

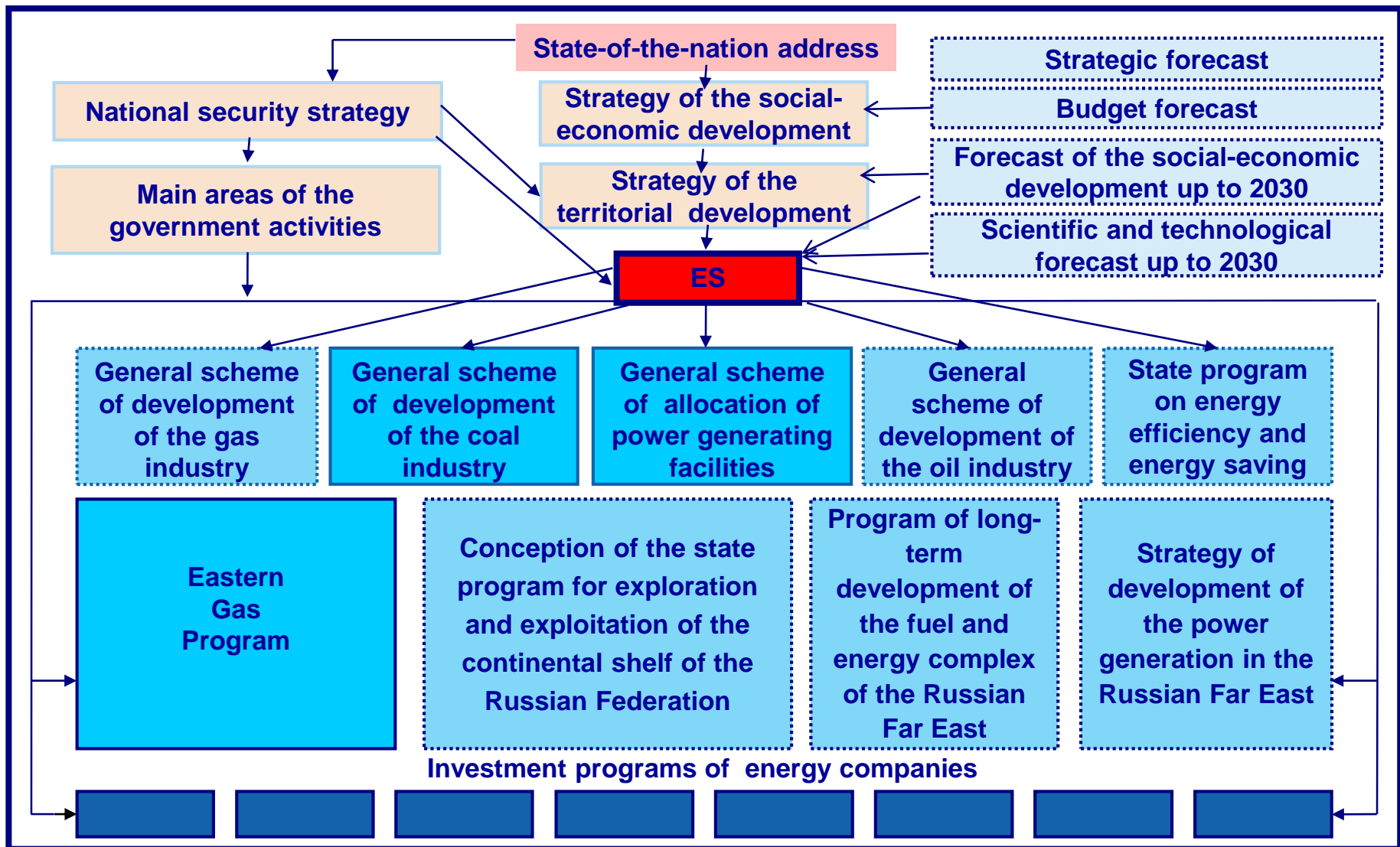
# RUSSIAN ENERGY STRATEGY REVISION: KEY TARGETS FOR THE DOMESTIC MARKET AND FOR ENERGY EXPORTS

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# Energy Strategy in the system of the Russian strategic documents



