

U.S. – RUSSIA GOVERNMENT ENERGY DIALOGUE
Energy small & medium sized enterprises workshop



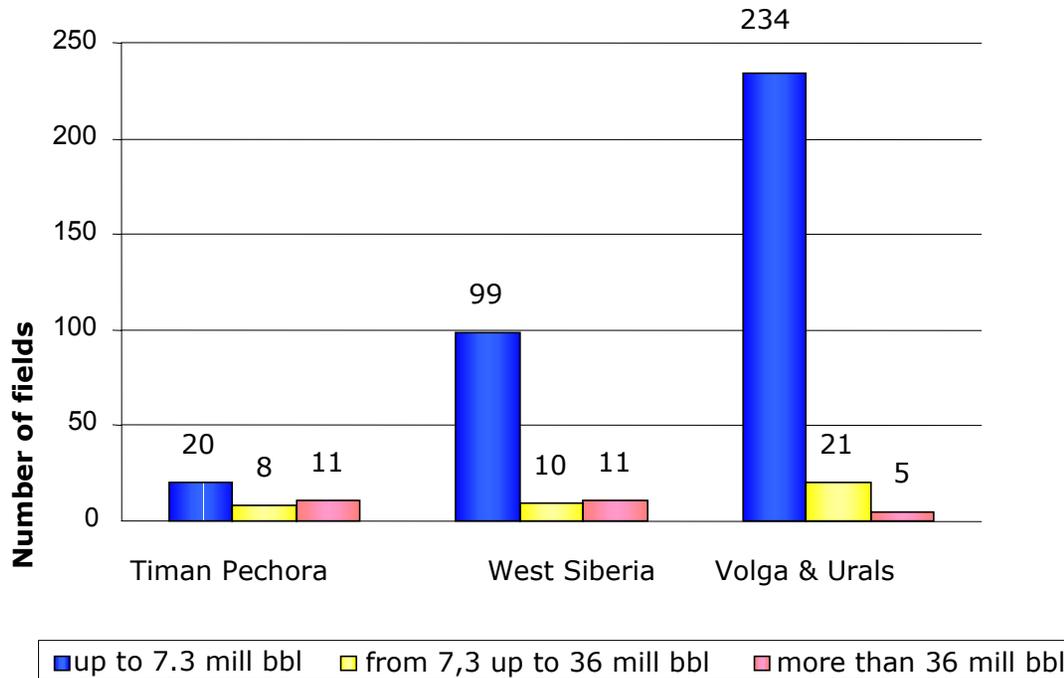
General Director Elena V. Korzun, Ph.D.
Monday, April 7, 2003
Washington, U.S.

USA	Russia
<p data-bbox="19 328 456 385"><i>"independents"</i> -</p> <ul data-bbox="19 571 799 799" style="list-style-type: none">- exploration and development- no ownership of refining or transportation facilities	<p data-bbox="990 314 1808 485"><i>No official definition available, they speak of "small & medium-sized independents"</i>-</p> <ul data-bbox="1028 542 1846 956" style="list-style-type: none">- licensed users of subsurface resources- no affiliation to majors- production and/or exploration account for at least 70% of total revenue

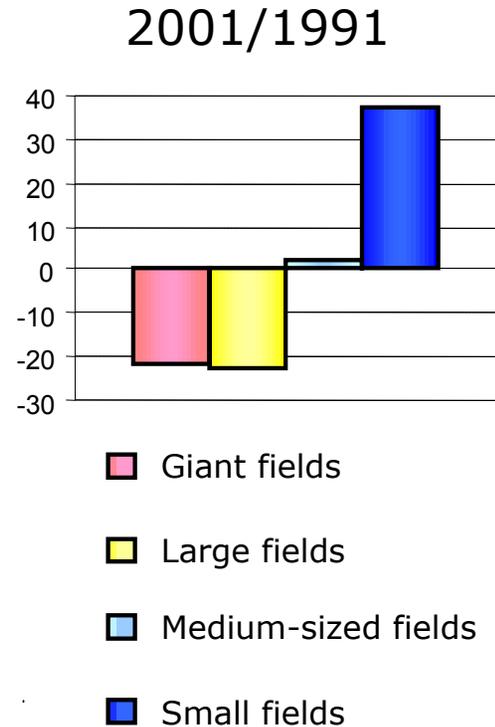
CONCLUSION: There are essential similarities between independents in the United States and in Russia.

Small & Medium-sized Independent Oil Companies in Russia

Available reserves by oil province, as of 01/01/2001

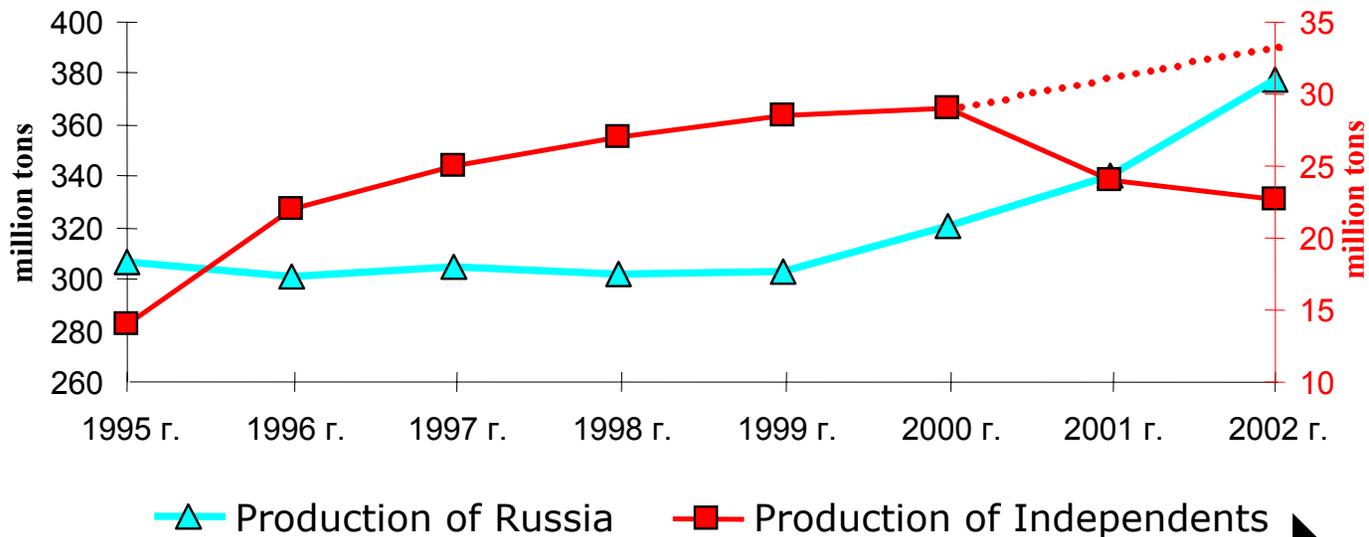


Changing structure of recoverable reserves (%)



CONCLUSION: There is plenty of untapped opportunity for development of independent oil producers in Russia

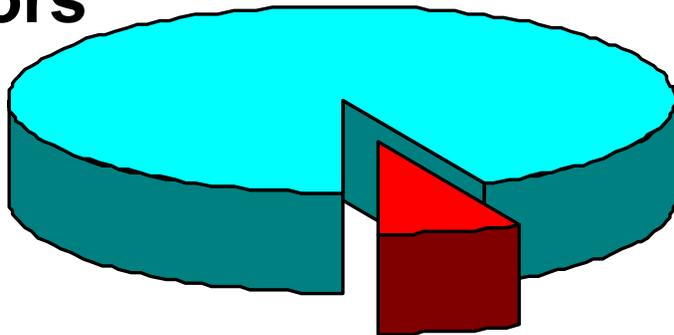
Small & Medium-sized Independent Oil Companies in Russia



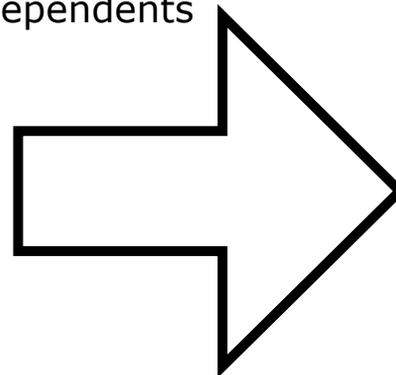
General Statistics:

- **140 companies**
- **165 million bbl (24 million tons)**
- **>\$1 billion in taxes**
- **≈26,000 employees**
- **40% of new oilfields**

