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NEFTE COMPASS®



CONTENTS



SPOT CRUDE OIL PRICES

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

| | Nov 15 | Nov 8 | Chg. |
|---|---|---|---|
| Dated Brent f.o.b. (38 API) | 94.30 | 96.85 | -2.55 |
| Russian Urals c.i.f. NWE (31 API)* | 70.27 | 75.37 | -5.10 |
| Russian Urals c.i.f. Med (31 API)† | 75.27 | 80.37 | -5.10 |
| Azeri Light (35 API) | 97.27 | 102.82 | -5.55 |
| CPC Blend c.i.f. Med (45 API)† | 90.87 | 95.97 | -5.10 |
| ESPO (35 API) | 84.80 | 88.84 | -4.04 |
| Dubai (30 API) | 86.80 | 92.30 | -5.50 |

PRODUCT PRICES

| ($/ton, c.i.f. basis) | Nov 15 | Nov 8 | Chg. |
|---|---|---|---|
| ICE LSGO Futures (front month) | 990.25 | 1,067.25 | -77.00 |
| ICE LSGO Futures (second month) | 981.00 | 1,048.75 | -67.75 |
| 0.1% Gasoil NWE* | 977.00 | 1,008.00 | -31.00 |
| 0.1% Gasoil Med* | 1,000.00 | 1,046.50 | -46.50 |
| 10 ppm Diesel NWE* | 1,014.75 | 1,003.50 | 11.25 |
| 10 ppm Diesel Med* | 1,020.00 | 1,066.50 | -46.50 |
| HSFO NWE* | 403.00 | 403.00 | 0.00 |

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

## OIL MARKETS

# Druzhba Strike Disrupts Russian Crude Exports

Russian oil supplies to world markets were in the spotlight again this week after Ukraine said it had temporarily suspended Russian crude shipments via its territory because of power outages caused by Russian strikes against Ukrainian energy infrastructure. Supplies resumed on Nov. 16 after only a day's stoppage.

The incident is in fact the first to be caused by direct military action in Ukraine since the Russian invasion in late February. Until now, both sides have tried to keep those supplies via the Druzhba pipeline steady as Kiev needs the transit money, while Russia needs to allocate its volumes.

Russian national oil pipeline monopoly Transneft and Hungarian oil and gas company Mol both said that they were notified by the Ukrainian side late on Nov. 15 that shipments via the Druzhba pipeline were suspended. Mol said that the deliveries to Hungary, the Czech Republic and Slovakia were temporarily halted after a transformer station near the Belarusian border in Ukraine, which supplies electricity to a pumping station on the pipeline, was hit by Russian artillery.

Market experts pointed out that all pumping stations should have backup power generators for emergency cases, which means that shipments would be swiftly restored unless either side deliberately escalated the situation.

Before supplies resumed, Mol told Energy Intelligence: "Mol is prepared to ensure uninterrupted energy supplies to the country and the region: our operational reserves, as well as strategic reserves in Hungary, are sufficient to keep the Danube refinery running until the damage is repaired."

## Sanctions Exemptions

The 1 million barrel per day Druzhba pipeline runs from Russia to Belarus, where it splits into two lines — one running to Poland and Germany, and the other through Ukraine to Hungary, Slovakia and the Czech Republic. Shipments via the southern leg of the Druzhba pipeline totaled 240,800 b/d in 2021, including some 68,500 b/d sent to Hungary. Countries along the southern leg of the Druzhba pipeline are heavily dependent on Russian oil, which is why those supplies were exempted from any sanctions on Russian crude.

Just days before the latest incident, Poland called for the EU to expand its ban on seaborne imports of Russian crude oil from Dec. 5 to Druzhba supplies, while at the same time reports appeared that Warsaw might be looking for a waiver to continue purchasing Urals. One reason might be that Poland has offtake contracts until early 2023, although it pledged to stop Russian imports by year's end and wants to avoid penalties. In fact, Polish refiner PKN Orlen aims to purchase at least 3 million metric tons of Russian crude via the Druzhba in 2023 and has already submitted its request to Transneft.

>> continued on page 2

DRUZHBA PIPELINE


*Source: Energy Intelligence*

## London Rules

The current escalation of the Ukraine conflict coincided with the G20 summit of world leaders in Indonesia, where EU President Ursula von der Leyen restated the bloc's support for the introduction of an oil price cap. No further decision on the cap was taken by the G7 and other leaders, although on Nov. 14 the UK government published guidelines to explain how it will implement the measure and the related ban on the provision of shipping services for those exports.

