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CONTENTS

EXPORTS

Russian Oil Sales Drop But New Buyers Emerge

Russia's oil exports are starting to decline as more customers shun its barrels although Moscow insists it would be able to find new customers and new export routes. Indeed, new names and destinations are emerging for Russian volumes, while the trade itself is getting murkier by the day.

Many market players expected that Russian oil exports would start declining after May 15, when EU sanctions prohibiting transactions with Russia's Rosneft, Gazprom Neft and state pipeline operator Transneft came into force.

But data obtained by Energy Intelligence show that Russian exports to non-former Soviet Union states saw a decline already in the first half of May. Russian exports to non-FSU states alone, excluding transit from Kazakhstan, Azerbaijan and Turkmenistan, totaled 5.004 million barrels per day in May 1-15, a decline of almost 390,000 b/d from total April exports of 5.390 million b/d. The figures are still higher compared to February and March, however.

The lower exports are offset by higher refining throughputs of oil, which grew by 3.6% to 5.051 million b/d in May 1-15 versus April. Russia's oil production is also growing, with May 1-15 figures showing a rise to 10.233 million b/d, reversing a nearly 1 million b/d decline in April.

Don't Go West

Russia's seaborne supplies in the west — via the Baltic and Black Sea ports — as well as deliveries via the Druzhba pipeline to Europe, saw the largest decline on May-15, which was slightly compensated for by higher pipeline shipments to China.

The decline in the west is due to the refusal by majors and big trading firms to take Russian spot cargoes. The decline along the Druzhba pipeline — a stumbling block in the EU's desire to introduce an oil embargo on Russian barrels — has also been expected. Germany and Poland, both strong supporters of the EU embargo, were taking less oil via the Druzhba in May, but supplies increased to landlocked Slovakia, the Czech Republic and Hungary, the main opponents of the ban.

What is becoming clearer by the day is that Russian oil exports are undergoing a massive restructuring. Speaking at a meeting devoted to the situation in the oil industry on May 17, President Vladimir Putin pointed to "tectonic" changes and to the fact that it would be impossible to continue business as usual in terms of energy flows. He reiterated that it was important to build new chains of deliveries to the end customers.

New Faces

Over the past months, Russian oil trading moved into the shadows and is expected to remain dark to allow exports to continue flowing. Market players say that although some regular customers would publicly avoid Russian barrels to meet sanctions, they would also

>> continued on page 2

SPOT CRUDE OIL PRICES

($/barrel f.o.b. terminal, or c.i.f. destination)	May 17	May 10	Chg.
Dated Brent f.o.b. (38 API)	112.89	102.61	10.28
Russian Urals c.i.f. NWE (31 API)*	80.85	69.34	11.51
Russian Urals c.i.f. Med (31 API)†	86.75	75.24	11.51
Azeri Light (35 API)	120.05	108.54	11.51
CPC Blend c.i.f. Med (45 API)†	108.70	93.14	15.56
ESPO (35 API)	91.20	80.25	10.95
Dubai (30 API)	110.80	107.80	3.00

PRODUCT PRICES

($/ton, c.i.f. basis)	May 17	May 10	Chg.
ICE LSGO Futures (front month)	1,090.50	1,126.00	-35.50
ICE LSGO Futures (second month)	1,066.00	1,060.75	5.25
0.1% Gasoil NWE*	1,094.25	1,078.00	16.25
0.1% Gasoil Med*	1,087.25	1,071.00	16.25
10 ppm Diesel NWE*	1,121.50	1,094.25	27.25
10 ppm Diesel Med*	1,111.00	1,097.00	14.00
HSFO NWE*	636.00	581.00	55.00

LSGO – low sulfur gas oil. *Basis Rotterdam. †Basis Augusta. *Source: Energy Intelligence*

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be looking for ways to continue buying the crude, especially at huge discounts.

New names and new destinations will also appear. East Siberia-Pacific Ocean (Espo) blend crude out of Russia's Far East has already made its foray into the United Arab Emirates, while the list of new customers is expanding.

