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Slovakia begins gas supplies to Ukraine - Naftogaz

Natural gas supplies from Slovakia to Ukraine began on Tuesday. The minimum guaranteed capacity of the Voyany-Uzhgorod gas pipeline is 6.4 billion cubic meters (bcm) per year, Slovakia's gas pipeline operator Eustream a.s. said. This volume is equal to 17.5 million cubic meters of gas per day. The pipeline's design capacity is 10 bcm per year, or 27 million cubic meters per day. The price Ukraine is paying for reverse supplies of gas from Europe via Slovakia is below \$385 per 1,000 cubic meters and Slovak supplies can substitute for approximately 40% of Ukrainian imports, Naftogaz CEO Andrei Kobolev said. Attending the launch ceremony, Ukrainian Prime Minister Arseniy Yatsenyuk called on EU member states to invest in the Ukrainian gas transport system. The National Security and Defense Council meanwhile said militants are continuing to do as much harm to Ukraine's economy as they can, and have started to disrupt the work of Ukraine's gas transit system.

Mongolia wants to compete with Kazakhstan for right to transport Russian gas to China

Mongolia is willing to transport Russian natural gas to China and is willing to compete with Kazakhstan to do so, Mongol President Tsakhiagiin Elbegdorj said after meeting with Russian President Vladimir Putin on Wednesday. "I touched upon the advantages of building a gas pipeline across our country's territory," Elbegdorj said. Among these advantages, the Mongol leader mentioned "security, convenient short route, and steppe conditions." Mongolia has only two neighbors - Russia and China, which have for several years discussed the possibility of gas supplies by two routes - the western and eastern.

Crimean parliament nationalizes gas pipelines managed by Krymgaz

The State Council of Crimea on Wednesday confirmed the gas supply system that was managed by Krymgaz in the period when Crimea was part of Ukraine is now the property of the republic. Krymgaz managed the gas pipeline system on the basis of contracts with the Ukrainian Energy Ministry and the company Naftogaz Ukrainy, the State Council of Crimea said. The republic's parliament has also nationalized the gas supply facilities that were not mentioned in the contracts between Krymgaz, the Ukrainian Energy Ministry and Naftogaz Ukrainy, but were built at the expense of Naftogaz Ukrainy or were operated by Krymgaz without property rights.

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TOP STORY

Slovakia begins gas supplies to Ukraine - Naftogaz

VELKE KAPUSANY. Sept 2 (Interfax) - Natural gas supplies from Slovakia to Ukraine have begun, Naftogaz Ukrainy head Andrei Kobolev said on his Facebook page after taking part in the opening ceremony for the Voyany-Uzhgorod pipeline.

"Here we go. We need much more than this, but this is an important step," he said on his Facebook page.

Ukrainian Prime Minister Arseniy Yatsenyuk and Slovak Prime Minister Robert Fico took part in the launch of the gas pipeline, as well as the director of the European Commission's department for the domestic energy market, Klaus-Dieter Borchardt.

"Thanks to the opening of reverse supplies from Slovakia and to the opportunity for Ukraine to acquire gas in Europe, we replaced 40% of the gas that was earlier bought from Gazprom with gas that we are buying and transporting from Europe," the statement cited Yatsenyuk as saying.

Volumes & pricing

Minimum guaranteed capacity of the Voyany-Uzhgorod gas pipeline, which pumps gas from the EU to Ukraine, is 6.4 billion cubic meters (bcm) per year, Slovakia's gas pipeline operator Eustream a.s. said on its website.

This volume is equal to 17.5 million cubic meters of gas per day. The pipeline's design capacity is 10 bcm per year, or 27 million cubic meters per day.

The price Ukraine is paying for reverse supplies of gas from Europe via Slovakia is below \$385 per 1,000 cubic meters, Kobolev told journalists.

"Concerning Slovakia: a gas pipeline has been launched with capacity for roughly 10 billion cubic meters a year. If fully utilized, it will substitute for approximately 40% of our imports. We are not disclosing the price, but it is below \$385 per 1,000 cubic meters. I won't tell the exact price. That's a commercial secret," Kobolev said.

Energy independence

Ukraine has taken a step towards the diversification of energy supply and reducing its energy dependence on Russia, Yatsenyuk said.