In practice, compliance with the price cap will allow an exception to the ban. The UK guidelines basically say that oil traders are responsible for reporting the actual price of the transaction and are liable for sanctions penalties of up to £1 million ($1 million), or 50% of the estimated value of the breach, if they cheat. But officials will be talking to the industry over the next couple of weeks to finetune the punishment. Banks, insurance and shipping companies will not be held responsible if they are found to have acted on wrong information, but must report wrongdoing it they suspect it.

All G7 nations and allies in the scheme, which so far includes Australia, are expected to enforce the price cap mechanism on Russian crude oil and oil products. Japan may only be a passive participant.

The UK Treasury guidelines also state that the cap will apply as a fixed price at the time of the "most recent transaction" between loading a cargo and delivering it, even though most oil companies do not trade oil at a fixed price, but rather as a differential to a variable benchmark.

## Cap in Hand

Western officials agree that it is still hard to predict Russia's reaction to the price cap even though Moscow reiterated it would stop supplies to those customers supporting the mechanism. G7 nations hope Moscow will agree to play along to ensure it continues to get the revenues from oil sales.

Russian Foreign Minister Sergei Lavrov reiterated at the G20 summit that Moscow would find buyers for its oil and gas as it is diversifying supplies. The support of India and China, which have both failed to condemn Russia for its war in Ukraine, would be crucial for Moscow. Indian Prime Minister Narendra Modi told the G20 gathering that "we should not encourage any restrictions on energy supplies, it is necessary to ensure stability in the energy market."

However, India's largest refiner, state-controlled Indian Oil, paused its buying of Russian crude oil, and Chinese refineries are also reportedly taking a pause, while they wait for greater clarity about market conditions after Dec. 5.

*Staff Reports*

PIPELINES

# Kazakhs Eye BTC as Alternative Oil Export Route

Kazakhstan will ship around 1.5 million metric tons (30,000 barrels per day) of crude oil next year via the BP-operated Baku-Tbilisi-Ceyhan (BTC) pipeline that runs across the South Caucasus to the Turkish Mediterranean coast. The announcement was made in Astana last week by Prime Minister Alikhan Smailov, as the country makes good on its pledge to diversify its exports away from Russia.

Just days after his comments, the Caspian Pipeline Consortium (CPC), which delivers most of Kazakhstan's crude via a 1,500 kilometer pipeline to a terminal outside the Russian Black Sea port of Novorossiysk, announced that it was back to its full capacity of 1.4 million b/d now that it had fixed one of two single point moorings (SPMs) that were discovered to have cracks in them. The pipeline had been running at around 70% capacity since August; the second damaged SPM is due to be back in operation soon, while the third continues to operate as normal.

CPC AND BTC PIPELINES


*Source: Energy Intelligence*

CPC is not the only trans-Russian pipeline that has suffered supply disruptions in recent months. Throughput via the 300,000 b/d Atyrau-Samara pipeline that pumps oil from western Kazakhstan, which is then blended into standard Russian Urals, has plummeted so far this year. According to state pipeline firm Kaztransoil (KTO), the line pumped 6.39 million tons (173,000 b/d) of oil during the first nine months of the year, a drop of 2.4 million tons, or 27%, compared to the same period last year.

KTO did not give a reason for the drop, but industry sources say it is likely connected to the decision of state oil company Kazmunaigas (KMG) in June to rebrand the barrels coming out of Atyrau-Samara as Kazakh Export Blend Crude Oil (Kebco). This was done to distinguish the oil from Urals, which is being sold at a discount because of EU sanctions.

## Searching for Caspian Route

The disruptions around CPC and Atyrau-Samara highlight Kazakhstan's dependence on Russia as a transit route, and have forced it to seek out new long-term alternatives. In July, President Kassym-Zhomart Tokayev called on KMG to choose the best option for a trans-Caspian export route, and instructed sovereign wealth fund Samruk-Kazyna, KMG's main shareholder, to look at expanding the capacity of the 400,000 b/d Kazakhstan-China pipeline.

While the agreement to move barrels via BTC will make little tangible difference to Kazakhstan's crude exports, volumes are set to rise in subsequent years to 6 million-6.5 million tons per year (120,000-130,000 b/d), according to Smailov, the prime minister. "For the Kazakhs, this is a statement saying: 'We have alternative routes and we will use them,'" a veteran Caspian oil executive says. "They know they can't rely on CPC forever."

All the oil transported via BTC will be loaded onto small ships at the Caspian port of Aktau and then shipped across the Caspian to the Sangachal terminal, which is the entry point for the pipeline. It is not clear which Kazakh producers will contribute oil to BTC. In previous years, the Chevron-led Tengizchevroil (TCO) joint venture had used the route on a regular basis, but then decided to put all its oil into CPC after the pipeline's capacity was increased.

