
RUSSIA SMASHES POST-SOVIET OIL SUPPLY RECORD AS OPEC WEIGHS CURB

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Russia, the worlds largest energy exporter, is on course to pump a post-Soviet record amount of oil in September, adding as much as 400,000 barrels a day to the countrys production. The output surge comes as OPEC nations meet in Algeria, with discussions to curb a global surplus at the top of their agenda.

Russian crude and condensate production is set to average 11.1 million barrels a day this month, compared with 10.7 million barrels a day in August, according to preliminary Energy Ministry data compiled by Bloomberg. That would surpass the 10.9 million barrels a day January production level, which officials considered as a potential cap during failed talks among producer nations in April.

Now theyre reviving those efforts. Russia and members of the Organization of Petroleum Exporting Countries are meeting this week in Algeria to discuss scenarios for potentially curbing production to help stabilize an over-supplied oil market. The talks may not produce a decision, in part due to the different views of regional rivals Saudi Arabia and Iran. The April discussions in Doha fell apart after Saudi Arabia insisted Iran join the effort to limit production instead of being allowed to return output to a level prior to the imposition of international sanctions, which were lifted in January.

Russia would consider a range of freeze options, though it would prefer capping its output at the most recent levels, according to Energy Minister Alexander Novak.

"We will look at different options and discuss them with OPEC", Novak told reporters late yesterday after bilateral meetings with Saudi Arabia, Iran and Venezuela. "Undoubtedly, September would be the month that objectively would suit us best.

Siberian Fields

The increase in Russian crude output is being driven by the start of new fields in the countrys far north and the Caspian Sea region. Rosneft PJSC, along with Gazprom Neft, the oil unit of Gazprom PJSC, began commercial production from the East Messoyakha venture earlier this month. Rosneft plans to start the Suzun field, a separate project in Siberia, next month, according to Chief Executive Officer Igor Sechin. Lukoil PJSCs Caspian Filanovsky deposit has started a second well, which is now in test production, and is on track to grow to a peak of 120,000 barrels a day next

year, according to the company press service.

Russia produced record annual average 11.4 million barrels a day in 1987, before the break-up of the Soviet Union, according to BP statistics. Bloombergs monthly estimate for September production is based on daily data from the Energy Ministrys CDU-TEK for the first 27 days of the month, and then the average of the rate over the last week for the final three days.

Russian production has every opportunity to continue growing, potentially adding another 2-3 percent over the next 12 months if the government doesnt raise taxes on the industry, according to Artem Konchin, an oil analyst at Otkritie Capital in Moscow. Rosneft and Lukoil, the nations two largest producers, have shifted their guidance on output to positive territory as they start new fields and increase spending on core production in Siberia, he said in an e-mail.

If the freeze happens at current levels, then the bar is obviously higher, Konchin said. Technically, Im not sure how that whole thing will be implemented -- no one is sure.

Kaynak/Source: