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CONTENTS

GAS

Gazprom's Tight Supply Policy Scores Victory in Bulgaria

Bulgaria admitted this week that talks to resume natural gas imports from Russia are inevitable, a signal that Moscow's policy of supply cuts is working and the energy stakes ahead of an extremely challenging winter for Europe are set to rise.

Gazprom's planned three-day shutdown of the Nord Stream gas export pipeline to Germany next week sparked fears of a complete closure of the route and sent European spot prices to new highs.

The front-month September futures contract on the Dutch TTF hub closed at around €290 per megawatt hour, or nearly $3,000 per thousand cubic meters, on Aug. 24, after hitting a high of €302/MWh, or $3,110/Mcm, earlier that day. Prices have soared nearly 20% from the end of last week and 80% from a month ago.

Russia might construe the volatile price action as proof that limiting supplies works to its benefit. By regulating flows tightly, pressure on European governments, inflation and the overall EU economy mounts. This week a drop in the euro's value relative to the dollar to the lowest level in 20 years seemed to show that energy security is Europe's Achilles' heel.

Moscow hopes that EU member states' domestic travails will weaken the bloc's resolve in backing Ukraine and dragging out the war that Russia started six months ago this week.

Additionally, the record-high prices allow state-controlled Gazprom to enjoy windfall revenues despite a drop in export volumes. Energy Intelligence estimates that Gazprom's average border price in Germany rose to almost $1,400/Mcm in August, up from some $850/Mcm in July. The current spot rally promises even stellar growth in Gazporm's revenues in coming months thanks to hub-linked prices.

Inevitable Talks

Russia's policy could yield striking results in Bulgaria, where a gas shortage and high prices have weakened what Moscow regarded as an anti-Russian government and force Sofia to resume supplies from Gazprom, which ceased in April.

"Talks with Gazprom to renew supplies are inevitable," interim Energy Minister Rossen Hristov was quoted as saying on Aug. 22, prompting Russian state media to trumpet Bulgaria's change-of-heart as a "rectification of mistakes."

Bulgaria's pro-European government of Kiril Petkov was dismissed in June after the failure of its economic and financial policy that saw soaring inflation. The caretaker government of Galab Donev, sworn in earlier this month and expected to work until the Oct. 2 parliamenta-

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SPOT CRUDE OIL PRICES

($/barrel f.o.b. terminal, or c.i.f. destination)	Aug 23	Aug 16	Chg.
Dated Brent f.o.b. (38 API)	99.49	95.36	4.13
Russian Urals c.i.f. NWE (31 API)*	75.18	63.53	11.65
Russian Urals c.i.f. Med (31 API)*	80.18	67.08	13.10
Azeri Light (35 API)	101.23	97.78	3.45
CPC Blend c.i.f. Med (45 API)†	96.68	94.03	2.65
ESPO (35 API)	94.06	89.10	4.96
Dubai (30 API)	96.35	94.55	1.80

PRODUCT PRICES

($/ton, c.i.f. basis)	Aug 23	Aug 16	Chg.
ICE LSGO Futures (front month)	1,119.00	1,018.00	101.00
ICE LSGO Futures (second month)	1,107.75	1,004.00	103.75
0.1% Gasoil NWE*	1,122.00	1,050.50	71.50
0.1% Gasoil Med*	1,117.00	1,058.50	58.50
10 ppm Diesel NWE*	1,151.50	1,047.00	104.50
10 ppm Diesel Med*	1,162.00	1,084.50	77.50
HSFO NWE*	485.75	458.00	27.75

LSGO – low sulfur gas oil. *Basis Rotterdam. †Basis Augusta. *Source: Energy Intelligence* ry election, looks ready to mend ties with Moscow. Its first steps have already fueled concerns that the country might wind up under closer Russian influence, if only in terms of gas supplies.

Bulgaria was cut off from Russian gas in late April after rejecting Moscow's unilaterally imposed two-step payment scheme that involves converting euros and dollars to rubles. Sofia sought to rely more on alternative supplies, including Azerbaijan via the planned Interconnector Greece-Bulgaria. But the latter faced numerous delays although it is still expected to ramp up later this year.

Hristov said Bulgaria will also negotiate extra supply volumes and a price with Azerbaijan, not only with Russia. He said that, given the spot rally, price is priority. But considering Gazprom's strong leverage, that is the hardest part. Moreover, prices under the existing contract between Bulgaria and Gazprom are understood to have risen significantly since April, a reflection of spot dynamics.