"This is clearly not a final solution, but it's a tremendous step forward. And Ukraine today can state and claim that we made this first step together with our Slovak friends and the EU Commission to diversify energy supply, and to decrease the energy dependence," the press service of the Cabinet said, citing Yatseniuk after the ceremony of opening the Vojany-Uzhgorod gas pipeline in Velke Kapusany (Slovakia),

"My reply to President Putin, when he made a statement, actually, a tough one, on this reverse flow, is as follows: gas has no labels. This is just gas. If we pay the price, if we pay cash, someone is to transit this gas, and someone is to purchase," the official said.

GTS investment

Yatsenyuk called on EU member states to invest in the Ukrainian gas transport system. "On behalf of the government, I am addressing our European friends so that the European Union member-states start investing in the Ukrainian gas transport system," Yatsenyuk said.

He said that the Ukrainian Verkhovna Rada had earlier passed legislation entitling only European and U.S. companies to obtain a stake in a company managing and operating the Ukrainian gas transport system and gas storage facilities. "We need unity, consolidated approaches in politics and the economy, and consolidated approaches in energy. And our joint work will absolutely guarantee both deliveries and transportation of gas if we operate and modernize the Ukrainian gas transport system together," he said.

Europe needs new energy rules, which should be "honest, transparent, and clear and prevent the establishment of monopoly on the energy market," Yatsenyuk said. "Monopoly is a way to nowhere, both in the economy and energy fields. Therefore, competition, market transparency, and efficiency of our common energy security with the European Union are the only right way," Yatsenyuk said.

Militia disruptions

Meanwhile, militants continue to do as much harm to Ukraine's economy as they can, and have started to disrupt the work of Ukraine's gas transit system, the National Security and Defense Council (NSDC) said.

"Russian mercenaries have started activities that could disrupt the work of the GTS on temporarily occupied territories. This constitutes a danger to gas transit to the EU," NSDC spokesman Andriy Lysenko said.

"As of today, 23 residential areas have been partially disconnected from the gas supply, and 59 in Luhansk region have completely lost gas," he said.

Ukrtransgaz denied reports on problems with Ukraine's gas transport system. "Information on problems in the operation of Ukraine's gas transport system is not true. According to operative information from the central dispatch department of Ukrtransgaz, work is going normally and requests for natural gas transit to Europe are being fulfilled completely," it said.

GAS

Mongolia wants to compete with Kazakhstan for right to transport Russian gas to China

ULAANBAATAR. Sept 3 (Interfax) - Mongolia is willing to transport Russian natural gas, Mongol President Tsakhiagiin Elbegdorj said.

"I also touched upon the advantages of building a gas pipeline across our country's territory," Elbegdorj said at a joint press conference with Russian President Vladimir Putin on Wednesday.

Among these advantages, the Mongol leader mentioned "security, convenient short route, and steppe conditions."

So Mongolia is already the second contender for having the right to transport Russian gas to China along the western route. Earlier Kazakhstan expressed such an interest.

Mongolia has only two neighbors - Russia and China, which have for several years discussed the possibility of gas supplies by two routes - the western and eastern. Recently, in May, a contract was signed between Gazprom and China's CNPC about the supply of up to 38 billion cubic meters (bcm) of gas a year along the eastern route - the Power of Siberia gas pipeline from fields of Eastern Siberia (Irkutsk region and Yakutia) through the Amur region to the eastern part of China, where its main industry is concentrated.

Several years ago, the initial option for supplies to China that was reviewed was the western route - the Altai gas pipeline project. It was expected that this gas pipeline with a capacity of 30 bcm of gas a year would transport gas from fields in Western Siberia across the Altai straight to the Russian-Chinese border, sandwiched between Kazakhstan and Mongolia. Ecologists were against the construction of a gas pipeline through the Altai.

At the end of August the first prime minister of Kazakhstan, Uzakbai Karabalin, said that the Kazakh authorities had suggested that Russia build a pipeline to China through Kazakhstan - "in particular through Astana and the Khorgos district or even Alashankou to China." Karabalin said: "The Russian side expressed definite interest."

Putin also said Rosneft and Russian car builders are set to expand their presence on the Mongolian market.

