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NEFTE COMPASS®

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EXPORTS

Questions Mount as Price Cap Looms

With just one month left before the price cap on Russian crude oil is set to take effect in tandem with the EU's oil embargo, there are still more questions than answers on how it is going to work, if at all, and whether Russia will be able to find new markets for its barrels.

In an exclusive interview with Energy Intelligence on the sidelines of the Adipec conference in Abu Dhabi this week, Indian Oil Minister Shri Hardeep Singh Puri affirmed that India would continue purchasing Russian oil and would be ready to take more even after the EU embargo kicks in from Dec. 5 as the country's consumption is growing and it must meet its own needs regardless of politics.

"Do I have any problems in buying [crude oil] from Russia? Not at all, we have great relations with Russia," Shri Hardeep Singh Puri said. "By Mar. 31, 2022, India was only buying 0.2% from Russia. Last month, Russia was the second-largest supplier," the minister said, pointing to the sharp increase in Russian crude imports since the invasion of Ukraine in late February. Indeed, according to preliminary government data, India imported roughly 1 million barrels per day from Russia in September, outstepping Saudi Arabia and becoming the country's de facto largest supplier of crude oil.

US Deadline

On Dec. 5, the EU oil embargo takes effect together with a ban on shipping Russian oil and providing insurance and other services to seaborne shipments unless they are within the yet-to-be-set price cap. As more details appear, the US Treasury department said this week that Russian oil shipments loaded before Dec. 5 and unloaded by Jan. 19 will be exempt from the price cap.

Russia managed to reroute some 1.5 million-2 million b/d of crude to markets like India, China and Turkey, but it still has to find new homes for some 1.1 million b/d before Dec. 5.

The Indian oil minister said his country is ready to take more, if at good price. "India's consumption is increasing at a rate of 2%-3% per year ... India is buying 5 million b/d and is among the few countries in the world, which in a few years will be buying 6 million-6.5 million b/d. So anyone who can supply, we will buy it," the minister said.

He also expressed doubt that the price cap will work. He said that if customers shy away from Russian barrels, they would have to buy other crudes which could take prices to $200 per barrel in a world that is already hit by inflation and recession amid crises over fuel, food and fertilizers.

Investment Warning

Vagit Alekperov, a member of the board of the Russian Union of Industrialists and Entrepreneurs, told journalists on the sidelines of the Adipec forum that a price cap on Russian oil would result in lower investments in the industry. "Artificial price regulation leads to a distortion of the perception of the value of the product. Therefore, if the price is too low, then investment will be reduced," said Alekperov, a former president of Russian oil producer Lukoil. "Therefore,

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SPOT CRUDE OIL PRICES

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

	Nov 1	Oct 25	Chg.
Dated Brent f.o.b. (38 API)	95.12	91.76	3.36
Russian Urals c.i.f. NWE (31 API)*	71.73	68.14	3.59
Russian Urals c.i.f. Med (31 API)†	76.73	73.14	3.59
Azeri Light (35 API)	99.18	95.59	3.59
CPC Blend c.i.f. Med (45 API)†	92.33	88.74	3.59
ESPO (35 API)	87.57	87.20	0.37
Dubai (30 API)	91.40	89.56	1.84

PRODUCT PRICES

($/ton, c.i.f. basis)	Nov 1	Oct 25	Chg.
ICE LSGO Futures (front month)	1,047.50	1,072.25	-24.75
ICE LSGO Futures (second month)	995.25	1,003.75	-8.50
0.1% Gasoil NWE*	1,072.75	1,094.50	-21.75
0.1% Gasoil Med*	1,059.75	1,089.50	-29.75
10 ppm Diesel NWE*	1,034.75	1,223.00	-188.25
10 ppm Diesel Med*	1,118.50	1,151.50	-33.00
HSFO NWE*	377.00	347.00	30.00

LSGO – low sulfur gas oil. *Basis Rotterdam. †Basis Augusta. *Source: Energy Intelligence* we, the Russian Union of Industrialists and Entrepreneurs, insist that the market should be free."

Russel Hardy, chief executive of the world's largest independent energy trader, Vitol, told the Adipec forum that the price cap legislation would come into full force only after Feb. 5, when an EU embargo on Russian petroleum products takes effect. He said that the nature of the price cap legislation might deter customers mainly in Western countries from continuing to purchase Russian crude. But Russian molecules "will have found new markets probably east of Suez, most likely into large oil consumers east of Suez," Hardy said.

