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NEFTE COMPASS®

CONTENTS

GAS

Nord Stream Deadlock Sends Prices Soaring

The limited supply of Russian gas sent European spot prices to new highs this week — reaching $2,600 per thousand cubic meters during the day on Aug. 16 — which should improve Gazprom's revenues after a sharp drop in July.

Citing its own "conservative" forecast, Gazprom has warned that European prices may even exceed $4,000/Mcm in the winter.

The restricted supply from Russia did not stop injections into EU storage, which is on track to be 80% full by November.

But the pressure on Europe remains high — which some analysts attribute to Gazprom deliberately reducing flows, although Moscow denies such a tactic.

Turbine Standstill

The deadlock between Moscow and Germany over a repaired Siemens turbine for the underutilized Nord Stream pipeline is a key factor behind the tight supply.

The situation around the turbine hasn't changed since two weeks ago when Chancellor Olaf Scholz visited Siemens Energy's factory in Mulheim, a company spokesman tells Energy Intelligence. The turbine has been sitting in Germany since last month.

During his visit, Scholz said the turbine was ready to be sent to Russia at any time and Gazprom has no technical reasons to not fulfil its gas supply contracts. He reiterated last week that Gazprom should just take the turbine.

A return of the turbine would allow to increase Nord Stream gas flows to some 68 million cubic meters per day, or 40% of capacity, from the current 33 MMcm/d. But Gazprom sticks to its stance that the EU, UK and Canada must first guarantee that their sanctions imposed on Russia over the war in Ukraine do not hinder Nord Stream operations in the future.

"Until Gazprom receives such documents, it cannot take this turbine or send other turbines for repair," Russia's embassy in Berlin said in a statement on Aug. 11. It also said the transfer of the turbine to Germany from Canada after the repair was not in accordance with the contract.

Low Exports

With Nord Stream operating at 20% of capacity since late July, and Ukrainian transit utilized only at 55% of available capacity, Gazprom's exports to Europe remained at record lows in the first half of August. Gazprom supplied some 1.76 billion cubic meters, or 117 MMcm/d, to Europe, excluding Turkey, in the first 15 days of this month, down 7.5% from the first half of July, Energy Intelligence calculates based on gas transmission data.

>> *continued on page 2*

SPOT CRUDE OIL PRICES

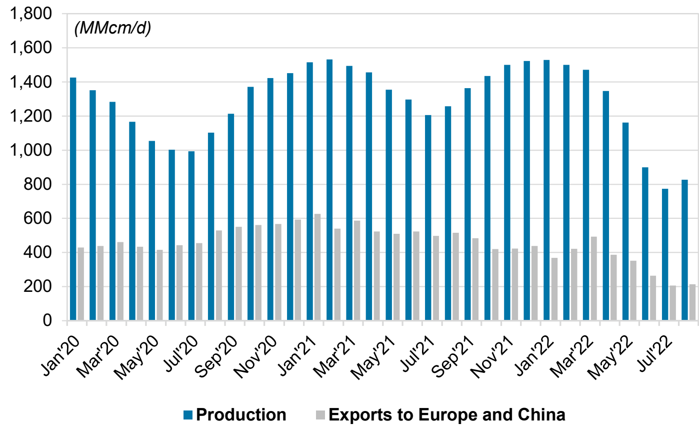
($/barrel f.o.b. terminal, or c.i.f. destination)	Aug 16	Aug 9	Chg.
Dated Brent f.o.b. (38 API)	95.36	103.81	-8.45
Russian Urals c.i.f. NWE (31 API)*	63.53	72.25	-8.72
Russian Urals c.i.f. Med (31 API)†	67.08	75.80	-8.72
Azeri Light (35 API)	97.78	106.50	-8.72
CPC Blend c.i.f. Med (45 API)†	94.03	102.75	-8.72
ESPO (35 API)	89.93	90.39	-0.46
Dubai (30 API)	92.00	94.25	-2.25

PRODUCT PRICES

($/ton, c.i.f. basis)	Aug 16	Aug 9	Chg.
ICE LSGO Futures (front month)	1,018.00	997.75	20.25
ICE LSGO Futures (second month)	1,004.00	985.75	18.25
0.1% Gasoil NWE*	1,050.50	1,014.00	36.50
0.1% Gasoil Med*	1,058.50	1,022.00	36.50
10 ppm Diesel NWE*	1,047.00	1,012.25	34.75
10 ppm Diesel Med*	1,084.50	1,048.00	36.50
HSFO NWE*	458.00	470.00	-12.00