## Capacity Vacuum

BTC is operating at around half its capacity of 1.2 million b/d, due to the steady decline in production rates at the BP-led Azeri-Chirag-Guneshli project, which provides the pipeline with most of its crude. BTC also takes regular volumes of condensate from the Shah Deniz field, also operated by BP, and some oil from Turkmenistan.

There is also scope for Kazakh exporters to ship oil to Baku, and then take it by rail to the Georgian Black Sea terminal at Batumi, which is 100% owned by KTO. This route was used on a regular basis by TCO in the late 1990s and early 2000s, although tariffs are much higher than for CPC.

*Paul Sampson, London, Staff Reports*

GAS

# Gazprom's 2022 Exports Crash to New Lows

Russian pipeline gas exports to Europe (including Turkey) and China are set to end up around 100 billion cubic meters in 2022, down 46% from 2021, if daily flows stay at their current levels in the remaining six weeks of 2022.

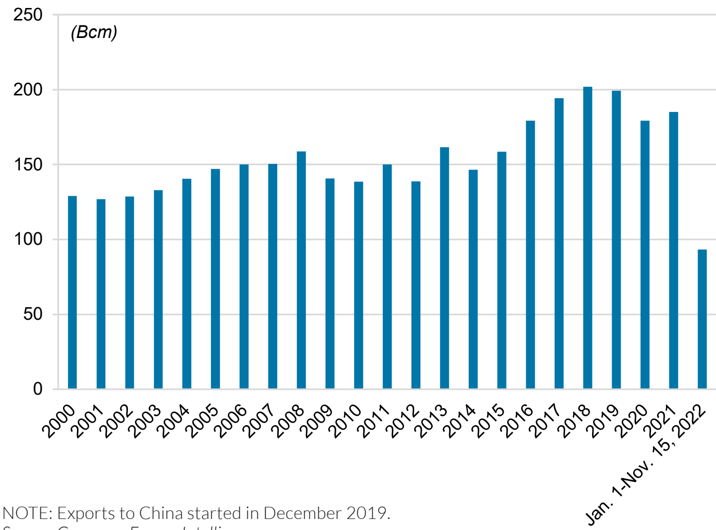
Exports will halve from the 2018 peak of slightly more than 200 Bcm, which the country's sole exporter Gazprom said at that time would be a new normal for its pipeline gas exports to Europe this decade. It will also be the lowest level this century and in Russia's post-Soviet history (see graph).

The drop is driven by a sharp fall in supplies to Europe amid the price crisis and the war in Ukraine, which prompted the EU to minimize purchase from Russia and Moscow to restrict the supply.

In the first half of November, exports to Europe (including Turkey) and China amounted to just 2 Bcm, or 133 million cubic meters per day, Energy Intelligence calculates based on Gazprom's data.

Since the start of the year, Gazprom exported 93.2 Bcm to Europe and China, down 43.4% on the year, the company said on Nov. 15.

GAZPROM'S EXPORTS TO EUROPE AND CHINA




NOTE: Exports to China started in December 2019.
*Source: Gazprom, Energy Intelligence*

## China Ramps Up

Exports to China have been in line with the schedule to ramp up to 15 Bcm this year from 10.39 Bcm in 2021, and daily flows may further increase by up to 20 MMcm/d sometime in December when Gazprom plans to start commercial supplies from the new Kovyktinskoye field.

But Europe is unlikely to increase purchases from Gazprom in December amid high gas stocks and relatively low spot prices, compared with the previous four months, while Gazprom also looks reluctant to step up deliveries.

Supply cuts by Gazprom in Europe, whether for economic or political reasons, have contributed much to the drop in exports. But the company blames the structural changes on the global gas market, which had resulted in a deficit of gas and higher prices before the war in Ukraine, Gazprom said in a statement last week following a management board meeting to discuss the implications of the current energy crisis for long-term development of the global energy market. Gazprom echoes the Kremlin, which insists that the energy crisis is a result of Europe's overreliance on spot gas imports and renewables.

## Uncertain Future

The company insists that the current crisis has underscored the importance of fossil fuels for the global economy, reflected by an increased demand for coal and oil products. "In the majority of countries, the focus on decarbonization has faded into background," Gazprom said in the statement.

This is in contrast to the West's perception of the crisis, exacerbated by Russia's invasion of Ukraine, as proving the need for an accelerated energy transition. "Russia's war only enhances the urgency of the need to transition the world off its dependence on fossil fuels. True energy security means every nation is benefiting from a clean, diversified energy future," said US President Joe Biden at the COP27 climate summit in Egypt on Nov. 11.