Russia has repeatedly said that it will not supply crude to buyers that agree to a price cap. Market experts say that given the current confusion, it looks at the moment like there will be ways to get around the proposed mechanism.

Staff Reports

GEOPOLITICS

Russia Shifts Strategic Axis

Russia is shifting its focus following its divorce from the West so that it stops being an eastern outreach of Europe and becomes a northern part of Eurasia. This is the logic dictating Russia's new development strategy, which targets trading partners in Asia-Pacific, the Middle East and Africa, according to Deputy Prime Minister Alexei Overchuk.

Addressing the Eurasia Economic Forum in Baku last week, he said that Russia is surviving the welter of global crises much better than others as it has cheap energy, food, raw materials and human resources. The aim now is to develop transportation, financial services, and other infrastructure to facilitate the new ties.

The success of the infrastructure development plan would be crucial for the inflow into Russia's state coffers of revenues from exports, including sales of oil and gas.

Speaking at the same forum, the CEO of Russian state-controlled oil producer Rosneft, Igor Sechin, said that Europe's refusal to take Russian energy supplies "threatens 6.5% to 11.5% of European GDP and about 16 million jobs," while "the cost to the EU of protecting consumers from its own anti-Russian sanctions has exceeded €500 billion and will reach €1 trillion by the end of the year."

In another demonstration that Russia aims to rely on new partners, Sechin invited Azerbaijan's state energy company Socar to participate in Rosneft's ambitious Vostok Oil project onshore the Russian Arctic that has recently been abandoned by international commodity trader Trafigura, following Russia's war in Ukraine.

The former CEO of Lukoil, Vagit Alekperov, told reporters this week on the sidelines of the Adipec gathering in Abu Dhabi that projects in friendly countries and former Soviet Union states, such as Azerbaijan, Kazakhstan and Turkmenistan, could become a "window of opportunities" for Russian companies. The Middle East in is the sights of Russian firms as well.

Infrastructure Corridors

The development of trading routes with countries in the south and east is key, and Russia is focusing in particular on three transportation corridors.

First is the route along the western coast of the Caspian Sea via Azerbaijan and Iran to the Mideast Gulf, India and the markets of Africa and South-Eastern Asia, Overchuk said. This route is part of the North-South corridor running from Russian ports on the Baltic Sea by river, road and rail.

Another corridor connects the sea ports of the littoral states on the Caspian Sea.

The third corridor includes rail and road connections along the eastern coast of the Caspian Sea via Kazakhstan, Turkmenistan and Iran.

The North-South transportation corridor could in future become "a real competitor" to the Suez Canal, First Deputy Prime Minister Andrei Belousov said at the Baku forum. He said that by 2030 the volume of Russian cargoes shipped via the North-South route should nearly double to 32 million metric tons from the current 17 million.

Russia Tightens Iran Ties

Russia's relations with Iran and Azerbaijan would be key for the new transportation corridors.

Following the meeting of the Russia-Iran intergovernmental commission in Grozny, Chechnya this week, Moscow said it is considering investing in Iranian ports. Iran, in turn, offered to use its ports as hubs for Russian cargoes, including transit flows.

Russian Deputy Prime Minister Alexander Novak, who co-chairs the intergovernmental commission, said Russia and Iran have started oil products swaps and are to expand the scheme to other commodities. Novak didn't go into further details but in the past the swap mechanism mainly involved shipments of Russian oil to refineries in northern Iran with equal volumes of Iranian oil being lifted by Russia from ports in the south.

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The two sides also confirmed their readiness to cooperate in the construction of big tonnage tankers in Iran and the cargo fleet in Russia, according to the statement by the Russian government. This is a priority for Moscow in the wake of the EU's embargo of Russian oil to come into force on Dec. 5 that forbids foreign tankers from carrying Russian volumes.

Surprise Offer

On the corporate level new partnerships are expected as well although they could take longer to materialize. Socar President Rovshan Najaf seemed to have been caught by surprise by Sechin's offer to the Azeri company to join Vostok Oil, which is targeting production of some 2 million barrels per day of oil by 2030. The only thing that he could say was that "we will consider it."

Indeed, Rosneft and Socar have never had any solid partnerships in the past, and Socar's international ambitions have never targeted upstream operations, having been focused on downstream and trading.