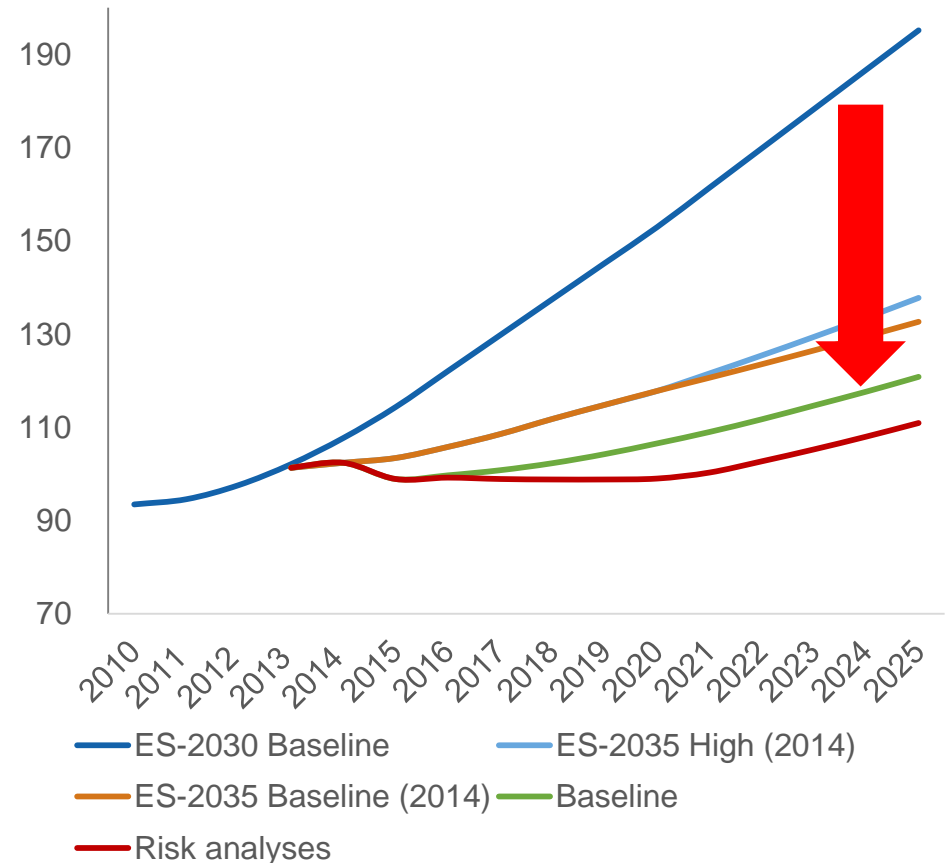
# Major new external challenges for the Russian energy sector

- ❑ 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 down 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)

Russian GDP dynamics, % to 2012



Sources: Ministry of Economic Development, ERI RAS

## Aims and objectives of the Energy Strategy

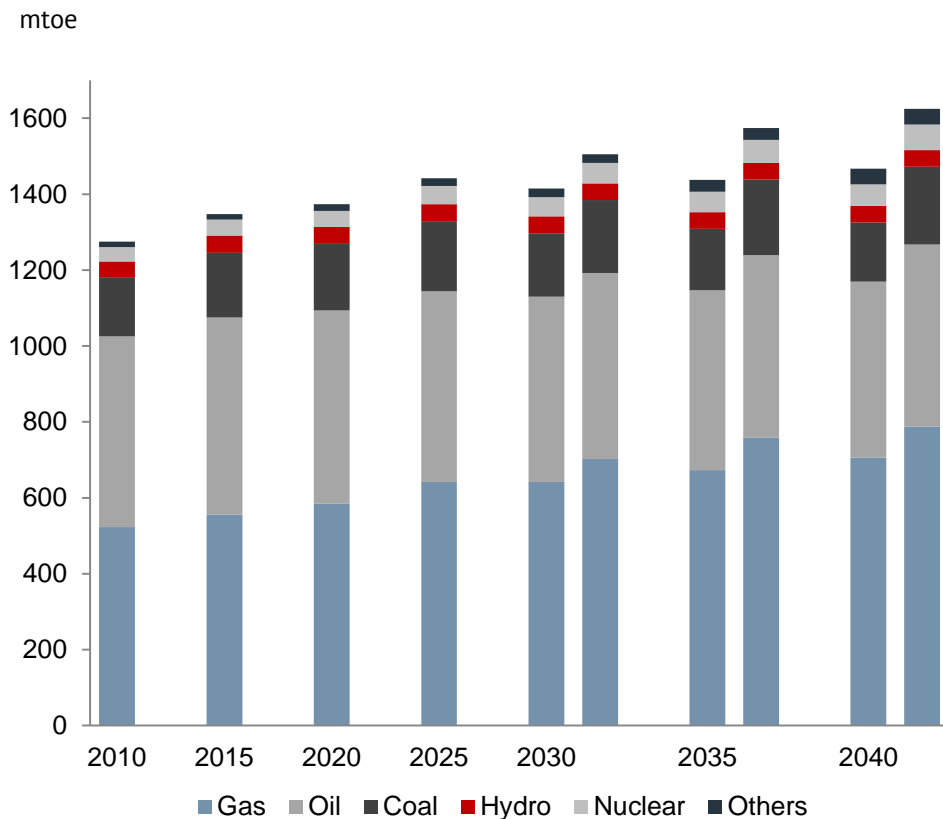
- ❑ ES aim is to assure dynamic social-economic development of the country by efficient and sustainable development of the energy sector.
  - Sufficient supply of the energy resources at the affordable prices
  - Standard reliability of the energy sector performance
  - Resilience to the external shocks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

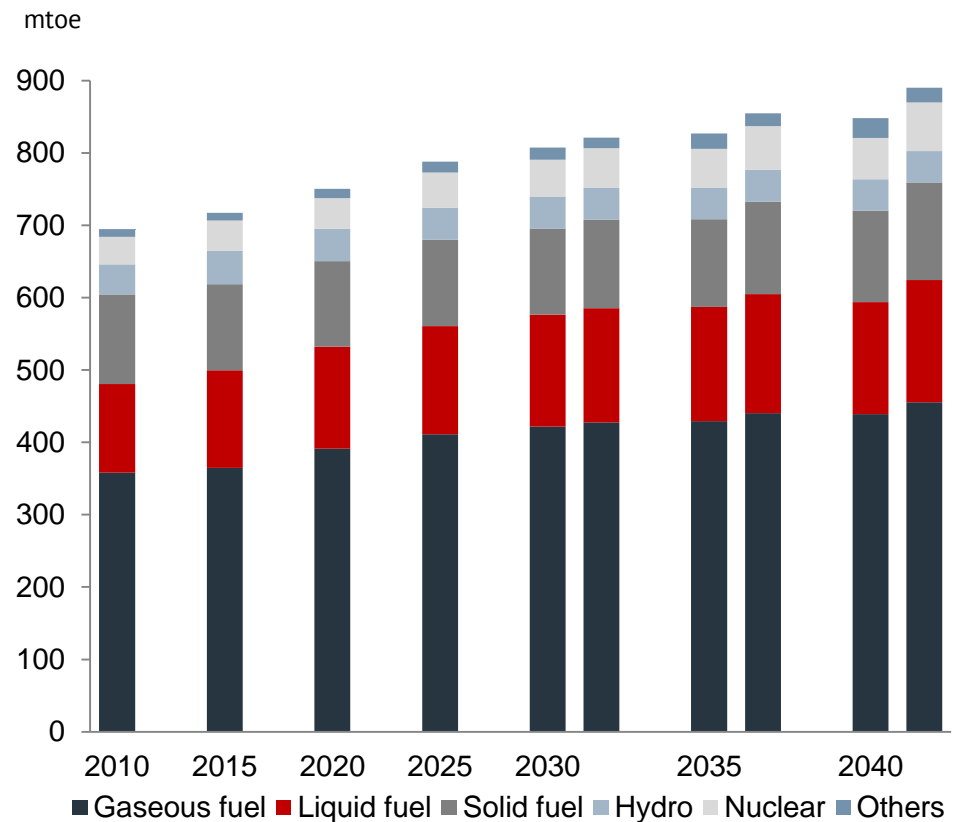
- ❑ Radical improvement of the energy efficiency
- ❑ “New electrification” based on the new generation and transmission technologies, including decentralized generation and smart grids
- ❑ Creation of the new energy-industrial complexes in the Eastern part of the country, development and regional diversification 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