"Rosneft meets most of the Mongolian demand for petroleum products, it is a supplier of the Ulan Bator Chinggis Khaan International Airport and it has big plans of expanding its presence. By the way, Rosneft has big plans of expanding its presence on the Mongolian market," Putin said after negotiations with Mongolian President Tsakhia Elbegdorj.

He noted that Russia had been a traditional and reliable supplier of electric power to Mongolia and played an important role in the Mongolian energy security.

"I should also note that GAZ, Ural and PAZ vehicles and buses have a good reputation in Mongolia. Our manufacturers intend to increase the delivery of their motor vehicles," the Russian president said.

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European Commission's investigation of Gazprom still underway, no news yet - Almunia

BRUSSELS. Sept 3 (Interfax) - The antimonopoly investigation on Russian gas giant Gazprom is still underway, European Commissioner for Competition Joaquin Almunia said at a press conference in Brussels on Wednesday.

"The official investigation on this issue has been going on since 2012. I don't yet have anything new to tell you, but the investigation is still underway," he said.

Azerbaijan again stops gas supplies to Russia

BAKU. Sept 3 (Interfax) - Azerbaijan has again completely stopped gas supplies to Russia, the State Oil Company of Azerbaijani Republic (SOCAR) told Interfax.

The supplies were stopped due to renovation work. The company did not specify from what period the stop occurred, nor did they say how long it would last.

This is already the second stop in gas supplies to Russia from Azerbaijan in a year - from the beginning of this year until the beginning of June, gas was also not supplied due to road repairs.

The daily plan for gas supplies before the stop was 2 million cubic meters of gas a day.

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OIL

Russian oil production may grow 0.7% in 2014 - Molodtsov

KAZAN. Sept 3 (Interfax) - Oil production in Russia may grow 0.7% in 2014, Deputy Energy Minister Kirill Molodtsov said at a scientific conference on tight and unconventional oil reserves.

"Current performance figures for all companies of the oil and gas sector allow us to say that we currently have a stable production volume, producing 523 million tonnes with around 0.7% growth in oil production this year," he said.

Molodtsov added that the main task for the industry and government was engaging in tight deposits.

He said that during discussions on the tax maneuver, parameters were actually agreed upon by the economic and industrial blocks, which allows for rules to be implemented in the industry for a fairly long period of time. "This allows us to discuss the increased involvement of Bazhenov, Apalatskoye, [and] Khanumsky suite, and possibly resolve issues at the Tyumen suite," Molodtsov said.

At the beginning of the year, Molodtsov said that oil production in Russia was expected at 525 million tonnes in 2014 versus 523 tonnes in 2013.

Last week Lukoil Vice President Leonid Fedun said that oil production in Russia may face zero growth as early as this year. He said production may even fall in 2015.

Oil production in Russia was 523.3 million tonnes in 2013, up 5.2 million tonnes year-on-year.

RN Holding boosts IFRS net profit 50% in H1 to 182 bln rubles

MOSCOW. Sept 3 (Interfax) - OJSC RN Holding, the former TNK-BP Holding, boosted net profit to International Financial Reporting Standards (IFRS) 50% year-on-year in the first half of 2014 to 182 billion rubles, the company said in a report.

Revenue fell 6% to 776 billion rubles, while costs and expenditures decreased 11.9% to 598 billion rubles.

Operating profit advanced 21% to 178 billion rubles. Pre-tax profit advanced 50% to 235 billion rubles.

Georgian Oil and Gas Corporation reduces net profit by almost 12% in H1

TBILISI. Sept 3 (Interfax) - Georgian Oil and Gas Corporation (GOGC), which is wholly owned by state-owned Partnership Fund, posted net profit of 52.2 million lari [\$30.1 million] in January-June 2014, which is 11.8% less year-on-year, GOGC said in a financial report.

The official exchange rate on September 3 was 1.7358 lari/\$1.

The corporation's earnings increased by 1.6% to 180.8 million lari, including operating income of 58.5 million lari, which is 4.9% less.

GOGC assets were up 5.1% and by July 1 reached 1.109 billion lari. Liabilities grew 1.9% to 495.4 million lari and capital increased 7.8% to 613.2 million lari.

