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NEFTE COMPASS®

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GEOPOLITICS

Russian Companies Feel Heat Overseas

Following the withdrawal of Western companies from projects in Russia because of the war in Ukraine, Russian companies may be forced to start their own exodus from projects overseas.

Novatek expects by Oct. 22 to quit a TotalEnergies-led consortium developing offshore Blocks 4 and 9 in Lebanon, a source close to the project confirmed. It has a 20% interest in the consortium, while Total and Italy's Eni each have 40%.

The expected exit might be part of a trend, although it is not quite clear whether the international sanctions against Russia have been the key factor behind Novatek's decision. The Lebanese project has never been of much strategic significance to the Russian privately owned gas producer.

But there is growing evidence that Russian companies are viewed as toxic partners by Western firms, putting Russian producers' overseas ventures at risk.

Novatek Exits Mediterranean

The Lebanese energy ministry said Novatek is withdrawing due to economic and financial reasons, as well as political risks. Novatek declined to comment.

Political risks might be linked to the fact that Block 9 is located in an area of the Mediterranean Sea disputed by Lebanon and Israel — something that has delayed exploration of the block. Negotiations over the maritime border between Lebanon and Israel are ongoing.

Economic reasons might include poor results from the exploration of Block 4, where drilling started in 2020.

Unsuccessful drilling could also prompt Novatek to withdraw from an Eni-led project offshore Montenegro, also in the Mediterranean, a source said.

Novatek joined the projects in Montenegro in 2016 and in Lebanon in 2018 and saw both as an opportunity to gain international expertise without large expenses, while also strengthening ties with strategic European partners. The overseas upstream business has never been Novatek's top priority, while its strategic focus — LNG expansion in the Russian Arctic — now clearly requires more effort and spending at a time when key partner Total has frozen new investments in the region and main lenders and contractors have also backed out.

Will Others Follow Suit?

Norway's Aker Energy has recently said it decided to delay the submission of a development plan for the Pecan field offshore Ghana for approval by the government, citing concerns over the ability of Lukoil to raise the money it will need to pay for its share of the development work because of the war in Ukraine.

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SPOT CRUDE OIL PRICES

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

	Aug 30	Aug 23	Chg.
Dated Brent f.o.b. (38 API)	99.34	99.49	-0.15
Russian Urals c.i.f. NWE (31 API)*	76.45	75.18	1.27
Russian Urals c.i.f. Med (31 API)†	81.45	80.18	1.27
Azeri Light (35 API)	102.50	101.23	1.27
CPC Blend c.i.f. Med (45 API)†	97.95	96.68	1.27
ESPO (35 API)	98.25	93.91	4.34
Dubai (30 API)	102.80	93.95	8.85

PRODUCT PRICES

($/ton, c.i.f. basis)	Aug 30	Aug 23	Chg.
ICE LSGO Futures (front month)	1,122.00	1,119.00	3.00
ICE LSGO Futures (second month)	1,095.50	1,107.75	-12.25
0.1% Gasoil NWE*	1,135.75	1,125.00	10.75
0.1% Gasoil Med*	1,135.75	1,117.00	18.75
10 ppm Diesel NWE*	1,167.00	1,148.50	18.50
10 ppm Diesel Med*	1,166.75	1,159.00	7.75
HSFO NWE*	464.00	485.75	-21.75

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

Lukoil, which has 38% in the project, reacted to Aker saying "there are no lawful grounds for such references related to the sanctions restrictions for the project." The Russian major added that "the company and its management are not subject to any sanctions, therefore there are no obstacles in this respect for the joint development of the oilfield."

Sources claim that Ukraine and sanctions have also been used by some participants of the Ghasha gas concession in Abu Dhabi as an excuse for delays with setting up an operating company for the development. Lukoil has 5% in the venture. Other participants include Adnoc (55%), Italy's Eni (25%), Germany's Wintershall Dea (10%) and Austria's OMV (5%).

Lukoil has partnerships with Western companies in various parts of the world, including offshore Mexico, Kazakhstan, Azerbaijan, Cameroon, Nigeria and Congo (Brazzaville).

Russian companies that are under sanctions, including Gazprom and Rosneft, could face a bigger risk. Rosneft holds 30% in the Zohr gas field offshore Egypt, operated by Eni with 50%, while BP and Mubadala Petroleum have 10% each.