## Russian primary energy production



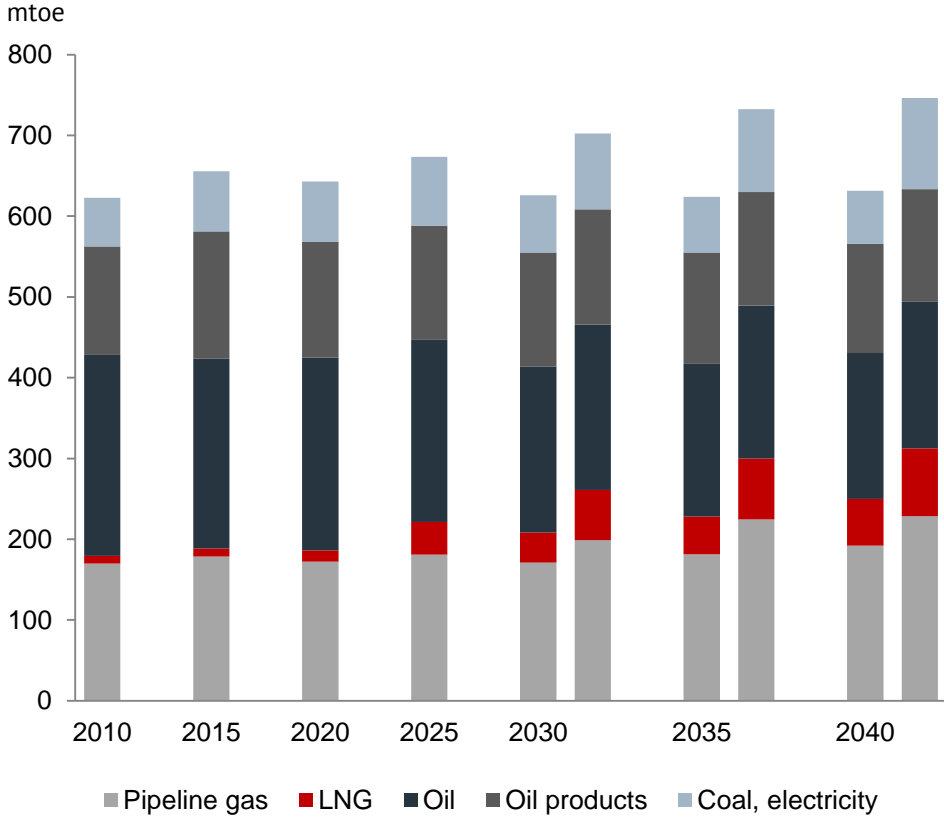
## Russian primary energy consumption



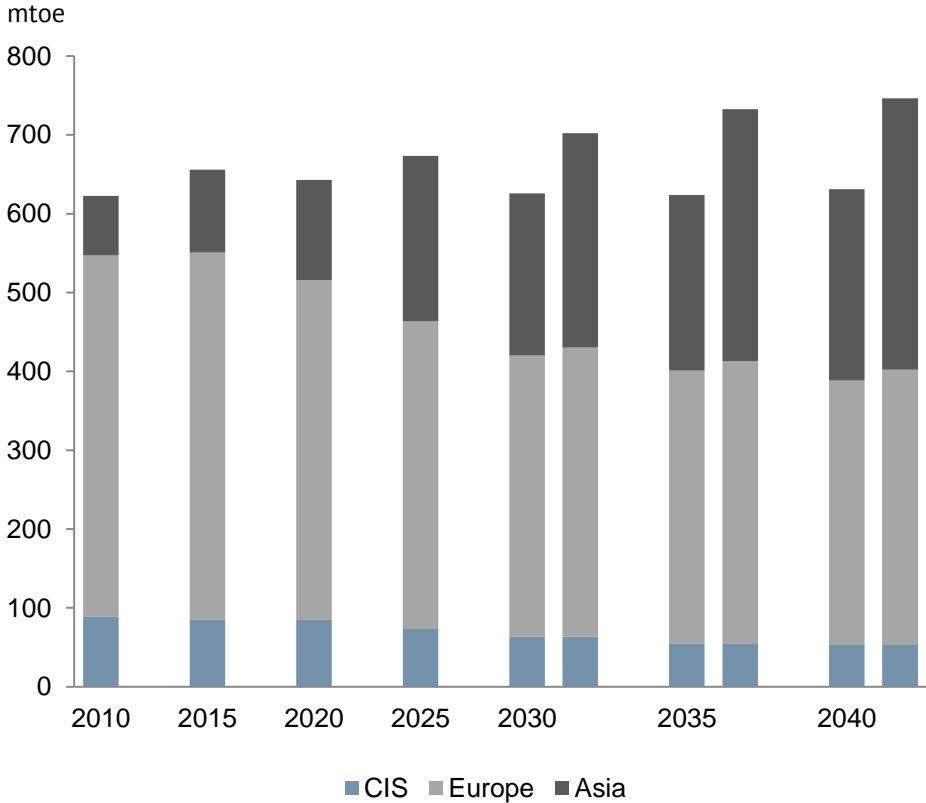
Source: Global and Russian Energy Outlook up to 2040. ERI RAS-AC. 2014.