GOGC was founded in March 2006 through a merger of JSC Georgian Oil International Corporation, JSC Georgian Gas International Corporation and JSC Gruzneft. In July 2012, the Georgian government, which owned GOGC, transferred 100% of GOGC shares to JSC Partnership Fund, which was created to assist in the financing of strategic investment projects.

REFINING & PROCESSING

Gazprom to build at least 60 motor fuel filling stations in Southern Federal District by 2023

KRASNODAR. Sept 3 (Interfax) - LLC Gazprom Gas-Motor Fuel is planning to build at least 60 motor fuel filling stations in the Southern Federal District by 2023, the company's press service said.

A program for the development of the district's gas motor infrastructure calls for the construction of NGV fueling stations and compressed natural gas filling units at liquid-fuel filling stations.

The company did not tell Interfax which regions would receive the new NGV stations.

Rosneft, PetroVietnam discuss participation in modernizing Vietnam's Dung Quat refinery

MOSCOW. Sept 3 (Interfax) - Russian oil giant and PetroVietnam have discussed the delivery of Russian oil to the Dung Quat oil refinery in Vietnam, as well as possible cooperation in modernizing the refinery, Rosneft said in a press release.

Rosneft Chairman Igor Sechin held a meeting with the chairman of the PetroVietnam (Vietnam Oil and Gas Group) board of directors, Nguyen Xuan Son, in Moscow on Tuesday, the company said.

"During the negotiations the issues of the delivery of Russian oil to Zung Kuat oil refinery in Vietnam and possible participation in its modernization were considered," the press release says.

"PetroVietnam is strategic partner of Rosneft, and we are satisfied with our cooperation under the Memorandum of Understanding signed this May to strengthen cooperation between the two oil and gas companies," Sechin said.

In May, Rosneft and PetroVietnam Oil Corporation signed an agreement, defining major terms for long-term oil supplies to Dung Quat Oil Refinery in Vietnam.

The agreement provides supply of the ESPO oil up to 6 million tonnes annually via Kozmino terminal in 2014-2039 after the accomplishment of the final stage of the refinery modernization.

Documents regarding Gazprom Neft's possible acquisition of 49% of Binh Son Refining and Petrochemical, the operating company for the Dung Quat refinery in Vietnam, were signed during Russian President Vladimir Putin's visit to Vietnam in November last year. Following the acquisition, Russia is to supply the refinery with oil via the Eastern Siberia - Pacific Ocean (ESPO) pipeline system through the specialized oil port at Kozmino: 3 million tonnes in 2015, 3.6 million tonnes in 2016, 4.8 million tonnes in 2017, and at least 6 million tonnes from 2018 onwards.

After buying 49% of Binh Son, Gazprom Neft will have the opportunity to increase its stake in the Dung Quat operator.

Gazprom Neft estimates it will cost \$1 billion-\$1.5 billion to modernize the refinery. As part of the modernization program, the capacity at Dung Quat will be increased from the current 6.5 million tonnes to 10 million-12 million tonnes within one year and the plant will improve the technical efficiency of its motor fuel production to meet the Euro-5 standard. Gazprom Neft's financial contribution to the modernization project will be proportional to its stake.

The Dung Quat refinery began operations in February 2009. The refinery, which has capacity to process 6.5 million tonnes of oil a year, consumes about 85% of oil produced at a field being developed by Vietsovet, a joint venture between Zarubezhneft and PetroVietnam. The other 15% is imported from the Middle East.

Rosneft wins tender to fuel Turkish Airlines cargo flights

MOSCOW. Sept 3 (Interfax) - Russian oil company Rosneft has won a tender to fuel cargo flights for Turkish Airlines, the company said in a statement.

This area of activity is new for the airline. Flights are planned to take place between September 1 and April 30, 2015. The amount of fuel needed for the entire period is reportedly 1,090 tonnes, but this will probably increase.

PIPELINES & TRANSPORTATION

Crimean parliament nationalizes gas pipelines managed by Krymgaz

SIMFEROPOL. Sept 3 (Interfax) - The State Council of Crimea on Wednesday confirmed the earlier decision made by the region's government and declared the gas supply system that was managed by the public joint stock company Krymgaz in the period when Crimea was part of Ukraine property of the republic, an Interfax correspondent has reported.

