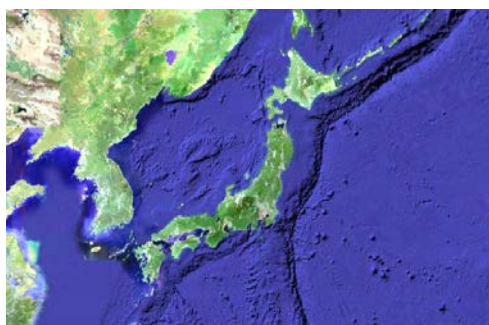


The energy history written by human lives

Consequences of the Japanese disaster will be critical for all countries. Like in case of Chernobyl, governments hide information from the public.

Tags: [Japan](#), [Nuclear power](#)



The tsunami caused by the strong earthquake in Japan has led to a serious accident at the nuclear power station (NPS).

Failure of the hydrogen cooling and emission systems caused explosions at the first and third blocks of the Fukushima station, the second block may soon follow them. By now, the scale of hazard is not so critical as that of the Chernobyl. The earthquake and explosions have not caused the destruction of the block circuits, so, the accident can be considered local. Nevertheless, in case the earthquake comes again, the scale of the accident may expand.

The station and its reactor sustained the earthquake's stress, but the external infrastructure was damaged by the tsunami which followed the underwater shocks. The nuclear power station (NPS) is located on the bank of the ocean and protected by a special dam. The wave did not damage power blocks, and stopped reactors remained proof. But the tsunami led to the failure of the external cooling systems fed by three diesel generators. The line feeding water to the generators was damaged. The reactor's temperature began to increase, as the reactors emit the heat for some time after shutdown. The uranium nucleus decomposition stops, but the residual products of decomposition continue their fission. The danger of nuclear-fuel meltdown has occurred. In addition, steam pressure in the reactor's enclosure increased.

The enclosure, unlike the reactor's shell, is designed for several bars only, and it could be destroyed in case of further pressure rise. The Japanese decided to bleed off the excessive pressure, releasing gas from the enclosure the power block's housing. To that moment, however, the level of water in the reactor lowered itself, while the temperature increased to the level which causes

the reaction of the zirconium alloy of the nuclear fuel's containers with the water steam. As a result, significant quantity of hydrogen is releasing. Steam off-bleeding caused mixture of hydrogen and air and a consequent explosion which destroyed the power block's housing. Some part of gas containing temporary decomposition products entered the atmospheric air.

The classification of this accident by INES scale (7 points) measuring NPS accidents (local impact) was 4. This accident does not reach the level of the Chernobyl catastrophe of 1996 (7 points), being, however, much more hazardous than the majority of NPS accidents of the recent years.

NPS produce approximately 25-30% of the power for Japan. The power system of the country consists of two weakly connected parts: the north of Honshu and Hokkaido, the south of Honshu and the Kyushu and Shikoku Islands. The tsunami has touched several stations located in the north. Fukushima-1 and Fukushima-2, owned by TEPCO are located in the namesake prefecture 250 km northeast off Tokyo. The TEPCO's stations produce like one-fourth of all electric power in Japan. Capacity of Fukushima-1 is 4.7 GW. On Sunday, they announced rolling power cuts in nine prefectures of the country, including Tokyo. Power supply interruptions will not be more than three hours.

At the same time, the Japanese energy system has significant backup heat capacities, and the loading of heat power stations (HPS), especially old stations working on fuel oil is relatively low. The country has been gradually reducing the use of fuel oil-fed stations, which reached its minimum (20%) in 2001. Coal is the most wide-spread fuel in Japan, more than 22% of capacities use this fuel type, and their own coefficient of use is more than 50%. The rest fuel types are gas and renewable energy sources. Due to natural disasters, however, more than 30% of the Japanese refining capacities have stopped. Now, Japan will need additional supplies of coal, oil, gas and oil products as well.

Nuclear danger has already revived the fears concerning safe NPS operation all over the world, especially in Europe, which has just returned to the "atoms for peace" idea. Currently, there are 143 nuclear stations operating in the EU: in Belgium (7), Bulgaria (2), Czechia (6), Finland (4), France (58), Germany (17), Hungary (4), the Netherlands (1), Romania (2), Slovakia (4), Slovenia (1), Spain (8), Sweden (10) and Great Britain (19). Italy and Poland have no NPS. The green lobby, which requires to freeze new projects and to take an inventory of the old ones, has strengthened its positions.