Rosneft has started exporting its crude via little-owned entities, as trading giants Vitol and Trafigura stop lifting its barrels in line with EU sanctions.

Trading sources say among the new entities buying Rosneft crude is Bellatrix Energy, a company which has chartered several tankers from Russia's Sovcomflot to ship Rosneft's Urals crude from Russia's Baltic and Black Sea ports to India and Turkey. Bellatrix has also handled cargoes of crude from Russian producers Surgutneftegas and Neftisa, according to the sources.

Another newcomer is Sunrise, which has no visible history of any previous dealings with Rosneft or any other Russian oil companies.

Before the new sanctions came into force, Vitol and Trafigura had been lifting as much as 500,000 b/d of Russian crude oil and refined products — mostly under offtake deals with Rosneft. Both companies had signaled they would slash volumes this quarter, with Trafigura saying it would halt all shipments of Russian crude by mid-May and keep exports of products to a minimum.

Chinese Customers

In the Far East, Rosneft has started selling Espo crude from the Kozmino terminal to state-controlled entities in China, with Unipec — the trading subsidiary of giant Sinopec — emerging as the top buyer. Sources say Unipec is due to take three Espo cargoes this month from Rosneft that would otherwise have been handled by Vitol or Trafigura.

Among the other state Chinese companies that have bought Espo this year are Chemchina — which merged with Sinochem last year — China National Offshore Oil Corp. and Zhenhua.

Another new face to emerge in recent weeks is Livna, a Hong Kong-based company that is now the largest offtaker of Espo blend with around eight shipments scheduled in May, all sourced from small Russian producers. Sources say Livna works with Paramount Energy, the Geneva-based trader that has been a dominant shipper of Espo blend for several years. Paramount has been handling up to 200,000 b/d of Espo crude this year, according to multiple trading sources.

Paul Sampson, London, Staff Reports

GEOPOLITICS

Russia Tightens Ties With Friendly Mideast Nations

Russian Foreign Minister Sergei Lavrov's visits to Algeria and Oman last week underlined Russia's determination to keep its role in the Middle East and North Africa (Mena) and to make sure that the region remains neutral on Moscow's invasion of Ukraine.

The energy aspect of the visit was of key importance as Moscow wanted to get a sense of whether volumes from Mena would be able to replace Russian oil and gas that Europe plans to ban although EU members have so far failed to agree on the time frame and scale of an embargo.

Algeria and Oman are both Opec-plus members. Algeria also partners Russia in the Gas Exporting Countries Forum (GECF).

Testing the Ground

This was Lavrov's first trip to the Mena region since the start of the Ukraine war. It had been visited before by US Secretary of State Antony Blinken in a bid to consolidate the anti-Russia ranks and find alternative energy suppliers.

Algeria is the third-largest gas supplier to Europe after Russia and Norway. Press reports claim that Algeria could double its shipments to 80 billion cubic meters per year in five years, although experts see a number of problems in the way.

Lavrov was rather vague at a press conference after the talks in Algeria — including with the country's leader, Abdelmadjid Tebboune — on the North African country's role as a gas supplier. He only said that "we and Algeria, as well as other members of GECF, adhere to the reached agreements, and I am sure this will continue to be this way in future." He didn't elaborate any further but Moscow's goal is to minimize alternatives to its shipments to Europe, analysts say. Both countries also assured Lavrov that they are committed to the Opec-plus deal, an important signal for Russia, which would like prices to stay high.

With the output shortfall by the producer group approaching 3 million barrels per day below its target, there have been doubts about the need to keep the alliance. However, experts say that Saudi Arabia sees Opec-plus as critical to the long-term market management needed to survive the energy transition.

According to market observers, neither Saudi Arabia nor Opec are going to distance themselves from Russia, which they see as a strong partner.

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Expanded Links

In fact, Russia's ties with the Middle East — which also is highly dependent on Russian wheat and grain — have only strengthened in the last couple of months. A number of Russian individuals and companies have moved to Dubai, and Russia-related businesses have multiplied in the United Arab Emirates.