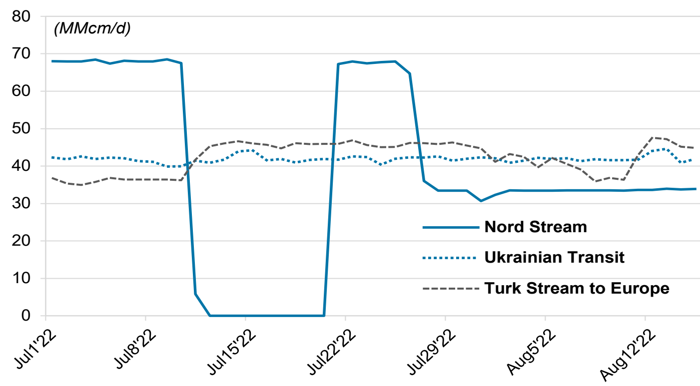
LSGO – low sulfur gas oil. *Basis Rotterdam. †Basis Augusta. *Source: Energy Intelligence*

GAZPROM'S AVERAGE DAILY GAS PRODUCTION, EXPORTS



Source: Gazprom, Energy Intelligence

RUSSIAN GAS FLOWS VIA KEY ROUTES TO EUROPE



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

Supplies via Nord Stream dropped 27% on the month, Ukrainian transit was almost flat, while Turk Stream flows to Europe increased 6.5% from a month ago, partly thanks to extra gas deliveries to Hungary that started last week (see graph).

Combined with supplies to Turkey and China, Gazprom's total exports to countries outside the former Soviet Union amounted to 3.2 Bcm in the first half of August, down a hefty 59% from the same period a year ago but up 7% from the first half of July. Gazprom says supplies to China stably exceed daily contractual amounts in August.

Since the start of the year, Gazprom has exported 78.5 Bcm to Europe (including Turkey) and China, down 36.2% from the first 7½ months of 2021, the state-run exporter said this week.

Production Decline

With domestic sales also decreasing 2.3%, or by 3.6 Bcm, in the first 7½ months, according to the company's own estimates, Gazprom's gas production is facing a sharp decline this year, unless exports flows are restored.

Gazprom produced 274.8 Bcm in the period from Jan. 1 to Aug. 15, down 13.2% on the year, and its previously set full-year target of 494.4 Bcm, down 4% from 2021, now looks impossible to reach. If the trend continues, Gazprom's production may end up below 450 Bcm this year, lower than in the Covid-19 year 2020.

Production dropped sharply in June due to the Nord Stream reduction and was at around half of Gazprom's capacity in July. In the first half of August, average daily production was some 7% higher than in full-month July, rising to 827 MMcm/d (see graph).

Staff Reports

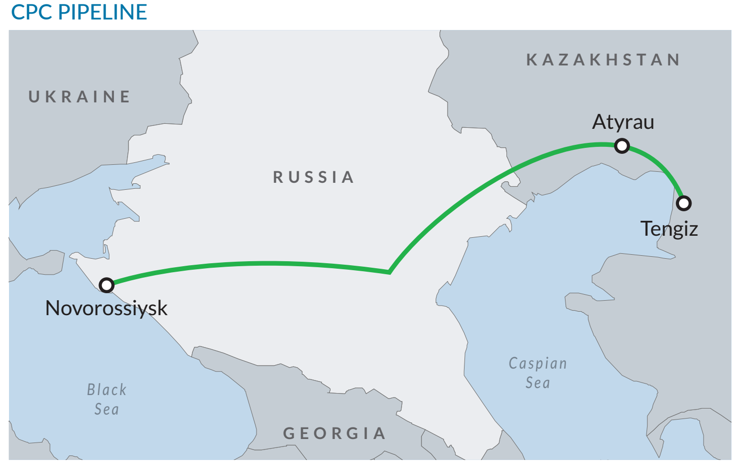
CASPIAN

Kazakhstan Keeps Faith With CPC Lifeline

Kazakhstan has no immediate plans to ship oil via the 1.2 million barrel per day Baku-Tbilisi-Ceyhan (BTC) pipeline, and expects to continue transporting most of its barrels via the Caspian Pipeline Consortium (CPC) terminal near the Russian Black Sea port of Novorossiysk, its energy minister, Bolat Akchulakov, said this week.