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TOP NEW

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- Change a loser for a winner
- He is lifeless who is faultless

News brief

At the meeting in Khakassia, the President of Russia Dmitry Medvedev, following the Russian Prime Minister, expressed his dissatisfaction with the **power price** growth and criticized the investors who failed to fulfill their obligations. It is not quite clear, though, what must be changed. The relevant mechanisms are still in prospect. ➤ Page 3

Negotiations between the Russian and British **TNK-BP**'s shareholders on the future of the **BP-Rosneft alliance** in Russia have reached a final stalemate. The only authority which can help them now is the Stockholm arbitration, or a new decision of the Russian government. ➤ Page 3

The Russian authorities are time and again offering new energy projects to the world community. V. Putin has ordered to consider the possible construction of an **LNG plant** onshore the Black Sea. It has not been said whether it will add or replace the **Southern Stream** gas pipeline. ➤ Page 4

Gazprom and its good old German partner **Wintershall** have signed the next memorandum on operations at the Achimov deposits in Urengoy. For now, no one can predict what the companies will obtain from this collaboration. But the process seems very beautiful. ➤ Page 4

Not paying attention to declarations of the federal ministries, **Gazprom** has paid for the property of **RUSIA Petroleum**. It is still unknown, though, what was the real reason for Gazprom's activities in the Irkutsk Region. ➤ Page 5

LUKoil has confirmed its leading positions in the Russian oil and gas industry by its reports on the results of work in 2010. The investment plans for 2011 should excite satisfaction of analysts and investors. ➤ Page 6

The Russian oil companies are competing for entering the **airports fuel-filling business**. Following Gazprom neft and Rosneft, **TNK-BP** was the next to try the aircraft-filling business. The only thing is what the passengers will think about it. ➤ Page 7

Long considerations have brought to retirement of **S.Tsygankov**, head of the Gazprom's Department for Foreign Business. This retirement, though, does not look like his deportation from the country named "Gazprom". To be **Director of Severneftegazprom** is quite a decent post. ➤ Page 8

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The energy history written by human lives

Continued from page 1

In 2002, for instance, the German government headed by Gerhard Schroeder signed a law stating that all NPS power blocks had to be stopped before 2021. Last October, however, the Bundestag supported the idea advanced by the

government of Angela Merkel on extension of the NPS operation time for more 8-14 years. Now these plans can be reconsidered.

Give way to consumers – it's time to install traffic lights

President D. Medvedev was the next after Prime Minister V. Putin to express his dissatisfaction with power prices

Tags: [electrical power industry](#)

According to the President, average power tariffs are lower than in many countries by now; though, since 2000, they have increased threefold. If this trend continues, power energy in Russia to 2014 will be more expensive than in the USA and Europe. The President threatened the investors that the government would change the rules of the game. The government, in cooperation with the investors, grid companies and consumers should within three months develop their proposals about particular changes. The objective is to contain the growth of prices.

Mechanisms of that are not quite clear. The only practical proposals “on top the table” are to strengthen control over

grid tariffs in the regions and to oblige the generating companies to sell power under long-term contracts. But there are too many controversies, and the government, in fact, has the only “quick” weapon at its disposal: to introduce price regulation. This will shoot down the investment attractiveness of the power industry.

In addition, D. Medvedev criticized the investors who had not fulfilled their obligations on bringing new capacities to operation, and gave an order to the government to develop a program of technological modernization of the electric power industry within five months.

ERTA view

Until now, the Russian officials fighting against the growth of tariffs have been seen by the public as the reverse side of the coming elections. However, in view of inflation, this campaign may endure beyond the single pre-election year.

On the other hand, Russia has already accumulated a certain experience in reaching the maximal level of production growth due to energy limitations (deficit of power and deficit of gas), as well as in reforming the industry in order to attract investments (reform of the electric power industry). So, a hope exists that the conflict will soon come from the “let in – not let out” regime to that of searching compromises.

More active participation of the consumers should become a sign of the coming compromise. Here, one could hardly reject the statement made by D. Medvedev at the last meeting at the hydropower station HPS S-III.