Krymgaz managed the gas pipeline system on the basis of contracts with the Ukrainian Energy Ministry and the company Naftogaz Ukrainy, the State Council of Crimea said in its decision.

The republic's parliament has also nationalized the gas supply facilities that were not mentioned in the contracts between Krymgaz, the Ukrainian Energy Ministry and Naftogaz Ukrainy, but were built at the expense of Naftogaz Ukrainy or were operated by Krymgaz without property rights.

The State Council of Crimea earlier made a decision to put the Crimean state unitary enterprise Krymgazset in charge of managing the gas distribution system operated by Krymgaz. On September 2, the republic's government also decided on mandatory buyout of the Krymgaz property.

Sergei Aksionov, acting head of Crimea, said the amount to be paid for the Krymgaz property will be determined by a special commission and that amount will not be more than the money paid by the current owners when the property was privatized.

NUCLEAR POWER

Leningrad NPP increases electricity generation 45% in 8M

ST. PETERSBURG. Sept 3 (Interfax) - The Leningrad Nuclear Power Plant (LNPP) generated 16.5 billion kWh of electricity in January-August 2014, which is 45% more than in the same period of 2013, the station said in a press release.

"The rise in output occurred due to the fact that after implementing a restoration program for resource characteristics in November 2013, the first generating unit was connected to the power system and in the autumn-winter period of 2013/2014, LNPP worked all four generating units," the statement cited station director Vladimir Pereguda as saying.

Ukraine to sign agreement on building new generating units at NPP before yearend - Yatsenyuk

KYIV. Sept 3 (Interfax) - The Ukrainian government has decided to build new power-generating units for its nuclear power plant (NPP) and intends to find a partner for implementing this project before the end of the year, Ukrainian Prime Minister Arseny Yatsenyuk said at a cabinet meeting in Kyiv on Wednesday.

"We have made a decision concerning the need to build new nuclear units. Before the end of this year, a contract will be signed on the construction of new units," the prime minister said.

He said there were some technical problems connected with the designated sites for construction, where it was earlier expected to build Soviet VVER generating units, however these problems will be solved.

Yatsenyuk said that today Ukraine is dependent on supplies of Russian nuclear fuel, however it is working on diversification. He said that already a contract has been signed with Westinghouse about alternative supplies of nuclear fuel, and said that now the purchase volume of this fuel is substantially growing.

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COAL

Ukrainian govt buys 1 mln tonnes of South African coal - PM

KYIV. Sept 3 (Interfax) - The Cabinet of Ministers of Ukraine has signed an agreement on the purchase of one million tonnes of South African coal, Ukrainian Prime Minister Arseniy Yatsenyuk has said, opening a cabinet meeting on Wednesday.

"They [the militants] destroyed the main coalmines by bombing - the coalmines from which we supplied coal to Ukrainian thermal power plants. The government has signed an agreement on the supply of one million tonnes of coal from South Africa, and the first ship is being loaded. Private companies are also buying coal. The situation was difficult a month ago, and now we're maintaining the balance - it is hard to maintain it, but we're doing our best for the energy sector of the country to operate," he said.

Yatsenyuk said that imported coal is more expensive than Ukrainian-produced coal.

"On the other hand, a stimulus of replacing our boilers at thermal power plants has appeared, and we'll switch to cheaper coal, and challenges in the energy sector will make us to conduct a real modernization of the Ukrainian energy sector," he said.

STATISTICS

Russian electricity consumption up 1.3% in Aug

MOSCOW. Sept 3 (Interfax) - Electricity consumption in Russia increased 1.3% year-on-year in August to 76.9 billion kilowatt-hours (kWh), System Operator reported.

Power consumption in Russia's unified energy system (UES) was 75.4 billion kWh in August, up 1.3% year-on-year.

Russian power plants generated 77.8 billion kWh in August, up 1.3%, while generation in the UES during the period came to 76.4 billion kWh, also up 1.3%.

Thermal power plants generated 44.1 billion kWh of electricity in August, up 1.5% year-on-year; hydropower plants generated 13.9 billion kWh, down 8.9%; and nuclear plants - 14.2 billion kWh, up 12.1%. Power plants owned by industrial enterprises produced 4.1 billion kWh, up 3.7%.