Fears of Gas Halt

Gazprom intensified pressure on the European market on Aug. 19 when it announced a stoppage of the only operational gas compressor unit in Nord Stream for maintenance during Aug. 31-Sep. 2. After the maintenance, gas flows will resume at some 33 million cubic meters per day, or 20% of capacity, provided that no equipment failures are encountered during the check, the gas giant said.

But many traders suggest the pipeline may remain idle after the maintenance and Gazprom may use the same "maintenance" pretext to stop the pipeline any time it wants.

Gazprom, which denies deliberate cuts in its export flows, said the compressor unit must undergo regular checks after each 1,000 hours of operation, meaning the shutdowns may occur every 42 days if Nord Stream's Portovaya compressor station continues utilizing just one compressor unit.

One more compressor unit can be added, increasing Nord Stream flows to some 68 million cubic meters per year, but Gazprom is reluctant to take back a Siemens gas turbine, now repaired, from Germany, where it has been sitting since July. There are no signs of breaking the deadlock. Other turbines require maintenance or repair, according to Gazprom.

German Economy Minister Robert Habeck, however, says there is no need to panic, and even if Gazprom stops supplies there would be no scenario where no gas would reach Germany.

Staff Reports

GEOPOLITICS

Russia Scours Central Asia for Opportunities

The $12 billion energy deals signed last week between Uzbekistan and Saudi Arabia's Acwa Power illustrate not only the growing investor interest in the Central Asia region but Moscow's vulnerability in a region that it considers a traditional sphere of interest.

Russia naturally wants to preserve its dominant position in Central Asia and will look to convey this to foreign dignitaries gathering at the Shanghai Organization of Cooperation summit in Samarkand in mid-September.

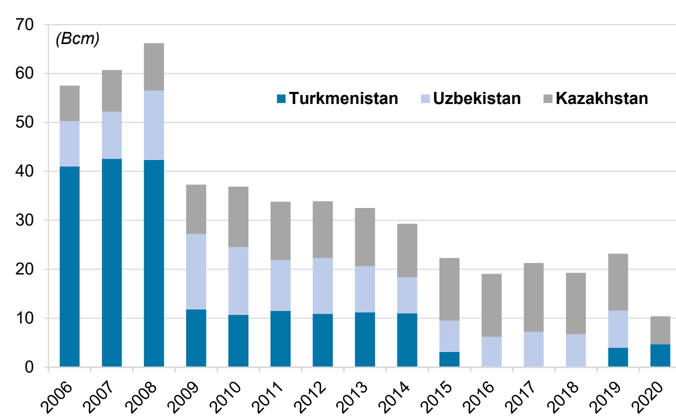
The organization comprises Russia, Uzbekistan, Kazakhstan, Kyrgyzstan, Tajikistan, China, India and Pakistan.

President Vladimir Putin discussed the summit's agenda in phone calls with Uzbekistan and Tajikistan leaders this week, and last week he met with Kazakhstan President Kassym-Zhomart Tokayev in Sochi.

Maintaining its influence in Central Asia is important like never before for Moscow now that it is undergoing an acrimonious divorce with the West and desperately needs to forge trade relations with countries that have not signed on to sanctions against Russia for the war in Ukraine.

Leaders of the Central Asian countries have taken a circumspect approach to the war, neither condemning the invasion nor openly supporting it, which is largely in keeping with their multivector foreign policy.

GAZPROM'S GAS PURCHASES IN CENTRAL ASIA



Source: Gazprom, Energy Intelligence

Gas Connection

Natural gas is an area where Moscow might find new opportunities for cooperation in Central Asia as demand increases in step with economic and industrial development. Moscow is weighing new routes and sales markets for its vast gas reserves now that Europe intends to cease imports by 2027.

Russia's Gazprom used to buy more than 60 billion cubic meters per year in Central Asia 15 years ago, mostly for supplies to Ukraine, other former Soviet republics and Europe, but also for resale within the region. Nowadays these purchases are virtually nil, leaving much of the 80 Bcm/yr capacity in the old Soviet pipeline system, Central Asia-Center, potentially available for reverse flows.

Russia has a long, although not always cloudless, history of gas cooperation with Central Asia, but its deep understanding of the region's industry, coupled with traditionally friendly political relations, could help strengthen ties, said Sergei Kapitonov, a gas analyst at Skoltech Project Center for Energy Transition and ESG in Moscow.