In a new twist, the UAE has joined a list of new buyers of Russian crude. International commodity trader Vitol sent the first cargo of 740,000 bbl of Russian Espo crude to the UAE from the Pacific port of Kozmino on May 3 to be discharged in the port of Fujairah on May 24, according to shipping data. Sources say the UAE is testing supplies from Russia, attracted by the huge discounts on Russian barrels.

Among the new offtakers of Russian crude in the UAE is Sunrise Petroleum, based in the Hamariyah Free Zone in Sharjah, which lifts barrels of Russia's biggest oil producer, state-controlled Rosneft.

President Vladimir Putin had a telephone conversation on May 17 with Sheikh Mohammed bin Zayed al-Nahyan, who assumed the presidency of the UAE after his half-brother Sheikh Khalifa bin Zayed al-Nahyan passed away last week.

According to the Kremlin's website, the two sides expressed satisfaction with the "reached level of the strategic partnership between the two countries" and agreed to continue further development of friendly relations. "Special attention was paid to the issues of cooperation in trade, economic and investment spheres."

Reliable Partners

Lavrov said that Russia will exclude the West from Moscow's future planning. "We have made our conclusions, we will rely on ourselves and on our trustworthy partners, the vast majority of which are outside the former 'golden billion.'"

In an indication of who Russia sees as partners, Deputy Prime Minister Alexander Novak is to fly to Turkey on May 18 to discuss energy relations between the two countries and possibly to prepare for a visit by Putin.

Iran is another friendly nation that Moscow aims to expand ties with following the January visit to Moscow by President Ebrahim Raisi.

The managing director of state-owned National Iranian Oil Co. was quoted as saying this week that Russians will soon start "executive operations" on developing two oil fields in Iran.

Energy Intelligence understands this could be ZN-Vostok, which was set up by Russia's state-owned Zarubezhneft to develop the West Paydar and Aban fields in Iran, and which is now owned by Promsyryoimport — a firm with ties to the Russian energy ministry.

Russia's friendly nations are set to dominate proceedings at this year's St. Petersburg International Economic Forum on Jun. 15-18. Delegations from China, India, Latin America, Africa and the Middle East are expected to participate.

Staff Reports

GAS

Russia Looks Open to Ruble Compromise

Russia could be ready to compromise on its new gas payment rule, which would help to avoid a major supply cutoff in Europe later this month. Some buyers may still reject Moscow's unilaterally imposed rule, but large importers — Germany, Italy, France and Austria — have all expressed their readiness to shift to the new procedure, although not entirely on Moscow's initial bold terms.

Like the EU sanctions which do not target Russian gas exports, Moscow's softening stance on what it calls "ruble" payment for gas reflects the reluctance of both sides to immediately halt the gas flows.

While EU member states fear serious implications for their own economies in the event of an embargo on Russia gas, Moscow is not really interested in closing the tap on its end of the pipe and lose huge windfall export revenue amid unprecedentedly high prices when the protracted war in Ukraine doesn't promise any easing of sanctions pressure.

The EU still seeks to gradually end its dependence on Russian gas imports as part of the REPowerEU plan presented by the European Commission on May 18.

Compromise Scheme

Moscow remains silent on how the two-step payment procedure will be implemented, but a large buyer, Italy's Eni, indicates that the Russian authorities and the exporter, Gazprom, have agreed on a scheme that allows the importers to keep paying in their contract currency without breaching the EU sanctions against the Central Bank of Russia.

Eni will open, on a precautionary basis, two current accounts at Gazprombank, one in euros and the other in rubles, as required by Moscow, the company said in a statement on May 17. Invoicing and payment will continue in the contractually agreed currency, which in Eni's case is the euro. A clearing point agent operating at the Moscow Exchange will convert euros into rubles without any involvement of the Central Bank of Russia to make sure EU sanctions are not violated.

However, the commission still believes that the opening of a ruble account already violates the sanctions, which reflects the lack of unanimity in Europe and keeps alive the risk of further disagreements between Moscow and the buyers.

