshore**

4 license areas in the Barents Sea and the Sea of Okhotsk

## **Tight oil**

Joint technical evaluation and development

## **Norwegian offshore**

Joint bidding for offshore license blocks in Norwegian shelf



## **Russian offshore**

Development of 3 license blocks in the Barents and Black Seas

## **Logistics & Trading**

Synergies in logistic and infrastructure networks



## **Russian offshore**

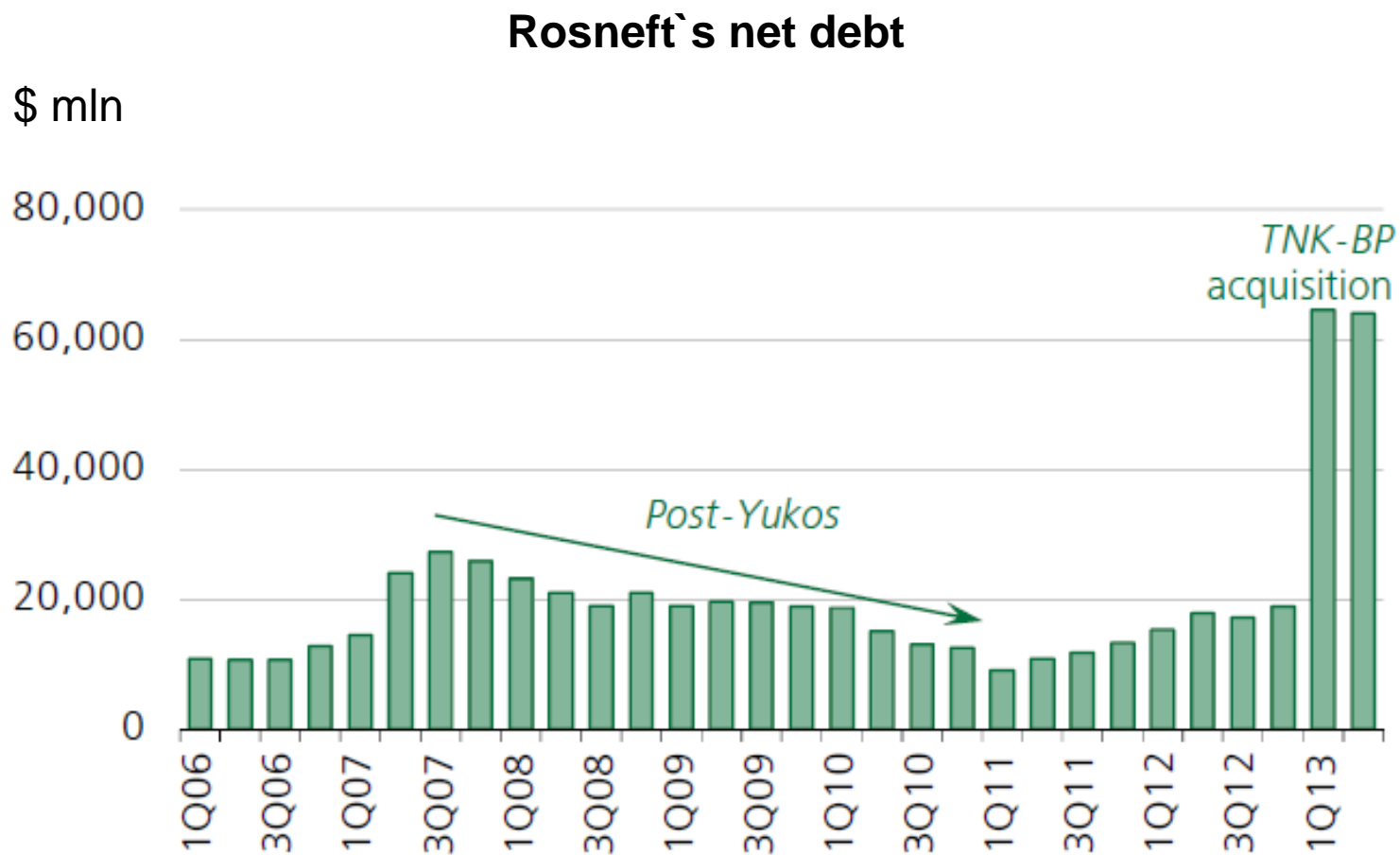
3 license areas in the Barents and Pechora Seas and several areas in Eastern Siberia