Despite the current uncertainty, global gas consumption will grow in the long run, Gazprom's management believes. By 2040, it could increase some 20% from 2021 levels, the company said. China will be the key driver, exceeding the EU's consumption by the end of this decade, according to Gazprom, which seeks to increase its own pipeline gas sales to China by pushing for the 50 Bcm/yr Power of Siberia 2 pipeline project on top of the existing 38 Bcm/yr and 10 Bcm/yr contracts with China National Petroleum Corp.

## War Shortages

Gazprom says the first signs of shortages in global gas markets were evident already in 2021, arguing that the company's higher production covered a major part of the world's incremental demand last year.

Gazprom produced 514.8 Bcm of natural gas in 2021, a 13-year record, up 14%, or by around 60 Bcm, from 2020. Gazprom's incremental production accounted for around one-third of the global gas demand increment, which the International Energy Agency estimates at around 170 Bcm in 2021, with total demand amounting to 4.1 trillion cubic meters last year.

In the first nine months of this year, global gas demand fell by more than 40 Bcm, with the EU accounting for around 85% of the decrease, Gazprom said.

"Politically motivated decisions by some countries to refuse from Russian gas imports" worsened the supply/demand imbalance in 2022, Gazprom argues. High prices in Europe resulted in increased imports of LNG, which was covered by the redirection of cargoes from other parts of the world rather than increased LNG production globally, Gazprom said, adding that this caused a deficit of energy resources in other countries.

*Staff Reports*

FINANCE

# Urals Pricing Changes May Impact Taxes

Oil pricing agency Argus has changed the way it assesses the price of Russia's Urals crude oil grade as uncertainties mount on Russian exports after the EU embargo and the planned price cap take effect on Dec. 5. The changes might impact Russia's oil and gas tax regime, heaping an additional burden onto oil companies, which are already reeling from regular tax amendments that the state adopts to maintain a fine balance between budget needs and the industry's investment plans. On the other hand, the changes could push Moscow towards switching to alternative price assessments, something that Russia has been looking at for several years in a bid to become independent from foreign pricing agencies.

Until now, Argus used two main assessments, for Northwest Europe and the Mediterranean. First, the Urals NWE c.i.f. Rotterdam assessment was calculated on a delivered-Rotterdam basis by adding freight, insurance and ice/towage fees to the Urals f.o.b. Primorsk assessment; second, the Urals Med Aframax c.i.f. Augusta assessment was calculated on a delivered-Augusta basis by adding freight, insurance and demurrage costs to the Urals f.o.b. Novorossiysk Aframax assessment.

However, the volume of Urals sold into those markets has declined in recent months with deals becoming murkier, while the trade is set to dry up completely when the EU's ban on imports of seaborne crude from Russia takes effect on Dec. 5. As a result, Argus first tested and in October switched to free on board (f.o.b.) pricing at Russia's Baltic Sea ports of Primorsk or Ust-Luga and its Black Sea outlet at Novorossiysk.

## Meddling With MET

Although mainly technical, the changes might impact Russia's oil taxation system because Argus quotations are used to calculate Russia's key oil tax — the mineral extraction tax (MET), one of the major source of revenues for the budget.

Russia's finance ministry already said that it would continue using the c.i.f. quotations in 2023, but will study in the first quarter of 2023 the possibility of switching to either Argus f.o.b. assessment or to alternative assessments, including one proposed by Russia's St. Petersburg International Mercantile Exchange (Spimex).

According to Russian Deputy Finance Minister Alexei Sazanov, the use of an f.o.b. assessment would result in a loss of budget revenues of roughly 1 trillion rubles ($17 billion at the official rate of exchange), which means that amendments to the tax legislation would be necessary to start using such an assessment. He added that such changes would also be impossible without discussions with the energy ministry and Russian oil companies.

Another option would be to switch to other price assessments, Sazanov explained, adding that the ministry might consider using the Spimex assessment. "We need to understand the methodology of this index, see how it is formed, who are the providers of information for calculating the index, in order to assess how it can be used for tax and customs purposes," Sazanov said.

## Ten Years After

Spimex explained to Energy Intelligence that the exchange created and calculated in a test mode the National Export Oil Index, which is based on data from concluded off-exchange transactions. "For more than 10 years, the exchange has been registering off-exchange transactions in several commodity markets, including oil products, gas and oil, coal and other commodities," Spimex said.