Germany's Uniper, Austria's OMV and France's Engie said they are preparing to pay under the new scheme. Germany's EnBW has already made a test payment with a positive result, CEO Frank Mastiaux told *Suddeutsche Zeitung* on May 18, adding that "the mechanism is in place."

Finland's Gasum, however, said on May 17 it won't accept the new payment scheme and will take its Gazprom contract to arbitration. It will join Poland and Bulgaria, cut off in late April, and might be followed by some other importers that are either less dependent on Russian imports or have smaller contracts than the EU heavyweights.

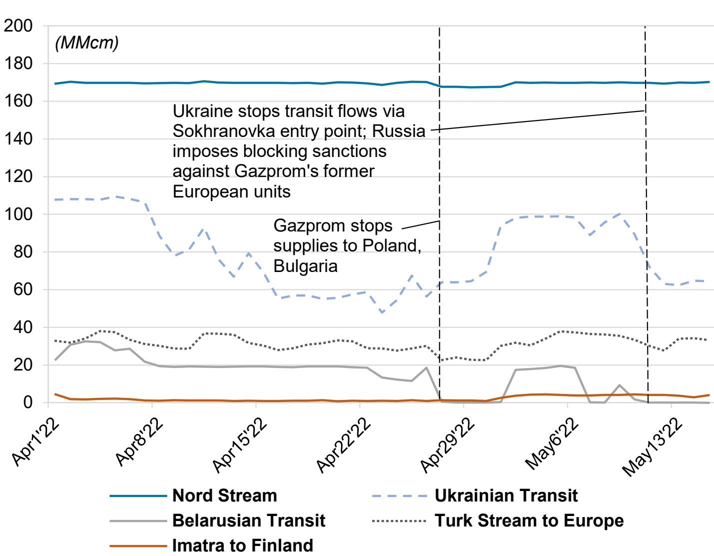
Immediate Impact Limited

Moscow doesn't look too preoccupied with potential cutoffs in some countries. Any decrease in export volumes should be adequately offset by the high prices.

The halted supplies to Poland and Bulgaria, as well as Russia's blocking sanctions against some importers and the Yamal-Europe pipeline owner last week, haven't so far had any major impact on Gazprom's overall gas flows.

Turk Stream pipeline flows to Europe via the Bulgarian border even increased marginally on the month in the first half of May. The Nord Stream pipeline kept operating well above capacity, as Germany's Wingas and other blacklisted importers, as well as Poland, still need to buy gas, most likely still of Russian origin, from other traders.

RUSSIAN GAS FLOWS TO EUROPE



Source: Gazprom, GTSOU, Nord Stream AG, Entsog, Energy Intelligence

Ukraine limiting its transit capacity on May 11 did result in a 32% drop in average transit volumes in the next several days from the average level of the first 10 days of the month. But they were still higher than the levels of the second half of April when Gazprom shipped gas well below the booked transit capacity due to low demand for its pricey gas amid the cooling of spot prices in Europe.

Price-driven demand remained the key factor defining Gazprom's gas flow dynamics in the first half of May, although the impact of supply cutoffs might be more evident later.

Gazprom exported an average 300 million cubic meters per day to Europe, excluding Turkey, in the first 15 days of May, down 6% on the month, Energy Intelligence calculates based on gas transmission operators' data. However, that is 2% higher than the average level for the whole of April.

Exports to Europe (including Turkey) and China totaled 5.8 billion cubic meters (390 MMcm/d) in the first half of May, down 5% on the month and 24% down on the year. Since the start of this year, Gazprom has exported 55.9 Bcm (414 MMcm/d) of pipeline gas, down 26.5% from the same period of 2021.

Staff Reports

SANCTIONS

Siemens Exit Deepens Russia's Technology Isolation

German technology giant Siemens' exit from the Russian market, announced last week, deepens the technology isolation of Russia, whose economy relies to a great extent on imported high-tech solutions in many crucial industries.

The energy sector is not immediately affected, although the Siemens Energy company, which became a separate entity from Siemens in 2020, has stopped all new business in Russia and is weighing its further steps as the war in Ukraine drags on.

