



But Russia's is even colder

Posted by [Heading Out](#) on July 26, 2005 - 6:33am

(Rayce update - after driving 2300 miles in 50 hours the lead cars are in Medicine Hat, Alberta with 200 miles to go to the Calgary finish line on Wednesday. Michigan has an 11 minute lead over Minnesota, with MIT 85 minutes behind them, and Missouri-Rolla a further 89 minutes back, Waterloo, 24 minutes further back, completes the lead group).

Russia has become almost as large a producer of oil as Saudi Arabia (and may have passed it in the odd month over the past year). Their exports play a significant part in the overall world supply so that any fluctuations in production, particularly since they lie outside OPEC can have a significant impact. [Interfax](#) gives the numbers from this January to May:

Oil exports from Russia in January-May 2005 increased 2% year-on-year to 103.8 million tonnes, the Federal State Statistics Service said, quoting Federal Customs Service figures.

According to the statistics, which include figures for Belarus, oil exports in May amounted to 22.7 million tonnes - up 11.6% from May 2004.

Oil production, not including condensate, in Russia in May 2005 amounted to 9.19 million barrels per day, in April - 8.9 million bpd, and in March - 9.21 bpd. For comparison, oil production in Saudi Arabia in these months amounted to 9.507 bpd, 9.438 bpd, and 9.322 bpd respectively.

The figure comparison with Saudi Arabia are worth looking at, given that the [EIA table](#) is showing that Saudi Arabia has been producing at 9.5 to 9.6 mbd in that time frame.

The data is carried forward to June with a more analytical look at the numbers by [The Economist](#).

Russia's oil sector shrugged off eight months of stagnation in June to raise output by 100,000 barrels/day (b/d) to 9.43m b/d—a post-Soviet record. Although the news is positive, it does not yet signal a return to the robust post-1999 oil production growth that has been the engine of the national economy.

The article seeks to find a reason for the increase, and does not find it in the large Russian company production (previous performance being given [here](#)).

Yukos's problems predominate: . . . output at main subsidiaries Tomskneft and Samaraneftegaz has fallen sharply. . . from a peak of nearly 700,000 b/d last year, production at the two subsidiaries fell to 470,000 b/d in June. . . According to data from Moscow-based consultancy Petromarket: Lukoil output edged down by some

10,000 b/d in June while TNK-BP and Sibneft both experienced rises of 10,000 b/d. The largest gains were reported by Surgutneftegaz, up 30,000 b/d, and Rosneft which saw output rise by 20,000 b/d to 1.29m b/d. The bulk of the total production rise came from projects developed under Production Sharing Agreements (PSAs) with foreign oil companies, including Shell's offshore Sakhalin-1 project.

It is this last source which provides an answer, and at the same time a caution. Because the major increase has come from Sakhalin Island (which lies North of Japan) and is due to the changing season.

Output data for the past few years bears this out. According to the economy ministry, which says that June 2005 output rose by 100,000 b/d, the monthly rise in June 2004 was a remarkable 170,000 b/d. The International Energy Agency (IEA) does not yet have a final output number for June 2005, but its historical data confirm that June tends to witness the largest monthly rise in oil output each year: 135,000 b/d in 2004, 145,000 b/d in 2003, 90,000 b/d in 2002 and 160,000 b/d in 2001. Even in 1998, before the Russian oil sector began sharply to raise output, IEA data show a 160,000 b/d rise in production from May to June.

And in the last two months of the year production declines in the face of the Siberian winter. The Economist shares the gloom expressed in [our earlier post](#) regarding future production. Most of the gains to date have come from introducing modern technology into ageing fields. I would refer again to the review by [Leslie Dienes](#) that explains this in more detail.

There is insufficient investment in new fields to see the gains in production from Russia being sustained, though this is more of a concern for the longer term. In the short term, the Economist also points out that Russia is reaching the current limits of transportation with little in the way of relief being available before 2010 – at which time the shortage of new production may make the additional pipelines no longer necessary, if they happen. From [Untimely Thoughts](#)

the Kremlin can and should do more to get oil to the market at a reasonable price and at predictable production levels. Russia also needs to finally decide on new pipelines - a pipeline to transport Western Siberian oil to Murmansk and whether to build a Pacific pipeline to Japan or China.

It should be noted that the Economist numbers are at odds with those quoted in the Canadian [Globe and Mail](#) which reported earlier this month

Exports from Russia, the world's second-biggest oil supplier, to countries outside the Commonwealth of Independent States fell to 4.22 million barrels a day in June, down 8.5 per cent from May. Russia raised crude oil output 1.8 per cent to 9.43 million barrels a day, or 38.58 million tons in June, from 9.26 million barrels a day in June last year, according to data from Moscow-based consultant OOO Petromarket.

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