The exchange insists that the National Export Oil Index is the only domestic oil index that "allows tracking representative price indicators of export oil." As opposed to the assessments of foreign agencies, Spimex says its index is based on "reliable" data about actually concluded transactions, "not on subjective survey data." Spimex also says that the base for its calculations covers over two thirds of Russian oil exports.

The exchange aims to submit its assessment system for consideration by the Bank of Russia. "This independent index is intended to become a reliable element of the national system of commodity market indicators, the basis for calculating the MET and export duties, and other budget payments," Spimex says.

Russia has long been seeking to develop its own price indicators, but the exit of foreign pricing agencies like Platts after the Feb. 24 start of the war in Ukraine, has intensified talks on the issue.

However, any changes would give a further headache to the oil companies, which have been for years complaining that the country's ever changing taxation deters them from making long-term plans. Moscow recently approved new tax changes, including a higher MET for oil and gas and an additional tax burden on LNG producers, in 2023-25 to help sustain oil and gas revenues. Sources told Energy Intelligence last week that there might be new tax hikes depending on the impact of sanctions on the country's economy.

*Staff Reports*

CORPORATE

# Russian Producers' Dividends Set to Shrink

Russian oil producers Rosneft, Lukoil, Gazprom Neft and Tatneft are to pay interim dividends for 2022 based on strong earnings in the first half of the year. However, their performances started to deteriorate in the third quarter as a result of sanctions imposed on the Russian energy sector because of the war in Ukraine, analysts say.

With pressure expected to grow as the embargo on Russian oil comes into force on Dec. 5, Russian companies' earnings could shrink along with the final dividends for the year. Uncertainties about production and exports, as well as the rising tax burden on the industry, could impact producers' investments as well.

Russia's top independent oil producer Lukoil is to vote at its extraordinary shareholders meeting on Dec. 5 for an interim dividend payout of 256 rubles per share for the first nine months of the year, as recommended by the board of directors. The company paid 340 rubles per share in interim dividends for 2021.

Although dividends are paid for the first nine months, they are in fact based on the financial results in the first half of the year. Russian companies do not publish financial reports under international accounting standards — or release limited figures as the case with Rosneft was — because of sanctions, but they do file results with the Russian regulators under domestic accounting standards.

## Lukoil's New Look

Lukoil's net profit in the first half of the year amounted under the Russian accounting standards to 520.5 billion rubles ($8.9 billion), which is 3.7 times higher than in the same period of 2021.

However, analysts point to the 127 billion rubles that Lukoil posted in net profit in the third quarter of the year, down from 141 billion rubles in the same three months of 2021 and much lower than in the first and second quarters of this year.

Under the company's dividends policy, the oil producer is to use for the payouts not less than 100% of its adjusted free cash flow, on condition it has free access to capital markets which allow the timely refinancing of debt and financing of acquisitions. This is not the case now, however, and in the current sanctions environment the company "directed a significant amount of own funds to early repayment of debt, repurchase of eurobonds and financing of M&A deals," Lukoil said in justifying the lower size of its interim dividends.

At its general shareholders meeting in December, Lukoil will also vote on the final dividends for 2021 at 537 rubles per share. Adding to further uncertainty, Lukoil is to vote for changes in its charter eliminating the executive board and transferring all the powers of the latter to the CEO. Lukoil said the changes were needed to speed up the decision-making process in the new challenging environment.

Officially, Lukoil says it remains committed to its plans. The company has just launched a delayed coker at its Nizhny Novgorod refinery that will wipe nearly two-thirds of heavy fuel oil from the company's slate. Plans for a start of exploitation drilling at the Grayfer field in the Caspian Sea later this year are still on track.

## Rosneft Recommends

Rosneft's board of directors at its meeting at the end of last week recommended dividend payments of 20.39 rubles per share for the first nine months of 2022. Rosneft uses for the purpose 50% of its net profit, which stood at 432 billion rubles under international accounting standards in the first six months of the year.

The main beneficiaries are going to be the Russian government, which holds 40.4% in Rosneft, Qatar Investment Authority (18.46%) and BP (19.75%). Rosneft CEO Igor Sechin recently said that BP would be eligible to receive those payments that could amount to some $700 million, despite the fact that BP stays "a shadow shareholder."

Remaining committed to its dividend policy is also a positive signal for any new potential investor that could replace BP in Rosneft.

Rosneft hasn't revealed any changes in its investment plans with its main project Vostok Oil onshore Russia Arctic progressing on schedule, according to Sechin. Vostok Oil, which is being abandoned by its foreign shareholders, is to be producing 600,000 barrels per day already in 2024.