## **Crude oil supplies**

Heads of terms on crude supplies with prepayment

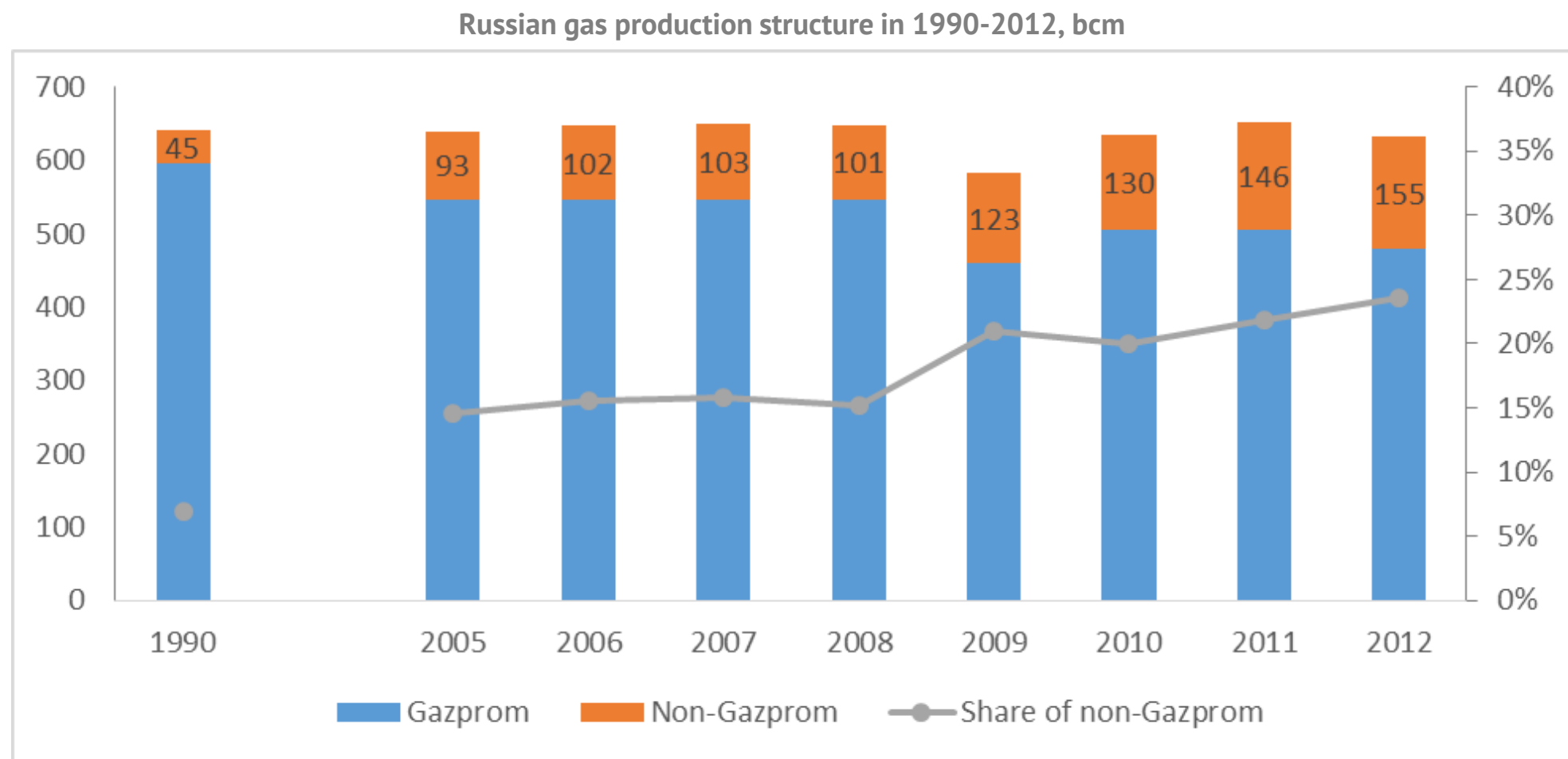