Gazprom has already lost a bunch of trading and distribution subsidiaries in Europe, taken over by the German government in April, but it appears to be keeping its non-operating stakes in offshore upstream projects in the North Sea, despite EU accusations of weaponizing gas supplies.

Gazprom's other overseas projects are in countries that did not join international sanctions against Russia — such as Algeria, Bolivia, Libya, Bangladesh, Vietnam or Uzbekistan — and look safe, although in Bolivia it participates in a Total-operated project.

Western Majors Withdraw

Taking further steps to part with Russia, Total last week signed a final agreement to sell its 49% stake in the Termokarstovoye gas field in West Siberia to Novatek after getting approval from the Kremlin. Novatek will become the sole owner of project operator Terneftegas, which launched the field in 2015 and last year produced 2.6 Bcm of gas.

Exxon Mobil is reportedly preparing a lawsuit against Moscow following President Vladimir Putin's decree signed earlier this month that blocks the US major's exit from the Sakhalin-1 venture on the Russian Pacific shelf. Meanwhile, Japan's Mitsui has decided to stay in the Sakhalin-2 upstream and LNG venture. Its application to keep a 12.5% stake in the project's new operator has been approved by the Russian government.

Staff Reports

CORPORATE

Gazprom Neft Starts New Projects as Majors Exit

Russia's third-largest crude oil producer, Gazprom Neft, sees no risks for its operations as a result of the decision by most foreign companies to withdraw from Russia and end long-term cooperation following the invasion of Ukraine.

Gazprom Neft, the oil arm of state-controlled gas giant Gazprom, this week launched new facilities in West Siberia that should help it increase production and said it was ready for new partnerships for assets abandoned by foreign majors.

Gazprom Neft deputy CEO Vadim Yakovlev told journalists in Khanty-Mansiysk, Russia's oil heartland, that the company sees "zero impact" on its operations from the planned withdrawal of Shell from their joint ventures and the earlier exit of Spanish Repsol.

Moscow has been eager to combat speculation that sanctions and the looming oil embargo will have an adverse impact on the Russian oil industry.

"We have not stopped a single project, we have not changed the deadlines for the implementation of a single project," Yakovlev said.

Shell, Repsol Exit

In 2021, Repsol decided to abandon its joint projects with Gazprom Neft, including the Eurotek-Yugra production unit and the ASB Geo exploration venture, due to portfolio optimization.

In a more painful move, Shell decided to withdraw completely from projects in Russia, including the 125,000 barrel per day Salym Petroleum Development (SPD) joint venture (JV) with Gazprom Neft. Shell is still facing legal hurdles in its intentions to withdraw from the JV. It has recently lost the right to sell its stake in SPD as well as forfeiting a number of other rights, while Gazprom Neft has accused Shell of creating problems for SPD's operations. It has yet to be seen how Shell will complete its withdrawal.

Meanwhile, Yakovlev said that Gazprom Neft is still open for partnerships and might soon announce a new partner for the assets dropped by Repsol. Gazprom Neft also continues to look for partners for the development of its Neptun and Triton fields recently discovered offshore Sakhalin.

Gazprom Neft is also confident that the oil embargo on Russian seaborne crude that takes effect on Dec. 5 will not impact its

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plans. Gazprom Neft head Alexander Dyukov said the company is "prepared" for the embargo and is ready to work in the new realities.

Yakovlev said the Covid-19 pandemic has shown that companies and the industry "can quickly reduce production levels if necessary and recover." That flexibility would allow the industry to adjust to new scenarios, while it is the consumer who will eventually pay for such restrictions. Yakovlev said he believes that restrictions on Russian barrels will not have an impact on total demand, but will rather result in logistical hurdles, higher shipping costs and premiums for risks to be paid by the consumer.

New Production Cluster

In a signal that it does not expect sanctions, the oil embargo or the exit of foreign majors to impact its operations and growth plans, Gazprom Neft this week launched a crude oil pretreatment unit at its Zhagrina field in West Siberia, the core asset of a new production cluster that the company is establishing in Russia's traditional oil heartland.

The launch of the first phase of the unit should allow the company to more than double production at the field to 5.5 million metric tons (110,301 b/d) already this year. The launch of the second phase in 2023 should help further increase capacity to 8 million tons/yr (160,000 b/d), making the field one of the leading producing assets in West Siberia.