At the same time, speaking in Baku, Sechin said that BP remains a shareholder of Rosneft despite emphatic statements made in February about its intention to leave Russia. Sechin said BP keeps all the rights, including for dividends, but does not participate in the Russian company's management and in financing joint ventures with Rosneft.

Sechin emphasized that BP's income from participation in the shareholder capital and in joint ventures with Rosneft amounted to $37 billion from some $10 billion of monetary investment. "This is an excellent compensation for capital invested," Sechin added, in a signal that Moscow could make a move on BP's 19.75% stake in Rosneft similar to the actions it pursued in the Sakhalin-1 and Sakhalin-2 projects that deprived Exxon Mobil and Shell of their respective interests in the ventures on the Russian Pacific shelf. Analysts note that BP could ultimately be replaced in Rosneft by entities from Asia or the Middle East.

Staff Reports

DOWNSTREAM

Russian Refiners Get Busy as Crude Ban Looms

Refining throughput in Russia is poised to grow substantially in November now that scheduled fall maintenance is largely complete and Russian crude oil will come under embargo in the EU next month. Although Russia is expected to find alternative buyers for much of the approximate 1.1 million barrels per day of crude that Europe is still importing but will ban from Dec. 5, oil companies will direct some of these volumes to refineries and try to earn on products, particularly middle distillates, analysts say. Granted, this window of opportunity for products exports will be finite — three months, if not less — given the Feb. 5 embargo on Russian petroleum product purchases by EU countries. Russia exported about 700,000 b/d of products to Europe last month, according to shipping data.

Refining runs were about 5.5 million b/d in October, roughly flat compared to the previous three months, but are poised to reach 5.7 million-5.8 million b/d in November, based on partial information about crude deliveries to refineries. The high for throughput this year was nearly 5.9 million b/d in January.

Decision Time

Come January 2023, refineries will have to assess the situation and decide whether they can maintain the relatively high runs expected in November-December or, if alternative buyers for naphtha, diesel and fuel oil cannot be found, slash processing volumes.

Analysts say the outlook for products exports is not good. Buyers will continue demanding a discount knowing Russian sellers are in a bind, and domestic storage capacity is limited and already under strain. Stocks of heavy fuel oil have grown 10% in October to almost 3.4 million barrels, according to official data, even though output has remain flat over the past four months.

Perhaps most important, shipping long-haul will reduce the netback for products, many of which are already loss-making or at break-even price levels.

The insufficient size of Russia's products tanker fleet is an even bigger factor. In a new report, JPMorgan said that the country would need 440 tankers to handle products exports while circumventing price cap-related restriction.

Lousy Economics

As of Oct. 24, the domestic price for heavy fuel oil dipped beneath 7,000 rubles ($114) per metric ton, or $17.50 per barrel. September output of heavy fuel oil, or mazut, was 703,000 b/d, and October is on track to yield the same amount, preliminary data show. Exports are estimated at 530,000 b/d.

The economics of light products, meanwhile, has deteriorated over the past month, adding to the gloomy outlook.

Gasoline prices, for instance, have fallen on weak demand, while the government has reduced a crucial subsidy. As a result, the crack spread for a ton of 92-octane gasoline has dipped into the red for many inland refineries.

Massive Surplus

To compensate, some companies have reduced gasoline output in favor of naphtha, but this also is problematic in terms of economics and logistics. Russia typically exports about 85% of naphtha output, which has averaged 550,000 b/d so far this year, so as with heavy fuel oil, the country has a massive surplus it must get rid of.

But since European traders are demanding a considerable discount for Russian naphtha, mostly used as a feedstock for petrochemicals, the crack for this light product has dipped to a negative $12/bbl, according to one Moscow-based brokerage.

As expected, the one bright part of the slate is in the middle: diesel and jet fuel cracks remain extremely high, and this is what refiners are expected to emphasize in the coming months. Incomplete official data indicate that diesel output last month was 1.72 million b/d, up nearly 2% month-on-month.

The crack for winter diesel, which is high in demand now, is around $100/bbl for a typical refinery in the European part of the country.

Gary Peach, New York

GAS

Gazprom's Exports Hit New Low in October

Russia's pipeline gas sales to Europe (including Turkey) and China fell to a new low of 4.3 billion cubic meters last month, down 9% from September and 67% from October 2021, Energy Intelligence calculates based on data from the sole exporter, state-run Gazprom.