Siemens has been active in Russia for almost 170 years, which makes its exit as symbolic as that of Shell with its 125 years of operations in Russia or that of McDonalds, announced on May 16, 32 years after it started its first restaurant in Moscow in January 1990, when the Soviet Union was opening to the world after decades behind the "Iron Curtain."

Siemens has started proceedings to wind down its industrial operations and all industrial business activities in Russia, it said on May 12. The company provides a wide range of high-tech solutions for various industries, which include automation technologies for businesses and buildings, engines, high-speed trains, consumer goods and Internet of Things systems.

Siemens Energy Stays so Far

The exit doesn't affect the energy industry at this stage because Siemens Energy, a separate company in which Siemens owns 45% directly and indirectly, has not yet announced a similar move. Observers suggest it might soon follow suit, while its Russian business might reportedly be sold to management.

Siemens Energy stopped all new business in and with Russia when the war began, a company spokesperson tells Energy Intelligence, adding that there is no sign of a quick stop to the fighting so far.

The company is reviewing its Russian business. "We are doing this with all due care, thoroughly analyzing the implications for all concerned. If we withdraw from Russia, we will do so in an orderly manner and with a clear plan — we also have this obligation to our 1,000 employees," the spokesperson said.

Siemens Energy's stopping of new investments already dims the prospects of its strategic partnership on LNG and decarbonization with private producer Novatek, agreed in late 2020.

It also clouds Russia's plans to develop the domestic production of large gas turbines, crucial for Moscow's LNG expansion ambitions, already shaken by international sanctions over Ukraine. Siemens Energy had repeatedly expressed interest in developing large gas turbines in Russia.

It will also undermine Novatek's plans to produce Siemens Energy compressors in Russia. The German company has a contract to supply imported compressors for the first two trains of Novatek's Arctic LNG 2 plant and domestically produced ones for the third train, which is now in doubt. The supply of key equipment for liquefaction plants in Russia is prohibited by EU sanctions.

Fortum's 'Controlled Exit'

Finnish utility Fortum will also pursue "a controlled exit" from the Russian market, it said on May 12. In March it said it stopped all new investments in Russia, joining the massive exodus of Western investors from the country.

Fortum's exit might reshape the country's power generation and natural gas market, as it and its German subsidiary Uniper plan to divest their Russian assets with a combined power generation capacity of 16 gigawatts and heat generation capacity of 7.6 GW. Fortum also has more than 1 GW of renewable power generation capacity currently in operation in Russia.

The potential buyers include large Russian power generation companies Inter RAO and Gazprom Energoholding, the power generation arm of state-controlled natural gas giant Gazprom. But gas-fired power plants of Fortum and Uniper, large consumers of natural gas, could also be attractive to Novatek, Russia's second-largest gas producer, experts say.

Fortum's exit adds to tensions between Moscow and Helsinki that have grown amid the war in Ukraine. Like Sweden, Finland confirmed on May 15 its intention to join Nato, which President Vladimir Putin on May 16 said represents "no direct threat to Russia" unless the Nato military infrastructure is expanded to these countries, which "will certainly evoke a response on our part."

Finland will also stop pipeline gas imports from Russia, as importer Gasum on May 17 said it won't pay under Moscow's new two-step scheme and will take its contract to arbitration.

Staff Reports

ENERGY TRANSITION

Russia Puts Carbon Trading Plans On Hold

Russian companies have temporarily paused their carbon management and carbon-trading plans. But work should continue on a governmental level to ensure that the country's decarbonization plans would not stop altogether despite Russia's total isolation from so-called "unfriendly countries" amid the war in Ukraine.

Alexei Rybnikov, the head of St. Petersburg International Mercantile Exchange (Spimex), recently told journalists that the exchange had received many proposals on developing carbon trading from Russian companies, including oil companies, after it signed an agreement on developing carbon-trading mechanisms with state-controlled Rosneft.

The agreement was signed in January, shortly before the Feb. 24 invasion of Ukraine. Since then, most foreign investors that were working alongside Russian majors on carbon management, including BP, Shell, TotalEnergies, Exxon Mobil, Equinor and others, have completely withdrawn or are winding down their operations in Russia forcing Russian companies to rethink their plans.