Ukraine edges coal production down 8.9% in 8M, in August - 50%

KYIV. Sept 2 (Interfax) - Ukraine reduced coal production 8.9% year-on-year in January-August 2014 to 49.82 million tonnes, the Energy and Coal Ministry told Interfax.

This included 13.189 million tonnes of coking coal, down 15.6%, and 36.631 million tonnes of steam coal, down 6.3%.

State-run coal mines reduced output 4.9% to 14.729 million tonnes, including 3.853 million tonnes of coking coal, down 11.9%, and 10.877 million tonnes of steam coal, down 2.1%.

In August, coal output in Ukraine plummeted 50% to 3.492 million tonnes due to the military activity in the Donbas. This included coking coal, which fell 65.5% to 639,800 tonnes and steam coal, which dropped 44% to 2.852 million tonnes.

In August, state-run companies reduced output by 68% to 702,300 tonnes, including coking coal by 65.5% to 196,700 tonnes and steam coal by 68% to 505,600 tonnes.

Mines in the Donetsk region produced 21.392 million tonnes (down 13%) and in the Luhansk region output was 14.492 million tonnes of coal (down 15.3%) in the 8M. The Dnipropetrovsk region mined 12.586 million tonnes (up 7.4%), the Lviv region turned out 1.171 million tonnes of coal (up 21.8%) and the Volyn region - 178,400 tonnes (down 26.9%).

In August, the biggest drop in coal output was in the Luhansk region - to 544,400 tonnes, which is 74% less than in August of last year. Donetsk region produced 1.203 million tonnes, down 60% from August 2013. Dnipropetrovsk produced 1.573 million tonnes, up 0.2%, Lviv region produced 148,700 tonnes, up 17.1% and Volyn region produced 23,000 tonnes, 23.3% less than a year earlier.

Due to the fall of output caused by military operations in the Donetsk and Luhansk regions and the subsequent fall of coal reserves in the warehouses of thermal power plants, Ukraine is considering the possibility of importing steam coal.

In 2013 Ukraine reduced coal output by 2.6% in comparison with 2012 to 83.698 million tonnes.

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PRESS-REVIEW

Russian press on the energy sector on September 3

*** Russia's biggest oil company, Rosneft might reduce oil production by about 2 million tonnes in 2014. Rosneft nearly doubled production to 206.8 million tonnes in 2013 following the acquisition of TNK-BP, but it has reduced drilling due to cost cutting and disputes with contractors. The company aims to slow the decline in output by 2020, but this will require a dramatic increase in well drilling, sources said (Kommersant, p. 1).

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UPCOMING EVENTS

Important fuel and energy sector events on September 4

*** Russian experts altogether with European to hold working meeting devoted to the results of bilateral negotiations between Russian Energy Minister Alexander Novak and European Union Energy Commissioner Gunther Oettinger.

CONVERSIONS

Units of measure

One cubic meter (1 cu m) equals 35.3147 cubic feet, 61,023.41 cubic inches, 219.969 UK gallons, 264.17 U.S. gallons or 6.28976 barrels.

One U.S. barrel equals 158.988 liters.

One metric tonne = 1,000 kg

One ton (U.S.) = 1,016 kg

One ton (UK) = 907 kg

Crude oil

Multiply by:

	Tonnes	Barrels	U.S. Gallons
Tonnes	1	7.33	307.86
Barrels	0.1364	1	42
U.S. Gallons	0.00325	0.0238	1

Refined product

Multiply by:

	Barrels to tonnes	Tonnes to barrels
LPG	0.086	11.6
Gasoline	0.118	8.5
Kerosene	0.128	7.8
Gas oil	0.133	7.5
Fuel oil	0.149	6.7

Gas

Multiply by:

	bcm NG	mIn tonnes OE	mIn tonnes LNG	mIn barrels OE
bcm NG	1	0.90	0.73	6.29
mIn tonnes OE	1.111	1	0.805	7.33
mIn tonnes LNG	1.38	1.23	1	8.68
mIn barrels OE	0.16	0.14	0.12	1

Key

All tonnes = metric tonne

bcm = billion cubic meters

NG = natural gas

OE = oil equivalent

LNG = liquefied natural gas

ANALYTICAL REPORTS

In-depth analysis on Russian markets and industries

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