The decrease in October from the previous lows of September can be attributed to Europe taking less of Gazprom's pipeline gas amid high levels of gas stocks and increased inflows of LNG.

The blast on the Nord Stream gas pipeline in late September, which Moscow claims was a terrorist attack orchestrated by the West, did not affect the month-on-month decline because the pipeline hasn't been shipping any gas since late August.

Due to high stocks and mild weather, the Dutch TTF day-ahead spot prices hit their lowest levels since May 2021, falling below $300/Mcm as of Oct. 24, which made spot purchases more attractive for immediate imports than Gazprom's hub-linked long-term contract offtakes.

The month-ahead futures contracts also fell in October to the lowest levels since June, although they remain at around $1,300/Mcm as of this week, reflecting the uncertainty around winter supplies.

Winter Worries

European storage is now around 94.7% full, according to data from Gas Infrastructure Europe. Gazprom, however, says that even this high level of stocks cannot guarantee a stable supply during the winter season while the pressure on storage will be higher than previously due to the changed logistics and supply sources on the European market.

Most experts suggest that Europe can manage this winter, but the next winter of 2023-24 will be more challenging because Europe might struggle to replenish the depleted stocks next summer.

Gazprom insists it keeps supplying gas according to confirmed nominations and points to a decreased gas consumption in Europe, eroded by record-high gas prices. In the first 10 months of this year, the EU and UK accounted for a combined 95% of the global gas consumption decrease, with their demand decreasing by 36 Bcm and 4 Bcm, respectively, Gazprom said in a statement.

Gazprom's 10-month exports to Europe (including Turkey) and China however dropped by a bigger 67.6 Bcm, or 42.6% on the year, to 91.2 Bcm, which suggests that Russia's restricted supply tactic and deliberate cutoffs in Europe — something that Moscow denies — contributed to the drop as well as eroded demand.

Exports have been particularly low since June when Gazprom slashed gas flows via Nord Stream citing sanctions-driven problems with the repair of Siemens gas turbines used in the project.

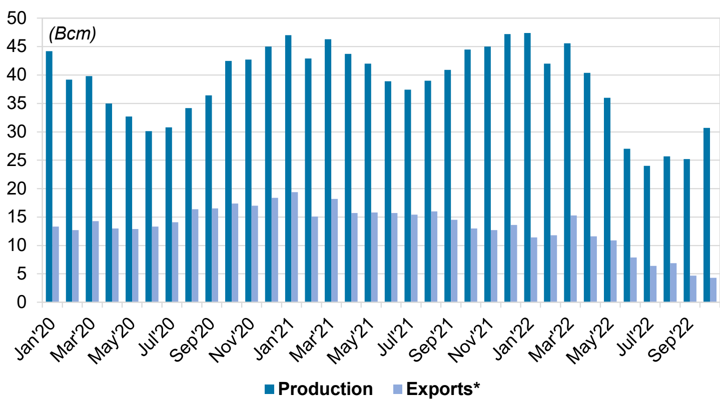
Production Decline

Due to the sharp drop in exports, coupled with lower domestic sales, Gazprom's gas production fell 18.6% on the year to 344 Bcm in the first 10 months of 2022.

In October, production fell 31% on the year but rose 22% on the month to 30.7 Bcm. The month-on-month growth was supported by the start of the heating season in Russia and injections into domestic storage. Production was still at some 66% of Gazprom's total upstream capacity and at a lower level than in any month of 2021 (see graph).

To support production in winter months, Gazprom might opt to keep its domestic storage almost untapped and supply newly

GAZPROM'S NATURAL GAS PRODUCTION, PIPELINE GAS EXPORTS



*Exports to Europe and China. *Source: Gazprom, Energy Intelligence* produced gas, something that it did in the previous winter, which might however result in further production declines later in 2023.

Gazprom has completed Russia's domestic storage injection campaign, hitting a record storage level of 72.662 Bcm and a record daily withdrawal capacity of 852.4 MMcm/d, the company said on Oct. 27.

Gazprom's declining production is chiefly responsible for pulling Russia's overall gas output lower. The country produced 556.3 Bcm in January-October, down 11.2% on the year, and the full-year decline will likely exceed Moscow's target drop of 10%. In October, Russia's gas production fell 19% on the year to 52.99 Bcm (see table).