Majors



Independents 6%



Licenses

ACCESS TO

Markets

- License agreements
 - auction sales
 - public tender bids
- PSA (Simplified transformation for fields with <183 mill bbl of reserves)
- Partnerships



Exploration



Production



Markets



MARKETS

Transneft-controlled pipelines 

Majors-controlled pipelines 



DOMESTIC

EXPORT

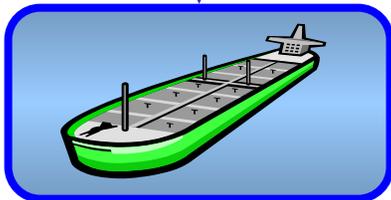
 **Refineries owned by majors** 

Western countries

CIS countries

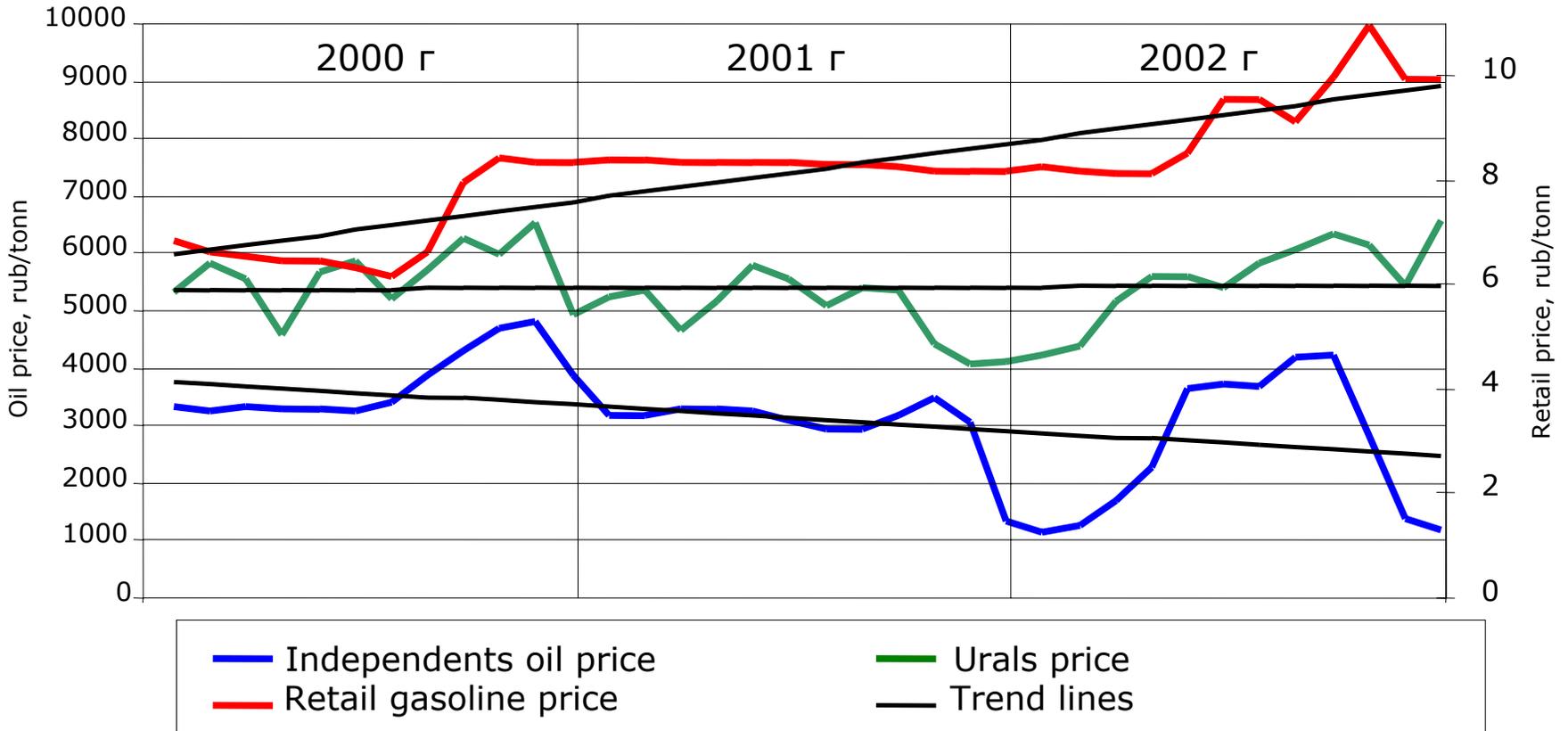


Private pipelines owned by majors (Murmansk, China)

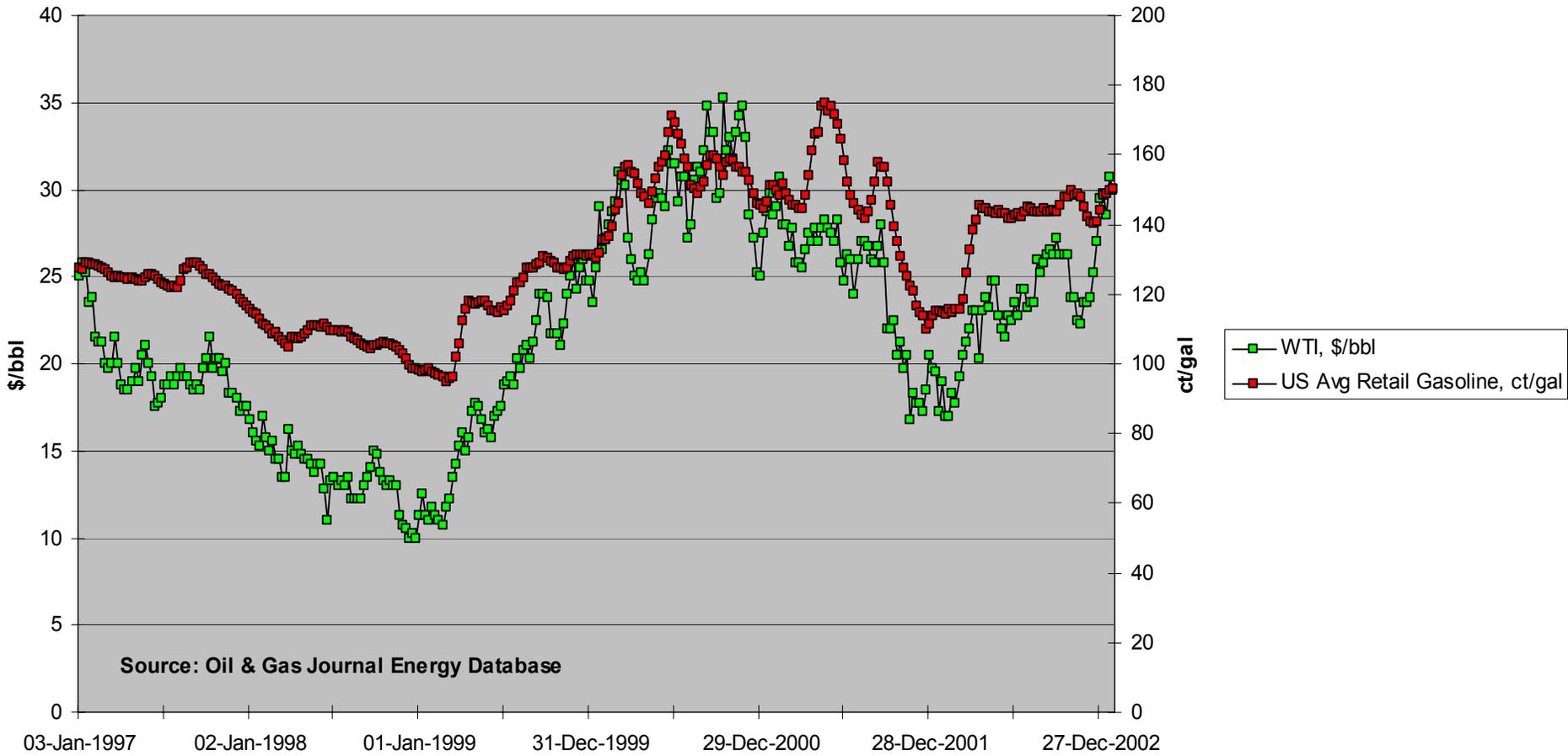


Refineries in Belarus, the Ukraine and Kazakhstan 