But Russia may have to compete with Turkmenistan, a "wild card" state that can potentially double production by 2030. The Turkmens are eying both neighboring and more distant markets given the need for Europe and Southern Asia to diversify suppliers, but they face daunting infrastructure hurdles, Kapitonov said.

Gas production in Kazakhstan and Uzbekistan is projected to stabilize or even decline, while export obligations to China and higher domestic demand may create a niche for Russia, according to Kapitonov.

Uzbekistan plans to cease gas exports in the next three-four years. In fact, in 2020 it shifted to purchasing gas from Gazprom when it bought 900 million cubic meters, although the gas was supplied by Gazprom from Turkmenistan. Regardless, Uzbekistan plans to consume more gas at home, including at a large petrochemicals cluster planned around the Shurtan Gas Chemical Complex and the recently launched Uzbekistan Gas-to-Liquids (UzGTL) plant.

Kazakhstan, for its part, lags in its overall gas consumption outlook in light of major constraints such as a lack of transmission infrastructure and an abundance of locally produced coal, Kapitonov said. For now, Gazprom plans to keep taking gas from Kazakhstan for processing at the Orenburg plant in Russia. It agreed in June to process an extra 570 MMcm of gas from Kazakhstan's Karachaganak field in 2022 and 1.23 Bcm in 2023 on top of the initially planned volume of 8.3 Bcm/yr. Russia is also considering an increase of Kazakh gas processing in Orenburg to 11 Bcm/yr in the longer term.

Eyes on Renewables

Uzbekistan's deals with Acwa Power are mainly centered on renewables as the country seeks to diversify its energy mix, modernize the economy, and reach carbon neutrality by 2050.

The deals include a heads of agreement to develop a 1.5 gigawatt wind farm in Uzbekistan, a plan for investing in green hydrogen and a broad $10 billion investment cooperation agreement, also mostly focused on renewables.

Renewables can also become an integral part of cooperation between the Shanghai Cooperation Organization member states, Uzbek Deputy Energy Minister Azim Akhmedkhadjayev told Energy Intelligence recently.

Russia, which has traditionally given less priority to renewable power at home, arguing that it already has "clean" energy mix with large shares of natural gas, hydro power and nuclear, is looking to gain a niche on foreign markets by exporting the technology for renewable power and hydrogen projects.

Staff Reports

UPSTREAM

As Tengiz Expansion Accelerates, Export Concerns Loom Large

Kazakhstan's largest oil producer, the Chevron-operated Tengizchevroil (TCO) joint venture, is on track to finish all construction work associated with a $45 billion expansion by year's end and will launch incremental production in 2024, according to a senior Chevron executive. However, it is far from clear how the extra barrels will be brought to market given the ongoing disruptions at the 1.4 million barrel per day Caspian Pipeline Consortium (CPC) terminal on the Russian Black Sea coast.

TCO, in which Chevron owns a 50% stake alongside Exxon Mobil (25%), Kazmunaigas (20%) and Lukoil (5%), has been the most valuable asset in Chevron's non-US portfolio ever since the contract was signed in April 1993. It is also a crucial source of dollar payments in taxes and royalties to the Kazakh government and a huge employer of Kazakh labor. During the first half of the year, the venture provided the treasury with $7.5 billion, the highest amount for five years, compared to $9 billion for the whole of last year.

Chevron's executive vice president for upstream, Jay Johnson, told analysts at the end of July that the Future Growth Project-Wellhead Pressure Management Project (FGP-WPMP) was now 93% complete and close to the commissioning stage. He said all 40 of the oil production wells had been completed, while the installation of a new gathering system at Tengiz was well under way.

He said the WPMP start-up is still scheduled for the second half of next year, allowing TCO to boost pressure at the reservoir but without producing any extra oil. The incremental barrels would only materialize after the completion of the FGP element in the first half of 2024.

Singular Route

The Tengiz expansion will boost oil production from current levels of 650,000 b/d to around 900,000 b/d, ramping up in stages. TCO is also a big producer of nonassociated gas, which is used for a combination of reinfection, domestic sales and exports.

Although expansion is close to completion, Chevron is having to think harder about developing new export routes. The old mantra of "happiness is multiple pipelines" that the US government repeated throughout the 1990s as it looked to increase its influence in the Caspian has never held more true. Johnson said the CPC, despite the recent interruptions, remains the "primary and most important route for us," and he stressed that both the US and EU were aware of the pipeline's global significance.

