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CONTENTS

GEOPOLITICS

Kazakhstan Hit by CPC Stoppage, Tengiz Blast

Kazakhstan's oil exports have been rocked by a 30-day stoppage at the Caspian Pipeline Consortium (CPC) terminal on the Russian Black Sea and an explosion on a pipeline at the giant Tengiz field operated by Chevron.

A ruling by the District Court of the Russian port of Novorossiysk on Jul. 6 to suspend operations at the 1.4 million barrel per day CPC terminal for a month due to a series of alleged violations spotted by transportation watchdog Rostransnadzor, will force Kazakhstan to use alternative export routes and maybe even to shut in production.

Kazakhstan has more to worry about after an explosion occurred on the same day as the court ruling at the giant onshore Tengiz oil field, which is operated by Chevron and is the country's largest oil producer with output of around 650,000 b/d. Reports citing the local police force and the Tengizchevroil joint venture say two workers were killed and at least three injured, and that the blast was caused when a stretch of pipeline was being tested. Production at the field had not been affected in the immediate aftermath, but a state of emergency remained in force.

Series of Disruptions

The Russian court ruling follows a series of disruptions at CPC's Yuzhnaya Ozereevka terminal near Novorossiysk, which began in March when a storm put two of the three single point moorings (SPMs) out of action, forcing a drop in shipments for several weeks. Two SPMs closed down in June for maintenance and checks for mines and underwater hazards. CPC was supposed to bring SPM-2 back on line on Jul. 1, while SPM-3 was to resume operations on Jul. 5.

The CPC consortium, which includes a group of international oil companies headed by Chevron, said it would comply with the ruling but would appeal to get it reversed. A Chevron spokesperson said the company "is aware of the latest news about the court decision on CPC activities and is in communication with CPC to clarify details and next steps." The company said that, as yet, there have been no interruptions to crude shipments via CPC.

CPC would have faced even greater problems had the court agreed to the request of the local branch of Rostransnadzor for a three-month suspension to give it enough time to assess the various infringements that it had flagged up. Having been instructed by the government earlier this year to carry out checks at the CPC terminal, Rostransnadzor and environmental watchdog Rosprirodnadzor had revealed multiple violations and gave CPC a deadline of Nov. 30 to rectify them.

Political Motives

There may also be political motives behind the Russian court's ruling, industry observers say. It came just two days after Kazakh President Kassym-Zhomart Tokayev spoke to the President of the European Council Charles Michel and offered to use Kazakhstan's oil and

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SPOT CRUDE OIL PRICES

($/barrel f.o.b. terminal, or c.i.f. destination)

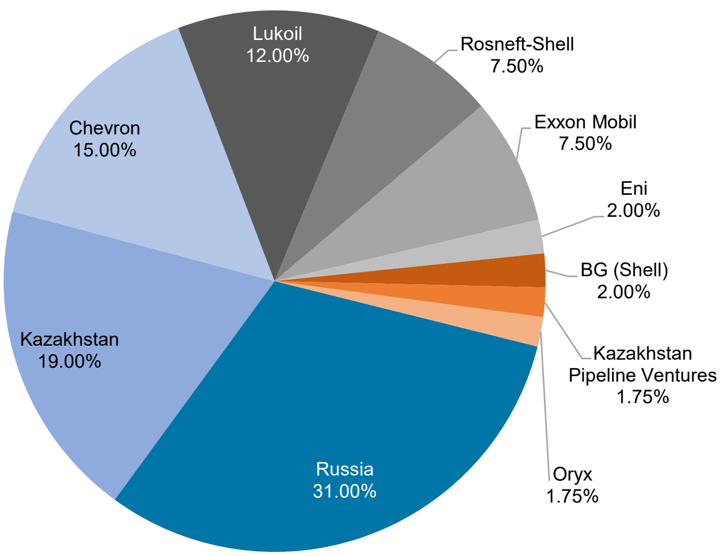
	Jul 5	Jun 28	Chg.
Dated Brent f.o.b. (38 API)	110.49	122.21	-11.72
Russian Urals c.i.f. NWE (31 API)*	77.93	88.79	-10.86
Russian Urals c.i.f. Med (31 API)†	81.48	92.34	-10.86
Azeri Light (35 API)	118.98	129.84	-10.86
CPC Blend c.i.f. Med (45 API)†	102.48	113.34	-10.86
ESPO (35 API)	96.41	89.79	6.62
Dubai (30 API)	111.01	106.65	4.36

PRODUCT PRICES

($/ton, c.i.f. basis)	Jul 5	Jun 28	Chg.
ICE LSGO Futures (front month)	1,153.75	1,218.75	-65.00
ICE LSGO Futures (second month)	1,097.00	1,186.75	-89.75
0.1% Gasoil NWE*	1,180.25	1,289.00	-108.75
0.1% Gasoil Med*	1,153.25	1,262.00	-108.75
10 ppm Diesel NWE*	1,175.75	1,268.50	-92.75
10 ppm Diesel Med*	1,217.25	1,326.00	-108.75
HSFO NWE*	442.00	556.00	-114.00