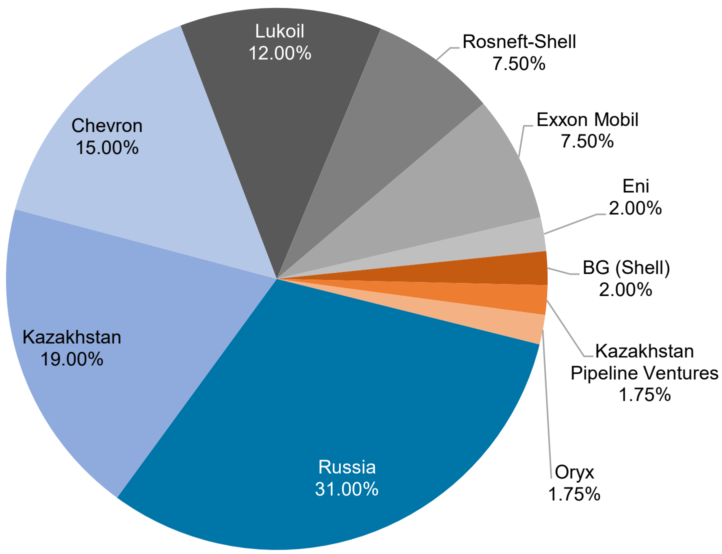
The republic's reliance on the 1.4 million b/d CPC link has been called into question in recent months following a series of disruptions at the terminal, which is effectively controlled by the Russian government. In early July, a regional court in

CPC PIPELINE



Source: Energy Intelligence

CASPIAN PIPELINE CONSORTIUM SHAREHOLDINGS



Source: CPC

Novorossiysk ordered a one-month closure of the outlet due to multiple violations by the CPC consortium — only to scrap the ruling and replace it with a fine of just 200,000 rubles ($3,540).

Just days after the initial court ruling, Kazakh President Kassym-Zhomart Tokayev called on state oil company Kazmunaigas (KMG) to figure out the best way to develop the cross-Caspian route to Azerbaijan, and also to invite the shareholders in the giant Tengiz oil development — Chevron (50%), Exxon Mobil (25%), KMG (20%) and Lukoil (5%) — to invest in the project. He also instructed the government and sovereign wealth fund Samruk-Kazyna to accelerate plans to expand the capacity of the Kazakhstan-China pipeline.

Risible Amounts

Akchulakov, speaking to reporters at the Caspian oil hub of Atyrau, downplayed reports on Reuters that Kazakh oil could start flowing via BTC in September, under an agreement between KMG and Azeri state oil company Socar to ship around 1.5 million metric tons per year (30,000 b/d) across the Caspian. "I don't think we will sign any oil transportation agreement (for BTC) at the moment," he said, describing the volumes mentioned as "pretty risible."

Kazakhstan needs to maintain uninterrupted flows via CPC, Akchulakov said, "because this is our principal route and the most profitable." He said there is spare capacity in the 1.4 million b/d pipeline system to handle the extra 240,000 b/d of crude that will be produced from the Tengiz field from 2024, but stressed the need to map out alternative routes. "We need to start thinking quickly about how to transport this oil."

Looking further ahead, Akchulakov said additional export capacity would need to be found for future production at the giant offshore Kashagan field, which could increase by some 300,000 b/d under a planned second development phase.

Sanctions Take Toll

The problem Kazakhstan faces is that its oil exports via Russia have become much more erratic since the war with Ukraine kicked off in late February, and that does not apply just to CPC. Flows via the 300,000 b/d Atyrau-Samara pipeline, which has been pumping Kazakh crude to Russia since Soviet times, fell by around 50% during the first six months of the year to 171,000 b/d, according to figures provided by state pipeline operator Kaztransoil (KTO) in a recent update.

KTO did not give any reasons for the drop, but trading sources cite EU sanctions that have impacted Russian crude exports as the main factor. In June, the Kazakhs rebranded their oil shipped from Russian ports, via Atyrau-Samara, as Kazakhstan Export Blend Crude Oil (Kebco), to differentiate it from standard Russian Urals blend. Most of the oil is marketed by Swiss trading giant Vitol with the help of an affiliated company called Euro Asian.

Over the six-month period, deliveries of crude via the Kazakhstan-China pipeline ramped up to around 400,000 b/d, the KTO statistics show. Most of the barrels, however, were not from Kazakhstan but instead Urals crude supplied by Rosneft under an offtake deal with PetroChina. Kazakh crude enters the pipeline from Atyrau, which enables China National Petroleum Corp. to send its own equity production to its home market.

There is also around 190,000 b/d of Kazakh crude which is shipped out of the port of Aktau to Baku, from where it is taken by rail to the Georgian Black Sea ports of Batumi and Kulevi, or to the Russian Caspian port of Makhachkala, from where it is transported by pipeline and rail to Novorossiysk.