"We have done a lot of work in Washington, DC and Brussels to make sure people understand the importance of the pipeline to world supply," he said, adding that Chevron continues to work with the Kazakh government and the CPC consortium to keep oil flowing through the line. Johnson said that all the oil TCO pumps into the line has a certificate of origin proving it is from Kazakhstan to prevent confusion with Russia's export blend crude.

Chevron, to be sure, is looking at "alternate" export routes for Tengiz, Johnson said, although without elaborating. Last month Kazakh President Kassym-Zhomart Tokayev instructed state oil company Kazmunaigas to develop a new export route that would involve shipping oil across the Caspian Sea to Baku, and he also called for the expansion of the existing pipeline that runs to China.

The feasibility of new export routes was a key topic of discussion this week in a video link-up between Chevron's chief executive, Mike Wirth, and the head of KMG, Magzum Mirzagaliyev. KMG said the two companies also talked about prospects for deeper cooperation in petrochemicals and using future feedstock from Tengiz to build new facilities producing polypropylene, polyethylene and other products.

Paul Sampson, London

CORPORATE

Shell's Divestment Plan in Russia Hits Legal Wall

Shell has lost the right to sell its stake in the Salym joint venture (JV) with Gazprom Neft following a ruling by the Moscow region arbitration court this week.

The ruling, which upholds a suit filed by Gazprom Neft at the end of last month, demands that Shell transfer registration of the Salym Petroleum Development (SPD), which produces 125,000 barrels per day in West Siberia, from the Netherlands to Russia. The ruling also suspends a number of Shell's rights, including voting at shareholders meetings and divesting of charter capital in the joint venture, which will be renamed Salym Development, until Dec. 31, 2023. Both shareholders will retain their 50% stakes.

The court's decision underscores the impediments to Western oil firms looking to bail out of Russia as a result of Moscow's decision to send troops into Ukraine.

Following the outbreak of hostilities in late February, Shell announced plans to sever ties with Russia, divest its interests and stop buying Russian barrels.

Moscow, however, intends to defend assets in strategic sectors such as oil and gas and has taken a number of important steps.

For instance, under President Vladimir Putin's decree, a new operator registered in Russia was created for the Sakhalin-2 upstream and LNG development in which Shell has a 27.5% interest. For more complicated cases like Sakhalin-1, operated by Exxon Mobil, and BP's 19.75% stake in Rosneft, Putin signed a separate order earlier this month forbidding companies from "unfriendly countries" to divest their assets in Russia at least until the end of 2022.

Legislative Innovations

Under interim measures issued earlier by the court, Shell was forbidden to conduct any transaction with SPD shares, terminate SPD contracts, conclude any deals without Gazprom Neft's approval, or undertake any other actions that would complicate SPD's operations.

Gazprom Neft argued that Shell's statements and actions have created potential problems for the Salym joint venture's operations.

Russia's third-largest producer filed a suit based on new legislation adopted by Moscow in mid-July that allows courts to transfer foreign companies developing Russian subsoil reserves and owners of domestic oil and gas infrastructure to Russian jurisdiction. This could protect Russian plaintiffs from possible litigation by defendants.

Shell has not been forthcoming on Salym. It only reported a $233 million impairment for SPD in the first quarter of this year. The major said that in July directors resigned from the JV and "joint control was lost early in the third-quarter 2022 and as of that date Salym will be accounted for as a financial asset at fair value, with a carrying value of zero." Shell said it was working on reaching an acceptable solution that would allow it to withdraw "in line with applicable legal requirements and agreements."

Shell has transferred its 50% stake in an exploration JV to develop two areas on the Gydan Peninsula in northern Russia to Gazprom Neft and has sold its retail fuel and lubricants businesses in Russia to Lukoil.

New Sakhalin-2 Operator

Moscow has established a new operating company, based in Russia, for the Sakhalin-2 joint venture. The original operating company — Sakhalin Energy Investment Co. — was registered in Bermuda. The new one, Sakhalinskaya Energiya, registered in Russia, said on Aug. 19 it "has started active work." All licenses have been transferred to the new company. Sakhalin Energy personnel were transferred to a new company under the same terms of social package and remuneration.

"Within the infrastructure of the Sakhalin-2 project, stable production of oil and gas is provided," Sakhalinskaya Energiya said. It added that shipments of hydrocarbons are taking place without disruption and in accordance to the schedule approved in 2022.

