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**i**INFO *Line*

**Investment Projects and  
Engineering in Oil and Gas  
Industry of Russia**

**Trends of 2013 Forecast till 2016**

July 2013  
St. Petersburg

– Partner of industrial and R&D companies



We are proud of our customers  
They do recommend us

**INFOline – integrated analysis and development forecast for FEC**





Oil, gas, APG, LNG



Production sustenance



Development of transportation



Modernization of ORP/GPP



Enhancement of processing



Construction of new PCC



Investments volume till 2016



Industry forecast till 2016



Reference data on companies

**FULL RANGE of INFORMATION SOURCES**

**from individual projects to complex investment strategies!**





Expanded version  
630 pages

Standard version  
120 pages

I

**Investment activity**

- Current condition of oil and gas industry and forecast

II

**Engineering market**

- Market segmentation, trends and forecast

III

**Constriction services market**

- Trends and development issues, forecast

IV

**Ratings of engineering companies implementing projects in oil and gas sector of Russia**

V

**Major investment projects**

- Production, refining, transportation and base

VI

**Business reference data on engineering companies**

- Description of 12 companies

VII

**Business reference data on construction companies**

- Description of 19 companies

VIII

**Business reference data on foreign companies in RF**

- Description of 14 companies





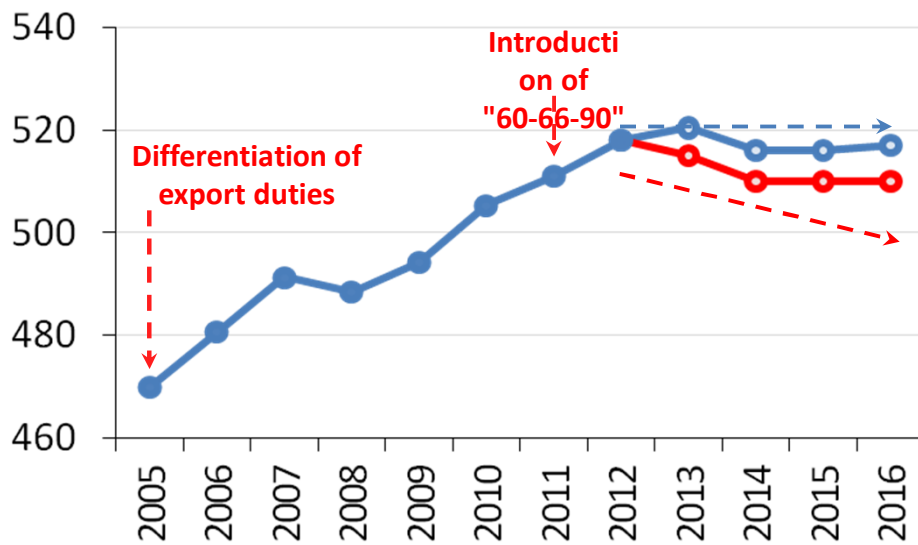
**OIL and****NATURAL GAS INDUSTRY OF RUSSIA****Production****Transportation****Refining**

- ✓ condition and issues of oil and gas industry
- ✓ investment activity
- ✓ state regulation

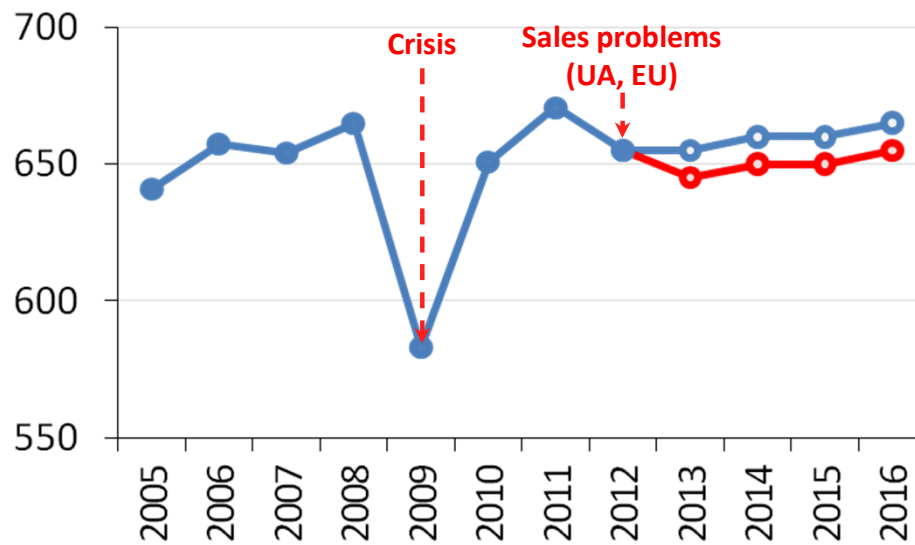
- ✓ CAPEX and development strategy of oil and gas companies
- ✓ business reference data on engineering companies
- ✓ largest investment projects

**Investment activity factors in FEC till 2016**

Dynamics of crude oil production in 2005-2012 and forecast till 2016, million tons



Dynamics of natural gas production in 2005-2012 and forecast till 2016, billion cubic meters