Paul Sampson, London

GEOPOLITICS

Taliban Eyes Russian Oil Purchases in Moscow Talks

A delegation of the ruling Taliban movement in Afghanistan arrived in Moscow on Aug. 14 for a three day-visit to discuss bilateral trade, including purchases of Russian oil and food products.

The volume of Russian oil sought by Kabul could amount to only 1 million barrels, according to the acting Afghan minister of industry and trade, Nuriddin Azizi, who headed the delegation to Russia.

FSU NATIONS WITH AFGHAN BORDERS

Source: Energy Intelligence

However, any such deal could become a springboard for business ties between the two countries. Kabul needs investment while Moscow is seeking security guarantees not only to protect its Central Asian flanks but also to prevent any transit of militants and weapons from Afghanistan to Ukraine.

Russia has worked against the Taliban after it first came to power in the mid-1990s, and still it is officially recognized by Moscow as a terrorist organization.

But Russia is now taking a more open view of the Islamist movement and has been in touch with its leadership since the Taliban seized power nearly a year ago.

Moscow's line is that it is necessary to cooperate with the Taliban where it meets Russia's interests. The US exit from Afghanistan has also opened the way for Russia to play a much more active role in the country, and to expand its influence in the surrounding region.

Barter Deal

According to Azizi, Afghanistan is considering barter deals with Russia, offering the country's products in exchange for Russian oil and other products.

Afghanistan is facing a dire economic situation and a humanitarian crisis, while more than $7 billion of Afghan foreign currency reserves held at the US central bank have been frozen by Washington.

Russian analysts say that Kabul would want oil products rather than crude as the country doesn't have refining capacity. Kabul has little to offer in return, except for fruit, almonds, wool and other agricultural products, which are not enough to pay for large volumes of oil.

Experts say that Kabul could offer Russian companies rights to participate in the development of rare earth metals, including lithium, and in various construction projects, although the security risks remain too big.

Talks about possible cooperation started earlier this year when the Taliban delegation participated in the St. Petersburg International Economic Forum in June.

Seeking Guarantees

"Russia and Afghanistan share a hatred of the West," said one Central Asian expert. The expert said the Taliban would "probably be looking for money" and that in return Moscow's main concern would be to extract security guarantees from Afghanistan, which is viewed as inherently unstable, with "so many ungoverned actions" as well as links to Al-Qaeda and the heroin trade. "The Russians have a keen interest in making sure that what happens in Afghanistan stays in Afghanistan," the expert said.

Moscow sees a risk of Afghan fighters, including members of Islamic State, moving to Ukraine. The Russian president's special envoy on Afghanistan, Zamir Kabulov, was quoted as saying that the Taliban had guaranteed to Moscow they would prevent such movements "within the limits of their capabilities."

According to Kabulov, about 110,000 Afghans fled the country to Central Asian neighbors, including Tajikistan and Uzbekistan, when the Taliban came to power last year, and many are waiting for permission to go to the US. Some of them have already moved to Ukraine to fight on the side of Kyiv against Russia.

He also said it is important for Moscow that about 100 aircraft and helicopters that were used by the Afghan fighters to fly to Tajikistan and Uzbekistan do not turn up in Ukraine.

At the same time, Tajikistan is not only providing a home for the opponents of the Taliban, to the annoyance of Kabul, but it is also currently hosting US military exercise Regional Cooperation — 22, raising eyebrows not only in Afghanistan but also in Russia and China. The Taliban has already sent signals it could move into Tajikistan but the only deterrent is Moscow.

Peace Plans

Much of Afghanistan's economic activity to the north is with neighboring Turkmenistan, which recently bolstered regional cooperation by agreeing to host a grain terminal on its Afghan border to supply wheat and flour from Kazakhstan to Afghanistan.

The Turkmens are also building a rail link to Herat in Afghanistan and are exporting electricity to Mazhar-e-Sharif in Afghanistan via a transmission line from a 1.5 GW power plant built in Mary province by Turkish group Chalyk Holding. Chalyk's goal is to extend the high-voltage, direct-current line to Pakistan. About 70% of Afghanistan's 38 million population still has no access to electricity, which makes it a potentially huge energy consuming market.

The Taliban ideally wants the country to become a possible transit route for gas from Turkmenistan — via the long-mooted Turkmenistan-Afghanistan-Pakistan-India (Tapi) pipeline that would run over 1,600 kilometers to the Pakistani-Indian border. Turkmenistan's giant Galkynysh field is just 200 km from the Afghan border. Tapi has struggled to win Western backing, and now Kabul also counts on Moscow in lobbying for the project to finally move forward.