Staff Reports

CASPIAN

Kazakhstan Sets Sights on Green Hydrogen

Kazakhstan has burnished its green credentials by signing an agreement with Hyrasia, a subsidiary of Swedish renewables group Svevind, to build one of the world's largest green hydrogen plants. The plant is due to come into operation in 2032 and could supply up to one-fifth of Europe's future demand for the product.

The agreement, inked during a visit to Astana by the head of the European Council, Charles Michel, could prove to be a turning point for Kazakhstan as it looks to loosen its dependence on fossil fuels and, at the same time, boost energy ties with Europe. In recent years, the country has awarded a series of wind and solar projects to the likes of Italy's Eni and TotalEren, an affiliate of France's TotalEnergies, as it looks to cut carbon emissions by 15%, compared to 1990 levels, by 2030, and achieve net zero by 2060.

According to Hyrasia's blueprint, the project would generate 20 GW capacity from new wind and solar projects in the western region of Mangistau that, through electrolysis, could provide up to 2 million metric tons per year of green hydrogen. The hydrogen could then be transported either by itself, or converted into ammonia via synthesis plants. Hyrasia said the hydrogen could find a ready-made market in Europe or alternatively be used in Kazakhstan to manufacture sustainably-produced products such as steel and aluminum.

Financial Hurdles

Hyrasia has already made some progress, having completed a concept design study on the project this summer, in tandem with German consultants ILF and Roland Bayer management. The Kazakh government has allocated land for the project. But multiple hurdles still need to be cleared before a final investment decision, targeted for 2026, can be made.

First and foremost, Hyrasia and its parent Svevind will need to find co-investors willing to stump up tens of billions of dollars in financing between them. Some of the external funds could be provided by multilateral banks such as the European Bank of Reconstruction and Development, which has played a lead role in helping Kazakhstan build up its solar and wind capacities. Finding equity partners will be tougher, especially as green hydrogen is still in its early stages of gestation and international oil companies remain uncertain about its long-term profitability.

Moving Closer to EU

Svevind, which is building Europe's largest wind plant in its native Sweden, says Kazakhstan is ideally suited to become a green hydrogen producer given its abundance of sun and wind. The Kazakh government reckons the project would provide around 3,500 new jobs and also bring the country closer to Europe and away from Russia.

Kazakhstan is not the only country in the region eager to become a green hydrogen hub. Across the Caspian Sea, Azerbaijan is looking at developing its own potential, with a view to transporting green hydrogen via the "southern corridor" gas pipeline network to Turkey and Europe. In June, the Azeri government signed an agreement with Masdar, a subsidiary of Abu Dhabi group Mubadala, to create a series of wind-to-hydrogen projects that would be geared towards exports. As with Kazakhstan, it would take at least another decade before any green hydrogen is produced.

Both the Kazakhs and Azeris are using energy to forge closer economic and political ties with Europe at a time when Russia is bogged down with the war in Ukraine.

During his Astana visit, EU council chief Michel described Kazakhstan as "a regional transport connectivity hub between East and West," and the EU's most important trading partner in Central Asia. Similar goodwill was expressed by European Commission head Ursula Von Der Leyen during a trip to Baku in July to expand gas ties with Azerbaijan.

Paul Sampson, London

OIL MARKETS

China Continues to Buy Espo Despite Price Cap

Chinese independent refiners and other market players have continued buying December-loading spot cargoes of Russia's East Siberia-Pacific Ocean (Espo) crude oil despite the new G7 price cap applying to exports sold after Dec. 5.

In fact, the spot market has strengthened, at least for Espo delivered to Chinese ports.

Espo is Russia's second-biggest export crude and the largest crude export stream in the Asia-Pacific. December-loading spot Espo likely traded at premiums of around $2.50 per barrel and slightly higher to ICE Brent futures on a delivered basis into China, said two traders.

This is a considerable increase from last month, when November-loading spot Espo was thought to have traded at premiums of above $1.00/bbl to ICE Brent, also for delivery to China. Cargoes sold on a delivered basis are usually resold by market players who had purchased Espo on a loading basis from around the crude's Russian export port of Kozmino and are bought by Chinese independent refiners.