**+ Others**

## Is it sustainable?



Source: Sberbank

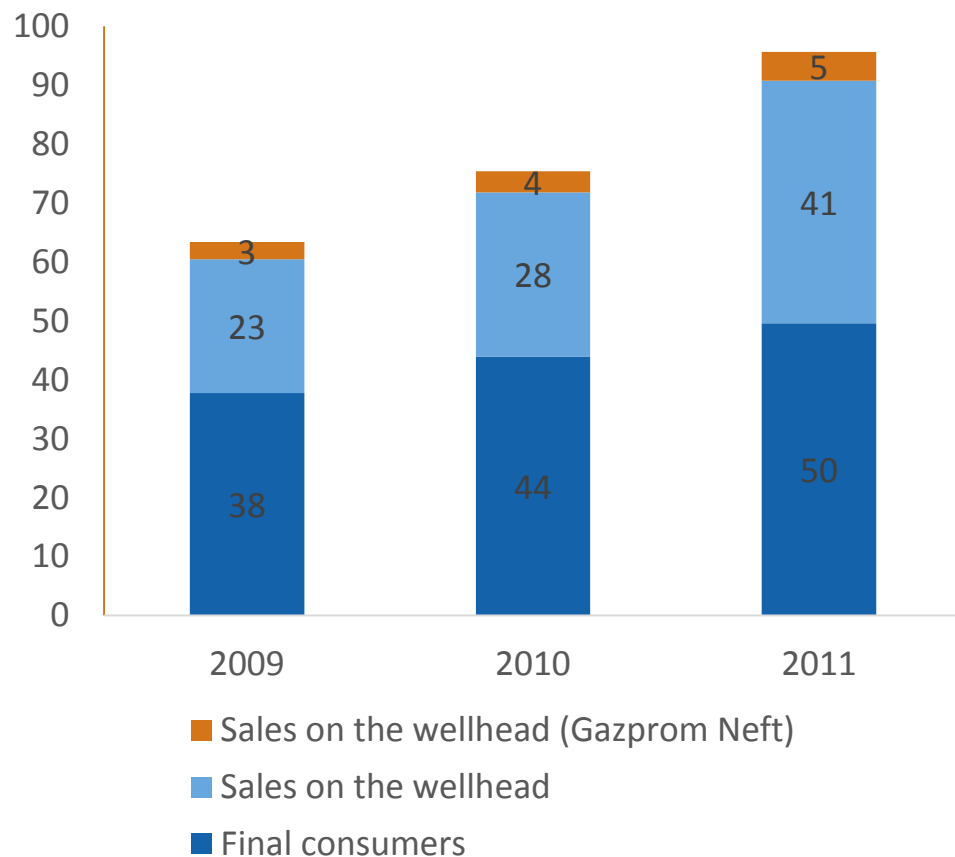
## Increasing role of the IGPs at the expense of Gazprom