Staff Reports

SANCTIONS

Russia to Focus on Digital Import Replacement

In its import-replacement drive, Russia's oil and gas sector is prioritizing the development of the software and digital solutions needed to replace the foreign technologies now unavailable as a result of Western sanctions. The move is part of Russia's broader efforts to replace foreign software, with the government paying special attention to joint efforts within the same industry and also between different industries.

In late June, an oil and gas industrial competence center (ICC) was established as part of 35 similar centers set up in Russia under an order from Prime Minister Mikhail Mishustin. The oil and gas ICC groups Russia's major players — oil producers Rosneft, Lukoil, Surgutneftegas, Gazprom Neft, Tatneft and Zarubezhneft, along with gas giants Gazprom and Novatek, and petrochemicals giant Sibur and pipeline monopoly Transneft — and is headed by Gazprom Neft CEO Alexander Dyukov and Deputy Energy Minister Pavel Sorokin from the government side.

Over the past month, the ICC met several times to define crucial software that needs to be replaced and developed domestically. "We have selected 12 directions along the entire chain, which, in our opinion, are the priority for replacement," Matvei Alekseev, head of digital economy projects at Gazprom Neft, told participants at the import-replacement conference in St. Petersburg last week. The targets include software for geological modeling, processing, interpretation of geological and technological data, drilling control systems and well completion systems.

October Deadline

The ICC briefly analyzed all the existing foreign software and digital solutions and existing Russian analogs. It also agreed the choice of 12 directions with the Ministry of Digital Development, Communications and Mass Media, which oversees the software import-replacement efforts. The next step will be to carry out a complex study of foreign software and the maturity of Russian analogs with some results to be presented in October.

Industry players admit that Russian companies have developed some good solutions in the years since 2014 when sanctions were first used against Russia over its annexation of Crimea. However, the lack of coordination, an unwillingness to share and test those solutions, as well as the habit of using foreign software, have so far prevented the industry from actively developing its own technologies.

The work was intensified after the government ordered the establishment of 35 competence centers within separate industries and agreed to invest some 37 billion rubles ($614 million) by 2024 to help replace foreign software and digital solutions.

Hurdles Ahead

Industry players who attended the import-replacement conference pointed to several hurdles that the industry is facing today as it needs to replace a massive amount of technologies and equipment that are now banned by sanctions.

First, consolidated demand is necessary to help develop lots of technologies and solutions. So far, most progress was reached in those areas where consolidated demand was crucial, including the hydraulic fracturing fleet, equipment and materials for drilling and cementing wells, and equipment for directional and horizontal drilling. But some solutions are too specific and economically unviable to produce for just one company. In such cases, there should be consolidated demand between various industries, industry and trade ministry officials say.

Second, companies so far preferred to develop their own solutions and are still unwilling to share them. Partnerships and cooperation are now seen as crucial to develop technologies and to test them at so-called polygons — areas licensed specifically to test technologies that can later be used by all companies.

Third, Russian majors are still unwilling to purchase innovative solutions from small domestic developers before they are tested properly. But developers of such solutions and technologies need big companies to share the investments and risks. "There is a vicious circle: majors need mature solutions, but are not ready to help make those mature," one producer of drilling technologies says.

Reaching Out

Fourth, Russia's oil and gas industry still prefers to buy "all-inclusive" complex solutions where they are available. That was the case since 2014, when some technologies were banned. Even today, when new restrictions limit imports of technologies and equipment from "unfriendly" countries, companies turn to "friendly countries" or actively use so-called parallel imports or re-engineering.

A representative of one Russian major confessed that his company had since February started to actively look for technologies and equipment in China, India, the Middle East and other countries, while the strengthening ruble made those supplies more attractive in recent months.

On the positive side, however, that perception started changing as companies started to realize that sanctions would last for a long time, representatives of Russian majors told the conference last week. "We need a complete overhaul of our thinking if we want to achieve real progress with import replacement," an industry player says.

With that understanding beginning to sink in, the Russian oil and gas industry will have to find a proper cooperation model that would allow them to share already existing solutions and develop new ones. The industry will also have to find a balance between developing technologies within the sector or turning to outsource solutions. Russian companies believe there should be a certain extent of cooperation, but admit also that developing technologies outside the sector could take longer and cost more.

Staff Reports

GAS

China Stocks Up on Cheap Russian Supplies

Russia's pipeline gas and LNG exports to China showed strong growth in the first half of 2022 despite a drop in Beijing's overall gas imports during the period.