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

CASPIAN PIPELINE CONSORTIUM SHAREHOLDINGS



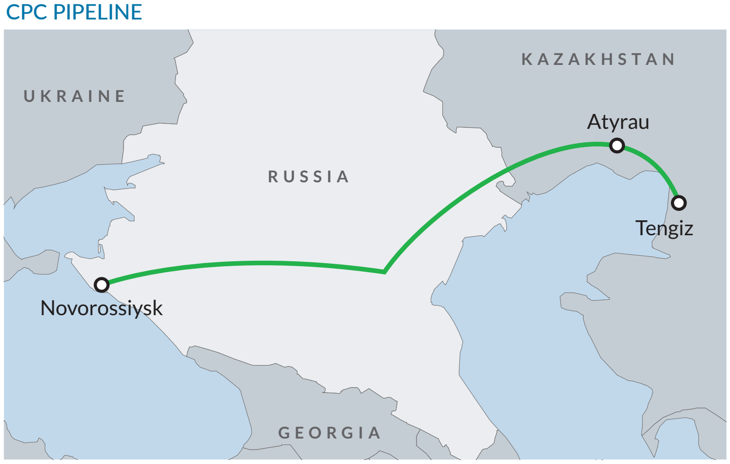
Source: CPC

gas potential "to stabilize the situation in the world and European markets," according to his official website.

Tokayev also stoked Moscow's ire last month at the St. Petersburg International Economic Forum, when in a session shared with Russian President Vladimir Putin, he said he would not recognize the independence of the Donetsk and Luhansk republics from Ukraine. The Kazakh leader was attacked by pro-Kremlin politicians for disrespecting Russia after Russia sent troops to Kazakhstan in January to help put down a violent protest in the former capital, Almaty.

The CPC suspension has sparked a national crisis in Kazakhstan as more than 1.2 million b/d of Kazakh crude – more than two-thirds of its overall exports – flow through the pipeline and are

CPC PIPELINE



Source: Energy Intelligence

marketed as CPC Blend. Roughly 50% of the flows come from Tengiz, with the rest mostly sourced from two other giant fields, Kashagan and Karachaganak. Some Russian crude also enters the CPC system, mostly from the Lukoil-operated Filanovskogo and Yu Korchagin fields in the northern Caspian Sea.

Now that its access to CPC is blocked, Kazakhstan is scratching around for alternative export routes. Kazakh Energy Minister Bulat Akchulakov told Energy Intelligence on the fringes of the St. Petersburg forum that the country could "immediately" redirect 16 million-17 million metric tons per year (320,000-340,000 b/d) of crude to other destinations. These alternative routes include going by pipeline to China, by sea from the Caspian port of Aktau to Baku in Azerbaijan, on to world markets and to Russia via the 300,000 b/d Atyrau-Samara pipeline.

Paul Sampson, London, Staff Reports

CORPORATE

Russia Sets Ground Rules for Foreign Investors

Moscow is laying down the ground rules for foreign investors in Russia, with the overriding aim of protecting its strategic assets and prioritizing the state's needs.

With these goals in mind, President Vladimir Putin signed a decree last week to change the ownership structure of the Sakhalin-2 upstream and LNG project, in which Shell, Mitsui and Mitsubishi jointly control 50% minus one share. Under the decree, the current operator, Bermuda-registered Sakhalin Energy Investment Co., will be replaced by a newly established Russian company.

The decree gives an opportunity for the Sakhalin-2 shareholders to take their respective stakes in the new operator. However, Moscow's ultimate goal was outlined this week by Russia's Security Council secretary, Nikolai Patrushev. Speaking at a meeting in the Far East city of Khabarovsk, he was quoted as saying that "limitations of foreign participation in projects that are significant for Russian energy [industry]" are important for the "protection of national interests and energy security." He pointed to the Sakhalin-2 decree as a move in that direction.

Exxon Mobil-operated Sakhalin-1 and even BP's 19.75% stake in Rosneft and holdings in other joint ventures with the Russian state-controlled oil major could be next in the firing line.

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Tit for Tat

The Sakhalin-2 decree says the change of operator is a response to "hostile" actions from the US and its allies against Russia, as well as threats to national interests due to the "violation by some foreign entities and persons" of obligations under the 1994 Sakhalin-2 production-sharing agreement (PSA). No details of violations were provided, but Russia's Audit Chamber, the parliamentary watchdog, in the course of its regular Sakhalin-1 and Sakhalin-2 audits always finds violation and noncompliances.

The decree gives Sakhalin-2's foreign shareholders a month to notify the Russian government as to whether they are ready to take the respective stakes. The government then has three days to approve or deny the transfer.

If a partner declines to opt for a stake or its application is rejected, the government is entitled to sell its stake to a Russian entity within four months. The money would be transferred to the previous owner minus the cost of any possible damage discovered in a new audit.

