RUSSIAN ENERGY STRATEGY REVISION:
KEY TARGETS FOR THE DOMESTIC MARKET
AND FOR ENERGY EXPORTS

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Energy Strategy in the system of the Russian strategic documents

- National security strategy
- Main areas of the government activities
- Strategy of the social-economic development
- Strategy of the territorial development
- General scheme of development of the fuel and energy complex of the Russian Far East
- General scheme of development of the oil industry
- General scheme of development of the gas industry
- General scheme of development of the coal industry
- General scheme of allocation of power generating facilities
- General scheme of development of the coal industry
- General scheme of development of the gas industry
- Conception of the state program for exploration and exploitation of the continental shelf of the Russian Federation
- Program of long-term development of the fuel and energy complex of the Russian Far East
- State program on energy efficiency and energy saving
- Strategic forecast
- Budget forecast
- Forecast of the social-economic development up to 2030
- Scientific and technological forecast up to 2030
- Eastern Gas Program
- Investment programs of energy companies
Major new external challenges for the Russian energy sector

- Stagnant oil and gas demand, changing rules in the European energy sector (main market for Russia)
- Main demand growth moves to Asia, where Russian presence is very limited for the next 5-7 years and where huge new infrastructure development is required
- Increasing competition on the global energy markets, entrance of the new hydrocarbon suppliers (shale from the U.S., Iran, Iraq, Brazil, Australia, East Africa, etc.)
- Oil and gas prices declining trend until 2022-2025 and uncertain further dynamics
- Geopolitical threats, introduction of technological and financial sanctions against Russia, which limit its access to the new technologies, equipment and financial markets
Major new domestic challenges for the Russian energy sector

- Stagnation of the Russian economy slows down domestic energy demand. Lower investment availability and frozen energy prices cut investment programmes in the energy sector slowing don its renovation
- Worn-out and obsolete energy infrastructure
- Technological inferiority
- Low investment attractiveness (low domestic prices, unstable regulation, low efficiency of the current institutional framework in the energy sector)

Source: Ministry of Economic Development, ERI RAS
Aims and objectives of the Energy Strategy

- ES aim is to assure dynamic social-economic development of the country by efficient and sustainable development of the energy sector.
  - Sufficient supply of the energy resources at affordable prices
  - Standard reliability of the energy sector performance
  - Resilience to the external shocks

- ES objectives are:
  - To satisfy efficient domestic energy needs in a reliable way, assuming primary energy demand growth by ~20% by 2035
  - To sustain Russia`s leadership in the global energy markets with 25% growth of the export volumes and revenues and market diversification to Asia
  - To stimulate industrial development and increasing level of life of the population by price and tariffs improvements (~at the level of inflation)
  - To improve Russia`s energy efficiency and decrease country` energy intensity by 40%
  - To reduce GHG emissions at the level 23% below 1990
Major strategic initiatives of the Russian State in the energy sector

- Radical improvement of the energy efficiency
- “New electrification” based on the new generation and transmission technologies, including decentralized generation and smart grids
- Creation of the new energy-industrial complexes in the Eastern part of the country, development and regional diversification of the energy transportation infrastructure
- Renovation and development of the operational oil and gas provinces with increased recovery of the conventional hydrocarbons and growth in the unconventional hydrocarbon production
- Preparation for the development of the Arctic hydrocarbon reserves
Primary energy production is assumed to grow by ~10-20%, primary consumption – by ~10-15%, with the remaining dominant role of gas.

Source: Global and Russian Energy Outlook up to 2040. ERI RAS-AC. 2014.
Energy exports: all growth in the East

Russia’s net exports by energy resource type

Russia’s net energy exports by direction

Source: Global and Russian Energy Outlook up to 2040. ERI RAS-AC. 2014.
Sustaining oil production is a challenge

Source: Global and Russian Energy Outlook up to 2040. ERI RAS-AC. 2014.
Oil exports to Asia are replacing European supplies

Crude oil exports from the Russian Federation, million tonnes

Source: Global and Russian Energy Outlook up to 2040. ERI RAS-AC. 2014.
Russian gas production is demand-constrained, only part of the production potential will be utilized, assuming growth of production by ~25-40%.

**Russian gas production forecast**

Source: Global and Russian Energy Outlook up to 2040. ERI RAS-AC. 2014.
The main increase in Russian gas exports will be to Asia.

Source: ERI RAS
Conclusions

- More competitive external environment and domestic challenges are creating less favorable conditions for the Russian energy sector.
- Oil production in Russia can be maintained for a period of time, but it demands radical reform of taxation and industrial structure.
- Russian gas industry still has a huge potential for production and export growth.
- Asia is obviously becoming the main Russia`s energy trade partner.
Contacts

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