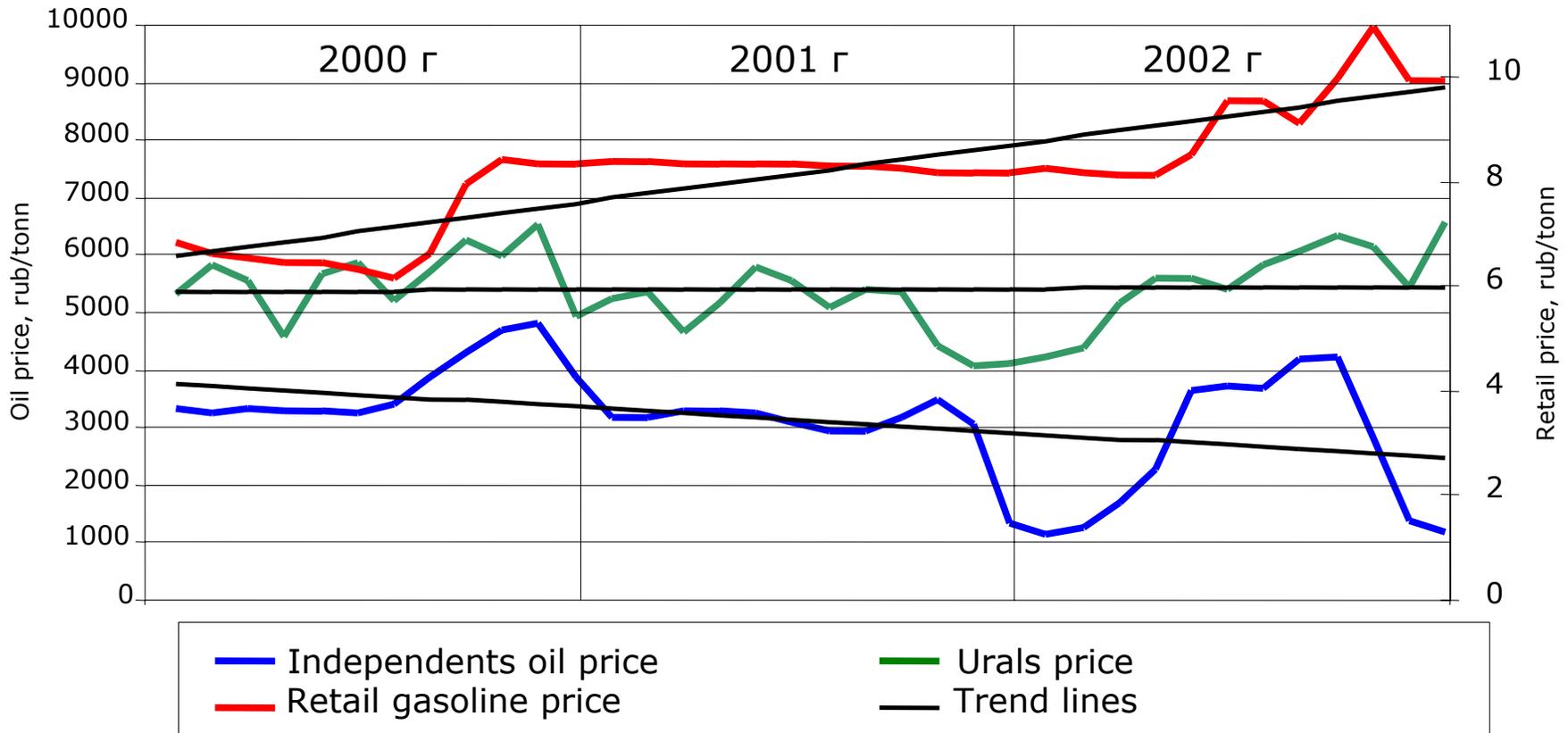
Dynamics of domestic oil and gasoline prices
(Infotek and RTS statistic)