## New Challenges

Despite lower income in the third quarter, Tatneft agreed to pay 6.86 rubles in dividends for July-September, on top of 32.71 rubles per share already paid for the first half of the year.

Tatneft usually employs not less than 50% of its net profit under the international or Russian accounting standards for dividends. Tatneft's board of directors has recently approved the company's 2030 development strategy in light of "new challenges" but no details have been revealed. It remains unclear whether the company still targets a 30% production increase and a hike of over 80% in refining throughput by the end of the decade.

Gazprom Neft has yet to reveal its dividends, which have already been approved by the board. The company has so far remained silent on whether it is going to review its ambitious long-term growth plans.

*Staff Reports*

OIL MARKETS

# Druzhba Outage Rekindles Debate on Alternatives

The latest Druzbha pipeline stoppage has revived fears about a complete shutdown of the key crude oil export route by Moscow. As of October, the pipeline was still shipping close to 800,000 barrels per day of Russian oil to Europe.

Supplies via the Druzhba resumed on Nov. 16, but the incident comes on the heels of a proposed revision to the EU ban on Russian oil exports. Under the new draft, Hungary and Slovakia, whose crude supply comes entirely from the Druzhba pipeline, would be given an extra year — until the end of 2024 — to comply with the ban. The Czech Republic would be given a similar exemption until the end of June 2024. Hungary has been very vocal about the difficulty for its landlocked refineries to sever ties with

Russian supply, demanding a five-year waiver, while Slovakia insists on a three-year exemption.

Alternative delivery routes would rely on two Baltic ports, Gdansk in Poland and Rostock in Germany, with a combined capacity of about 740,000 b/d.

Flows from Rostock would still be constrained by potential flow bottlenecks, putting the PCK Schwedt refinery in Germany, owned by Rosneft but currently under German trusteeship, and TotalEnergies' Leuna refinery under strain.

Based on nameplate capacities, the Plock, Schwedt and Leuna refineries could potentially run more than 700,000 b/d of crude, and PKN Orlen's Gdansk refinery would likely take an additional 200,000 b/d before the remainder is shipped to German refineries further down the line.

Alternative pipeline routes would come from the 480,000 b/d Adria and 900,000 b/d Transalpine (TAL) pipeline systems. But the Adria pipeline exhibits capacity constraints between Croatia and Hungary/Slovakia. There is debate over its ability to sustain 75% utilization to these two countries given its state of disrepair.

## Diesel Holds Firm Despite IEA Warning

Diesel profits remained sky-high in Europe this week despite warnings from the International Energy Agency (IEA) that record-high fuel prices were almost certain to trigger demand destruction.

"If prices go too high, further demand destruction may be inevitable for the market imbalances to clear," the Paris-based watchdog warned in its Nov. 15 *Monthly Oil Market Report*.

It expects global diesel/gasoil demand to grow by just 400,000 b/d this year "before posting a small decline in 2023 under the weight of persistently high prices, a slowing economy and despite increased gas-to-oil switching."

Most of that will be in Europe where diesel prices will be highest. "The competition for non-Russian diesel barrels will be fierce, with EU countries having to bid cargoes from the US, Middle East and India away from their traditional buyers," predicted the IEA.

Europe looks to be losing that battle this week amid reports of multiple tankers leaving the region for New York Harbor this month with up to 500,000 metric tons of ultra-low-sulfur diesel (ULSD) and lower-grade heating oil on board. Tanker tracking shows five ships leaving Rotterdam.Traders have also been sobered by suggestions China will cut ULSD exports next year as Beijing looks to prioritize local buying as the country emerges from Covid-19. China is a potential swing supplier for Europe.

French refinery strikes have left Europe in a precarious situation going into winter with stocks already at multidecade lows even before an outright ban on Russian products imports next February. The EU imported 560,000 b/d of Russian diesel in October, according to IEA figures, which still needs to be replaced.

Diesel cargoes were trading at a still-steamy $43 per barrel premium to Brent crude on Nov. 16, compared to $45/bbl a week ago. Prompt prices and market backwardation had softened as unusually mild weather quashed heating demand, but the market is already changing direction.

Industrial action at European major BP's 400,000 b/d refinery in Rotterdam, the second largest in Europe, poses another immediate threat. The CNV union representing workers at the site has warned that current work-to-rule arrangements will be replaced by walkouts if pay demands are not met.

*Julien Mathonniere and Kerry Preston, London*

# IN BRIEF

## Kazmunaigas Sets IPO Terms

Kazakhstan's national energy champion Kazmunaigas (KMG) says it will sell not more than 5% of its equity in its initial public offering (IPO) that kicked of last week and is due to be wrapped up in early December, allowing Kazakhs to buy shares on the Astana and Almaty exchanges. KMG's general director, Mazgum Mirzagaliyev, said more shares could be sold to private investors next year, and that there was an "understanding" that 25% of its stock could eventually go private.