Internal Focus

As a result, Russian companies have "put on hold" their work on developing carbon-trading mechanisms as they focus on other priorities, Rybnikov said. He added, however, that work continues at the government level, especially on the legislative side. Draft legislation for trading in carbon units has been prepared. "We will coordinate with the Economic Development Ministry, then with the board of directors, and send it to the Central Bank," Rybnikov said.

Russia will now focus on the development of its internal carbon market and carbon units associated with climate projects. Russia has a lot to work on internally. First, it has yet to define what it is going to trade. The law passed last year on curbing emissions deals with certified emissions reductions (CER), which are given as a result of emission-reduction projects, but says nothing about carbon emissions allowances, or credits, which are allocated by the regulator. Carbon allowances are something that should have been recognized by the EU — a door that is now closed because of the ongoing divorce with the West.

With one door being closed, Russia will focus on CER, which are earned as a result of a climate project, but which are not part of the EU Emissions Trading System. "We will build ... an internal market for the implementation of climate projects. Quite a lot needs to be done there, work continues," Rybnikov said.

Sakhalin Experiment

Work should also continue on the Sakhalin carbon-trading experiment. On Sakhalin Island, Russia was aiming by the end of this year to build a carbon allowances system, even though it was regional and with a limited number of participants. This has now slipped to 2024-25, although work continues, Rybnikov said.

Many government officials and experts, however, say that there is no need to continue with Russia's accelerated carbon-trading development as it was targeted to help Russian companies offset the consequences of the EU's planned carbon border adjustment mechanism. Now relations with the EU are torn, Moscow is focusing on "friendly" countries around the globe with less tough carbon legislation.

Staff Reports

OIL MARKETS

Traders Panic as Platts Excludes Russian Diesel

Benchmark price reporter S&P Platts has announced it will exclude Russian-origin fuel from its main European ultra-low-sulfur diesel (ULSD) and gasoil cargo assessments from the start of next month, sparking midweek panic in the region's huge Platts-indexed swaps market.

Swaps brokers marveled at the more than $20 per metric ton leap in c.i.f. Northwest Europe ULSD swaps differentials within minutes of Platts' May 17 announcement. London-based broker FC Stone told Energy Intelligence that the key third-quarter 10 parts per million c.i.f. NWE differential moved from $8.50 per ton to $30/ton within the space of an hour as traders rushed to recalibrate to the new assessment.

Platts had launched a new non-Russian ULSD assessment on Mar. 22, but no swaps players had been willing to make the switch. Many have only a loose connection to physical oil markets, and all are primarily concerned about market liquidity. The latest Platts move forces their hand since the non-Russian assessment will replace the old open-origin price index. The two assessments are currently trading $40/ton apart with Russian fuel at a steep discount.

"Although Russian product continues to flow to the European market, Platts understands that it is not trading on the same basis as product from other origins in the spot market, and that there is a difference in value between Russian and non-Russian product," the price reporter said in its May 17 notice to subscribers explaining its move.

"As a result, with effect from Jun. 1, the Platts assessments listed below will exclude Russian-origin product. Bids, offers and trades reported in the Platts market-on-close assessment process for these assessments will therefore reflect non-Russian-origin product with effect from the same date," Platts added. Platts plans to launch new open-origin assessments that would include Russian ULSD and gasoil at the same time and is still canvassing the market on what to do about its barge assessments.

Most Russian ULSD is heading straight into Amsterdam-Rotterdam-Antwerp storage with very few companies willing to openly trade it. Swiss trader Gunvor has halted Russian ULSD supplies to the UK for fear of falling foul of new EU sanctions on Russian oil firms Rosneft and Gazprom Neft as well as pipeline operator Transneft effective May 15. Gunvor obviously doesn't think the exemptions Brussels allows for essential fuel supplies will apply to the non-EU UK.