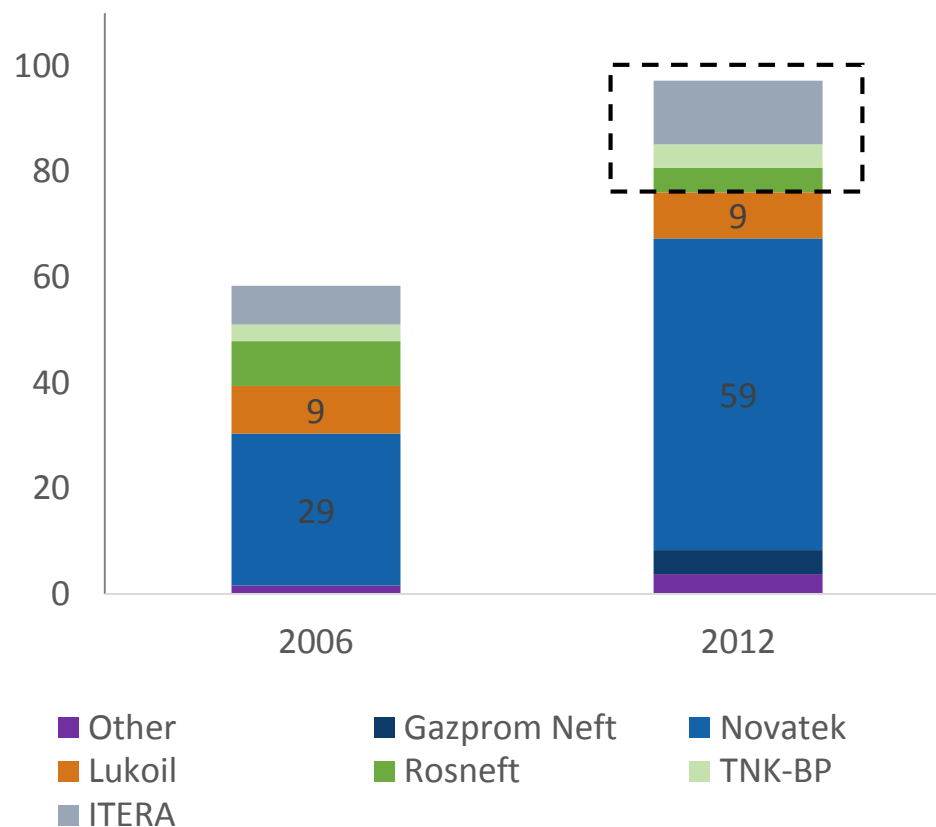
Sources: Rosstat, ERI RAS

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

Sales by the major independents, bcm

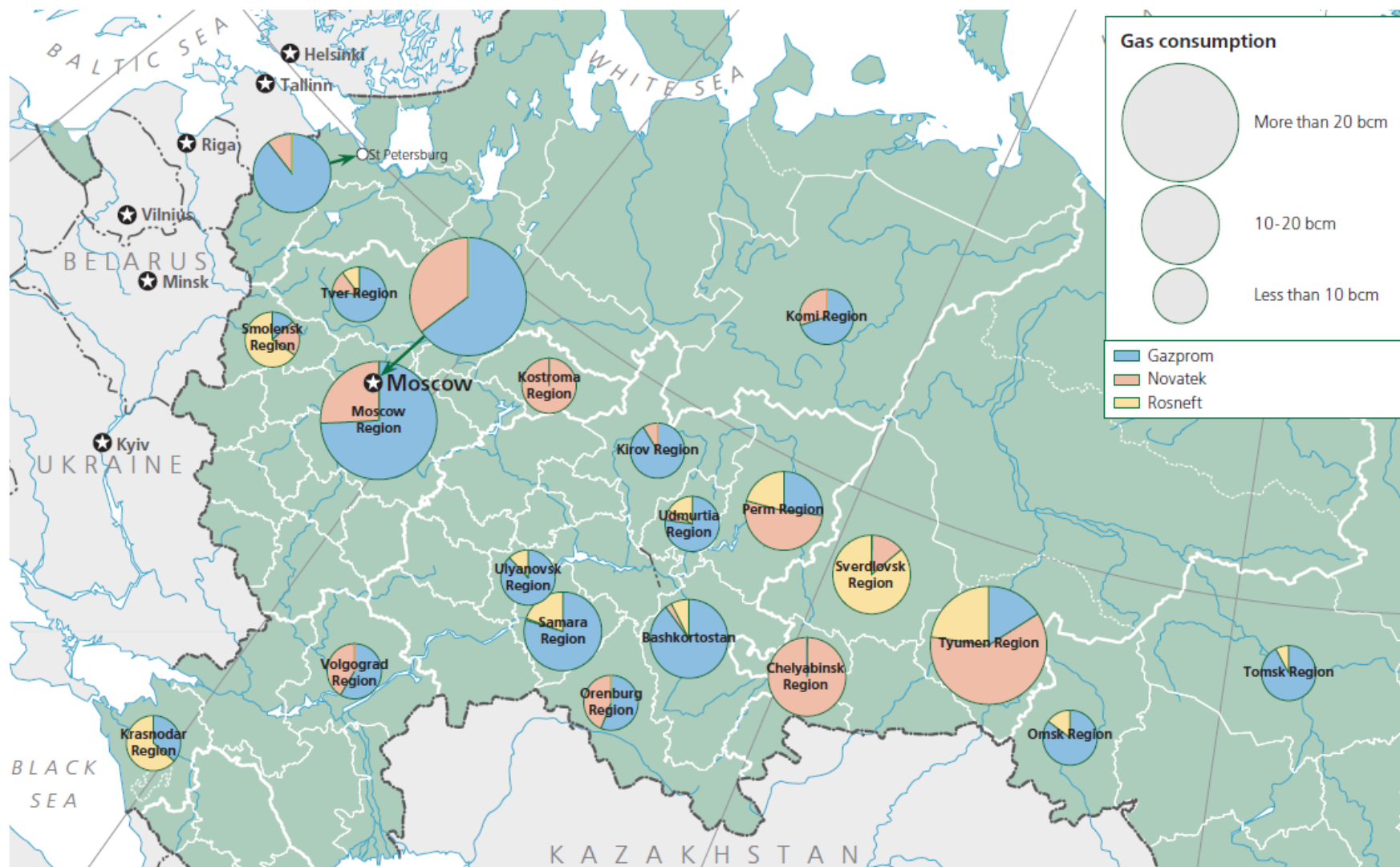


Major independents gas production, bcm