# Energy exports: all growth in the East

## Russia's net exports by energy resource type



## Russia's net energy exports by direction

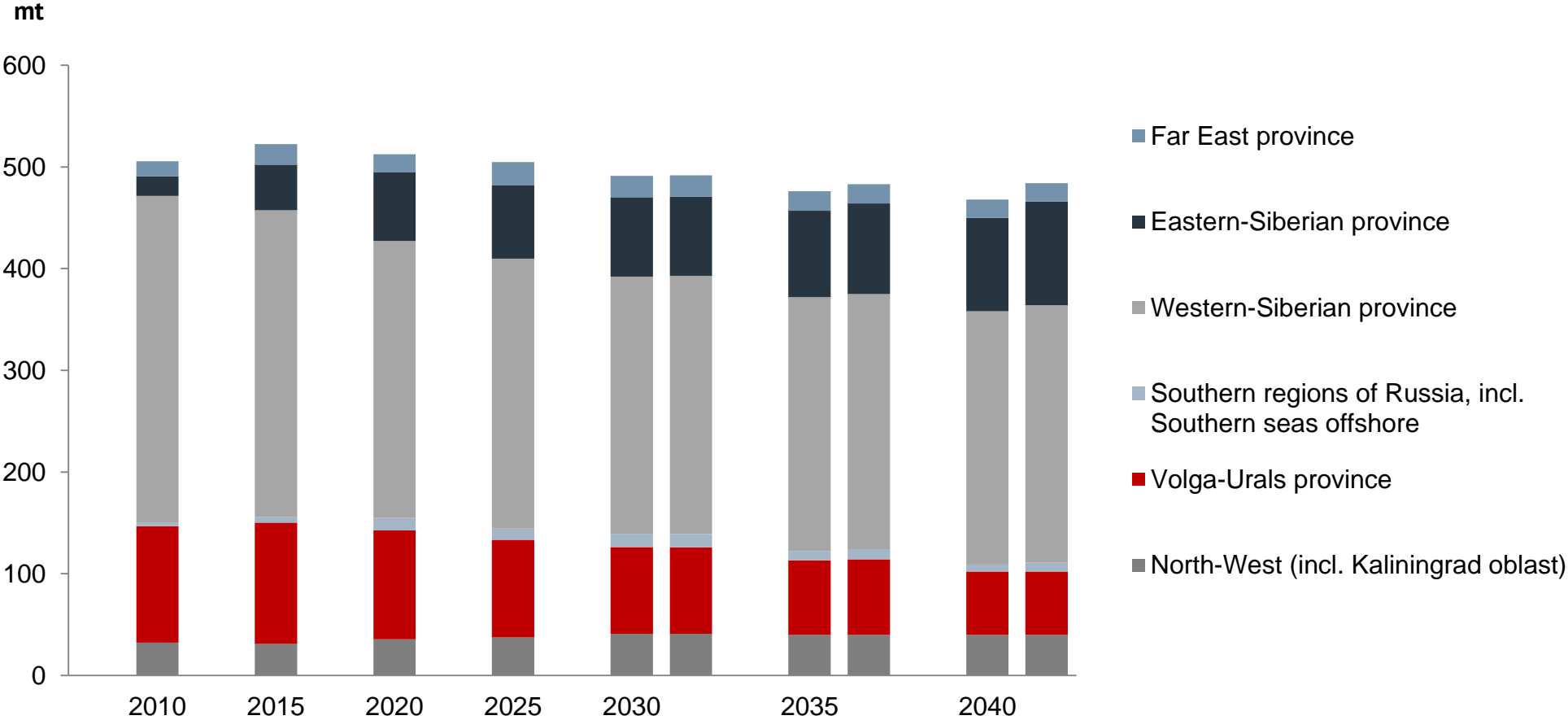


Source: Global and Russian Energy Outlook up to 2040. ERI RAS-AC. 2014.