The Zhagrina oil field is a core asset of the so-called Zima cluster, which includes eight license blocks together harboring geological reserves of 840 million tons (6.15 billion barrels). Initial recoverable reserves of the Zhagrina field alone are estimated at 217 million tons. Dyukov said that Gazprom Neft is currently working with conventional reserves at the field, while it is also studying the potential of the deposit's hard-to-recover reserves, which might also provide for future growth.

Staff Reports

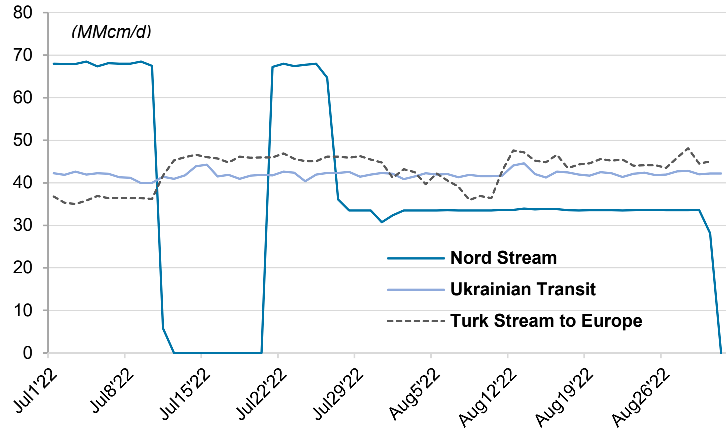
GAS

Gazprom Prospers as Tight Exports Pay Off

Gazprom is reaping a bonanza from the gas crisis in Europe. Staggeringly, the Russian company's net profit in the first half of 2022 exceeded its record full-year 2021 result. And the state-run gas giant continues to benefit from unprecedently high prices amid a restricted supply to Europe.

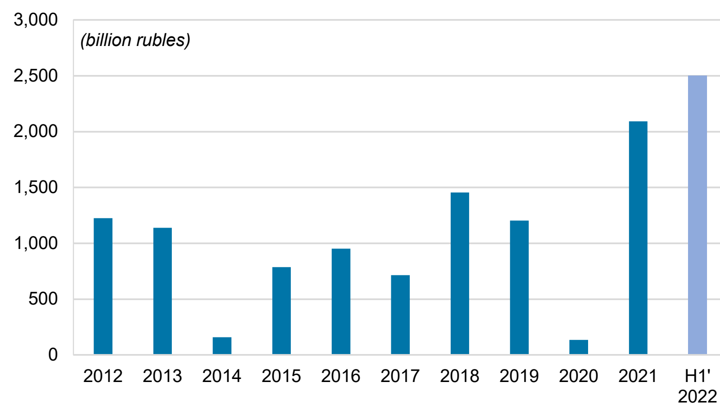
Gazprom even seems to be tightening the screws on Europe. It stopped the Nord Stream gas pipeline for a three-day maintenance turnaround on Aug. 31. Some traders fear it may last longer if Moscow wants the gas crisis to worsen, deepening the EU's economic recession and potentially weakening its military support for Ukraine.

RUSSIAN GAS FLOWS VIA KEY ROUTES TO EUROPE



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

GAZPROM'S NET PROFIT*



*As calculated under International Financial Reporting Standards. Source: Gazprom, Energy Intelligence

The tactic of gas cuts seems to work. Bulgaria's pro-European government stepped down due to economic woes and Sofia is now seeking to resume imports from Russia, while several Dutch cities have asked for permission to keep buying gas from a former Gazprom subsidiary, which the government believes could still be transferring some money to Russia despite an April takeover by Berlin. By cutting Nord Stream flows, Gazprom is also understood to be seeking a softening of the EU stance on Ukraine-related sanctions against Russia.

Record Profits

While putting pressure on Russia's financial system and economy in general, Western sanctions do not stop Gazprom from prospering financially, as Europe is not ready to turn its back completely on Russian gas.

Gazprom generated a record 2.5 trillion rubles ($41.4 billion) in net profit in the first half of this year, CFO Famil Sadygov said this week. That is bigger than the full-year profit for 2021, which was also a record high at 2.09 trillion rubles, boosted by a sharp increase in export prices.

Export revenues are growing even stronger this year, as the unprecedentedly high prices offset a sharp drop in supply volumes. They should have received another boost from the Nord Stream flow cuts and subsequent price rally after hitting a 12-month low — albeit still a high level — in July.