Moscow is desperate to boost energy exports to China, and to Asia in general, as its oil and gas trade with Europe appears doomed thanks to the Kremlin's war in Ukraine.

However, the development of new infrastructure that would transform China into the new export center for Russian gas, comparable in size with prewar Europe, might take a decade given the West's technology and financial sanctions. Further, Moscow's isolation is certain to give Beijing stronger leverage in price talks.

For now, the current growth in Russian gas imports reflects China's willingness to buy more while Russia's price is relatively low.

LNG Exports Soar

Russia's LNG exports to China grew 29% on the year to 2.4 million metric tons in the first half of 2022, according to data from China's General Administration of Customs.

That is in contrast with a 21% drop in China's overall LNG imports to 31.3 million tons in this period, mainly due to high spot prices that have forced China to slash purchases and lift pipeline offtakes and domestic production. In January-June, China's total gas imports decreased 10%.

Purchases of Russian LNG were an exception mainly because of oil-linked Yamal contracts that proved to be more lucrative for Beijing (graph). China National Petroleum Corp. (CNPC) has a 3 million ton per year, d.e.s. oil-linked, long-term contract with the Novatek-controlled Yamal LNG plant, where CNPC happens to own a 20% stake.

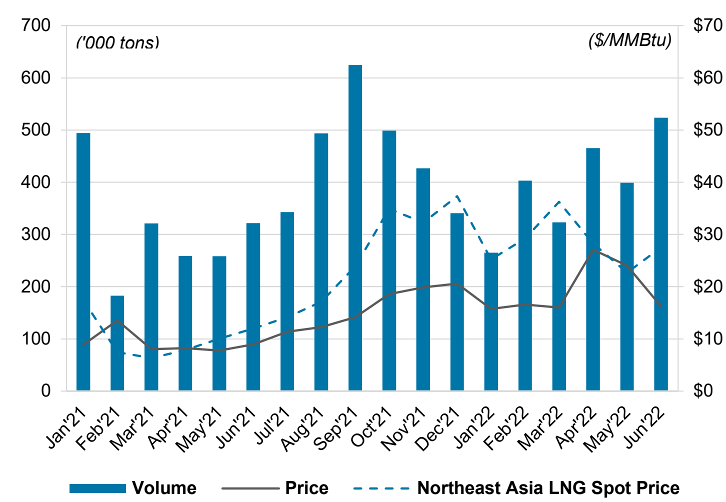
Yamal is understood to be selling around 25% of its 19 million-plus ton/yr production on spot, but right now most spot cargoes tend to go to the West, attracted by high margins in crisis-hit Europe. They also irritate gas pipeline exporter Gazprom.

Gazprom's Sakhalin-2 LNG plant in the Far East also supplies LNG to China, but solely on spot.

Pipeline Gas Hits Records

Russia's pipeline gas exports to China are also on a sharp rise since they remain the cheapest supply option for China. Chinese customs stopped disclosing pipeline gas import volumes — not only for Russia but other suppliers as well — in the beginning of this year, but Gazprom says in its monthly export updates — also without providing figures — that supplies rose strongly.

CHINA'S LNG IMPORTS FROM RUSSIA



Source: China's General Administration of Customs, Energy Intelligence

In the first five months of 2022, Gazprom might have supplied some 6.3 Bcm to China, up 67.5% on the year, Energy Intelligence calculated earlier. The growth is in line with the planned ramp-up of the Power of Siberia pipeline exports that started in late 2019, but Gazprom says it now supplies above the contractual daily volumes agreed at around 41 million cubic meters per day, or 15 billion cubic meters per year, for the year.

In July, Gazprom's exports to China hit three new daily records — on Jul. 17, Jul. 19 and Jul. 24 — according to the Russian company.

Staff Reports

OIL MARKETS

Fudged Price Signals Bamboozle Crude Market

The sanctions against Russia have made Urals trade more confidential and fudged price information about physical cargoes. Export programs are no longer published. And absent a view on available volumes, the market has lost track of the actual prices being paid by buyers still willing to lift these volumes. The market is trading rumors rather than confirmed deal information.

Traders estimate that the average Urals discount remains around $30 per barrel to dated Brent on an f.o.b. basis, that is, not inclusive of shipment and insurance to Asia. The cost of hedging in a backwardated market, where the price at the time of loading is higher than the price at the time of discharging, is widening the actual discount received by long-haul buyers.

But price monitoring data published by the Russian Ministry of Finance gives a different view. The average price of Urals oil between Jul. 15 to Aug. 14 was $83.06/bbl, according to the ministry. Based on an average Brent price of $101.74/bbl over that period, the effective Urals discount would be only $18.68/bbl.