● Actual value

● Optimistic forecast

● Pessimistic forecast

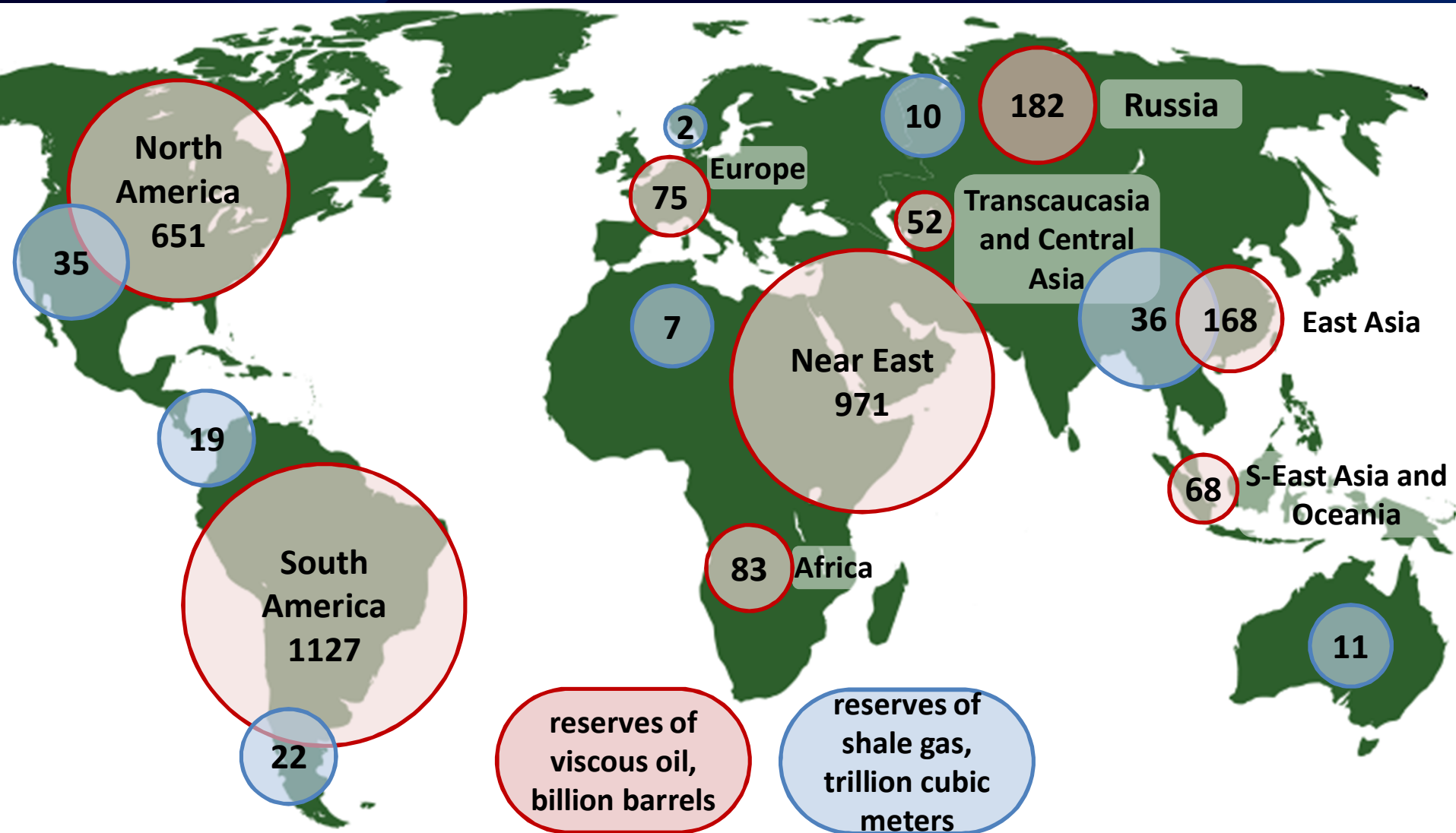
Inland oil deposits – **already allocated**, shelf deposits – **state companies only**

Efficiency of subsurface management: project ORF - **37%**; obtained - **20%**

Ukraine – decline of gas sales, APR – limitations, share at LNG market – **<1.5%**

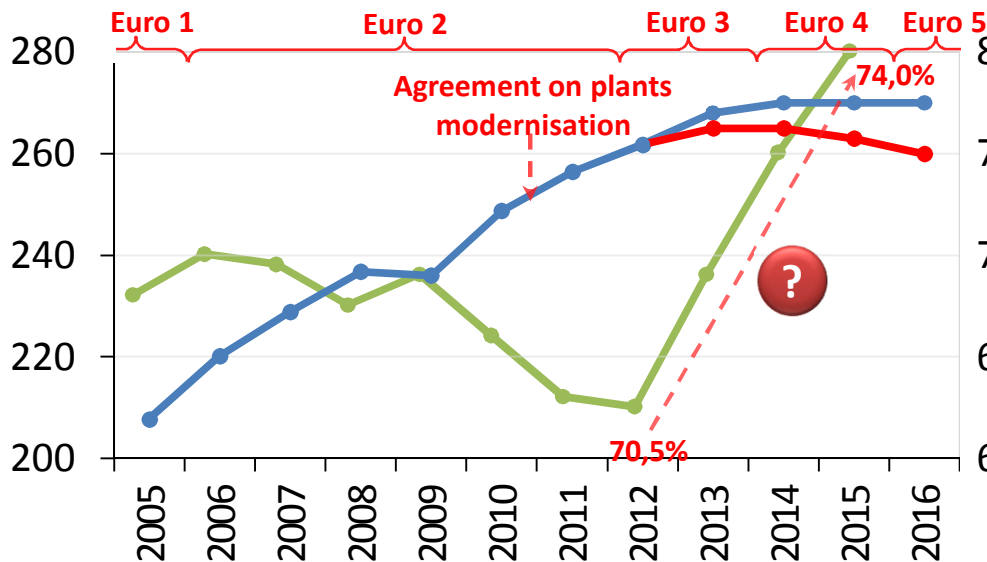


## Russia lags behind technologically in segment of viscous oil and shale hydrocarbons production

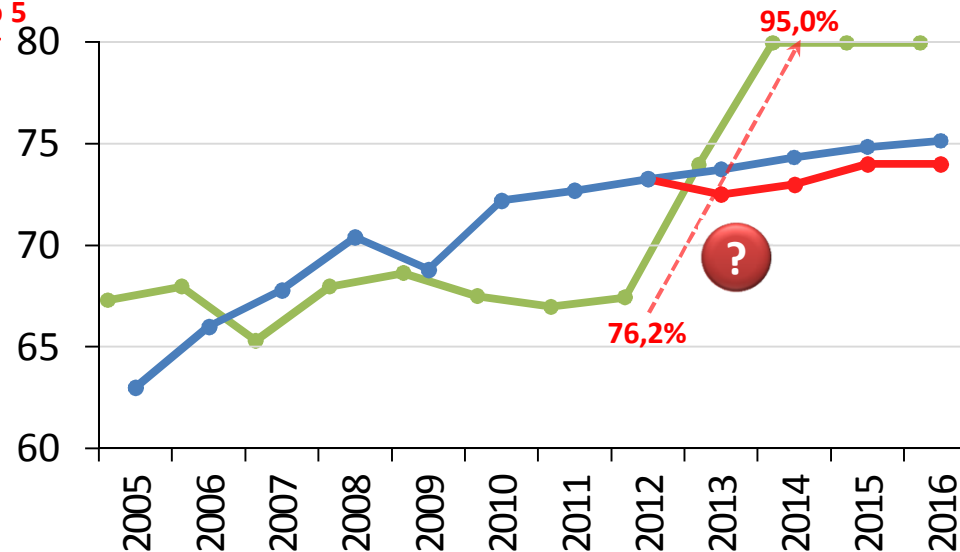




Oil refining dynamics in 2005-2012 and forecast till 2016, million tons



Gas processing dynamics in 2005-2012 and forecast till 2016, billion cubic meters



- Actual value
- Optimistic forecast
- Pessimistic forecast
- Oil refining efficiency, actual and planned, %
- Utilization of APG, actual and planned, %

Russia produces **one order less** petro-and gas chemical products than USA. Losses from flaring of APG – **1.2 bn USD** annually. Modernisation of ORP **falls behind schedule**, state regulation does not stimulate the fastest companies





**Resolution of RF Government of  
12 October 2005 No. 609**



**Agreements between FAS,  
Rostehnadzor, Rosstandart and VIOC,  
October 2011**

Environmental class	Plan	Actual	Delay
Euro 1	before April 2006	before April 2006	-
Euro 2	April 2006-December 2007	April 2006 - December 2012	5 years
Euro 3	January 2008-December 2009	January 2013 - December 2014	5 years
Euro 4	January 2010-декабрь 2013	January 2015 - December 2015	2 years?
Euro 5	January 2014- no limitation	January 2016 – no limitation	2 years?