Russian ULSD exports are already down sharply this month and set to fall further as Russia's refining industry seizes up, although traders admit they won't immediately know by what extent. Moscow has already issued a news blackout on its oil production and refinery data, and is now set to stop publishing loading schedules, including ULSD loadings from Primorsk, from next month.

Urals Hobbles Along as Trade Patterns Shift East

Urals crude oil sales have remained relatively steady despite the mounting pressure on Russian oil exports and the bans already in place in the US and UK. But the market is still expecting an abrupt downtrend if Europe moves forward with a formal embargo.

The EU had given traders a May 15 deadline to stop buying Russian oil. Russian crude exports from the Baltic and Black Sea ports were already down by nearly 400,000 barrels per day in the first half of May, at 5 million b/d.

Some buyers may still have term supply agreements in place until the end of the year, but Western companies have pledged not to renew them.

Volumes of Russian crude hitherto destined for Europe have increasingly moved to East of Suez markets thanks to hefty discounts, which in the past month have consistently strayed north of $33 per barrel.

India, whose oil demand is very sensitive to global prices, has taken advantage of the discounts and become a new outlet for Russian crude. The country has already purchased about 25 million-30 million barrels, according to the International Energy Agency. Indian companies are also in the process of negotiating long-term contracts.

China, however, has not soaked up as much of the Russian oil surplus as expected, owing in large part to the deleterious effects of its zero-Covid-19 policy and a severe economic slowdown.

The country was importing about 900,000 b/d of Russian oil before the Ukraine war. This number briefly rose to 1.12 million b/d in March but fell back below 1 million b/d in April. It is not expected to stray very far north of 600,000 b/d in May, according to Kpler data.

Smaller middlemen and shipping companies — some of them never seen on the market before — are now picking up the Russian oil cargoes that no one else wants to touch.

Recent trades were done on behalf of independent Chinese refiners in Shandong, some of which are using the import quotas that China's state-owned companies have relinquished to avoid potential secondary sanctions from the US.

Kerry Preston and Julien Mathonniere, London

IN BRIEF

Putin Pledges to Support Oil

President Vladimir Putin said Europe's plan to ban Russian oil and gas amounted to "economic suicide."

However, this is an "internal business" of the European countries, he said on May 17, opening a meeting devoted to the development of the country's oil industry.

Putin emphasized that Russia's response should be proactive and pragmatic, based on "its own economic interest" and turning the West's mistakes into benefits for Russia.

He said that changes in the oil market are of a "tectonic nature" and it is impossible to have business as usual. The task is "not just to produce oil, but to build the whole vertical chain to final consumers."

He said the government would do everything it could to help the companies to improve logistical chains, provide for national currencies payments, credit resources and insurance services, to stimulate deep processing and to develop oil-field service technologies.

Gazprom Neft Delists Abroad

Russian oil producer Gazprom Neft will delist from foreign exchanges following similar moves by its parent, state-controlled gas giant Gazprom, and privately held oil producer Lukoil. Gazprom Neft has notified the Bank of New York Mellon of the termination of its American Depositary Receipt (ADR) program from Jun. 16.

The move is in line with a new Russian law prohibiting the circulation of depositary receipts of Russian companies outside the country. Gazprom and Lukoil have both said they will delist overseas.

Any company has the option to ask for an exception from the ruling. Gazprom failed to receive one, but independent gas producer Novatek and regional oil producer Tatneft have won the right to continue with their foreign listings. The government commission on monitoring foreign investments authorized Novatek to continue its Global Depositary Receipt (GDR) program. Its GDRs are listed on the London Stock Exchange. The commission also allowed Tatneft to continue its ADR program. The company's ADRs are listed on the London Stock Exchange and are traded in the Xetra system, part of the Deutsche Boerse Group of companies.

Lukoil Postpones Dividend

Lukoil decided to postpone payments of final dividends for 2021 because of "the unstable business environment and limitations in clearing and banking systems."

The Russian oil major said that its board of directors will come back to the issue before the end of 2022. Lukoil already paid interim dividends for the first nine months of 2021. It allocates 100% of its free cash flow for the purpose, which last year amounted to 693.6 billion rubles ($9.42 billion).