Chinese market players have dominated buying in the spot market this month, said two Chinese market sources. Indian market players on the other hand have bought little, or no December-loading spot Espo so far, said three Chinese market sources. High freight rates have likely made Espo even less attractive to Indian buyers, one of them noted.

The price cap imposed by the G7 and Australia allows Russian crude sold under the cap to use tankers with insurance and financing from EU-linked companies, which make up the bulk of the global fleet.

The US Treasury Department clarified recently that cargoes loaded before the Dec. 5 deadline will not be subject to the price cap, so long as they are unloaded before Jan. 19 next year. For Chinese independents, buying Espo crude on a delivered basis takes the freight, insurance and financing problem out of their hands, said two traders.

"I think if there's someone willing to insure and deliver for them, they will still buy it," said a trader focused on the China market, pointing out that China continues to buy sanctioned Iranian and Venezuelan crudes.

Diesel Makes Final Push Before Ban

Wider dislocations are plaguing the European diesel market, pointing to shortages and showing up as price movements and higher market volatility.

Refining margins for ultra-low-sulfur diesel (ULSD) in Northwest Europe are still straying north of $70/bbl, showing how extraordinary tight regional diesel supply remains despite a looming recession.

The EU remains heavily dependent on Russian distillates. The bloc's push for clean diesel engines since the 1990s has heavily tilted product demand towards diesel rather than gasoline.

Severing ties with Russia will be a large challenge to back out, especially as Russian crude grades are replaced with lighter alternatives yielding less diesel.

An EU ban on Russian refined products will force Europe to replace 450,000 barrels per day of Russian diesel imports after Feb. 5, 2023. The potential for disruptions is supportive of prices, with Brent trading sideways in the $90-$95/bbl range.

Some traders think that the market will rebalance faster than expected after February, mostly because the effective Russian product ban takes effect after peak winter demand, when some of the crude trading has already moved into the April cycle.

But several analysts warn that Brent may still break through to $110-$115/bbl during the winter.

The most likely recalibration will be a combination of US, Middle Eastern and Indian diesel imports.

The question is whether every Russian diesel barrel replaced in Europe will find an alternative outlet, especially in a market where clean product shipping tonnage is already tied up in longer voyages.

Russia will ramp up diesel exports by 40% in November, to an average 750,000 b/d. For Russian producers, this may be a final bid to boost refinery throughput and export more products before some 1.2 million b/d of Russian crude is barred from entering Europe on Dec. 5 and starts accumulating as a glut at home.

Freddie Yap, Singapore, Julien Mathonniere, London

IN BRIEF

Inpex May Quit Lukoil Block

Inpex is considering divesting its 40% stake in Iraq's Block 10, which is operated by Russia's Lukoil, according to the Japanese company's CEO Takayuki Ueda.

"If the project is too slow to progress, then maybe we should have to consider divestment as one option," Ueda told reporters at the Adipec conference this week. He called the venture a "headache project" for Inpex and added that a final decision would depend on talks bearing fruit with Iraq's new government.

The two companies made the Eridu discovery in Block 10 in 2017, with the Iraqi oil ministry saying preliminary estimates suggest that it holds 7 billion-12 billion barrels of oil. Lukoil presented a development plan for the field last year, but it still has not been approved because of the political deadlock in Iraq. Lukoil, which has a 60% interest in Block 10, has preemption rights if Inpex decides to withdraw, Ueda said.

Lukoil has no plans to abandon Block 10. In fact it has big hopes for the project that could compensate for the modest income it gets from its West Qurna-2 venture in Iraq, sources say.

Russia Backs Belarus Refiners

Russia will support Belarus's two refineries — Naftan and Mozyr — that were forced to reduce runs dramatically over the past few months because of sanctions and the loss of export markets, including Ukraine, for their gasoline and diesel.

Moscow business daily *Kommersant* said the Russian energy ministry's Promsyryeimport started purchasing expensive Belarus diesel for onward sale via the St. Petersburg International Mercantile Exchange (Spimex) to the Russian market.

To compensate for the losses caused by the higher price, the Russian budget will extend to Promsyryeimport the so-called buffer mechanism, initially conceived to support Russian refiners and compensate them the difference between selling their products for exports and to the domestic market. Russia earlier agreed to export Belarusian products via its ports.

Gazprom Inspects Nord Stream

Gazprom has inspected the damaged Nord Stream and Nord Stream 2 pipelines, Russian President Vladimir Putin said on Oct. 31.