**Repeated rescheduling disorganises and discourages VIOC. Those companies that have implemented their projects without delays lose the competition**



**OIL**

High-viscosity oil

Hard-to-recovery reserves

Remote regions

Shelf deposits

Development of petrochemistry

**NATURAL GAS**

Export markets

Liquefied gas

Unconventional sources

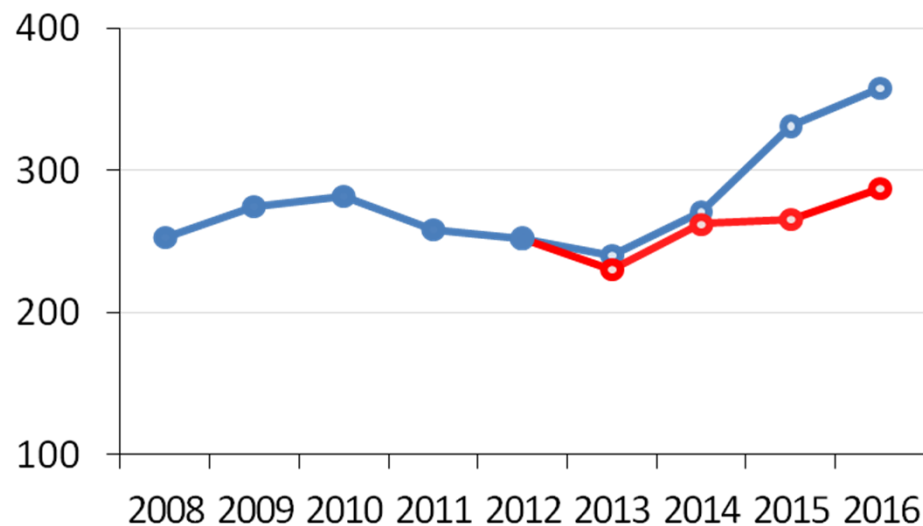
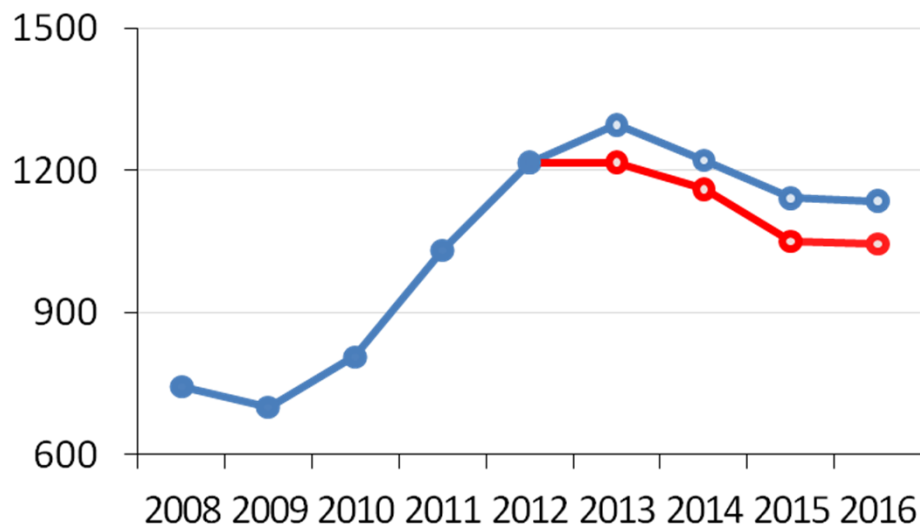
Shelf deposits

Development of natural gas  
chemistry



Dynamics of investments into oil production in 2008-2012 and forecast till 2016, billion rubles

Dynamics of investments into natural gas production in 2008-2012 and forecast till 2016, billion rubles