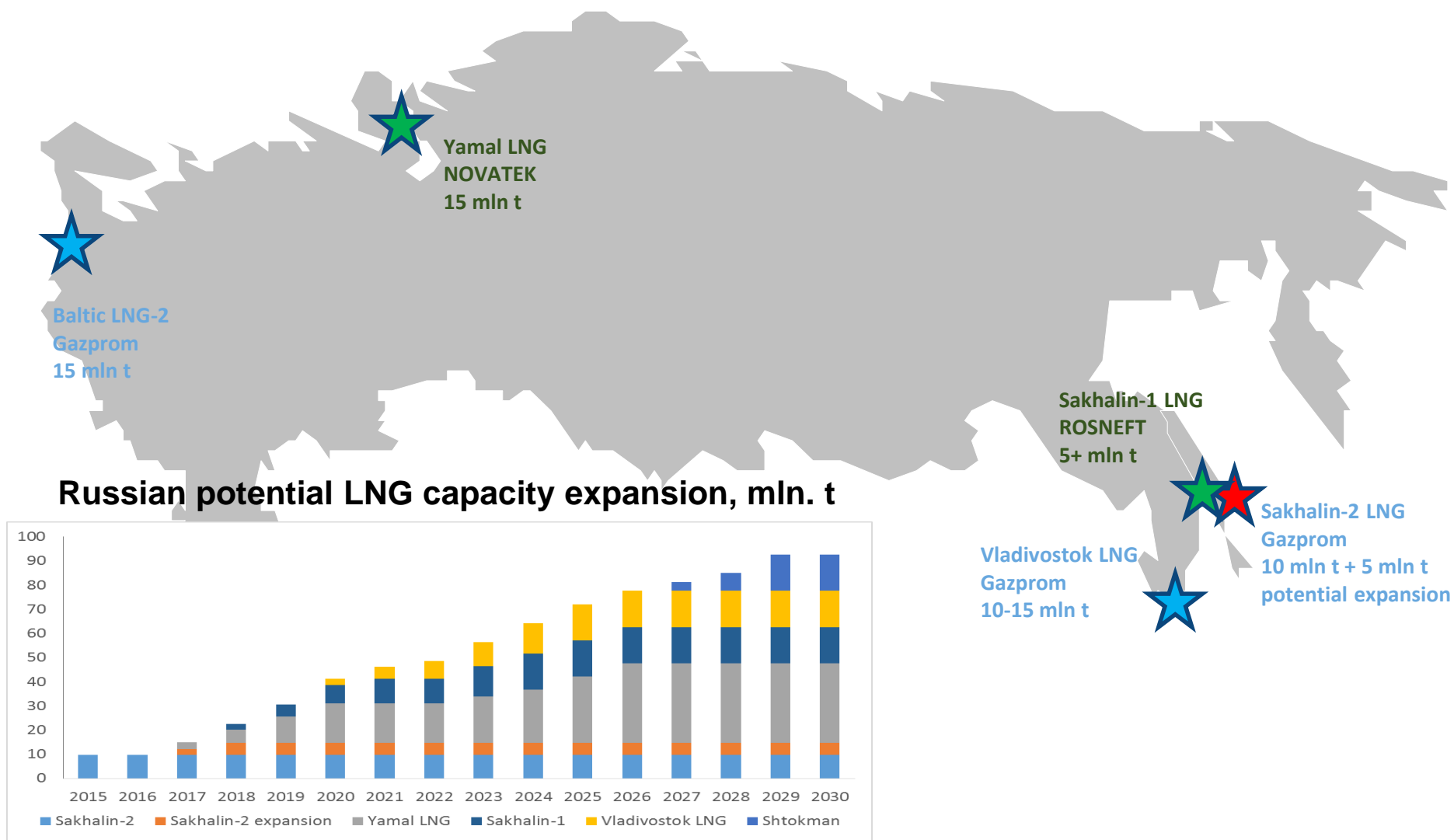
Sources: Rosstat, ERI RAS, CDU TEK

# New regional monopolies evolve



Source: Sberbank Investment Research

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





## LNG export liberalization – a part of a power game



Igor Sechin