Waiting for the Red to start

The conflict of TNK-BP's shareholders is deepening

The conflict between TNK-BP's shareholders is deepening. On March 12, at the unscheduled meeting of the Board of the Directors, the BP representatives voted against the proposal of the management on the Rosneft's deal. It was the only issue of the agenda which had been rescheduled twice by the BP's initiative.

Finally, this idea was supported only by Russian TK-BP' shareholders: representatives of AAR consortium (Alga Group of Mikhail Fridman, Access of Leonard Blavatnik and Renova of Viktor Vekselberg) and all three independent directors. AAR expressed its disappointment by actions of the partners, who seek to worsen the position of TNK-BP by means of the alliance with its direct rival on the Russian market.

BP says that participation of TNK-BP in the alliance with Rosneft will require large investments, along with the refusal from the most of current projects of the joint venture, and this may undermine the TNK-BP's positions.

As a counter proposal, BP suggested the preliminary negotiations between the TNK-BP's management and Rosneft on the Arctic shelf development (but without exchange of the shares). AAR, seeing the lack of prospects, refused. (The Rosneft's management said many times that it did not see TNK-BP as a partner.)

Now, the Stockholm Arbitration will solve the conflict and decide the fate of the BP-Rosneft deal. The hearings started last week, and the verdict may be found until the end of March. After the Board's meeting, AAR and TNK-BP's positions in terms of arbitration have been strengthened. It is highly possible that the judges will find BP guilty in violation of the shareholders' agreement.

The question is: what will be the compensation required by the non-breaching parties, AAR (by the shareholders' agreement) and Rosneft (due to the deals failure because of BP).

Two faces of Russian LNG program

Tags: [LNG](#), [Southern Stream](#), [Turkish](#), [Bulgaria](#)



Facing the Moscow visit of the Turkish delegation headed by Prime Minister Recep Tayyip Erdogan, the Russian Prime Minister Vladimir Putin publicly ordered the Energy Minister Sergei

Shmatko to consider the possibility of construction of a LNG plant onshore the Black Sea.

There have not been any official statements that this project could replace the offshore part of the Southern Stream gas pipeline: the pipe has a lot of problems, beginning with the Turkish permit and ending with stubborn Bulgaria where the pipe will have its landfall. Economically, this project is even more odious than the pipeline's burial; geopolitically, though, it is understandable in terms of the games played by Russia in this region. It can be used to blackmail Turkey and to make hints to Bulgaria that a regazification project may be constructed in Romania (preliminary negotiations on construction of a transit pipe through its territory have already been held), or even to declare on LNG deliveries through the straits to the Atlantic basin. At the same time, this is a strike on the Azeri plans to realize the AGRI project on deliveries of the liquefied or compressed gas to Romania and further to Europe from the Georgian terminal.

The South Stream is a gas pipeline of total capacity 63 bcm of gas annually, which will pass on the Black Sea bed from Russia to Bulgaria and further to Serbia, Hungary,

Slovenia, Austria and North Italy. The branch lines will lead to Croatia, Macedonia, Greece and Turkey. The last three lines will be constructed from the Bulgarian territory. Shareholders of the offshore operator – Gazprom and the Italian Eni – are clinching.

ERTA view

Let us agree that economic efficiency of construction of the Russian gas-fed LNG plant onshore the Black Sea is much more risky than construction of the South Stream gas line. Both projects are economically nonviable.

On the other hand, one could imagine a negative scenario of development of gas markets, which are traditional for Russia, in this case, implementation of such projects will be justified. But what about their costs? Financial risks are too high.

The world history has no examples of construction of an LNG plant at a distance of thousands of kilometers from gas fields. One can tell the long and individual stories about the Danish Belts and the Turkish Straits, special winter conditions in these territorial seas with their storms, ice conditions, and so on and so forth.

Let us remember about the following opinion stated in the course of discussions on possible economic reasonability of construction of an LNG plant in the Baltic: combination of a plant with limited capacity and construction of a peak LNG storage facility may give an absolutely new sense to the project.

That Russia has problems with peak gas supply of the regions and fulfillment of export obligations, is not a secret. And the most problematic regions are its North-West (the Russian Baltic shores) and South (the Russian Black Sea shores).