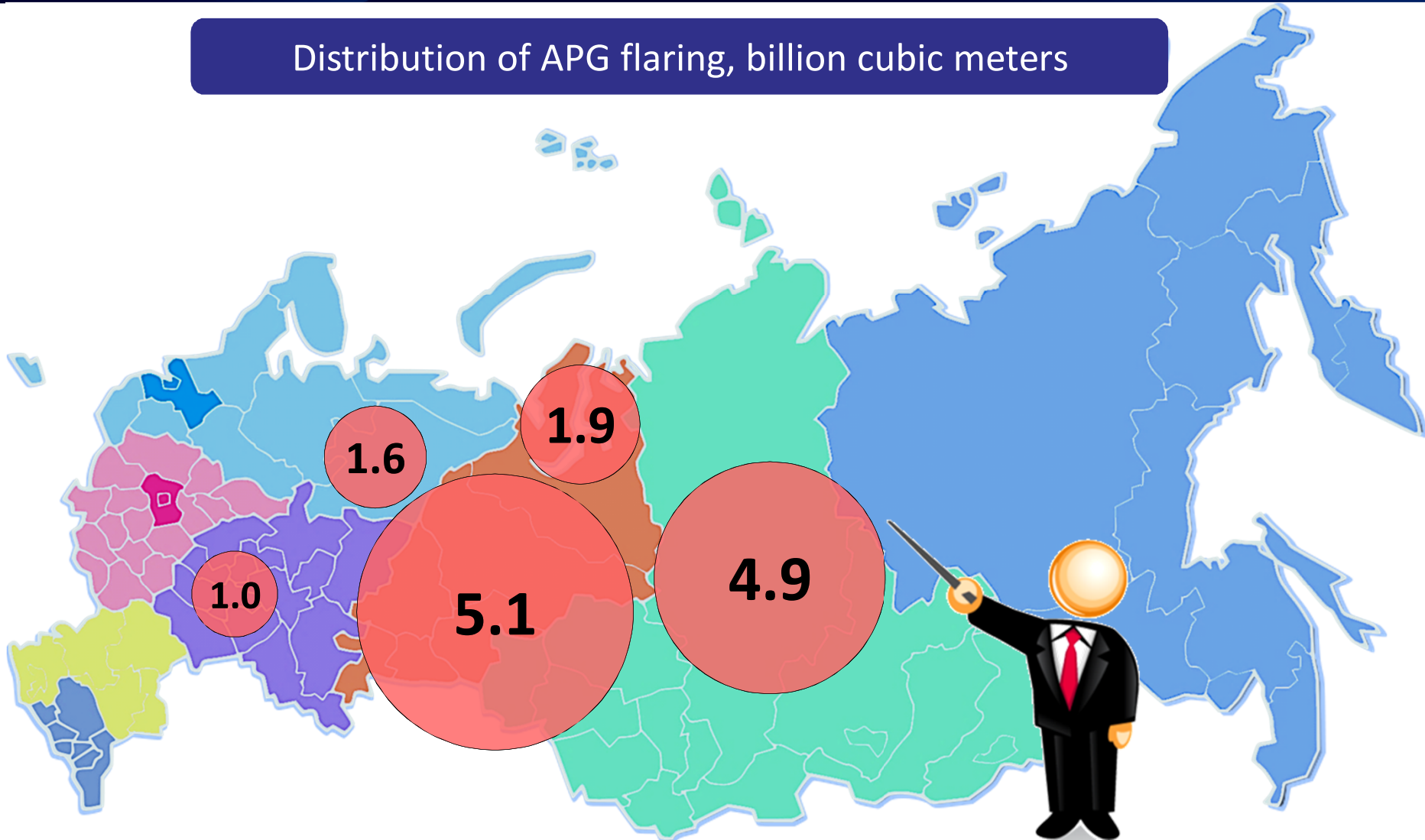


● Actual value     
 ○ Optimistic forecast     
 ○ Pessimistic forecast

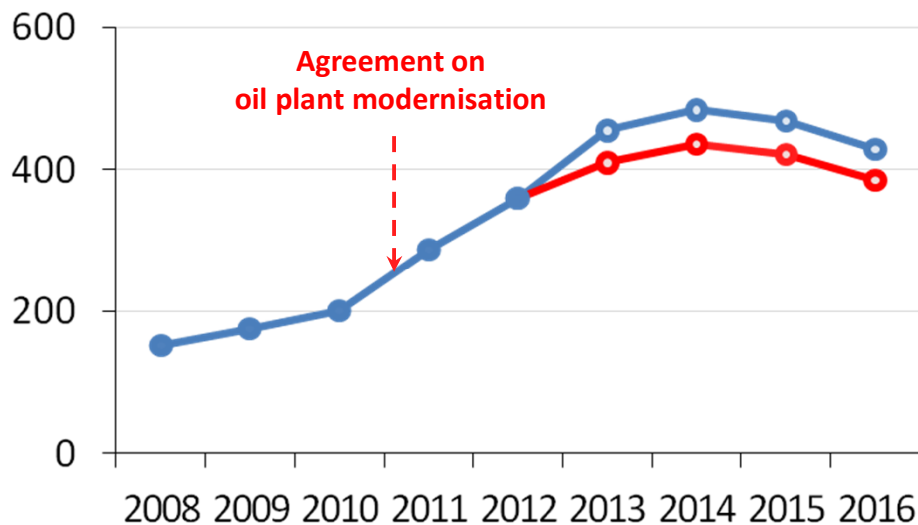
Private companies **are kept away** from the shelf. Involvement of foreign companies through joint ventures with Rosneft and Gazprom **is not an optimum** solution. NOVATEK remains the lonely **“star”** of FEC.



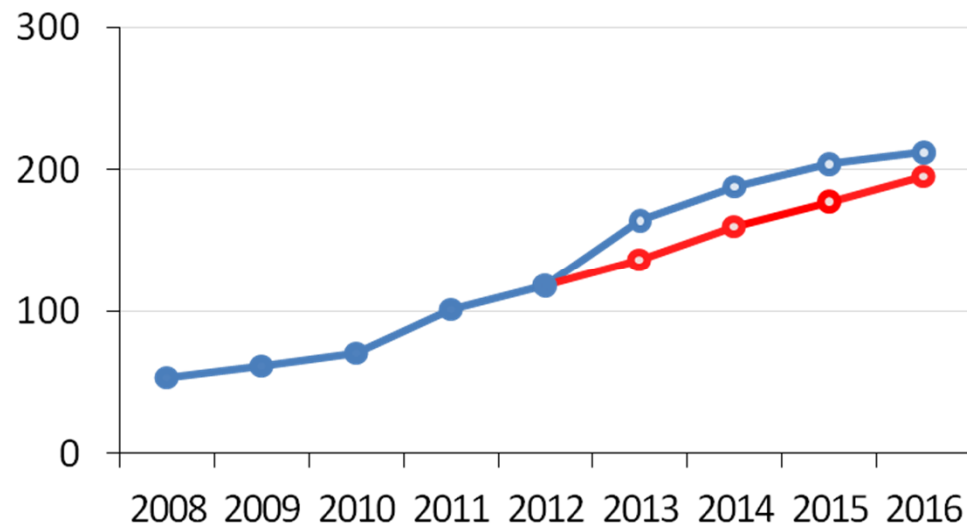
Distribution of APG flaring, billion cubic meters



Dynamics of investments into oil refining and petrochemistry, forecast till 2016, billion rubles



Dynamics of investments into natural gas processing and chemistry, forecast till 2016, billion rubles



● Realvalue

○ Optimistic forecast

○ Pessimistic forecast

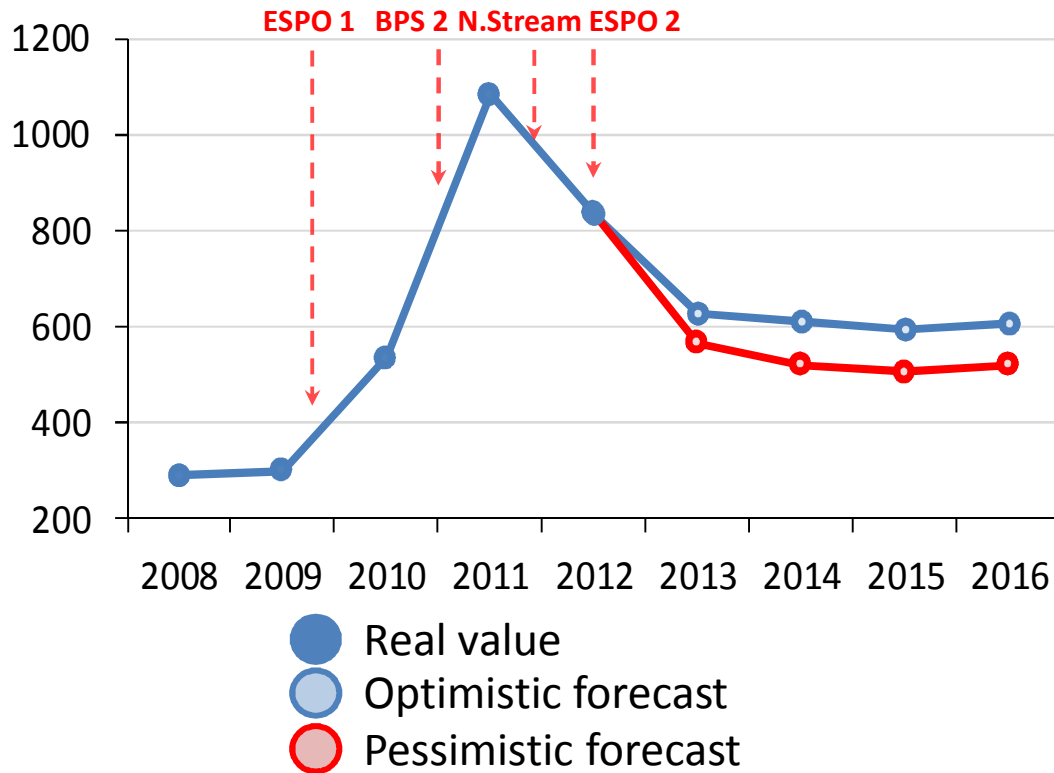
Processing of fuel and power resources requires fundamental modernisation, **technologic breakthrough**.