Gazprom is to keep its 50% plus one share, while Shell is not expected to apply for a 27.5% stake in the new company as it is determined to fully withdraw from Russia and has divested a number of assets already.

Mitsui and Mitsubishi, on 12.5% and 10%, respectively, wanted to stay in the project, but Japan's sanctions against Russia have antagonized Moscow. Dmitry Medvedev, Russia's former president and now Patrushev's deputy, warned that if Tokyo pursues a price cap for Russian oil, "Japan will have neither oil nor gas from Russia, nor participation in the Sakhalin-2 LNG project."

Legal Grounds

The formal chance that Russia gives to foreigners to stay in the project differs from the freezing and expropriation of Russian assets by the West, which Moscow views as a mere robbery. But Rosneft CEO Igor Sechin warned last month of the potential for retaliation if Russian property was targeted overseas.

"We count that in case of efforts to expropriate Russian property [overseas], symmetrical measures will be offered by the Russian government," he said at the St. Petersburg International Economic Forum. Germany has said it plans to nationalize the Schwedt refinery in which Rosneft holds 54.17%.

In a further round of new rules for foreigners, Putin also recently signed a law demanding that only legal entities established in accordance with Russian legislation can be the ultimate owners of Russian subsoil licenses. Foreign companies that own such licenses must reregister them under the new rules.

Deputies of the State Duma, or lower house of the Russian parliament, passed in a third and final reading on Jul. 6 amendments that would allow Russian courts to decide on the transformation into Russian limited liability companies of foreign firms' affiliates that develop Russian subsoil resources and own oil and gas transportation infrastructure. Foreigners could keep their stakes in the new companies but their rights would be limited if they create obstacles for the normal functioning of the newly established entity.

The wave of new regulations could push BP and Exxon into deciding once and for all whether to stay or go, rather than dragging their feet.

Exxon has nearly ground production to a halt at Sakhalin-1, which is operated by the US major's Bermuda-registered subsidiary.

Even if BP decides to sell its stake in Rosneft, Finance Minister Anton Siluanov said last week that the government would allow asset sales by departing foreigners to Russian buyers and at discounts of no less than 50% of current market value or one-third of earnings before interest, taxes, depreciation and amortization.

State Needs First

Retail investors in Russian shares will also have to play by new rules. Depository receipts should be transferred into Russian shares following the delisting of Russian companies from international stock exchanges.

But they also need to be aware that the generous dividends of the past could be over, as Gazprom demonstrated last week. The state-run gas giant had planned to distribute 1 trillion rubles ($23 billion) in dividends for 2021 but will now pay the entire sum into the Russian budget in the form of an increased mineral extraction tax in September-November.

Staff Reports

UPSTREAM

Russia Recovers Oil Output Losses But Exports Fall

Russia continued in June to recover oil production losses it faced earlier this year, but exports dropped.

Crude oil and gas condensate output reached 43.85 million metric tons, or 10.7 million barrels per day, according to sources familiar with Russian official data. This is 486,300 b/d more than in May and 640,300 b/d higher than in April, when production dropped by 947,000 b/d from the previous month.

Crude production excluding condensate stood at 9.779 million b/d, 884,000 b/d below its 10.663 million b/d June quota under the Opec-plus deal.

Production growth in June was mainly provided by Rosneft and its subsidiary Bashneft, which increased output by 415,000 b/d and 170,000 b/d, respectively, from the previous month.

The Exxon Mobil-operated Sakhalin-1 production-sharing agreement on the Russian Pacific shelf lowered its output to just 6,000 b/d in June. This is the "minimal level" required to still provide natural gas for electricity and heating for Sakhalin-1's Russian Far East customers, according to the US supermajor. Exports were halted completely. In March, Sakhalin-1 was producing 207,000 b/d.

Exports Slide

Russian crude oil shipments to non-former Soviet Union states, both seaborne and pipeline, dropped by almost 215,000 b/d in June versus May, due mainly to a decline in pipeline exports to Europe and China.

The decline was, however, more than offset by a nearly 400,000 b/d increase in supplies to domestic refineries to 5.4 million b/d as oil companies cranked out more products to meet rising domestic consumption and replenish stocks, particularly diesel.

Russian shipments to non-FSU states via the system of national pipeline operator Transneft dropped to 4.463 million b/d in June from 4.632 million b/d in May.

Exports bypassing the Transneft system dropped by 46,000 b/d on the month to 534,000 b/d in June, far below their prewar 800,000-900,000 b/d average. Sakhalin-1 was one of the contributors to the decline.

On the FSU side, June was the third month that Russian companies sent no barrels to neighboring Belarus where the Mozyr refinery is undergoing maintenance and where refining runs crashed amid troubles with exporting petroleum products because of sanctions.

Meanwhile, Russian seaborne shipments totaled 2.924 million b/d last month, only slightly down from 2.951 million b/d in May, but are expected to drop further in July.