Russia previously complained that Gazprom, which is the owner of the pipelines, had not been allowed to the site of what Moscow claims was a terrorist attack orchestrated by the West.

"It is difficult for us to control the situation because the site is in the exclusive economic zone of Denmark, Sweden and, further on, Germany," Putin said.

It is not clear how long the repair might take, but Moscow seems to prefer the option of expanding the Turk Stream export corridor to create a gas hub in Turkey for sales to Europe rather than repairing Nord Stream.

Moreover, Germany is considering a bill that could allow it to expropriate the nearshore pipe sections of Nord Stream and Nord Stream 2 to link an LNG import terminal to the grid, *Handelsblatt* reported.

"It is very difficult to deal directly with our European partners," Putin said, adding however that he was confident some European countries would sign contracts to take Russian gas from the Turkish hub, given the uncertainty around supplies in the market. He said the Turkish hub was a "perfectly realistic project" that could be accomplished "relatively quickly."

Chevron Set for Tengiz Boost

Work on the $45 billion expansion of the giant Chevron-led Tengiz oil development in Kazakhstan is approaching completion, and remains on course for start-up in 2024, Chevron's chief executive Mike Wirth told analysts. He said construction is 97% done. All drilling has been completed, the final metering station is on line and an operations control center is in full swing.

The project will deliver an extra 250,000 b/d of crude oil on top of the 650,000 b/d currently under production. Chevron had planned for most of the incremental oil to be pumped via the 1.4 million b/d Caspian Pipeline Consortium (CPC) pipeline that runs to the Russian Black Sea port of Novorossiysk, but disruptions at the Russian end of the pipeline have made this less likely.

Wirth said exports of Tengiz crude via CPC are flowing as normal, despite the closure of two of the terminal's single point moorings for repairs. "We've flowed everything out that we've been producing," he said, adding that he expected the repairs to be wrapped up "very soon."

Chevron has a 50% stake in the Tengizchevroil joint venture, alongside Exxon Mobil with 25%, Kazmunaigas 20% and Lukoil 5%.

Kashagan Ready to Race Back

Kazakhstan's giant offshore Kashagan oilfield is set to return to full production in November, after output was suspended in September due to a gas leak.

Guido Brusco, chief operating officer of Italy's Eni, which holds a 16.8% stake in the project, said the field is now producing around 200,000 b/d, or 50% of capacity, and would restart "completely" this month. Production in September averaged 100,000 b/d.

This is not the first time that the project has been disrupted by a gas leak. In 2013, all production operations had to be stopped for three years after gas began seeping from one of the offshore pipelines connecting the field to the onshore Bolashak processing plant. Eni, which was operator of Phase 1, had to replace both pipelines at considerable cost.

Most of the oil from Kashagan continues to flow to the Black Sea via the CPC pipeline, although in April crude was transported for the very first time to China.

NEFTE COMPASS DATA

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

RUSSIAN REFINERY ACTIVITY, SEPTEMBER 2022

	Processing							
	Year-To-Date		September		Change From Previous Month		Sep Crude Oil Deliveries	
('000 b/d or metric tons)	(b/d)	(tons)	(b/d)	(tons)	(b/d)	(tons)	(b/d)	(tons)
Bashneft	265.5	9,902.7	271.9	1,114.3	23.7	63.2	227.0	930.1
Lukoil	888.1	33,123.0	928.2	3,804.2	-11.8	-176.7	887.5	3,637.4
Gazprom Neft	671.1	25,027.7	716.6	2,937.1	14.8	-35.2	690.3	2,829.1
Surgutneftegas	338.9	12,638.1	294.1	1,205.3	-3.2	-53.9	292.8	1,200.0
Slavneft	294.0	10,963.8	322.2	1,320.5	4.2	-26.2	322.4	1,321.5
Rosneft	1,283.8	47,881.1	1,364.4	5,591.9	-62.7	-451.8	1,279.5	5,243.7
TAIF-NK	117.2	4,369.9	39.8	163.2	-82.3	-353.8	26.8	110.0
Gazprom Neftekhim Salavat	135.1	5,038.6	95.0	389.3	-33.5	-155.0	8.3	34.0
Gazprom Refineries	112.0	4,176.1	141.2	578.7	59.2	231.6	0.0	0.0
IPC	100.4	3,745.2	102.2	418.8	-4.7	-33.9	101.4	415.5
Russneft	0.3	9.7	0.3	1.4	-0.1	-0.3	0.0	0.0
Tatneft	327.0	12,194.1	337.2	1,381.8	16.5	23.7	301.3	1,235.0
Novatek	137.6	5,132.9	144.2	591.1	22.8	77.0	0.0	0.0
ForteInvest	231.4	8,630.0	221.3	906.8	3.6	-15.0	168.3	689.9
Rusinvest	101.5	3,786.6	109.8	450.2	8.6	21.3	114.6	469.7
Petrosakh	0.6	22.3	0.5	2.2	0.0	-0.2	0.0	0.0
Mariisk	1.6	60.6	0.0	0.0	0.0	0.0	0.0	0.0
Krasnodareconeft	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Yaroslavl-Mendeleyev	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	389.0	14,507.3	369.5	1,514.2	-20.0	-135.1	318.0	1,303.3
Russia Total	**5,395.1**	**201,209.5**	**5,458.5**	**22,371.0**	**-64.9**	**-1,020.4**	**4,738.3**	**19,419.1**