Activity of an investor is restrained by **inconsistency of decisions** made by the Government.  
Conditions for acceleration of investments through economic incentives **are not created**

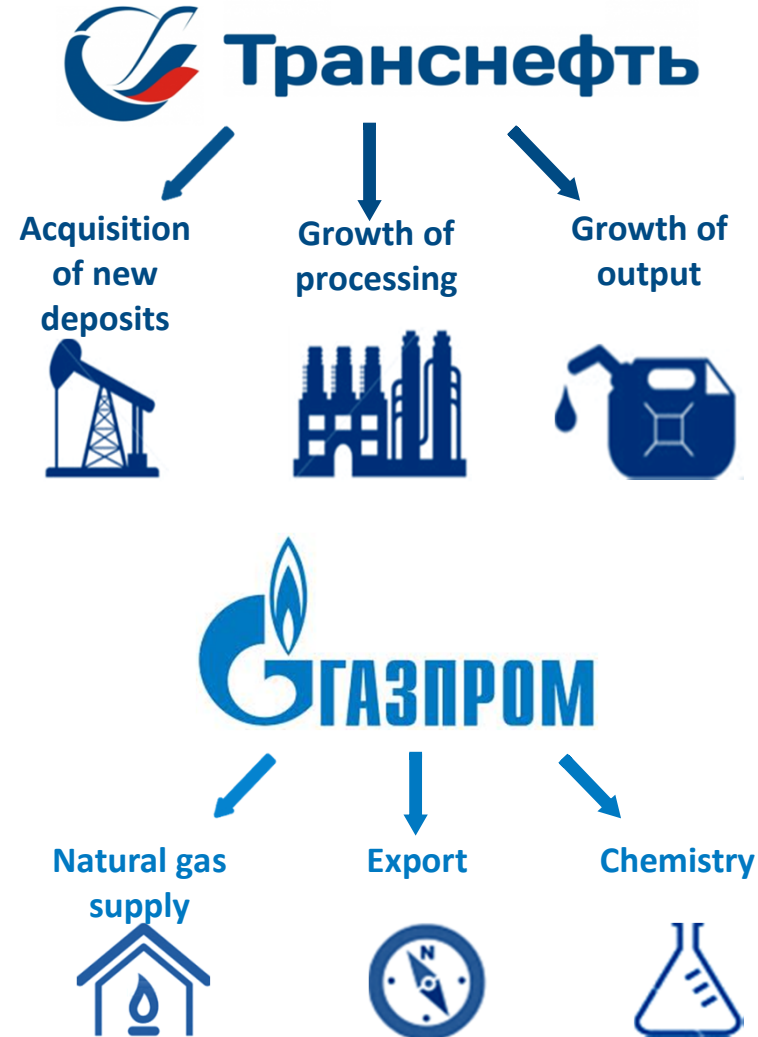




Dynamics of investment into transportation of hydrocarbons and forecast till 2016, billion rubles



**SPE are not sufficiently financed, and not able to meet the requirements of ORP**





Oil and gas processing regions



Improvement of existing facilities



New construction



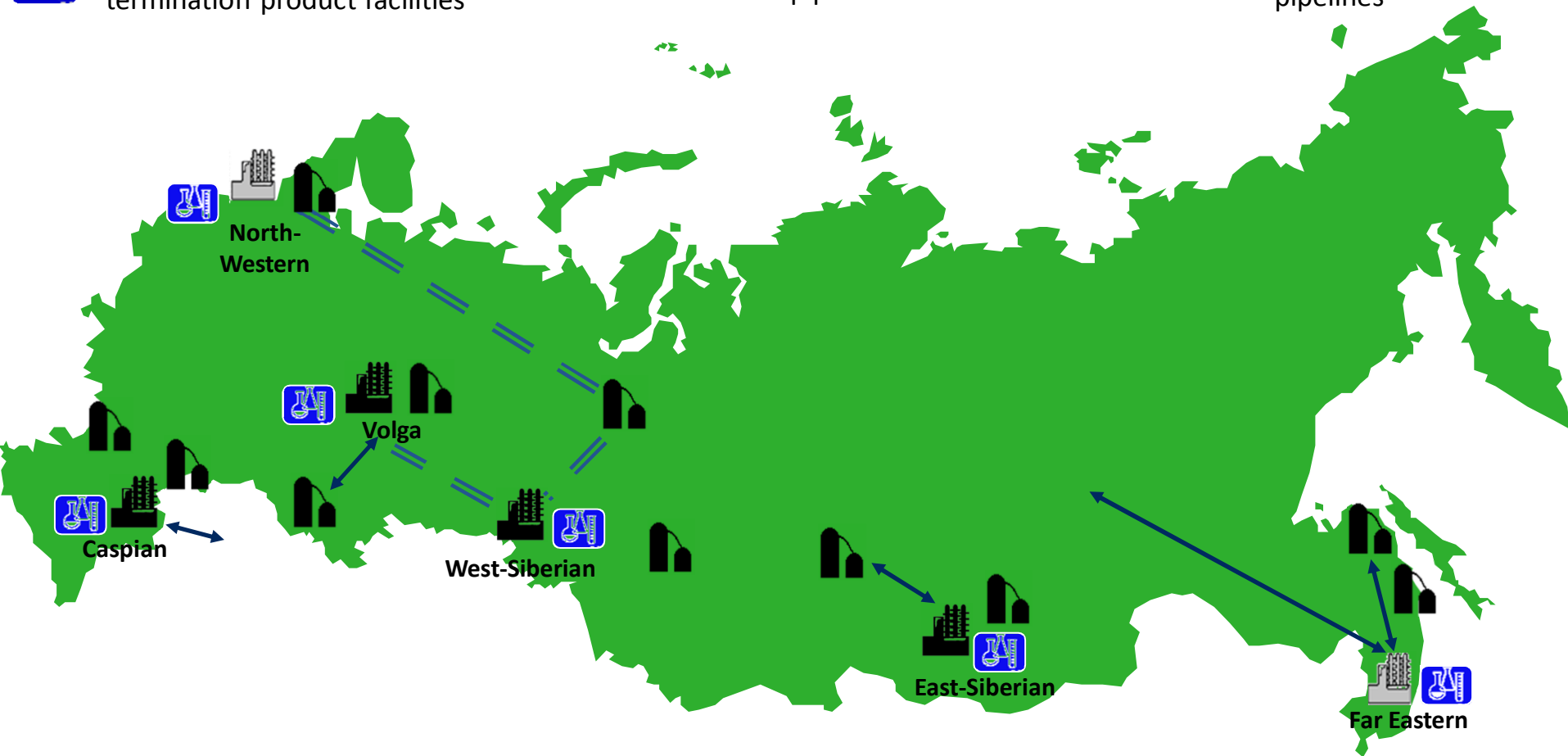
Final petro- and natural gas termination product facilities