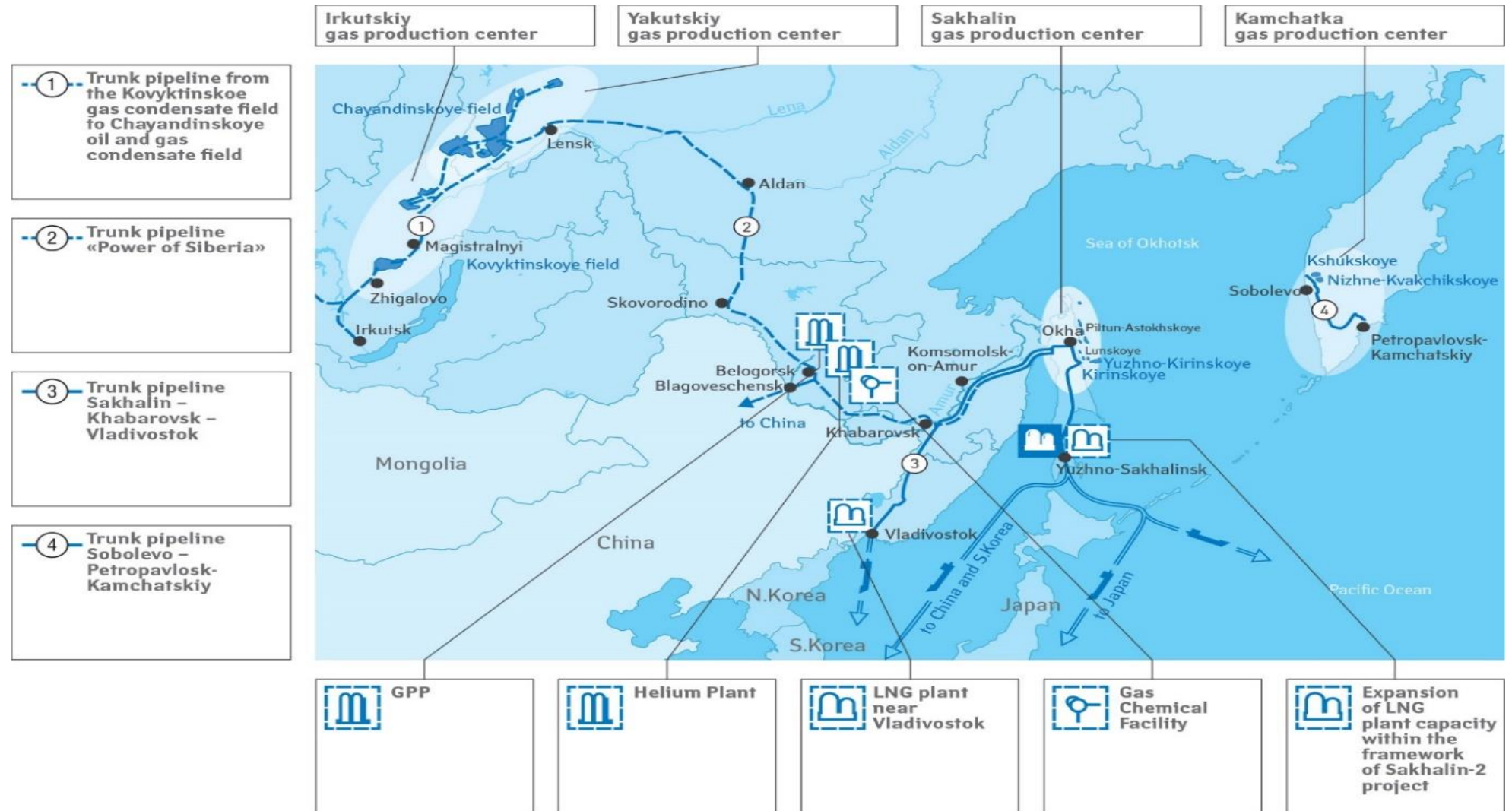


Alexey Miller



Gennady Timchenko

# Eastern gas programme discussion demonstrates increasing rivalry



Source: Gazprom

# Contacts

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