Sources say that in July shipments of crude from the Black Sea terminal of Novorossiysk have been penciled in at 580,900 b/d, down from almost 710,000 b/d scheduled for June. In the north, shipments from the Baltic Sea port of Ust-Luga have been penciled in at 661,160 b/d in July, down from 707,600 b/d penciled in for June. Loading programs for Russia's flagship Baltic Sea port of Primorsk were unavailable. In the east, exports of East Siberia-Pacific Ocean barrels via the Kozmino port on the Pacific Ocean are poised to rise to a record near-900,000 b/d this month.

Separately, Russian pipeline oil exports are expected to continue their decline as consumers in Poland and Germany, the key customers along the Druzhba pipeline, are rejecting more Russian barrels. Shipments along the Druzhba pipeline dropped to 764,000 b/d in June versus 845,000 b/d in May.

Price Cap

After leaders of the G7 agreed last week to look for ways to cap the prices for Russian oil and natural gas, responses from Russian officials have been rather limited.

Deputy Prime Minister Alexander Novak said that such a move would represent "an attempt to interfere with the market that could lead to an imbalance and a price increase."

Kremlin spokesman Dmitry Peskov conceded that price cap proposal carries certain risks, including problems with the insurance of tankers. But he added that the "reorientation of oil transportation routes" would continue.

"There is no big surplus of oil on the market. This is a needed commodity and the demand for it will only get bigger," Peskov said.

Looking to expand ties in the Asia-Pacific region, Russian Foreign Minister Sergei Lavrov has been in Mongolia this week. He was also in Vietnam. Representatives of Zarubezhneft and Gazprom Neft visited Vietnam's Dung Quat refinery, in which Gazprom Neft eyed a stake in the past.

Staff Reports

GAS

EU Sends Mixed Signals to Caspian Producers

Caspian gas producers are getting mixed signals from the EU over its urgent need to replace Russian volumes lost because of the war in Ukraine.

In the short term, Brussels views gas as a transition fuel and is scouring the globe for new supplies to help it through the current energy crisis.

In the long term, however, the bloc remains committed to its goals of phasing out fossil fuels by 2050. Member states are prohibited from signing conventional energy contracts that go past 2049.

That still leaves 27 years for the blue fuel to burn in Europe, although the signaling from Brussels has been that the EU will after 2030 start to move away from fossil gas.

"Europe has come to its senses and realized that the aspirational goal of going 100% green is still a couple of decades away," says one Caspian analyst.

A Turkish analyst added: "Decarbonization is important, but it is taking a back seat for the moment."

SOUTHERN GAS CORRIDOR

Source: Energy Intelligence

"Europe will be happy to get any surplus gas without having to make huge investments upfront," the Turkish energy analyst said. "If there is gas right now, they are happy to take it - but there isn't." It makes the task of replacing the 155 billion cubic meters of gas that the EU imported from Russia in 2021 even more daunting.

No Big Ticket

"Big-ticket projects are off the table," one Western observer said. The proposed TransCaspian gas pipeline from Turkmenistan is unlikely to happen, the observer said, partly because it is opposed by Russia, but also because of the huge costs, especially upstream, of producing and exporting up to 30 Bcm per year for decades to come at a time when the EU is turning away from gas.

"Small-ticket items that can use existing infrastructure will be in play," the observer said, adding that Turkmenistan had the potential to send up to 20 Bcm/yr to Turkey in relatively short order without massive capital outlays.

The Turkmens could send 5 Bcm/yr to Turkey via an existing pipeline through Iran. Secondly, a deal has just been reached to double to 4 Bcm/yr the amount of gas flowing in from a trilateral swap deal from Turkmenistan to Azerbaijan via Iran. And a further 10 Bcm-12 Bcm/yr could be exported to Azerbaijan from the offshore platform operated by Malaysia's Petronas in the Turkmen waters of the Caspian Sea. The cost of tying the platform in to nearby Azeri subsea pipeline infrastructure would be relatively inexpensive and quick to achieve.

"The gas could go to Turkey to displace LNG for the European market," the observer said.

The development of Turkey's large Sakarya gas discovery in the Black Sea could also free up some of Turkey's imports to Europe's benefit. It could produce up to 13.5 Bcm/yr in five years, meeting up to 25% of Turkey's demand.

Azerbaijan Potential

One Caspian analyst said there had been "enormous interest" in gas from Azerbaijan this year. "The EU is desperate for gas but they don't want to sign long term, just for maybe five or 10 years maximum. Will Azerbaijan go for that? My guess is not."

Nevertheless, the analyst said there could be a chance to double the capacity of the Trans Adriatic Pipeline (TAP) that carries 10 Bcm/yr of gas to Europe, mainly Italy. The potential for the expansion to 20 Bcm/yr is already built into the line. It would simply require a few additional compressor stations and could be completed in a short period of time.

The most obvious source of gas for the expanded TAP would be to start the third phase of development of the BP-operated Shah Deniz field. "The consortium already exists, so they would just need to secure the capital," the analyst said.

One source noted that with any investments in pipelines from now on, "the clever policy will be that one day they could be used to transport hydrogen made from the gas."