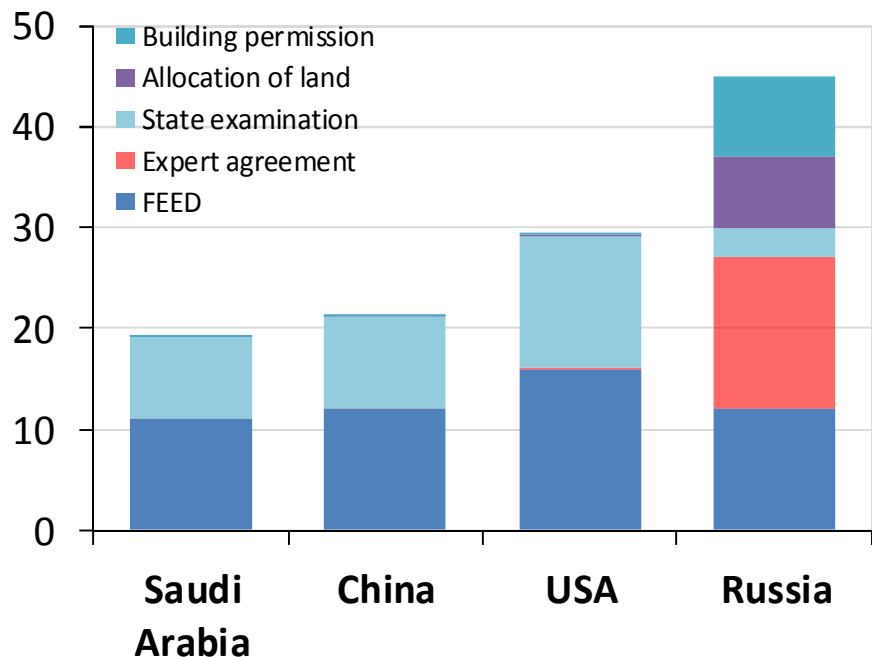
Local pipelines



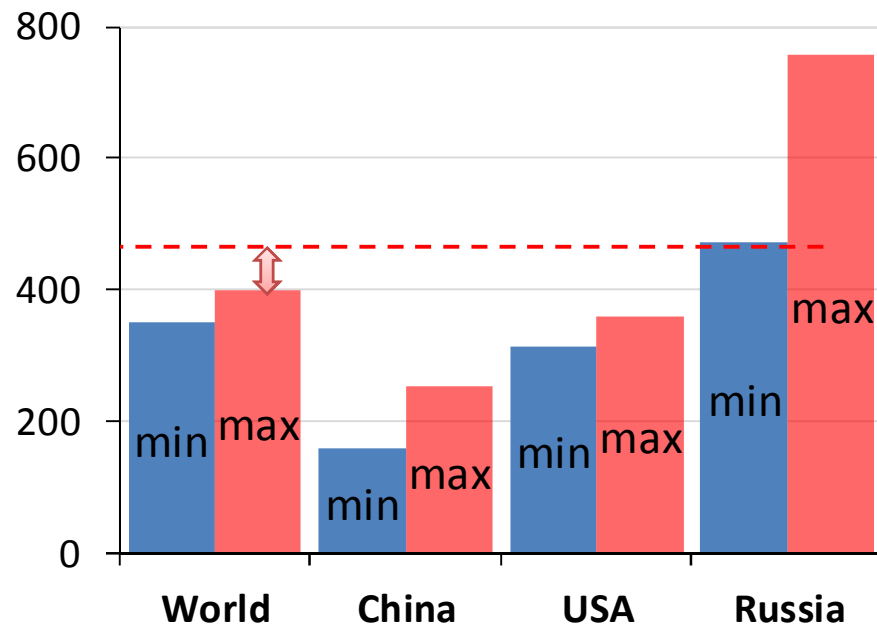
Prospective trunk pipelines



Project approval duration in FEC in Russia and world, months

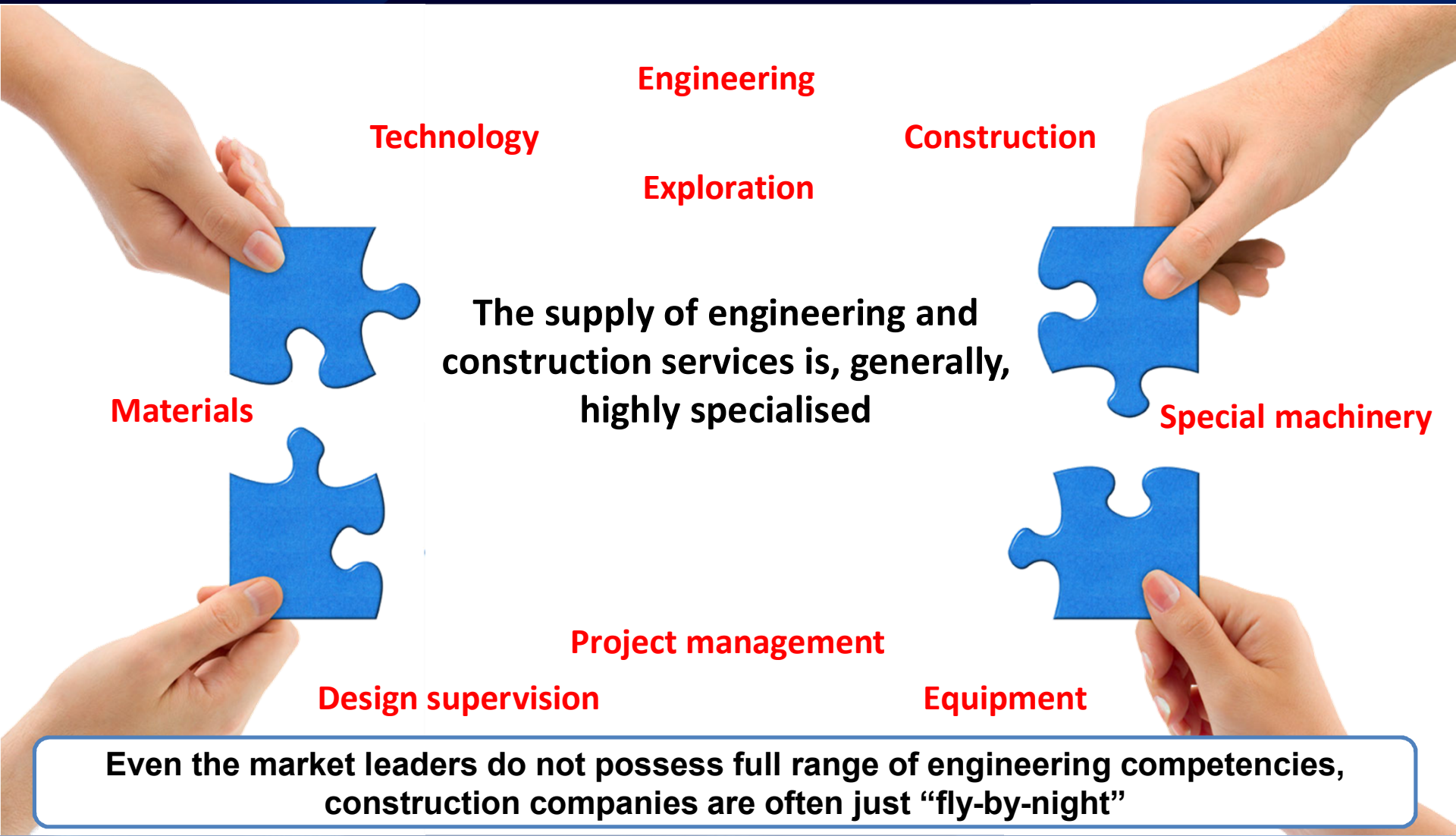


CAPEX of ORP construction in Russia and world, USD/ton



Project approval duration in Russia is **2-2.5 times longer**  
 Cost of projects is **3 times higher** than in China, **2 times higher** than in USA









Even the market leaders do not possess full range of engineering competencies, construction companies are often just “fly-by-night”