All the shares in the IPO will be sold by sovereign wealth fund Samruk-Kazyna, which owns around 90% of KMG, with the other 10% held by the Central Bank. Last year, KMG recorded a net profit of $1.5 billion, while its total assets are valued at around $32 billion. Most of the shares are likely to be snapped up by Kazakh retail investors, although foreign buyers are also entitled to take part.

## Putin Approves Strategic List

Russian President Vladimir Putin has approved a list of companies in which the sale of a stake of a foreign investor is prohibited unless the transaction has the special permission of the president.The new document follows a resolution signed by Putin in August prohibiting the sale of foreigners' stakes in strategic assets. The list includes mainly oil-field service (OFS) companies and producers of equipment for the oil and gas industry. Among those on the list are the Russian businesses of OFS giants Weatherford, Baker Hughes, SLB (formerly Schlumberger) and others.

Putin earlier in November in fact approved the sale of Baker Hughes' business to Russian Nefteservisniye Technologii. Most OFS giants have announced a complete exodus from Russia after Moscow started its war in Ukraine.

## EU Pledges to Help Moldova

The EU will provide a support package of €200 million ($203 million) for Moldova to help it meet its gas needs amid supply cuts by Russia, EU President Ursula von der Leyen said last week. The support package of €100 million in grants and €100 million in loans, should be available from January 2023, von der Leyen said after a meeting with Moldovan President Maia Sandu in Chisinau.

The EU will provide an additional €50 million for budgetary support to Moldova, which in June this year received EU candidate status.

Russian supply cuts and air strikes in Ukraine targeting energy infrastructure will cost Moldova €1.1 billion, with €450 million external support to be required, Bloomberg reported on Nov. 10 citing a draft document prepared ahead of a planned Nov. 21 support conference for Moldova in Paris.

Russian gas exporter Gazprom last month reduced supplies to Moldova and threatened to cancel the contract at any time because Chisinau has delayed payments and failed to settle its historic debt.

## Ex-Sibur Head Sells His Stake

Dmitry Konov, the former head of Russia's petrochemical giant Sibur, has sold his minority stake in the company in a move to try to further shelter the company from sanctions-related issues.

Konov used to have a 2.59% interest in Sibur, where he was forced to step down from the management board and board of directors earlier this year after being sanctioned. Sibur is formally not under sanctions, but insiders told Energy Intelligence earlier that most Western contractors and suppliers of technologies and equipment unilaterally stopped their contracts with the company, which forced Sibur to look for alternative partners in the Middle East, China and other friendly countries.

## Denmark Allows Pipe Probe

The Danish authorities last week allowed the Nord Stream project operator to continue a survey of the damaged gas pipeline in the Baltic Sea.

The operator, Gazprom-controlled Nord Stream AG, said that the Danish Maritime Authority granted it an exemption that allows, under certain conditions, including the weather, to approach the damage area at a distance sufficient to carry out part of the relevant work.

A vessel chartered by Nord Stream AG has already begun to survey the pipeline rupture points, the company said, adding that the duration of the survey will depend on access restrictions and weather conditions.

Nord Stream 2 AG completed initial data gathering in the Swedish exclusive economic zone in early November.

Two Nord Stream strings and one of the two Nord Stream 2 strings were damaged in late September in what Moscow claims was a terrorist attack coordinated by the UK.

## Russia to Build Iran Pipeline

Russia's mysterious company Promsyryoimport is expanding its ties with Iran. The state company with links to the Russian energy ministry signed a memorandum of understanding with Sina Energy Gostar Holding at a Nov. 1 meeting in Grozny of the Russia-Iran intergovernmental commission on trade and economic cooperation, according to reports.

Iran's Shana news agency quoted Sina Energy Gostar CEO Mohammad Ziyar as saying that the sides agreed to cooperate in the construction of the Rafsanjan-Mashhad oil products pipeline known as the "Tabash" line, from central to northeast Iran.

The plan is to build the 948 km, 150,000 b/d pipeline together with two pumping stations and three terminals. The project could take four years and cost some $400 million.

Promsyryoimport was operator of the oil-for-goods/services scheme between Russia and Iran. The company in 2018 bought ZN-Vostok, which was set up by Russia's Zarubezhneft for projects in Iran.