Michael Ritchie, London

ENERGY TRANSITION

Uzbekistan Bets on Renewables

Uzbekistan is proceeding rapidly with an aggressive drive to develop renewables, including solar and wind, as part of a broader strategy to modernize the economy, ease dependence on exports and monetize national gas reserves. Foreign investors will be crucial to meeting those targets as the landlocked Central Asian country estimates investments in renewables will exceed $12 billion by 2030.

"I think it is the right approach in developing the economy when you diversify it, create high value-added products … and use your mineral resources with maximum return," Azim Akhmedkhadjayev, the country's deputy energy minister told Energy Intelligence in Tashkent. He added that a massive restructuring of the country's economy initiated by Uzbek President Shavkat Mirziyoyev requires financial support from foreign financial institutions and investors, which are mostly eager to provide "green financing."

Since coming to power in 2017, Mirziyoyev has sought to open up Uzbekistan and shake up the state-controlled energy industry after decades of stagnation. But his reform program is facing its sternest test yet after deadly riots this week in the northern province of Karakalpakstan, sparked by proposed constitutional changes that would rob the region of its autonomy.

Renewables Push

Uzbekistan has set ambitious goals to increase the share of renewables in overall energy production to 25% by 2030, compared to 10% today. The plan includes the creation of additional renewable energy capacity - 7 gigawatts of solar power and 3 GW of wind power

Investments in building those capacities have been preliminary, estimated at $10 billion with another roughly $2 billion to be spent on the integration of the new capacities into the current energy system, Sherzod Khadjayev, another deputy energy minister, told Energy Intelligence. To attract investors, Uzbekistan is offering a model, under which the investor has guarantees that all the power being created will be bought by Uzbekistan under a tariff set in the contract, Khadjayev said.

The model has already had success in attracting foreign investors. Last year, Masdar of the United Arab Emirates launched a $110 million solar plant with a capacity of 100 megawatts, while another plant with the same capacity was started earlier this year by French TotalEnergies.

A total of 18 solar and wind projects are scheduled to be built in the country by 2030. By 2024 alone, four solar and four wind power plants with a total capacity of 2.7 GW will be built, according to Abdulla Otabayev, head of renewables department at the energy ministry.

Contracts have already been signed for four wind plants with a total capacity of 1.6 GW, including two with Masdar and two with Saudi Arabia-based Acwa Power. A tender has been announced for a 200 MW plant, while another bid round is being prepared for a 700 MW project. Sites are also being prepared for a mega 1.5 GW scheme that has yet to be announced.

Uzbekistan should within three years phase out old power stations with a total capacity of 5 GW–6 GW to be replaced by renewables.

The country also recently started studying the potential for hydrogen, Akhmedkhadjayev said. A special institution has been set under the auspices of the energy ministry to study the prospects.

Hydrogen ambitions are also being driven by foreign investors. The energy ministry is planning new gas-fired power stations that will use the most sophisticated compressors from Siemens, which can also be powered by hydrogen. “If we manage to develop hydrogen production in the next 10 years under adequate prices, we can replace up to 25% of natural gas with hydrogen,” Khadjayev said.

Uzbekistan is actively liberalizing its power market to create a competitive market with transparent rules, pricing mechanisms and equal opportunities for investors, Khadjayev said. The next step will be the establishment of an independent regulatory authority for the electricity market. There will be an enterprise acting as a single buyer, and a national dispatch center. The gas market should follow the example.

Those efforts should help Uzbekistan reach its strategic target of becoming carbon-neutral by 2050. “This is ambitious, but doable,” Khadjayev said.

Renewables can also become an integral part of cooperation between the Shanghai Cooperation Organization member states, which include Russia, Uzbekistan, Kazakhstan, Kyrgyzstan, Tajikistan, China, India and Pakistan. The issue was discussed at the latest meeting of energy ministers from those countries in Tashkent on Jun. 24.

Staff Reports, Tashkent

OIL MARKETS

Espo Crude Firms as Chinese Demand Recovers

The spot market for Russia’s East Siberia-Pacific Ocean (Espo) crude oil strengthened considerably, lifted by recovering Chinese demand.

August-loading spot Espo traded at discounts ranging from $3.00 per barrel to $1.50/bbl to ICE Brent futures prices for crude delivered to China, said a Chinese market source. Another Chinese market source saw August Espo deal levels at around a discount of $2.00/bbl to ICE Brent also delivered.

But by the start of July, during late trading of the August Espo market, delivered Espo was being sold at levels ranging from a discount of $2.00/bbl to around parity to ICE Brent, said a Chinese refiner source. Offers appeared to have gone up as high as a premium of $1.50/bbl to ICE Brent, he added.

These spot prices are likely paid by China’s independent refiners, who usually buy delivered crude at ICE Brent-linked prices.

The August levels are a significant increase from last month, when delivered July-loading spot Espo had traded at discounts ranging from $5.00/bbl to $3.00/bbl to ICE Brent, although levels appeared to have leaned more toward the deeper end of that range.