The strong financial results and significant cash reserves allow the company to pay interim dividends this year, something it hasn't done before, according to Sadygov. The board of directors on Aug. 30 recommended paying 50.03 rubles per share, or a total 1.2 trillion rubles, in dividends for the first half of this year, which would represent 50% of adjusted net profit for the period.

If approved by shareholders on Sep. 30, that would be almost as much as Gazprom had planned to pay in full-year 2021 dividends — 1.24 trillion rubles — before scrapping the idea and agreeing to pay the whole sum in an extra mineral extraction tax to the government.

Expectations of huge interim dividends sent Gazprom's share price 30% higher in the first hours of trade on the Moscow Exchange on Aug. 31.

Low Exports

Gazprom's exports to Europe keep falling on restricted flows via Nord Stream which have been at around 33 MMcm/d, or just 20% of capacity, since late July.

Gazprom exported just under 120 MMcm/d to Europe, excluding Turkey, in August, down from 125 MMcm/d in July, 164 MMcm/d in June and 270 MMcm/d in May. That is much lower than the average 385 MMcm/d supplied in August 2021.

The lower exports have already resulted in a decrease in Gazprom's gas production. International Energy Agency (IEA) chief Fatih Birol said this week that Russia would likely increase the flaring and venting of gas in the coming months to avoid a sharper production drop while its storage is already 92% full.

A large flare has been reported over the past couple of months near Nord Stream's Portovaya compressor station. The BBC last week reported, citing an analysis by Rystad Energy, that around 4.34 MMcm/d is being burned by the flare, which is understood to be at the 1.5 million metric tons per year Portovaya LNG facility near the compressor station. The exact reason for the unusually big flare is not clear, with some experts suggesting that Gazprom is facing some technical issues at Portovaya LNG, which has been in the commissioning stage since late last year but has yet to start commercial operations.

Staff Reports

CASPIAN

Russia-Ukraine Conflict Mars Kazmunaigas IPO

The steady rise in oil prices has left Kazakhstan's national energy champion Kazmunaigas (KMG) in rude financial health, as it gears up to sell a chunk of its shares in a long-awaited initial public offering (IPO). In normal times, punters would be queueing up for a slice of the action. But concern over the impact of the Russia-Ukraine war on Kazakh oil exports has diminished their appetite.

Like other national oil companies, KMG, which is 90% owned by Kazakh sovereign wealth fund Samruk-Kazyna and 10% by the Central Bank, has bounced back from the hammering it took during the Covid-19 meltdown of 2020. During the first half of 2022, the company saw its net profit rise 5% year-on-year to $1.5 billion, while revenues surged 57% to $9.4 billion.

The company continues to whittle down its debt, with net arrears falling 4% to $4.87 billion. In recent years, KMG has restructured its debt by issuing eurobonds with a much longer repayment period, as well as making early repayment of oil-backed loans that were provided by Swiss trading giant Vitol.

Over the six-month period, KMG kept its crude oil and condensate production stable at around 447,000 barrels per day, while gas output amounted to 4.1 billion cubic meters. A large chunk of its oil output comes from its 20% stake in the Chevron-led Tengizchevroil (TCO) joint venture, Kazakhstan's largest oil producer that produces around 650,000 b/d of crude. If all goes to plan, TCO will be producing more than 800,000 b/d of crude once its ongoing $45 billion expansion project is completed in 2024.

Russian Headwinds

However, KMG faces strong headwinds from Russia that could disrupt its oil export sales and, like other Kazakh oil producers, force it to use alternative routes that will be more costly. This follows a series of disruptions at Kazakhstan's main export outlet, the Caspian Pipeline Consortium (CPC) terminal near the Russian Black Sea port of Novorossiysk that has a capacity of around 1.4 million b/d.

KMG's finance chief, Dauren Karabayev, told a news briefing last week in Nur-Sultan that Kazakhstan is "actively looking" at new supply options. He said negotiations are now being held with "partners" in Azerbaijan on the possibility on using spare capacity in two pipelines: the 1.2 million b/d Baku-Tbilisi-Ceyhan line and the 100,000 b/d Baku-Supsa route, both of which transport oil from the BP-operated Azeri, Chirag, Guneshli project.

Geopolitical complexities may affect the timing of the KMG IPO, which is due to take place by the end of the year. The shares will be offered to domestic and foreign investors on Kazakhstan's two stock exchanges, AIX and Kase.