# NEFTE COMPASS DATA

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

## KAZAKH CRUDE OIL AND GAS CONDENSATE PRODUCTION, OCTOBER 2022

| | Year-To-Date | | October | | Change From Previous Month | |
|---|---|---|---|---|---|---|
| ('000 b/d or metric tons) | (b/d) | (tons) | (b/d) | (tons) | (b/d) | (tons) |
| **Top 5 Producers** | **1,325** | **51,868** | **1,213** | **4,855** | **136** | **670** |
| Tengizchevroil | 625 | 23,996 | 635 | 2,485 | -21 | 1 |
| North Caspian Operating Co. | 247 | 9,460 | 207 | 809 | 102 | 411 |
| "Karachaganak Petroleum Operating Co." | 237 | 9,108 | 147 | 577 | 55 | 227 |
| Mangistaumunaigas | 117 | 5,051 | 122 | 536 | 1 | 21 |
| Uzenmunaigas | 99 | 4,253 | 102 | 448 | -1 | 10 |
| **Other Producers** | **385** | **16,585** | **389** | **1,712** | **15** | **119** |
| **Total** | **1,709** | **68,454** | **1,602** | **6,567** | **151** | **789** |

Official Kazakh figures are in metric tons. Conversions to barrels: 7.05, Karachaganak: 7.9, Tengiz: 7.92, Kashagan: 7.94. Download full dataset here. *Source: Kazakh Information and Analytical Center of Oil and Gas.*

## KAZAKH REFINERY ACTIVITY, OCTOBER 2022

| | Processing | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| ('000 metric tons or '000 b/d) | Year-To-Date | | October | | September | | Chg. | |
| | (b/d) | (tons) | (b/d) | (tons) | (b/d) | (tons) | (b/d) | (tons) |
| Pavlodar | 111.8 | 4,476.6 | 124.1 | 506.9 | 124.0 | 490.2 | 0.1 | 16.8 |
| PetroKazakhstan Oil Products | 129.4 | 5,183.0 | 135.5 | 553.6 | 135.7 | 536.3 | -0.2 | 17.2 |
| Atyrau | 112.8 | 4,517.1 | 85.8 | 350.6 | 123.5 | 488.1 | -37.6 | -137.5 |
| Caspi Bitum | 20.5 | 821.9 | 24.5 | 100.1 | 25.3 | 100.2 | -0.8 | -0.1 |
| Condensate | 2.0 | 80.1 | 0.0 | 0.2 | 1.9 | 7.6 | -1.9 | -7.4 |
| **Total** | **376.5** | **15,078.7** | **370.0** | **1,511.4** | **410.5** | **1,622.4** | **-40.4** | **-111.0** |

| | October Output | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| ('000 metric tons or '000 b/d) | Mazut | | Gasoil | | Gasoline | | Jet Fuel | |
| | (b/d) | (tons) | (b/d) | (tons) | (b/d) | (tons) | (b/d) | (tons) |
| Pavlodar | 8.3 | 38.8 | 40.2 | 166.9 | 42.5 | 154.8 | 4.3 | 16.6 |
| PetroKazakhstan Oil Products | 22.5 | 105.2 | 41.0 | 170.4 | 50.2 | 182.7 | 7.2 | 28.1 |
| Atyrau | 21.0 | 97.9 | 23.1 | 96.0 | 14.3 | 52.1 | 1.4 | 5.6 |
| Condensate | 0.0 | 0.0 | 0.5 | 2.2 | 1.0 | 3.8 | 0.0 | 0.0 |
| **Total** | **51.8** | **241.9** | **104.8** | **435.4** | **108.0** | **393.4** | **13.0** | **50.3** |

Notes: Table is based on the following factors for conversion to barrels: Mazut - 6.64; Gasoil - 7.46; Gasoline - 8.51; Jet Fuel - 8.00. Data for the previous month were revised. Download full dataset here. *Source: Kazakh Information and Analytical Center of Oil and Gas.*

## KAZAKH GAS PRODUCTION, OCTOBER 2022

| (MMcm) | Year-To-Date | October | Change From Previous Month |
|---|---|---|---|
| **Top 5 Producers** | **39,125** | **3,272** | **648** |
| "Karachaganak Petroleum Operating Co." | 15,695 | 910 | 297 |
| Tengizchevroil | 13,324 | 1,354 | -23 |
| North Caspian Operating Co. | 5,862 | 564 | 288 |
| CNPC-Aktobemunaigas | 3,529 | 370 | 82 |
| Kazakhoil-Aktobe | 715 | 74 | 4 |
| **Other Producers** | **3,888** | **397** | **32** |
| **TOTAL** | **43,013** | **3,669** | **680** |

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