# Sustaining oil production is a challenge

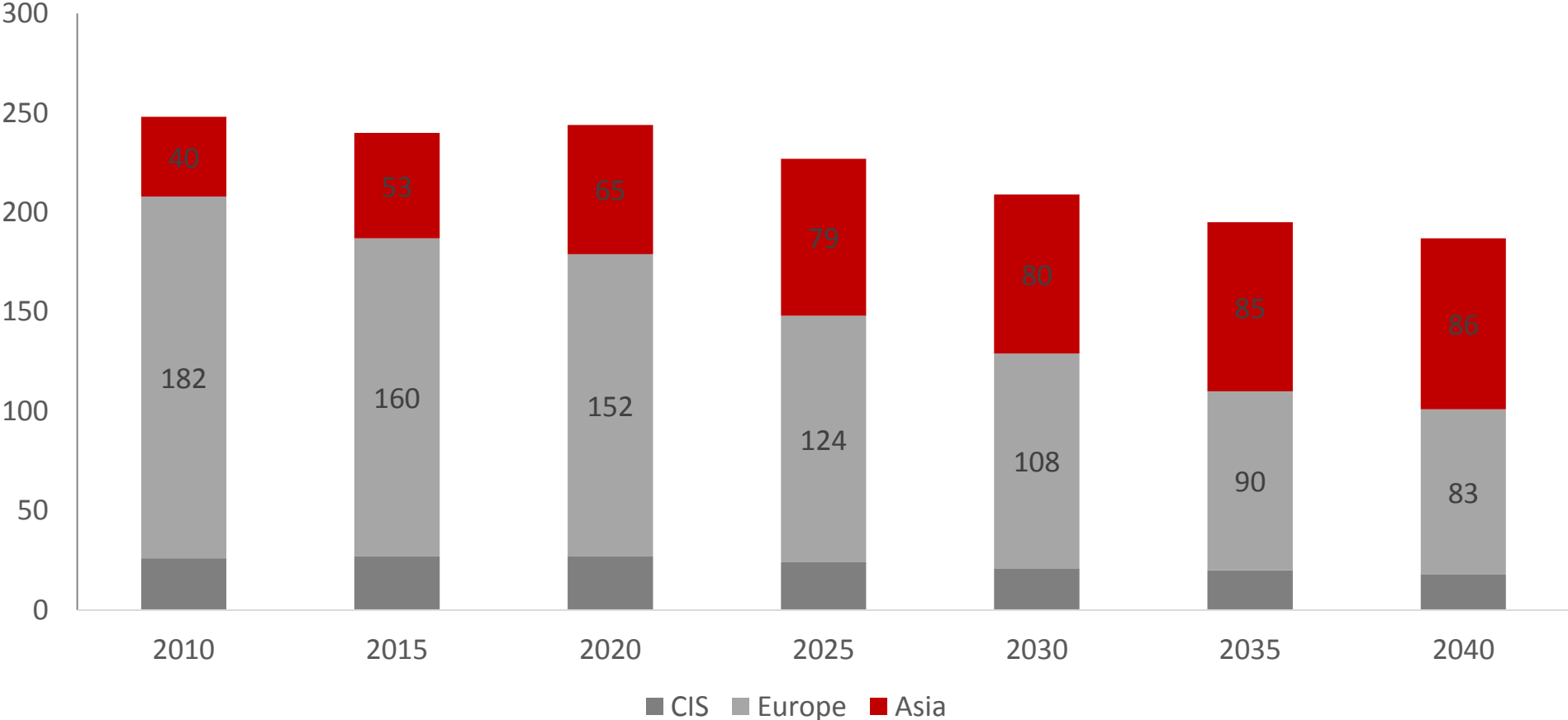
## Russian oil production by Federal District



Source: Global and Russian Energy Outlook up to 2040. ERI RAS-AC. 2014.