Change a loser for a winner

Gazprom and Wintershall agreed to expand cooperation based on the asset-exchange principle

Tags: [Wintershall](#), [Urengoy field](#)

The companies signed a memorandum on parity development of two more blocks of the Achimov deposits of the Urengoy field. In exchange, Gazprom will get the shares in the North Sea projects. Until now, all efforts of Gazprom Germania aimed at geological exploration in this very well-investigated region have not been very successful. At the same time, the focus of the Russian corporation lies here not in the reserves, but in the offshore project development experience.

Production from the Achimov deposits of the Urengoy oil, gas and condensate field started in late 2008. The Achimgaz

joint venture (owned by two partners on the parity basis) is the project's operator. Wintershall had invested EUR300 mn into the project before the commercial production stage and was its contractor (the total project's cost estimate is EUR700 mn). Gazprom will compensate its partner's expenditures from the gas sales earnings. The expected project production volumes were 6 bcm of gas annually. By now, however, production is not higher than 2 bcm.

Wintershall participates in development of 33 blocks in the North Sea and operates 26 platforms.

ERTA view

This agreement should be viewed as an exchange of opportunities, not projects. The Achimgaz project has been implemented with significant schedule delays. One of the reasons for that is lack of relevant scope. Development of the Achimov deposits requires launching of full-scale gas-processing projects in West Siberia. Economically, though, it is very difficult to do.

In the Soviet times, Gazprom made the first attempt to launch a gas-processing project; the next one was made in the 1990s. The third attempt is facing some obstacles. It is necessary to expand the project to use the effect of scale, and it is necessary to use advanced technologies to expand the project...

The situation with the North Sea projects is the same. They have visual similarity with the Achimov development. In their current status, the North Sea projects have already passed their peak of efficiency. And the long-term prospects show only increasing risks.

M&A

The puppet master said “yes”

Gazprom has not delayed the payment of the RUSIA Petroleum’s property.

Tags: [RUSIA Petroleum](#), [Kovykta](#)



Gazprom has not delayed the payment of the RUSIA Petroleum’s property under the purchasing agreement signed on March 9. According to the Bankruptcy Law, the auction’s winner has 30 days to fulfill his obligations. But within 24 hours since the signing of the document with the bankruptcy manager of RUSIA Petroleum Oleg Smetatin, the corporation transferred the full sum of payment for the asset: RUR25.8 bn, VAT inclusive.

RUR21 bn was paid for the RUSIA Petroleum’s property for development of the Kovykta license block; RUR1.3 bn - for 100% of Kovyktaneftegaz LLC, which had drilled the prospecting well in the Khandinsky block with prognostic gas reserves 600 bcm. TNK-BP claims the full sum (VAT exclusive), as it is, in fact, the only major creditor of RUSIA Petroleum.

By this, the corporation has deprived the possible deal’s opponents of chances to change its format. To launch the deal now will be too bothersome. And it is hardly possible that somebody in the government will insist on it in earnest, regarding the fact that the budget has got RUR3.5 bn as the tax.

By law, Oleg Smetanin has 14 days to hand the assets over to the buyer. No delays are expected: Gazprom’s legal rights will come into force before the official date. After that, the corporation will immediately start the license-reissuing procedure concerning the Kovykta block (with its reserves 1.3 tcm). Rosnedra have revealed the substantial violations of its terms, but have never withdrawn the license. Also, Gazprom will try to obtain the license for the Khandinsky block, which, due to the problems of RUSIA Petroleum in

the end of 2008, was assigned to the unallocated subsoil fund.

Now, approval of the deal by the corporation’s Board is only a matter of formality. Post factum approval of a deal is a usual practice for the monopoly holder. If Gazprom’s assets book value as per December 31 of 2010 will be more than RUR8.17 tn (the official evaluation will be made to the end of this month), the corporation’s managers may not bother the directors at all. The sum of the deal will be less than 0.3% of the monopoly’s assets value, so, it will not require the Board’s approval.

ERTA view

Let’s compare this event and the conflict among TNK-BP’s shareholders on the Rosneft-BP consortium. Evidently, the Kovykta deal has been informally approved by the highest Russian authorities. The deal on the alliance has been approved officially.

Moreover, both cases demonstrate the brilliant skill to get money by all possible ways. The initial sum announced during the first informal Kovykta bargain in 2007 was approximately \$800-900 mn, and this was only the cost of TNK-BP’s share. Now, the sum happened to be even higher, if to mention the sum paid by Gazprom for the Kovykta-Zhigalovo gas pipeline.