In a recent interview with Bloomberg, the managing director of Samruk-Kazyna, Almasadam Satkaliyev, said all preparations for the sale would be completed by October and, to attract as many investors as possible, shares would be offered at a discount to their true value. It is still not clear how many shares will be put up for sale, though Satkaliyev said the IPO would generate "at least several hundred million dollars." By comparison, when KMG's now-defunct upstream subsidiary, KMG EP, held its IPO in London and Almaty in 2006, it raised more than $2 billion.

Samruk is also looking at a possible IPO for gas transmission company Qazaqgaz (formerly Kaztransoil), which was spun off from KMG last year and is now a wholly owned subsidiary of Samruk. Qazaqgaz, which handles the lucrative gas sales contract with Petrochina for up to 10 Bcm/yr, has undergone a major management shakeout since its former chief executive, Kairat Sharipbayev, was sacked follow the wave of unrest that swept across Kazakhstan in January. Sharipbayev is the husband of Dariga Nazarbayeva, the elder daughter of Kazakhstan's former long-serving president, Nursultan Nazarbayev.

Paul Sampson, London

GEOPOLITICS

Russia Sees Silver Lining from Iran Nuclear Deal

As the US and Iran inch closer to a nuclear agreement that could lead to the lifting of sanctions on Tehran, Russia will be looking at the pros and cons for itself of such a deal.

Russia-Iran relations have become closer lately, with trade turnover between the countries rising as well. On top of a memorandum of understanding signed last month between National Iranian Corp. (NIOC) and Gazprom, potentially worth up to $40 billion, a big Russian delegation consisting of more than 100 businessmen is supposed to arrive in Iran at the end of September to discuss deals in various spheres, including energy and transportation.

On a negative note, the ending of sanctions on Iran could add about 1 million barrels per day of oil to the global market in about six months, sending prices down, which would not be welcomed by Moscow. Iran is also the holder of the world's second-largest gas reserves after Russia, and could replace Russian gas on the European market.

However, the view in Moscow, at both the official and expert level, is that the sanctions are illegal and should be lifted from Iran. Russia has consistently adhered to this line having been active in Vienna talks on the Joint Comprehensive Plan of Action (JCPOA). The necessity of the "full and unconditional restoration" of the JCPOA was emphasized again this week by Russian Foreign Minister Sergei Lavrov during his talks with his Iranian counterpart Hossein Amir-Abdollahian.

Speaking at a press-conference after the talks, Amir-Abdollahian said that agreement on the JCPOA could be reached "in the nearest time" if the discussed text includes additional guarantees.

Competition VS Cooperation

Russian analysts say that the restoration of the JCPOA would not mean any global changes for Moscow. But there could be positive features as coordination with Iran could become easier if sanctions are lifted even partially.

Iran is not expected to make a full turn to the West either since not all Western companies and banks would be ready to commit their capital and technology to the country, being cautious about a possible change of mood in the US under a future administration. This would give Russia a big chance to further develop economic and scientific relations.

Some experts are also sure the two oil and gas producing nations would find ways to avoid competition on global markets. Opec-plus, in which Russia is an important participant, would react to any threats to stability on the oil market, while there are huge obstacles for Iranian gas shipments to Europe. Besides, Gazprom is set to play an important role in the development of the Iranian gas sector with the aim of sending Iranian gas to Oman, Pakistan and possibly India.

New Opportunities

After the talks with his Iranian counterpart, Lavrov pointed to the expanding energy cooperation between the two countries, including in nuclear power and oil and gas. He specifically mentioned the Bushehr power plant. Russia is expanding the plant it launched in 2011 under the contract to build Bushehr-2 and Bushehr-3, which is reportedly worth more than $10 billion. Because of sanctions, Iran has had problems with paying Russian state nuclear corporation Rosatom. The issue of Bushehr financing was discussed during the talks in Moscow this week. Lavrov said the issue requires "special attention."

Even if sanctions are not lifted, the two countries are focusing "on creating reliable and constructive mechanisms that will allow for developing mutually beneficial cooperation regardless of any diktat," Lavrov said. He added that Russian oil and gas companies are making plans and starting to implement them.

Blacklisted Gazprom Neft is considering a return to Iran. For unsanctioned Lukoil it would be more difficult until Iran is fully clear of restrictions, as the Russian top independent oil producer doesn't want to increase the toxicity it already faces overseas.

Amir-Abdollahian said Iran is interested in the development of the North-South corridor, making Iran a transit country for various products from Russia delivered via the Caspian Sea.