So far, large discounts have allowed more Russian barrels to move East of Suez, especially to China and India. China took an average 780,000 barrels per day of Urals so far and could maybe take 500,000 b/d more, pending the resumption of product exports. India took an average 680,000 b/d of Urals so far, and could maybe take another 100,000 b/d.

But both countries reduced their intake in June, and again in July. None of them will do Russia any favor: They will continue to demand discounts. They will only buy more Urals if they can get term contracts, since they need security of supply. Even some of the current spot volumes need to be termed up. Asian buyers will not renege on their Middle East term supply either, as Russian oil could become unavailable overnight given Moscow's whimsical foreign policy.

Products Sales Defy Sanctions

With EU sanctions looming, maintaining the flow of Russian oil and products is a high priority for Moscow. New routes are opening up, existing routes are increasing their volumes — for both crude oil and refined products — and the discounts keep old and new clients alike in the action.

Non-EU Turkey, for example, is not directly targeted by the US and European sanctions and has more than doubled its Russian crude imports compared to average 2021. Since March it has been buying 227,000 b/d. The wide discounts have boosted margins at the Tupras and Socar refiners, allowing them to process cheap crude and re-export the finished products abroad, including to the EU. The same dynamic has been taking place with Indian refiners.

Large volumes of Turkish gasoil/diesel have shipped to the Netherlands in August — 38,000 b/d versus pretty much zero normally. A similar but lower-scale trend is visible in Belgium, with nearly 10,000 b/d of Turkish gasoil shipped there in the past three months. More products have started to flow to the Amsterdam-Rotterdam-Antwerp (ARA) region, which is the main product storage hub for Europe.

The EU bans all product imports from Russia from Feb. 5, 2023. It will be a game changer on both the supply and demand sides. The EU imported an average 1 million b/d of products alone in recent months, all by sea. Russia must find a new market for those products. If not, oil companies will have no choice but to slash runs at refineries, and quite possibly, output at the wellhead, analysts say. Refining throughput could fall below 5 million b/d, compared to nearly 5.7 million b/d in the first 10 days of August.

A second EU ruling bans the use of EU financing and insurance for every tanker that plans to carry Russian fuels. So even if Russia might find new markets, it might not be able to ship the products. The US Treasury Department reckons that 75% of all Russian product exports use tankers that are linked to Western insurance and financing. A London shipbroker thinks Russia might try and assemble a fleet of tankers that have no Western links.

For now, product exports are robust. Russia exported 609,000 b/d of diesel in Aug. 1-10, according to official data seen by Energy Intelligence. This is 20,000 b/d lower than July levels. Diesel output is at a lofty 1.78 million b/d during the same 10 days, down 2% from July levels, and what hasn't been exported so far this month is getting tucked away into storage. Over the past week diesel stocks grew by some 80,000 b/d to 20.5 million barrels, according to official data.

Julien Mathonniere, London, Gary Peach, New York

IN BRIEF

Azerbaijan Boosts Gas Sales

Azeri gas exports in January-July rose 24% year-on-year to 12.9 Bcm, of which 6.5 Bcm were pumped to Europe via the Trans Adriatic Pipeline (TAP), 4.8 Bcm to Turkey and 1.6 Bcm to Georgia.

The TAP pipeline, which came on stream in late 2020, has now reached its maximum capacity of 10 Bcm/yr.

With the full backing of the EU, the TAP consortium headed by BP and Azeri state company Socar is looking to double the line's capacity to allow for additional flows from the Caspian Sea.

Azerbaijan's overall gas production totaled 27.3 Bcm during the seven-month period, including 14.8 Bcm from the giant BP-operated Shah Deniz field, which feeds the TAP line.

Rosneft Flags German Risk

Rosneft has warned that fuel prices in Germany could rise as a result of non-Russian crude supplies to the PCK Schwedt refinery.

The Russian oil major, which owns 54.17% in Schwedt, said that "additional costs for replacing Urals with alternative feedstock are estimated at $20 million," while the loss of the refinery could amount to some €300 million ($307 million) annually.

Russia's biggest oil producer issued the commentary in response to the arrival of a test cargo of crude from the US to the port of Rostok to be then shipped on to Schwedt.

The Russian major said that the US crude is one-third more expensive than the price for Urals under contract for supplies via the Druzhba pipeline.

Rosneft added that the pipe from Rostok allows it to load only 50% of the refinery's 220,000 b/d capacity.