In fact, Gazprom leaves the project with higher profits, i.e. Interros (now - WGC-3) has been able to claim the part of this sum before. But the “minority” shareholder was moved aside without much politeness, and the chief creditor – TNK-BP – will get everything.

In case of Kovykta, the Russian and British shareholders act together. Therefore, the only principal difference between two events lies in the fact that, in case of the Rosneft-BP alliance, the Russian managers of TNK-BP stand against the British position. The conflict has occurred in the heart of the family...

Loan until payday

The Inter RAO’s Board of the Directors has decided to place 16 bond issuances for the total sum of RUR100 bn.

The Inter RAO’s Board of the Directors has decided to place 16 bond issuances for the total sum of RUR100 bn. These will be three-year issuances, from RUR 5bn to RUR10 bn each.

It seems like Inter RAO needs the entrance to the bond market to refund the debts of the companies it will get as a result of the additional issue placement. Supposedly, in the first 6 months it will integrate 34 new assets of total value \$9 to 15 bn.

If the Company places the bonds for the whole sum of \$100 bn, it may become a leader of the industry by bond issuance volume. For now, the leading position is held by

the state-owned Atomenergoprom. It announced its plans to place the bonds for the sum of RUR195 bn in 2009-2010, but borrowed only RUR60 bn. Two issues for the sum of RUR50 bn were repaid in advanced. In the end of past year, the Federal grid company placed the bonds for the sum of RUR50 bn.

The bond yield of such a big company may be 8% annually, while the borrowings of its future assets cost much higher. At the same time, the bond-placement tactical procedure has not yet been developed, it will be determined by the market environment.

M&A

He is lifeless who is faultless

LUKoil has published the results of its financial activities in 2010, according to the U.S. GAAP standards.

Tags: [Lukoil](#)



The results were a bit disappointing in the eyes of the investors: EBITDA (\$16.05 bn) was 2% lower than the consensus forecast. Net profit did not justify the expectations as well (\$9 bn vs the

expected \$9.4 bn). Though, compared with the last-year results, the Company's net profit increased in 28.4% - from \$7.01 bn.

Nevertheless, the Company became the industry's leader, by the last-year free cash flow volume (more than \$6.9 bn). The relation between this indicator and market capitalization was as follows: LUKoil – 11.7%, Rosneft – 6.5%, Gazprom neft – 8.4%. It can be explained to a significant extent by the relatively conservative LUKoil's investment program, which amounted to \$6.6. bn, compared to the pre-crisis \$10 bn.

Presenting the financial results, the Company's Vice-President Leonid Fedun announced that the investment program for 2011 would be higher than in the year before. The planned LUKoil's investments for this year will be \$8.5 bn, including \$1 bn allocated for the Iraqi project "West Kurna 2".

In 2011-2017, LUKoil will invest about \$5 bn into the other important region – the Caspian basin. In 2011-2013,

the export duty preferences will bring to the Company \$4 bn, including \$1 bn from the Caspian export.

In addition, the Company's President and major shareholder Vagit Alekperov announced that LUKoil was searching for oil and gas projects in the United States, related with development of shale fields (shale oil is the focus). In this, the Company is following the "educational" purposes, in order to study the advanced technologies and their possible use in the Russian conditions. In particular, LUKoil is already experimenting with relevant technologies on the so-called Bazhenovskaya suite in West Siberia and wishes to obtain the advanced experience in this area.

In fact, the Bazhenovskaya suite in West Siberia represents the oil-bearing shales with extremely low porosity and permeability, which occur at depths from 1 to 3.5 km. Because of that, gas and, particularly, oil production from these rocks meet difficulties, though the fuel made from them has higher quality, due to lack of impurities. According to different estimates, initial resources of the Bazhenovskaya suite vary from 3 to 20 bntoe (oil equivalent).

It should be noted that the American shale projects market is overheated, due to the considerable excitement of the past years. Prices exceed their maximums, due to entrance of large companies and their readiness to overpay for the resources. So, LUKoil may pay too much for its education.

On the other hand, due to the Russian state police of oil licenses allocation, LUKoil has faced the deficit of restoration of its own mineral base and had to look for unconventional solutions.

ERTA view

The difference between LUKoil's performance indicators and analytical estimates is not so high to speak about the unsuccessful development policy of the Company. The Company's policy is rather reasonable and deliberate.