Russia and Iran are considering a revival of the Caspian oil swap deals under which Iran received up to 150,000 b/d of crude from Russia, Kazakhstan and Turkmenistan for its two northern refineries at Tabriz and Tehran. In return, the shippers were allocated an equivalent volume of Iranian Light crude at Kharg Island in the south. Iran is also interested in receiving Russian oil products, which could also be delivered via the Caspian Sea.

Staff Reports

OIL MARKETS

Talk of US Export Ban Spooks Diesel Traders

Talk of a US ban on fuel exports sent European diesel prices soaring. Europe is desperate to find alternatives to its mainstay Russian ultra-low sulfur (ULSD) diesel imports ahead of next year's sanctions, and traders had been banking on extra US supplies.

The US has almost doubled its ULSD sales to Europe already this year. Market participants had been expecting a major rerouting of sanctioned Russian fuel to South America to help free up even more US fuel to come to Europe next year, alongside rising East of Suez traffic.

But worried about low gasoline and diesel inventories in the US Northeast going into winter, US Energy Secretary Jennifer Granholm has written to US oil companies asking them to prioritize refilling domestic stocks over exports.

With market backwardation removing any commercial incentive to stockpile, Granholm has hinted that the US government could use executive authority to ban or limit exports if her request is ignored. The US has a history of such energy nationalism, having banned crude exports for years before its shale oil boom.

The growing sense of doom in Europe is palpable. "The market can't cope with the sanctions, I don't understand the politicians saying it can," says a leading distillates trader in London. Russia still makes up almost half of Europe's gasoil imports with even surging volumes from India, the United Arab Emirates, the US and even Singapore in recent months barely scratching the surface.

ULSD's premium over Brent crude has doubled in Northwest Europe in the last two weeks. At $60 per barrel, it now stands 10 times higher than in August last year. Calls for Europe's heavy industry to stockpile gasoil in case Russia shuts off the supply of natural gas this winter are "blind to the fact the logistics aren't there," says one trader.

Gasoil stocks in Amsterdam-Rotterdam-Antwerp are rising only because low river levels mean barges can't move as much fuel inland. Last week's 12% jump in stocks was one of the highest ever seen but tanks remain low by historic standards. At 1.7 million metric tons on Aug. 26, according to Insights Global, ARA gasoil tanks are still a third lower than the five year average.

Europe's own refiners are doing everything they can to make ULSD but Europe's ancient refinery kit is crumbling under the pressure while sky-high natural gas prices also curb their ability to strip out sulfur.

Russian Arctic Oil Will Struggle to Sell

The formal bans on Russian oil, including the looming EU embargo in December, has focused the market's attention on Urals, Russia's flagship export grade.

But Russian crude exports to Europe have also comprised lesser-known grades from the Arctic region, including Varandey, Novy Port, and Arctic Oil (Arco).

Varandey comprises a mix of crude exported through Lukoil's proprietary pipelines and the Varandey terminal on the Pechora Sea, which opened in 2008.

Gazprom Neft's oil fields in the Russian Arctic produce the other two heavier, sour grades: Arco from the Prirazlomnoye field and Novy Port from Novoportovskoye.

Both grades are exported from Gazprom Neft's Arctic Gate terminal on the Yamal Peninsula, which was designed to handle 200,000 barrels per day of crude. This was still the case in the first quarter of 2022.

But shipping data compiled by Energy Intelligence show that combined Arco and Novy Port exports in the second quarter fell by 19%, from 202,000 b/d to 164,000 b/d. July exports stood at 146,000 b/d.

Likewise, Lukoil exported more than 130,000 b/d from its Varandey terminal, but this fell by about 9%, from 134,000 b/d to 122,000 b/d. July exports registered a far more dramatic drop to 35,000 b/d.

Russian Arctic oil is partly shipped by ice-class tankers, or sent by railway to the Kola Peninsula and re-exported to Europe from the port of Murmansk, close to the Norwegian and Finnish borders.

Both Lukoil and Gazprom Neft's Arctic terminals were designed for exports to Europe and will be hit by the EU ban.

Former buyers of Varandey included refiners in France, the Netherlands and the UK. The volumes are now entirely kept in Lukoil's own system and shipped to its ISAB refinery in Syracuse, Italy, Kpler analytics show.

Kerry Preston and Julien Mathonniere, London

IN BRIEF

Russian Oil Output Drops

Russian crude oil and gas condensate production fell in August from the previous month due to lower output by Gazprom, according to analysts.