State corporations are inefficient, independent companies are small



Cooperation, partnership, M&A – for the sake of growth of bona fide players

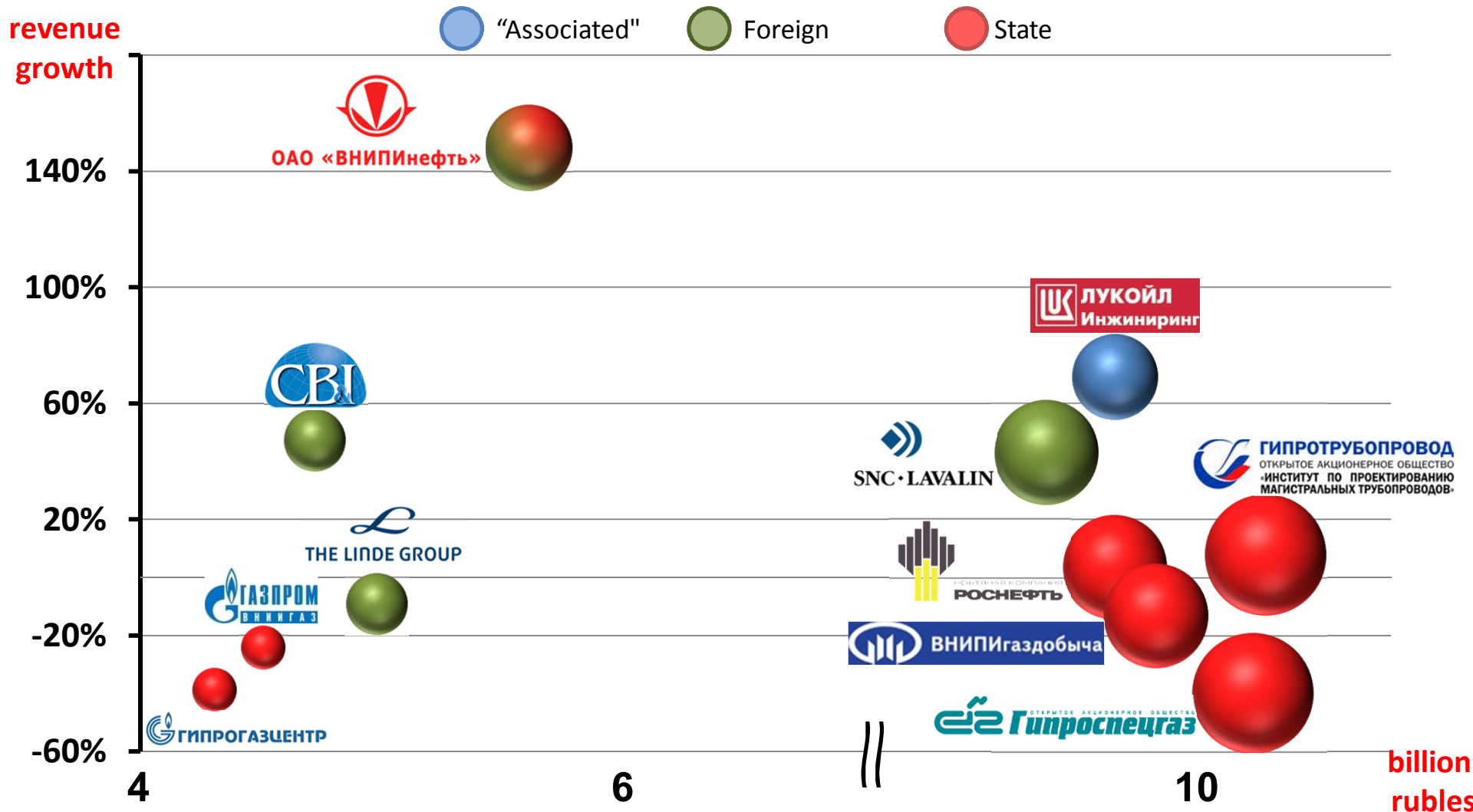


**Consolidation of independent engineering companies on Russian market – a chance to win their