For example: when LUKoil determined its strategy of a new entrance to Iraq to West Kurna – 2, it debited all old losses. It came to final understanding of the situation with the fuel-filling stations in the USA. The situation with the share of Conoco was settled quickly and amicably. The only thing of concern is statements on the U.S. shale deposits. Is it reasonable to enter these projects on the peak of their value? Though, it may be, if to look at it as an image-making step of a hi-tech company.

Like all really operating companies, LUKoil makes mistakes, and its management has had enough ability to correct them. For now.

M&A

Favorite client, Aeroflot

It is time to introduce coefficients for exchange of Aeroflot bonus cards to TNK transport cards.

Tags: [TNK-BP](#)



The TNK-BP's affiliate, TNK – Sheremetievo, has completed the deal on purchasing 74.9% of the Fuel-Filling Complex Sheremetievo CJSC from the International Airport Sheremetievo (44%

minus 1 share) and Aeroflot (31%). The sum of the deal is more than \$200 mn. The Fuel-Filling Complex will preserve the rest 25%.

TNK-BP plans to invest RUR2 bn into modernization of the purchased asset. The money will be spent for renovation

of fuel dispensers, modernization of pipelines and pump stations and expansion of the tank farm.

In November 2010, the airport and Aeroflot put up 74.9% of the fuel-filling complex at the start price RUR2 bn. Fuel sales is a highly profitable business; but the majority of freighters buys kerosene directly from oil companies. Sheremetievo accounts for approximately 20% of all deliveries. The bid was held last December. In addition to TNK-BP, Gazprom neft participated at the initial stage.

In addition to TNK-Sheremetievo, there are Gazprom neft and Rosneft who sell fuel in the airport. Last year, Rosneft and Sheremetievo established a specialized joint venture. Two companies are building their own fuel-filling facilities in the airport. Until they are ready, all fuel dispensers have to use the infrastructure of the Fuel-Filling Complex Sheremetievo.

ERTA view

Finally, mediators have been overcome in aircraft fuel-filling complexes. No more remembers the Fuel Supply of Airports and an unsuccessful attempt of Rostekhnologii to enter this business.

On the other hand, the history showed that there were not mediators who provoked the growth of jet kerosene prices.

Rise and fall of Rospadskaya

Evrz Group and the management of Rospadskaya are going to sell the shares of the coal company. Last year it was a serious incident in the company.

OEvrz Group and the management of Rospadskaya are going to sell the shares of the coal company. Last year it was a serious incident in the company. They have already engaged Deutsche Bank and Morgan Stanley to find buyers for 80% of the Rospadskaya shares. The reasons of these decisions are not clear for now. It is likely connected with the fact that restoration after the flooding and explosions was too complex and expensive, so, the existing owners decided to leave the project.

The portfolio investors, of course, were not happy with the plans to sell 80% of the company, announced by the

major owners of Rospadskaya. The cost of the shares immediately fell to 7%.

Potential asset claimers are not standing in a queue. The proposals were sent to Mechel, the Magnitogorsk Metallurgy Enterprise JSC and Novolipetsk Steel (NLMK). But possibilities of these companies to pay the sum required by the shareholders in cash are not evident. Based on current quotations, 80% of the Rospadskaya shares cost \$4.4 bn. But this sum is determined by bad news. Seemingly, Evraz Group and the management want more.

African fire cannot be extinguished by oil

Saudi Arabia has fulfilled its promises, replacing the crude volumes missing in the market due to Libyan events. It has led to stabilization of the demand and supply and reduction of crude prices.



Saudi Arabia has fulfilled its promises, replacing the crude volumes missing in the market due to Libyan events. It has led to stabilization of the demand and supply and reduction of crude prices.

As early as in late January, disorders in North Africa caused the growth of oil quotations. Since the first disorders in Egypt, the price of

monthly futures of Brent increased in 20.8%, WTI – 18.2%. Integrity of the infrastructure and industrial safety are the most important things for the market. Now, this threshold has been overcome. Two largest Libyan refineries (Ras Lanuf and Zawia Refinery) stopped their operations due to military actions and bombardments. Their total capacity is 340,000 bbl daily. This is 88% of all oil processing capacities of the country. Crude production in Libya has reduced threefold, to 500,000 bbl daily, according to the statement of the Chairman of the Board of National Oil Corp Shokri Ghanem made by the Al Jazeera TV-channel. The previous level of production was 1.6 mn bbl.