Germany aims to stop using Russian crude by the end of the year, although supplies via the Druzhba line are exempt from the EU embargo on Russian oil to come into force on Dec. 5.

Rosneft offered to replace Urals with supplies of Kazakh crude via Druzhba but hasn't received any positive reaction from Germany.

Meanwhile, supplies via the southern leg of the Druzhba pipeline were fully restored on Aug. 12, including to the Czech Republic, after payment issues for transit via Ukraine were resolved.

Poland's PKN Orlen, which owns the Kralupy and Litvinov refineries in the Czech Republic, paid the transit fee to the Ukraine's pipeline operator for Russian Transneft, following suit of Hungary and Slovakia.

Lukoil Stays On Green Track

Russia's top independent oil producer Lukoil said it had put into operation a 2.35 MW solar power plant (SPP) in the Krasnodar region in southern Russia.

The new SPP comes on top of two other ones Lukoil built in 2018 and 2021 with a total capacity of 30 MW at its Volgograd refinery.

"Commissioning of the first SPP in Krasnodar will provide an additional annual generation of 3 million kWh of green electricity preventing emission of up to 1,500 metric tons of CO2 equivalent per year," Lukoil said.

All electricity generated by the plant is supplied to the regional energy system.

The majority of the SPP equipment is Russia-made, according to Lukoil. Russia's Hevel Group manufactured and supplied solar modules.

The plant is also included in the state program for renewable energy support in the retail market. Support measures include buying electricity for 15 years at a special rate that guarantees recovery of all investments.

Lukoil did not reveal the size of its investments.

Lukoil is expanding its traditional oil business at the same time, acquiring Eni's sole retail fueling station in Russia.

It was the first foreign fueling station in Moscow, opened in 1991 under the Agip brand name.

The purchase comes on top of Lukoil's purchase of Shell's retail network in Russia.

Tatneft Backs Interim Payout

The board of directors of Russia's fifth-largest oil producer, Tatneft, recommended dividend payouts for the first half of 2022 at 50% of net profit.

The recommended payment of 32.71 rubles ($0.53 under the current exchange rate) per share has to be approved by the company's extraordinary shareholders' meeting scheduled for Sep. 22.

Tatneft posted a net profit 152.16 billion rubles ($2.479 billion) in the first half of the year under Russian accounting standards, double the same period of 2021. Revenues shot up 42.4% to 710.7 billion rubles.

If approved, dividend payments for the first half of the year would amount to some 76 billion rubles.

Tatneft paid 42.64 rubles/share in dividends for 2021, including 16.52 rubles/share for the first half of last year.

Tatneft is the first among Russian oil producers to announce interim dividends for 2022.

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 GAS PRODUCTION, JULY 2022

(MMcm)	Year-To-Date	July	Change From Previous Month
Top 5 Producers	**29,488.43**	**3,997.88**	**604.21**
"Karachaganak Petroleum Operating Co."	12,263.84	1,758.66	111.51
Tengizchevroil	9,415.51	1,422.19	95.91
North Caspian Operating Co.	4,797.26	387.93	387.93
CNPC-Aktobemunaigas	2,513.00	356.94	6.34
Kazakhoil-Aktobe	498.82	72.15	2.52
Other Producers	**2,753.36**	**386.92**	**13.59**
TOTAL	**32,241.79**	**4,384.80**	**617.80**

Download full dataset here. *Source: Kazakh Information and Analytical Center of Oil and Gas.*

KAZAKH CRUDE OIL AND GAS CONDENSATE PRODUCTION, JULY 2022

	Year-To-Date		July		Change From Previous Month	
('000 b/d or metric tons)	(b/d)	(tons)	(b/d)	(tons)	(b/d)	(tons)
Top 5 Producers	**1,406.29**	**38,345.28**	**1,301.23**	**5,199.37**	**204.69**	**942.76**
Tengizchevroil	631.14	16,894.18	653.76	2,558.91	26.97	184.71
North Caspian Operating Co.	296.69	7,921.70	168.94	659.61	168.94	659.61
"Karachaganak Petroleum Operating Co."	265.26	7,118.45	260.63	1,022.74	6.08	56.09
Mangistaumunaigas	115.51	3,473.56	119.33	524.72	1.29	22.42
Uzenmunaigas	97.68	2,937.39	98.56	433.40	1.40	19.94
Other Producers	**385.49**	**11,592.17**	**387.74**	**1,704.94**	**1.34**	**60.69**
Total	**1,926.99**	**22,730.64**	**1,895.67**	**7,704.65**	**-49.65**	**566.51**

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.*