West Texas Intermediate vs US Average Gasoline Retail Prices



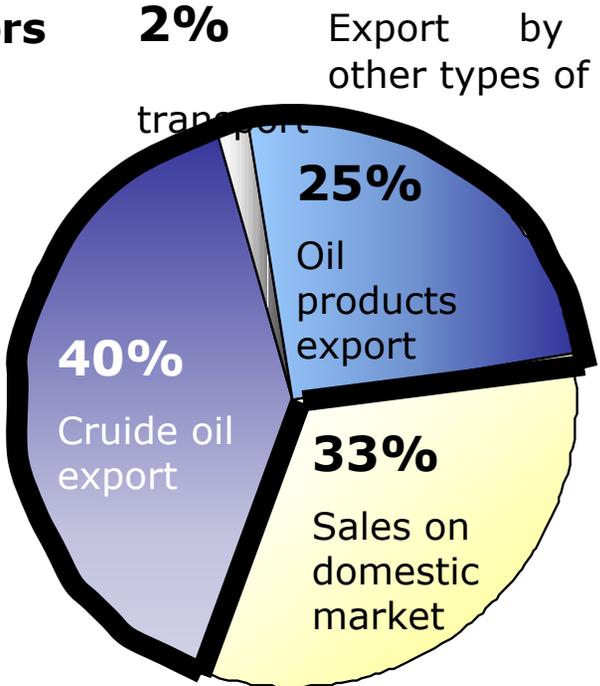
Dynamics of domestic oil and gasoline prices
(Infotek and RTS statistic)



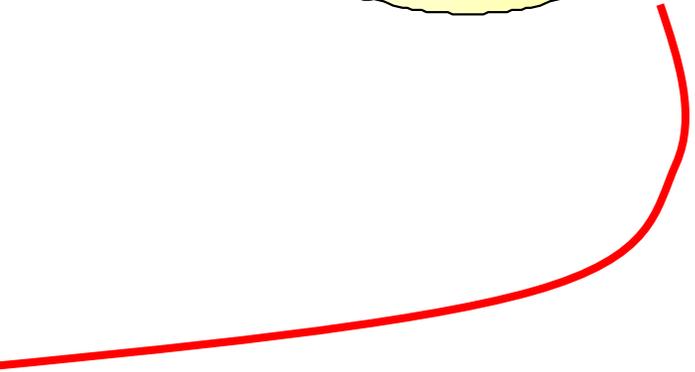
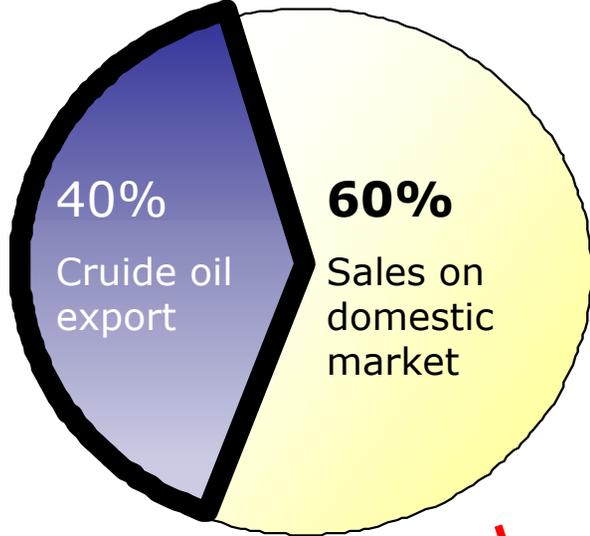
CONCLUSION:

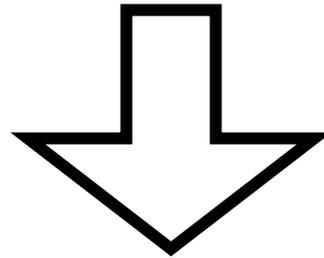
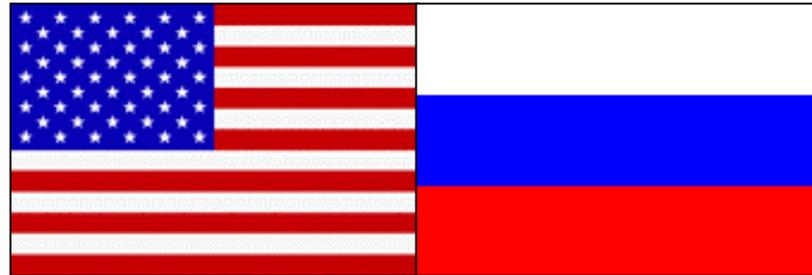
Lack of independent refining capacity in Russia is tantamount to lack of market-based price formation for crude oil in the country.

Majors



Independent





- ✓ Enlist government support in both countries
- ✓ Promote investments in independent oil producers
- ✓ Share knowledge and technical assistance
- ✓ Encourage supplies of equipment and services