# Oil exports to Asia are replacing European supplies

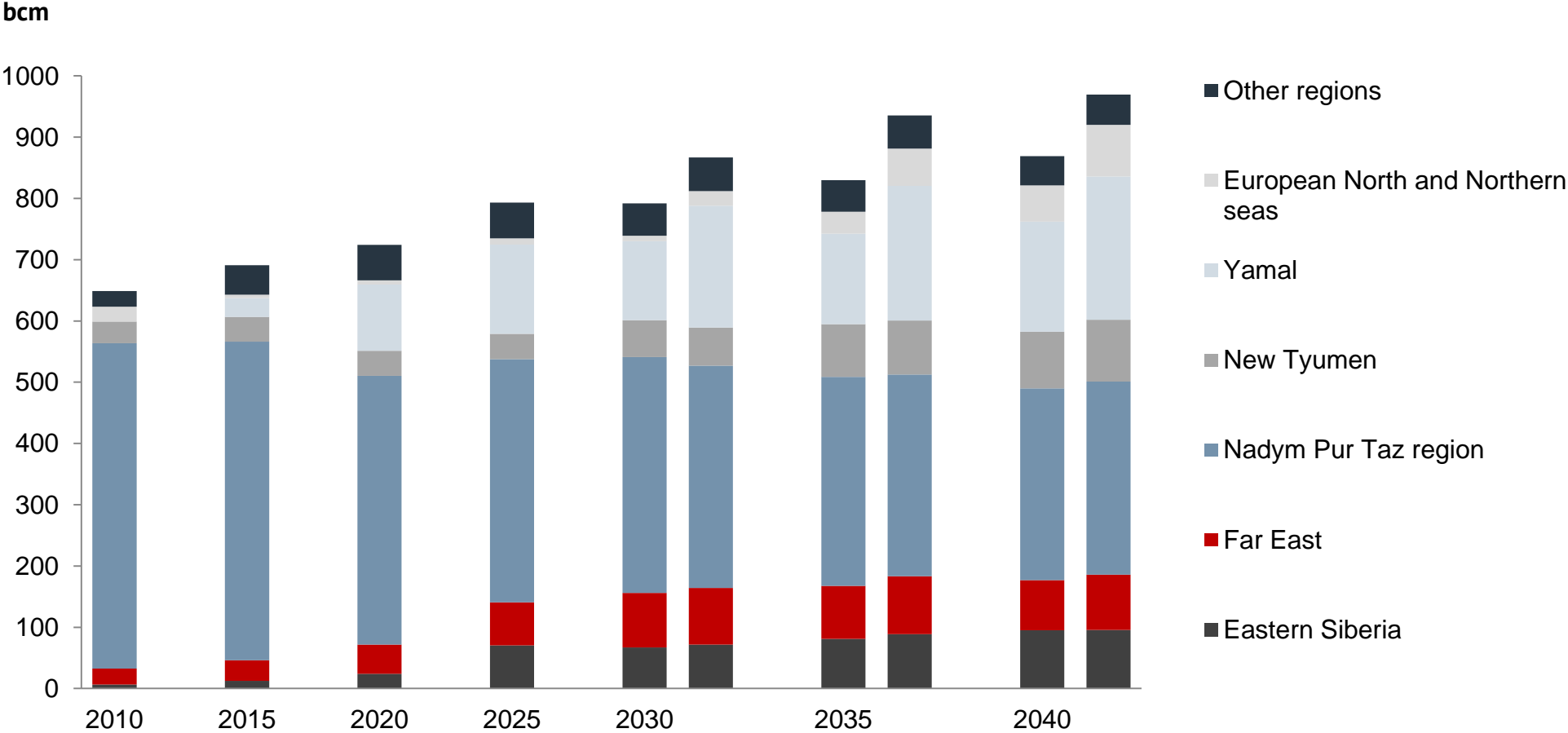
Crude oil exports from the Russian Federation, million tonnes