Production in August averaged 1.445 million metric tons a day (10.58 million b/d), according to Russian press reports citing the official data. This is down from 10.76 million b/d of crude and gas condensate Russia was producing in July.

Gazprom Neft recorded a decline after starting maintenance at its Prirazlomnoye field in the Pechora Sea. Its parent Gazprom saw condensate output fall due to lower gas production following the cuts in supplies to Europe.

Oil exports were reportedly up on the month as European customers aim to increase purchases of Russian barrels before the embargo comes into force at the end of the year. Reports say that supplies to Russian refineries dropped before the maintenance season.

CPC Reduces Loadings

The Caspian Pipeline Consortium (CPC) has inspected the remaining working single point mooring (SPM) at its terminal near the Russian Black Sea port of Novorossiyk and confirmed that the subsea equipment was found fit for further "unlimited use."

The news should come as a relief for Kazakhstan's biggest producers after CPC said that it had reduced loadings from two of the three SPMs because of cracks in the subsea hose attachments to buoyancy tanks. The consortium said that activities are under way to flush the lifting system of its first SPM in preparation for the replacement of a damaged buoyancy tank.

Loadings from the CPC terminal are now carried out from just one SPM. Kazakhstan, which ships roughly 1.2 million b/d via the 1.4 million b/d CPC line, recently said that it started talks with neighboring Azerbaijan on opening up a new oil transportation route across the Caspian Sea.

Gazprom Courts Turkmenistan

Gazprom CEO Alexei Miller visited Turkmenistan on Aug. 29 to discuss energy cooperation, as Moscow seeks to strengthen ties in Central Asia amid Russia's deteriorating gas relations with Europe.

Miller's visit to Ashkhabad, his first in more than three years, followed the meetings between the Russian and Turkmen leaders Vladimir Putin and Serdar Berdimuhammedov in Moscow in mid-June and at the Caspian Summit in Ashkhabad later that month.

Moscow is looking for opportunities in Central Asia, where Turkmenistan can strengthen its positions with its growing gas reserves and production and limited export options. Gazprom is studying the possibility of redirecting Europe-bound exports Europe to other markets, including Central Asia, as well as expanding third-party gas trade in the region, insiders say.

Miller's previous visit in March 2019 was aimed at resuming Gazprom's gas purchases from Turkmenistan after a break since 2016 due to a price revision dispute.

Tatneft Profits Skyrocket

Russia's regional oil producer Tatneft became the first company to break its silence and report its financial results under International Financial Reporting Standards (IFRS) for the first six months of 2022.

Russian companies stopped reporting their financial results and removed the most sensitive data from their websites after Russia invaded Ukraine on Feb. 24 and the West started imposing a slew of sanctions.

Tatneft said in its financial report that the company's net profit stood at 139.9 billion rubles ($2.47 billion at the official rate) in January-June, up by almost 52% from the same period last year. Revenues rose by 42% over the same period to 790.8 billion rubles.

Tatneft was also among the few companies to recommend interim dividends for January-June. Payments were recommended at 32.71 rubles per share, nearly double the payout of 16.52 rubles/share for the same period of 2021.

Novatek to Boost Dividends

Novatek's board of directors last week recommended paying 136.63 billion rubles ($2.3 billion) in dividends for the first half of 2022, up 63% from the same period last year.

Shareholders will vote on the interim dividends in absentia on Sep. 28, the company said. If approved, dividends will amount to 45 rubles per share.

Novatek's dividend policy is to pay at least 50% of adjusted net profit. But Novatek did not disclose its profit for the first half of 2022, which should have grown on a sharp increase in LNG and other hydrocarbon prices. Last year, its profits also grew on higher prices, allowing the company to double full-year 2021 dividends to 71.44 rubles/share from 35.56 rubles/share paid for 2020.

Novatek's key shareholders are CEO Leonid Mikhelson, tycoon Gennady Timchenko and France's TotalEnergies, which owns 19.4%.

Dividend payments to foreign shareholders are restricted by Moscow in response to Ukraine-related sanctions.

Rosneft Builds Gas Pipeline

Rosneft said it had completed construction of the Suzun-Vankor gas pipeline as part of its Vostok Oil mega project onshore the Russian Arctic.

The 80 km line between the two fields can pump 2.2 Bcm of gas per year, according to the state-controlled major. It allows gas from the Suzun field to be treated by the facilities at Vankor for further shipment to Gazprom's transportation system.

Suzun holds 39 Bcm of gas reserves, Rosneft said. It produced nearly 43 MMcm in the first seven months of this year. The pipeline would allow Rosneft to increase its gas utilization rate, which last year stood at 72.4%.

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 CRUDE OIL PRODUCTION/EXPORTS, JULY 2022

	Year to Date		Jul		Change From Previous Month		Jul Exports		% of Jul Output Exported
('000 b/d or metric tons)	(b/d)	(tons)	(b/d)	(tons)	(b/d)	(tons)	(b/d)	(tons)	
Lukoil	1,582.1	46,390.2	1,582.9	6,787.0	-0.2	218.1	409.0	1,732.2	0.3
Rosneft	3,098.8	90,865.2	3,242.0	13,900.9	4.8	468.4	2,122.0	8,986.5	0.6
Gazprom Neft	774.1	22,699.1	788.1	3,379.2	7.8	141.4	241.2	1,021.4	0.3
Surgutneftegas	1,190.6	34,909.6	1,178.8	5,054.1	18.3	238.9	714.9	3,027.8	0.6
Slavneft	232.6	6,819.4	239.7	1,027.7	5.3	55.2	0.0	0.0	0.0
Russneft	135.6	3,976.7	136.0	583.1	0.8	22.3	50.6	214.1	0.4
Tatneft	568.3	16,664.2	572.1	2,452.8	3.7	94.6	222.0	940.0	0.4
Bashneft	341.0	10,000.2	390.4	1,674.0	-0.8	50.7	0.0	0.0	0.0
IPC	329.1	9,650.6	330.4	1,416.6	-0.1	45.4	0.0	0.0	0.0
Russian Oil Company Total	**8,252.3**	**241,975.3**	**8,460.4**	**36,275.4**	**39.7**	**1,335.0**	**3,759.7**	**15,922.1**	**0.4**
Gazprom	**114.3**	**3,350.7**	**123.0**	**527.5**	**5.5**	**39.8**	**14.7**	**62.3**	**0.1**
Novatek	**51.7**	**1,515.9**	**50.6**	**217.1**	**0.6**	**9.4**	**5.9**	**25.0**	**0.1**
Other Producers	**1,124.3**	**32,967.4**	**1,119.2**	**4,798.7**	**-8.1**	**121.2**	**553.7**	**2,345.0**	**0.5**
PSA Operators†	**193.7**	**5,679.9**	**67.4**	**289.1**	**-19.6**	**-71.9**	**0.0**	**0.0**	**0.0**
Russia Grand Total‡	**9,736.3**	**285,489.2**	**9,820.6**	**42,107.9**	**18.1**	**1,433.6**	**4,334.0**	**18,354.4**	**0.4**

Table is based on the following factors for conversion to barrels: crude oil production - 7.23; crude oil and gas condensate exports - 7.32. Download full dataset here. *Source: Energy Intelligence*

RUSSIAN GAS CONDENSATE PRODUCTION, JULY 2022

	Year-To-Date		Jul		Change	
('000 b/d or metric tons)	(b/d)	(tons)	(b/d)	(tons)	(b/d)	(tons)
Lukoil	5.9	146.3	4.8	17.6	0.1	0.9
Rosneft	112.7	2,810.7	154.1	562.2	9.5	51.6
Gazprom Neft	18.5	462.2	18.4	67.2	0.5	3.8
Slavneft	1.7	42.6	2.0	7.4	0.2	0.8
Russneft	0.8	19.2	0.7	2.6	0.0	-0.1
IPC (Neftegasholding)	2.6	64.7	2.8	10.0	-0.2	-0.4
Russian Oil Company Total	**142.2**	**3,545.6**	**182.9**	**666.9**	**10.0**	**56.7**
Gazprom	436.2	10,879.8	388.1	1,415.3	-17.9	-17.5
Novatek	115.5	2,881.0	119.7	436.7	5.4	33.3
Other Producers	232.7	5,803.9	228.3	832.6	18.7	93.0
PSA Operators	39.6	988.8	30.0	109.3	0.6	5.7
Russia Grand Total	**966.2**	**24,099.0**	**948.9**	**3,460.8**	**16.9**	**171.2**

Table is based on the following factors for conversion to barrels: 8.5. Data for the previous month were revised. Download full dataset here. *Source: Energy Intelligence*