	September Output							
	Mazut		Gasoil		Gasoline		Jet Fuel	
('000 b/d or metric tons)	(b/d)	(tons)	(b/d)	(tons)	(b/d)	(tons)	(b/d)	(tons)
Bashneft	28.2	127.3	98.9	397.6	72.0	253.7	1.6	6.0
Lukoil	87.1	393.5	369.7	1,486.8	202.2	712.9	58.9	220.9
Gazprom Neft	46.2	208.9	224.2	901.4	171.9	605.8	85.4	320.2
Surgutneftegas	77.4	349.9	130.1	523.3	45.6	160.9	7.7	28.7
Slavneft	90.9	410.7	84.7	340.7	58.9	207.7	44.9	168.3
Rosneft	273.2	1,234.3	409.7	1,647.6	223.8	789.0	49.4	185.1
Taif-NK	11.1	50.1	7.6	30.4	2.6	9.1	0.0	0.1
Gazprom Neftekhim Salavat	3.9	17.4	38.6	155.4	14.9	52.5	0.0	0.0
Gazprom Refineries	7.2	32.5	36.7	147.6	63.4	223.7	2.1	7.8
IPC	32.7	147.8	17.9	72.1	13.3	47.0	5.2	19.6
Russneft	0.0	0.0	0.1	0.4	0.0	0.0	0.2	0.8
Tatneft	0.0	0.0	180.1	724.2	56.4	198.9	7.9	29.6
Novatek	0.0	0.0	0.0	0.0	0.0	0.0	22.4	84.0
ForteInvest	18.2	82.2	43.4	174.6	19.8	69.9	3.0	11.4
Rusinvest	0.4	2.0	43.3	174.0	9.5	33.4	0.0	0.0
Petrosakh	0.0	0.0	0.0	0.0	0.2	0.6	0.0	0.0
Mariisk	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Krasnodareconeft	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Yaroslavl-Mendeleyev	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	41.9	189.3	9.0	36.1	18.6	65.4	1.4	5.3
Russia Total	**718.4**	**3,245.8**	**1,694.0**	**6,812.3**	**973.2**	**3,430.7**	**290.1**	**1,087.7**

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

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 GAS PRODUCTION, OCTOBER 2022

(MMcm)	Year-To-Date	October	Change From Previous Month
Lukoil	15,297.9	1,516.0	51.4
Surgutneftegas	6,932.9	688.1	21.7
Rosneft	41,975.8	5,527.6	379.3
Gazprom Neft	27,531.5	2,904.3	265.2
Slavneft	693.8	72.6	2.8
Russneft	1,781.8	178.3	5.0
Tatneft	758.4	81.5	4.0
Bashneft	670.5	71.3	-1.1
IPC (Neftegasholding)	5,005.0	550.6	29.4
Russian Oil Company Total	100,647.7	11,590.4	757.8
Novatek	66,423.7	6,613.4	347.2
Gazprom	344,000.0	30,700.0	5,500.0
Other Producers	24,522.9	2,385.7	113.3
PSA Operators	20,709.2	1,698.9	153.2
Russia Grand Total	556,303.5	52,988.4	6,871.6

Download full dataset here. *Source: Energy Intelligence*