Some Japanese buyers of Sakhalin-2 LNG have reportedly resigned term supply contracts with the new operator. The latter has reportedly offered the same terms, such as price and volume. Earlier, buyers were allegedly asked to pay a Moscow branch of an unnamed European bank for supplies and are still allowed to pay in US dollars. However, Bloomberg reported this week that Sakhalin-2's new operator is telling its customers they must use alternative currencies — including the ruble, euro, yen, or British pound — if payments in dollars, as set in contracts, cannot be processed because of sanctions issues.

Russia has told the foreign partners in Sakhalin-2 — Shell and Japan's Mitsui and Mitsubishi — that they can apply for stakes in the new Russian operating company. The deadline is Sep. 4. However, Shell CEO Ben van Beurden has already said it is "highly unlikely" that Shell will take up the offer. Japanese companies might apply.

Staff Reports

SANCTIONS

Russia to Prop Up LNG Amid Sanctions Storm

Russia's LNG developers, most notably Novatek, have long enjoyed generous financial and regulatory support from the government, but now they are clamoring for more help as Western sanctions bite. Realizing that its ambition to gain 20% of the global LNG market is at jeopardy, the Kremlin last week pledged support to the developers of domestic liquefaction equipment and the Zvezda shipyard that is building a tanker fleet for Novatek's Arctic LNG 2 project.

Whether that will be enough to keep viable long term and ultimately produce between 80 million and 140 million metric tons per year by 2035, up from around 30 million tons in 2021, remains a major question. The war in Ukraine has severed too many vital links for Russia's LNG projects. Key investors, lenders and contractors have quit, forcing Moscow to build its own competence and turn to non-Western partners not beholden to sanctions over Ukraine.

Novatek, the country's LNG export champion, believes the target is achievable, although the privately owned company admits that its own projects face challenges and delays are possible. State-run Gazprom, which prioritizes piped gas sales and petrochemicals, however, believes the target must be revised as EU technology sanctions might mean that many projects are simply unfeasible.

The energy ministry, for its part, seems to share Novatek's optimism, although Minister Nikolai Shulginov used a lower figure last week, saying that, with a focus on developing domestic technology, Russia still seeks to produce between 80 million and 120 million tons/yr by 2035. The exact updated target is expected to find resonance in Russia's new 2050 energy strategy set to be drafted in mid-September.

Technology, Tankers

Russia will provide 1 billion rubles ($17 million) to compensate the cost of research and development for domestic LNG technology, Prime Minister Mikhail Mishustin said during a government meeting on Aug. 17.

Private investments will exceed 30 billion rubles, according to Shulginov, who said that pilot pieces of domestic liquefaction equipment will be produced prior to 2030. This year, already four projects to develop equipment for medium-sized and large plants will start, Mishustin said. Russia currently lacks its own working technology for large LNG plants, while EU sanctions imposed in April ban exports and transit of key liquefaction equipment for Russian LNG projects.

On the next day, President Vladimir Putin also pledged to support the Zvezda shipyard so it can build enough LNG tankers for Arctic LNG 2, Novatek's second project in the Arctic and Russia's most immediate large capacity addition, scheduled to go on line next year. "If Novatek fulfills its plan to build a new LNG production facility, it will need to ship the product," Putin said at a meeting on the development of the shipbuilding industry. "We are ready to do whatever it takes for this," he said.

Zvezda is supposed to build 15 Arc7 ice-class tankers for Arctic LNG 2, while six more tankers will be built at South Korea's Daewoo Shipbuilding and Marine Engineering (DSME) shipyard. Novatek needs all 21, CEO Leonid Mikhelson said at the Putin-chaired meeting — one tanker for each million tons per year of LNG production. The plant's nameplate capacity is 19.8 million tons/yr, but Mikhelson might have included potential above-capacity output. Prospects are quite good for only one of the project's three 6.6 million ton/yr trains. But Novatek believes it can complete the other two as well by replacing foreign equipment unavailable due to sanctions.

There were concerns about Zvezda's ability to build the tankers on time even before the war in Ukraine as the yard lacks experience and Russia's overall import-replacement drive hasn't been very successful. But with financing complicated by sanctions against development bank VEB.RF and shipping company Sovcomflot, which are both taking part in the project, and a risk that a key technology partner, South Korea's Samsung Heavy Industries may quit, Zvezda's task is getting ever more challenging.