August-loading Espo cargoes sold on an f.o.b. basis traded at levels ranging from around parity to the Platts Dubai benchmark price to a premium of $1.00/bbl, said two trading sources, including one at a Chinese market player.

These levels are a major collapse compared to spot price differentials concluded four months ago for April-loading spot Espo cargoes that traded before Russia's invasion. Those cargoes had traded at much higher premiums ranging from around $6.20/bbl to around $7.10/bbl to the Dubai benchmark price.

Chinese market players from national oil companies to independents are believed likely to have bought most of August-loading spot Espo, said two Chinese market sources. And demand from these buyers has strengthened this month for August Espo as the Chinese government eases up on lockdowns, said three Chinese market sources and three traders.

Because Russian crudes like Espo are so cheap, Espo is among Chinese refiners' top choices, they added. This is especially the case for independents, which have always liked Espo for its quality and how quickly it delivers to northeast China, said a trader.

Freight costs from Kozmino to China have also gone up, further pushing up the delivered spot price differentials for August Espo, said a China-focused trader.

On top of that, Chinese market players might have grown more accustomed to buying Russian crudes like Espo, and their earlier jitteriness has settled somewhat, leading to a perception of "less risk," said a Chinese market source and a trader who markets to independents.

ULSD Slumps as Russia Boosts Exports

Ultra-low-sulfur diesel (ULSD) values slipped again in Europe as regional demand wobbled and more Russian fuel came in through the back door.

Russia has stopped publishing official loading schedules but multiple market sources have given a figure of 1.16 million metric tons (279,000 barrels per day) of ULSD loading from Primorsk in July. Volumes are up 16% on last month and almost 5% on July last year despite Western sanctions.

Tanker tracking shows far less Russian ULSD going to the UK but more heading to term contract holders in Germany, France and Poland. The UK and EU have both pledged to stop ULSD imports from Russia by the end of this year with company self-sanctioning and Russia's exclusion from price assessments already pushing it out of the visible spot market.

Cargo premiums slipped into the mid-$50s per ton over ICE low-sulfur gasoil futures, down from $80 per ton a week ago.

Demand data is muddied by Covid-19 but latest figures from the UK government show the the post-pandemic recovery going into sharp reverse in April. Mainstay UK road diesel demand came within 3% of 2019 levels in March before slumping 8% below pre-pandemic levels in April when ULSD pump prices were still 12% lower than they are now.

High diesel prices may be taking a toll on European buying but they aren't enough to draw alternative suppliers to the region. East of Suez arrivals failed to reach 1.4 million tons last month, well below the record 1.7 million tons seen in April. Trans-Atlantic sailings have been feeble with just over 100,000 tons arriving last month.

Freddie Yap, Singapore, Kerry Preston, London

IN BRIEF

Russian Gas Output Falls 5%

Gazprom's declining pipeline gas exports to Europe are pulling Russia's overall natural gas production down.

The country produced 365.2 Bcm in the first half of 2022, down 5% from the same period of 2021, according to industry sources (see table). State-run Gazprom, the sole pipeline gas exporter, produced 238.4 Bcm, down 8.6%.

In June, Gazprom's production dropped 31% on the year to 27 Bcm, which pulled Russia's overall output 21% down to 46.02 Bcm.

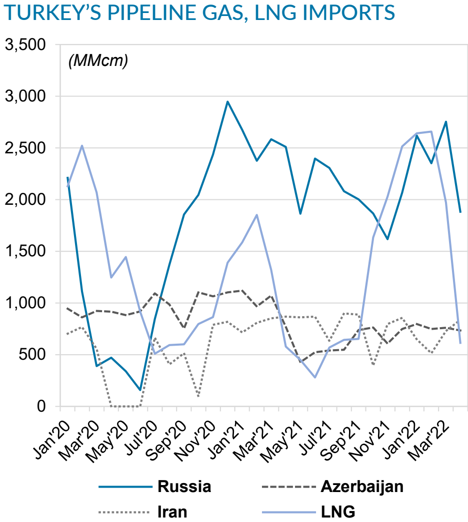
Gazprom's exports to the "far abroad," or Europe (including Turkey) and China fell 31% on the year to 68.9 Bcm in the first half of 2022, according to the company's data. In June, they dropped 50% to just 7.9 Bcm.

Based on gas transmission data, Energy Intelligence calculates exports to Europe, excluding Turkey, might have totaled a record-low 5 Bcm in June, down 40% from May, mainly due to significant capacity restrictions on the Nord Stream pipeline.

Gazprom Sales to Turkey Crash

Russian pipeline gas exports to Turkey fell 25% on the year and 32% on the month to 1.88 Bcm in April, according to data from the Turkish energy market regulator EPDK.

TURKEY'S PIPELINE GAS, LNG IMPORTS



Source: EPDK, Energy Intelligence

The drop reflected a decrease in overall gas imports by Turkey, whose economy faced an accelerated downturn after Russia's Feb. 24 invasion of Ukraine. Turkey's total gas imports fell 14% on the year and 44% on the month to 4.07 Bcm in April. In each of the previous three months of 2022, Turkey's gas imports showed a year-on-year increase.