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%

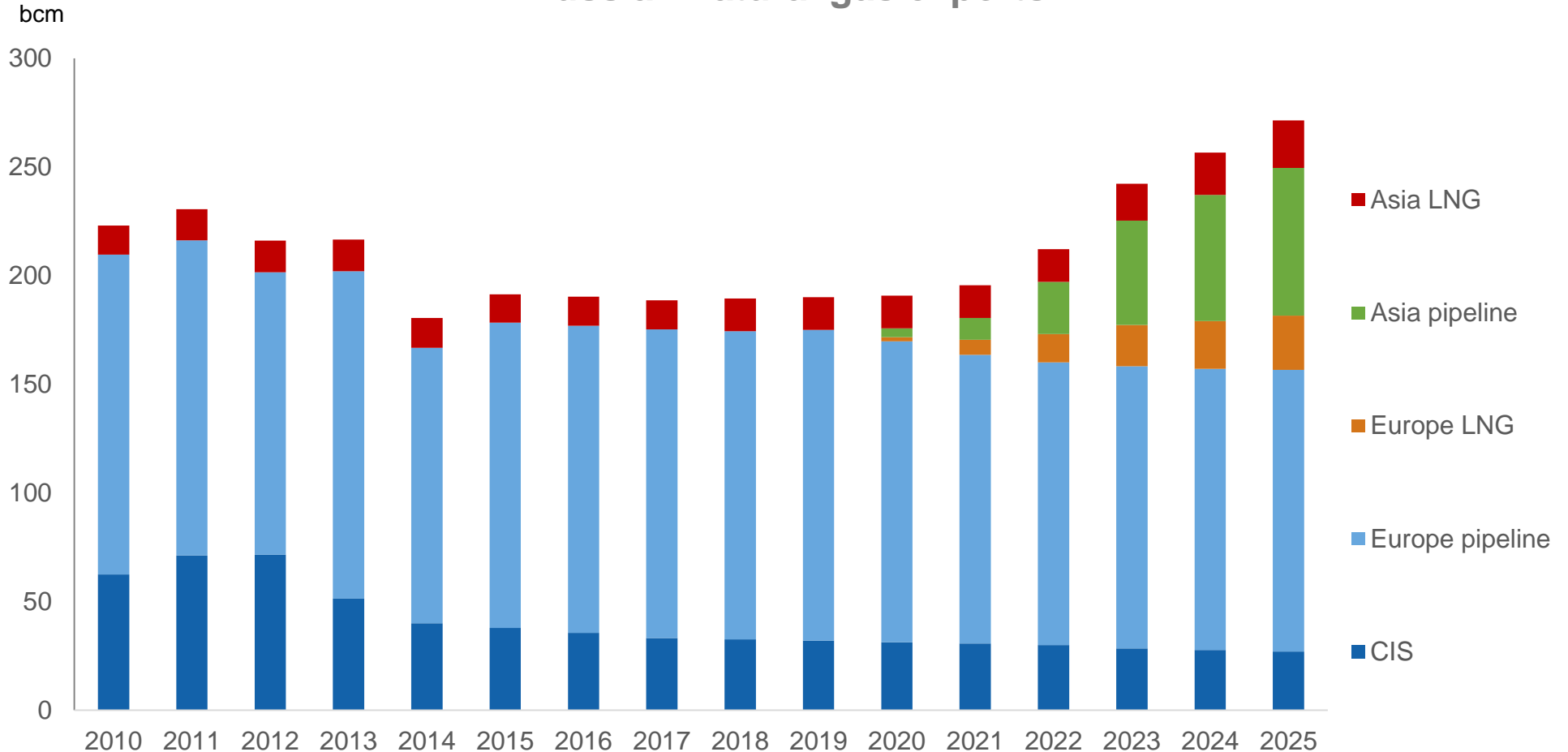
Russian gas production forecast



Source: Global and Russian Energy Outlook up to 2040. ERI RAS-AC. 2014.

# The main increase in Russian gas exports will be to Asia

## Russian natural gas exports



# 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

## Energy Research Institute of the Russian Academy of Sciences

"Global and Russian Energy Outlook up to 2040"

[http://www.eriras.ru/files/Global\\_and\\_Russian\\_energy\\_outlook\\_up\\_to\\_2040.pdf](http://www.eriras.ru/files/Global_and_Russian_energy_outlook_up_to_2040.pdf)

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