If Arctic LNG 2 has fewer tankers, it will have to send more than the planned 20% of production to the West and less than 80% to Asia via the eastbound Northern Sea Route (NSR), Mikhelson said. The Kremlin is interested in sending as much as possible via the NSR. Sending more to the West would only irritate Gazprom, which often criticizes Novatek for posing "unnecessary" competition for its pipeline gas in Europe.

Staff Reports

MARKETS

Rising River Levels Bring Some Diesel Relief

Higher river levels are facilitating inland diesel barge movements, a much-needed respite as Europe struggles to prepare for a winter without adequate supplies of Russian energy.

Heavy industry in the EU has been advised to stock up on gasoil substitutes, but severe drought has hampered the movement of key imports to inland markets, including local refineries, in Germany, Switzerland and parts of France. Shell was forced to cut runs at its 327,000 barrel per day Rhineland refinery in Germany last week because of loading delays.

The river Rhine gauge height at Kaub, near Frankfurt, fell to a four-year low of just 32 centimeters on Aug. 18, prompting airlines at Germany's largest airport to suspend jet fuel barge deliveries. Diesel traders were spooked by fears much-needed jet could oust diesel from limited RMR multiproduct pipeline capacity. Labor shortages are already hampering alternative truck and rail movements of road fuels.

The so-called Kaub "pegel" was back up to 127 cm on Aug. 23, above the height at which barges can sail half full. Barge owners say the gauge height needs to be above 190 cm for vessels to carry their full 2,100 metric ton loads. The barge network handles more than 200,000 tons a week at full strength.

But broader diesel supply fears continue to buoy prices. Benchmark Northwest European ultra-low-sulfur diesel (ULSD) cargo premiums were broadly static in the mid-$20s per ton, but a surge in ICE low-sulfur gasoil futures yanked flat prices up 16% on the week, almost double the gains in crude futures.

New figures from the International Energy Agency show OECD Europe importing 10.9 million tons (573,300 b/d) of gasoil from Russia in the first five months of this year, down 22% on last year as the Ukraine war backlash began to bite. Europe relies on imports to meet almost a fifth of its demand for ULSD, heating oil and other gasoils. Russia still accounting for 46% of that total. Only the UK has managed to wean itself off Russian diesel this summer.

But the frantic scramble to replace Russian fuel ahead of next year's import ban was already in evidence by May. Volumes from India have more than doubled so far this year to 2.3 million tons (115,400 b/d), putting it level with Saudi Arabia, with traffic from the United Arab Emirates rising nearly threefold to 1.7 million tons. The US is also sending more, with traffic up 80% to 1 million tons, alongside a tripling of long-haul flows from Singapore to 900,000 tons.

Kazakh Flow Choked

CPC Blend, the flagship export crude from Kazakhstan, is giving global markets a headache. The light, sour Kazakh crude is exported to Western markets through the Caspian Pipeline Consortium's (CPC) Black Sea terminal, which is located near Novorossiysk in Russia, but it has been plagued by a series of disruptions over the summer.

In early July, a regional Russian court threatened a one-month closure on environmental grounds, before a financial settlement was eventually agreed. At the time, it was unclear whether the court order was addressing a genuine risk of spillage or if it was intended by Moscow as a way to cut Kazakh oil exports, in which US producers like Chevron and Exxon Mobil play a vital role, to Europe.

But the terminal is now facing a new one-month disruption after cracks were discovered in two of its three single point mooring (SPM) buoys, CPC confirmed on Aug. 23. Those SPMs are essentially the connecting point between the tankers that come to load crude cargoes and the onshore terminal.

The disruptions were reflected in spot prices. The discount of CPC to dated Brent has narrowed from $7.95 to dated on Jul. 25 to about $2 per barrel. Cargoes will still be able to load from the third SPM point, CPC said, allowing to meet buyers' nominations, but with reduced volumes.

In Europe, Italy, the Netherlands and France are the largest buyers of CPC, while South Korea, India and China are lifting the bulk of volumes going to Asia. Turkish and Greek refiners are also legacy buyers of CPC, which is sometimes blended with heavy crude from the Middle East — notably Iraq's Basrah Heavy — to obtain a suitable substitute for Urals crude.

Kerry Preston and Julien Mathonniere, London

IN BRIEF

Russian Refiners Lift Runs

Russia's oil refining sector processed 5.6 million b/d in July. Although the increase compared to June was only 35,000 b/d, it marked the third consecutive monthly gain after the nearly 1 million b/d decline witnessed in March-April. Refining runs have largely recovered from the spring shock and are now only some 4% below prewar levels.

Output of diesel, arguably the most closely watched product given the volume of exports, came to 1.83 million b/d, up from 1.74 million b/d in June and an average 1.7 million b/d for the first seven months of the year.

Output of gasoline, the most socially sensitive product, amounted to 1.04 million b/d, a record high.

Analysts anticipate that runs will decline in September-October due to maintenance and the end of the peak driving season. Next February, the EU will prohibit all imports of Russian petroleum products, which means that oil companies will have to find buyers for some 1 million b/d of products.

Rosneft Cuts Emissions

Rosneft reduced emissions last year, according to the oil major's 2021 sustainability report released this week. The corporation reported Scope 1 and 2 GHG emissions of 72.7 million metric tons of CO_2e for the year, down from 80.9 million tons in 2020 and 81.2 million tons in 2019. Direct emissions of methane dipped to 122,500 tons from 134,000 tons in 2020, the report said.

Gas flaring increased, however, due to new field developments that lack utilization infrastructure. Specifically, the associated gas utilization rate fell to 72.4% from 74.8% in 2020. This means the company flared more gas.

Under the company's long-term development strategy adopted at the end of 2021, Rosneft aims to phase out gas routine flaring by 2030. Methane intensity is to decline to less than 0.2%, while Scope 1 and 2 emissions are to be reduced by 25% by the end of the decade compared to 2020.

Rosneft said its "green" investments amounted to some 55 billion rubles in 2021, which represents about 5% of its capex of 1.049 trillion rubles last year. The state-controlled major is sticking to a 2050 carbon-neutrality target.

CPC Suffers New Mishap

The Caspian Pipeline Consortium (CPC) has again reduced loadings in the Black Sea after two of three single point moorings (SPMs) were temporarily switched off because of cracks in the subsea hose attachments to buoyancy tanks. The group that operates the pipeline said the cracks were discovered earlier this month during scheduled maintenance. Only 3.5 million metric tons a month (922,000 b/d) could be loaded now, the group said.

CPC contacted the SPM manufacturer, Imodco, and a firm that supervises safe operation of equipment, the ABS classification society, for advice, and both entities "strongly recommended" the SPMs be shut "until the buoyancy tanks were replaced," the CPC said. Exceptionally severe weather conditions last winter could have caused the damage, according to ABS. The consortium plans to study the third SPM for possible damages by Aug. 26.

CPC said it has worked out a series of tasks and intends to replace the tanks with new ones it has on reserve. It added that a prequalification selection of bidders for the job is in progress.

The CPC did not specify how long the process could take, but some Russian analysts estimate works could take at least a month or even longer.

The 1.4 million b/d line, which is the main export route for Kazakh crude, has seen several disruptions in recent months, adding tightness to global oil markets.

Moscow Backs CNG Market

Russia will increase state support for a program to expand the use of compressed natural gas (CNG) as a motor fuel.

Prime Minister Mikhail Mishustin last week signed a ruling to double the amount of subsidies for individuals and entities switching their vehicles to CNG, which is compressed methane, from gasoline. The subsidies will now cover 48% of the cost of the switching instead of 24% previously.

Now that the outlook for gas sales in Europe have dimmed considerably, Moscow is seeking ways to find new markets for natural gas.

The ruling should stimulate the demand for natural gas in the mobility sector, the government said. Moscow wants to increase the use of CNG as a motor fuel to 2.7 Bcm/yr in 2024 from 1.37 Bcm in 2021. To achieve this, the government plans to build around 1,300 CNG filling stations.

Moldova Delays Payment

Gazprom has agreed to postpone an advance payment for August natural gas supplies to Moldova until Sep. 1, the Russian state-controlled gas corporation said on Aug. 22.

The monopoly pipeline gas exporter said it had approved Moldova's request as "an exception" after the importer Moldovagaz failed to meet contractual obligations and pay on time.

Moldova has faced difficulties in paying for Russian gas imports as the hub-linked price under the new supply contract signed last year has soared due to the tremendous spot price rally on key European hubs. Moldovagaz CEO Vadim Ceban wrote in *Telegram* that the company had paid for July supplies in full but was forced to ask Gazprom to postpone the advance payment for August. The company will now apply to the national commission for emergency situations to find ways to pay for August and September gas imports, Ceban said.