Russia's pipeline gas exports to Turkey, handled solely by state-run Gazprom, fell in April after a 6.6% year-on-year increase in March when its mainly oil-linked contracts were more attractive amid a war-driven rally on the spot market.

Other pipeline gas suppliers, Azerbaijan and Iran, in April also decreased supplies to Turkey by 4.8% and 3.4% on the year to 734 MMcm and 837 MMcm, respectively, while Turkey's LNG imports increased 6% to 614 MMcm (see graph).

Dragon Extends Turkmen Deal

Dragon Oil, owned by the government of Dubai, has extended its upstream contract in Turkmenistan for a further 10 years until 2035. Under the $1 billion extension agreement, $500 million will be paid in cash, with the rest to be paid over the next 13 years.

Oil production from the Cheleken contract area has totaled 437 million bbl over the last 22 years. An additional 350 million bbl is set to be recovered in the extended period, at a rate of 60,000-70,000 b/d.

Dragon's investments in Turkmenistan have totaled $8.1 billion since 2000 and a further $7 billion-$8 billion will be pumped in during the contract extension period.

Dragon signaled last year its intention to extend the contract, while another key investor, Malaysia's Petronas, was also considering extending its production-sharing agreement for Block 1.

Rosneft Makes Arctic Find

Rosneft has announced an oil discovery in the northern Pechora Sea. The state-controlled major said Russia's State Commission on Reserves had registered 82 million metric tons (600 million bbl) of recoverable crude at the Madachagskoye field discovered by Rosneft at the Medyn-Varandeisky licensed prospect.

Rosneft said all the works had been carried out by its subsidiaries RN-Bureniye (Drilling) and RN-Shelf-Arctic which drilled into the sea from the shore.

In the course of testing, inflow amounted to 220 cubic meters per day of light, low sulfur crude of insignificant viscosity.

Rosneft said it would continue to explore the region. It discovered two gas fields in the Arctic Kara Sea in 2020 – the 800 Bcm Marshala Zhukova and the 514 Bcm Marshala Rokossovskogo.

In 2014, together with Exxon Mobil, Rosneft discovered the Pobeda field in the Kara Sea with 950 million bbl of oil and 442 Bcm of gas reserves.

Russia Cuts Belarus Exports

Russia will send fewer petroleum products from Belarus through its ports in 2022 than initially planned, even though Moscow recently agreed to expand the number of terminals that can ship products from the neighboring state.

Russian Transport Minister Vitaly Savelyev said Russian ports are poised to transship some 2.4 million metric tons of Belarusian products in 2022, up from 2.1 million tons in 2021. The total, however, is lower than the volumes envisaged in a three-year agreement between Moscow and Minsk that called for shipments of 9.8 million tons in 2021-23, including 3.5 million tons in 2021, 3.2 million tons in 2022 and 3.1 million tons in 2023.

Russia recently expanded the number of ports that can transship Belarusian products, but refining runs in Belarus have slipped this year largely because of sanctions that prevent Minsk from transporting its petroleum products.

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.

RUSSIAN REFINERY ACTIVITY, MAY 2022

	Processing							
	Year-To-Date		May		Change From Previous Month		May Crude Oil Deliveries	
('000 b/d or metric tons)	(b/d)	(tons)	(b/d)	(tons)	(b/d)	(tons)	(b/d)	(tons)
Bashneft	263.5	5,436.5	215.6	913.1	20.0	111.4	214.2	907.3
Lukoil	844.7	17,424.5	834.6	3,534.5	-8.0	81.3	853.5	3,614.4
Gazprom Neft	642.5	13,254.3	664.5	2,814.0	10.7	134.4	636.9	2,697.3
Surgutneftegas	373.9	7,713.1	354.7	1,502.0	-60.8	-200.7	283.4	1,200.0
Slavneft	278.0	5,733.8	206.8	875.6	-25.0	-74.3	282.7	1,197.4
Rosneft	1,232.5	25,423.5	969.4	4,105.3	-45.3	-53.4	1,057.7	4,479.5
TAIF-NK	126.5	2,608.5	125.2	530.3	84.5	363.3	106.2	449.9
Gazprom Neftekhim Salavat	137.9	2,844.5	154.5	654.3	35.7	167.3	0.0	0.0
Gazprom Refineries	128.2	2,644.1	90.7	384.2	-36.8	-138.4	0.0	0.0
IPC	96.2	1,985.3	97.9	414.7	5.0	33.9	101.5	430.0
Russneft	0.3	5.6	0.3	1.2	0.2	1.0	0.0	0.0
Tatneft	324.9	6,701.8	329.0	1,393.3	1.1	49.6	288.5	1,222.0
Novatek	141.6	2,921.6	140.4	594.7	5.2	40.5	0.0	0.0
ForteInvest	235.4	4,855.2	246.2	1,042.5	40.6	200.2	189.2	801.1
Rusinvest	107.4	2,215.0	101.3	429.1	4.8	33.6	68.5	289.9
Petrosakh	0.6	12.5	0.6	2.4	0.0	0.2	0.0	0.0
Mariisk	2.9	60.6	0.0	0.0	-3.3	-13.4	0.0	0.0
Krasnodareconeft	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Yaroslavl-Mendeleyev	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	389.5	8,034.2	407.3	1,724.9	56.1	285.7	374.7	1,587.0
Russia Total	**5,326.4**	**109,874.6**	**4,938.9**	**20,916.0**	**84.8**	**1,022.3**	**4,457.1**	**18,875.9**