Operations of oil-loading ports and the

African fire cannot be extinguished by oil

Continued from page 7

whole calculation system were blocked. The most part of ships are going to the ports of Saudi Arabia, leaders of which promised to increase oil production to compensate the missing Libyan fuel volumes. The Kingdom has already increased production to 6.8%, up to 9 mnbbl daily (average production in February was 8.425 mnbbl), exceeding the OPEC quota for almost 1 mnbbl.

The U.S. Ambassador in Saudi Arabia James Smith declared that this state was able to increase production for more 3.5 mnbbl daily. This is twice as much as the daily production of Libya. The declarations on their readiness to participate in division of the crude pie have been also made by Nigeria (150,000 - 200,000 bbl), Kuwait and the United Arab Emirates (100,000 - 150,000 bbl daily in total).

ERTA view

Saudi Arabia is able to compensate missing oil supplies from the North Africa. But who will compensate possible reduced gas supplies to Western Europe in case of revolutions and conflicts in Algeria? The Europeans must be very concerned about it – particularly Spain, Portugal and France.

Of course, Gazprom will be ready to increase the deliveries, where it is technically possible, at long-term export contract prices. Or some lower, maybe. But the permanent situation, where Gazprom in Europe plays the role of a fire extinguisher following the role of a fire bug, has not been satisfying for both sides for a long time.

Gazprom parted with one of top managers

Head of the Department for Foreign Business Stanislaw Tsygankov is leaving his post in Gazprom while he holds the position of General Director of Severneftegazprom.



One of the “highly fired” Gazprom’s top-managers, head of the Department for Foreign Business Stanislaw Tsygankov is leaving his post. In February, by the proposal made by Gazprom, he was appointed General Director of Severneftegazprom, the company developing the Yuzhno-Russkoye field. 51% of the company is owned by

Gazprom, E.ON Ruhrgas and Wintershall own 24.5% each.

In the recent years, Tsygankov has been a target of frequent rebukes at the Board’s meetings. It was him who suffered the wave of anger, when there was a need to criticize activities of the export division, but the positions of its head Alexander Medvedev (Deputy Chairman of the Gazprom’s Board and general Director of Gazprom export) were very strong.

Nevertheless, S.Tsygankov was not fired even in the last year, when he was appointed part-time General Director of SeverEnergia (at that time – a joint venture of Gazprom

and the Italian companies Eni and Enel for development of former gas assets owned by Yukos). It seems like, at that time, it was the Gazprom’s decision to give 51% of SeverEnergia to the joint venture of Gazprom neft and NOVATEK - Yamal razvitiye LLC - which prevented final re-qualification to the “industrial manager”. New owners of SeverEnergia have found another director.

Though playing a special role of a lighting conductor for A.Medvedev, S.Tsygankov failed to get a foot in this door. The Deputy Chairmen for export appointed his own man – Pavel Oderov (former Gazprom export official) as Deputy Head of the Department for Foreign Business. His main area of activities included structural planning of the South Stream Project, but it was clear that they planned him to replace S.Tsygankov.

Evidently, S.Tsygankov has made no serious mistakes, as he, in fact, has left practically nothing in terms of his status and will likely get higher material benefits as the director of the joint venture. At the same time, the today’s Severneftegazprom looks more like “a plum job”, not fitting career ambitions (the field has reached the project production level, relations with the partners are settled).

ERTA view

Next year or two may bring large-scale resignations among Gazprom’s top managers. There are two reasons for that.

First: Some managers have already been holding their posts for a long time. Their abilities and disabilities are quite evident. This situation brings certain weariness from impossibility to solve old problems. Everybody is tired – inside Gazprom and outside it.

Second: The second cycle of Gazprom’s development is now coming to its end, in a certain sense. Forming new tasks need coming of new managers.

Weekly analytical comments **Energy News Weekly** prepared Analytical Group ERTA on the basis of materials published in the following publications and information of news agencies: Kommensant, Vedomosti, Izvestia, Nezavisimaya Gazeta, RIA Novosti, Finmarket, Interfax, PRIME-TASS, Oil and Capital, Oil and Gas Vertical, Oil of Russia, Lawtek, etc.

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