Russia's top independent gas producer Novatek has already said it would pay final dividends for 2021. Other Russian companies' boards of directors are to decide on such recommendations by the end of this month.

Tatneft Sells Tire Business

Russia's regional oil producer Tatneft is selling its tire business, which it owned for the past 20 years. It said the move was in response to "significant changes in the economic environment, including those caused by geopolitical processes." The sale should help Russia's fifth-largest oil producer to focus "on strategic projects."

Tatneft said it signed an agreement to sell its tire business to regional Tatneftekhiminvest-holding, which is not part of Tatneft Group. The transaction covers Tatneft-Neftekhim operating company, set up in 2002 to manage the whole tire business chain and other tire brands.

Separately, Tatneft has bought another small oil-field services (OFS) company from Tagras holding, which earlier sold another seven OFS companies to Tatneft. Western OFS companies are winding down or abandoning their Russian operations over the war in Ukraine, leaving the door open for Russian majors to develop their own OFS business segments.

Driller Sells Russian Unit

Cyprus-registered Eurasia Drilling Co. (EDC) said it had sold its Russian subsidiary to Drilling Company Razvitiye (Development).

The change of ownership will not have a negative impact on existing contracts or lead to changes in its orders portfolio. It would rather "strengthen our position on the market of oil-field services," the company said. Razvitiye, founded just last month, is believed to be linked to managers of EDC's Russian subsidiary.

EDC was set up on the basis of Lukoil's drilling unit when it was hived off in 2004. Analysts say the sale of the subsidiary has been forced by sanctions against Russia because of the war in Ukraine.

EDC's main business has always been in Russia. It accounted for 13.3% of Russia's drilling market in the first nine months of 2021. Lukoil's orders in EDC's portfolio amounted to 69.2%.

Bulgaria to Get US LNG

Bulgaria will receive two LNG cargoes from the US in June and is in talks over a long-term contract after Russia halted its pipeline gas supply to the Balkan country in late April.

The June cargoes will come at prices slightly below Gazprom's prices, Bulgarian Prime Minister Kiril Petkov was quoted as saying following his visit to Washington last week. Sofia wants to secure even lower prices under a proposed long-term contract for US LNG, he said.

Bulgaria's pipeline gas contract with Gazprom, which expires this year, is for 2.9 Bcm/yr. The Russian gas giant halted the supply on Apr. 27 because Bulgaria rejected Moscow's new two-step payment scheme.

NEFTE COMPASS DATA

DATA: Comprehensive Nefte Compass datasets are available for download in the Nefte Compass Data Service, including FSU crude production, exports, refinery activity, prices, natural gas production and other fundamentals. Click here to access.

KAZAKH CRUDE OIL AND GAS CONDENSATE PRODUCTION, APRIL 2022

	Year-To-Date		April		Change From Previous Month	
('000 b/d or metric tons)	(b/d)	(tons)	(b/d)	(tons)	(b/d)	(tons)
Top 5 Producers	1,490.31	22,970.98	1,338.17	5,167.52	-173.69	-849.42
Tengizchevroil	616.55	9,341.68	542.96	2,056.66	-76.12	-366.52
North Caspian Operating Co.	394.26	5,958.62	342.85	1,295.39	-67.45	-306.54
Karachaganak Petroleum Operating Co.	268.11	4,072.49	239.10	907.97	-34.94	-167.38
Mangistaumunaigas	113.45	1,931.12	115.27	490.52	3.37	-1.51
Uzenmunaigas	97.94	1,667.07	97.99	416.98	1.46	-7.47
Other Producers	385.25	6,557.41	383.10	1,630.23	-0.71	-57.48
Total	1,875.56	29,528.39	1,721.27	6,797.74	-174.40	-906.91

Official Kazakh figures are in metric tons. Conversions to barrels: 7.05, Karachaganak: 7.9, Tengiz: 7.92, Kashagan: 7.94. Download full dataset here. *Source: Kazakh Information and Analytical Center of Oil and Gas.*