	May Output							
	Mazut		Gasoil		Gasoline		Jet Fuel	
('000 b/d or metric tons)	(b/d)	(tons)	(b/d)	(tons)	(b/d)	(tons)	(b/d)	(tons)
Bashneft	8.4	39.1	87.8	364.9	73.9	269.1	0.0	0.0
Lukoil	81.2	378.9	345.7	1,436.7	209.2	762.2	31.9	123.7
Gazprom Neft	39.8	186.0	243.4	1,011.5	185.4	675.5	55.6	215.6
Surgutneftegas	103.6	483.5	149.1	619.7	60.7	221.0	6.6	25.6
Slavneft	73.8	344.5	45.7	189.9	34.4	125.3	17.3	67.0
Rosneft	199.1	929.6	316.3	1,314.5	211.1	769.0	29.1	112.7
Taif-NK	8.5	39.7	67.6	280.7	12.5	45.4	0.0	0.0
Gazprom Neftekhim Salavat	8.9	41.6	54.9	228.3	35.0	127.7	0.0	0.0
Gazprom Refineries	0.0	0.0	22.8	94.9	36.5	132.8	0.3	1.0
IPC	30.4	142.0	24.9	103.6	14.8	54.0	2.9	11.4
Russneft	0.0	0.0	0.1	0.2	0.0	0.0	0.2	0.8
Tatneft	0.0	0.0	175.6	729.9	58.2	212.2	4.3	16.7
Novatek	0.0	0.0	0.0	0.0	0.0	0.0	23.8	92.4
ForteInvest	38.3	178.6	46.2	191.8	15.9	57.9	0.0	0.0
Rusinvest	0.0	0.0	36.1	150.0	2.2	8.0	0.0	0.0
Petrosakh	0.0	0.0	0.0	0.0	0.1	0.2	0.0	0.0
Mariisk	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Krasnodareconeft	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Yaroslavl-Mendeleyev	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	47.2	220.2	14.5	60.4	13.3	48.3	0.1	0.6
Russia Total	**639.1**	**2,983.7**	**1,630.8**	**6,777.0**	**963.1**	**3,508.5**	**172.3**	**667.6**

Table is based on the following factor for conversion to barrels: Crude oil and gas condensate - 7.32; Mazut - 6.64; Gas Oil - 7.46; Gasoline - 8.51; Jet Fuel - 8.00. Totals may not add due to rounding. Data for the previous month were revised. Download full dataset here.

NEFTE COMPASS DATA

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RUSSIAN GAS PRODUCTION, JUNE 2022

(MMcm)	Year-To-Date	June	Change From Previous Month
Lukoil	9,317.1	1,472.6	-95.8
Surgutneftegas	4,222.2	655.2	-50.9
Rosneft	22,683.5	3,897.8	-20.7
Gazprom Neft	17,195.2	2,723.0	-230.3
Slavneft	409.2	67.2	-3.1
Russneft	1,068.0	174.8	-5.0
Tatneft	450.7	76.2	-2.4
Bashneft	388.7	65.7	8.0
IPC (Neftegasholding)	2,962.6	524.9	-5.4
Russian Oil Company Total	**58,697.1**	**9,657.2**	**-405.5**
Novatek	**40,203.4**	**6,263.6**	**-265.8**
Gazprom	**238,400.0**	**27,000.0**	**-9,000.0**
Other Producers	**13,669.6**	**1,683.5**	**-487.1**
PSA Operators	**14,256.3**	**1,420.0**	**-455.6**
Russia Grand Total	**365,226.5**	**46,024.3**	**-10,614.1**

Download full dataset here. *Source: Energy Intelligence*

RUSSIAN CRUDE OIL AND GAS CONDENSATE PRODUCTION

('000 b/d)	Jun 22	%Chg.	May 22
Rosneft	3,402.0	-4.88%	2,986.9
Lukoil	1,606.9	6.80	1,606.9
Surgutneftegas	1,174.9	7.93	1,171.2
Gazprom Neft	805.5	4.14	804.4
Tatneft	575.4	3.02	573.6
Other Producers	3,135.8	7.43	3,071.1
Russian Grand Total	**10,700.5**	**2.69%**	**10,214.2**

Change from Jun '21. Table is based on conversion rate of 1 metric ton = 7.32 barrels.