own market share**



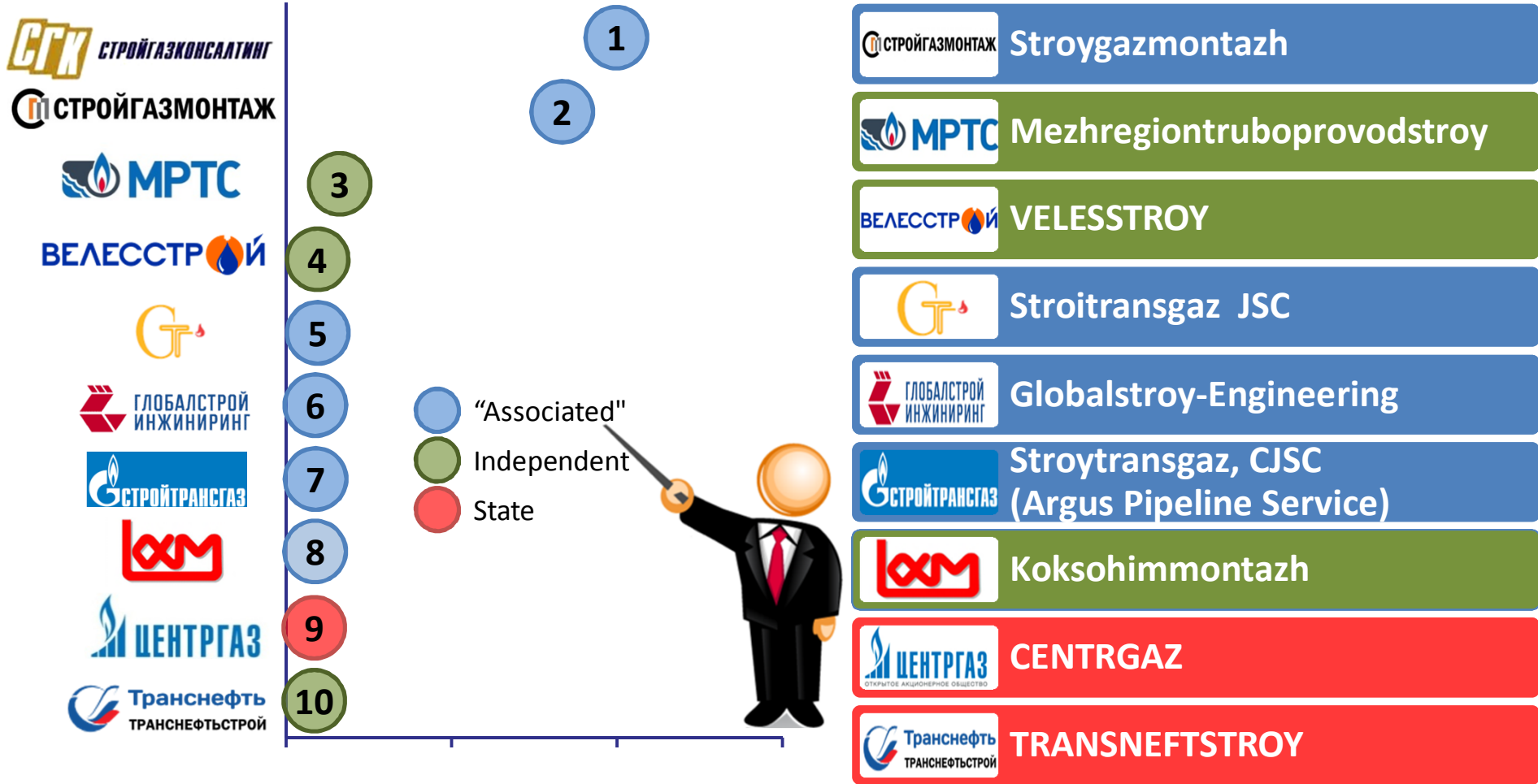
### Rating of engineering companies by their revenue in Russia in 2012, billion rubles

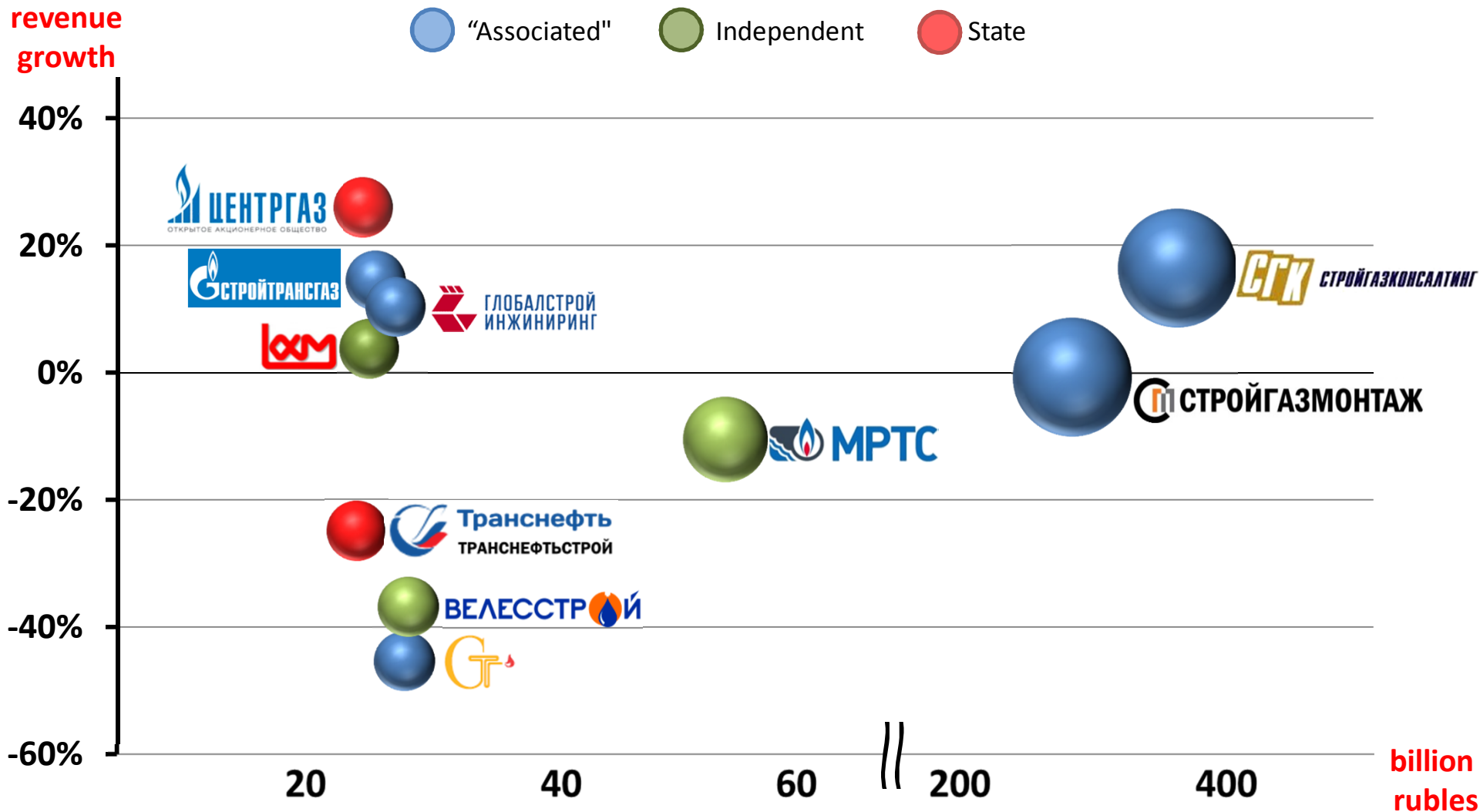






### Rating of construction companies in Russia by their revenue in 2012, billion rubles



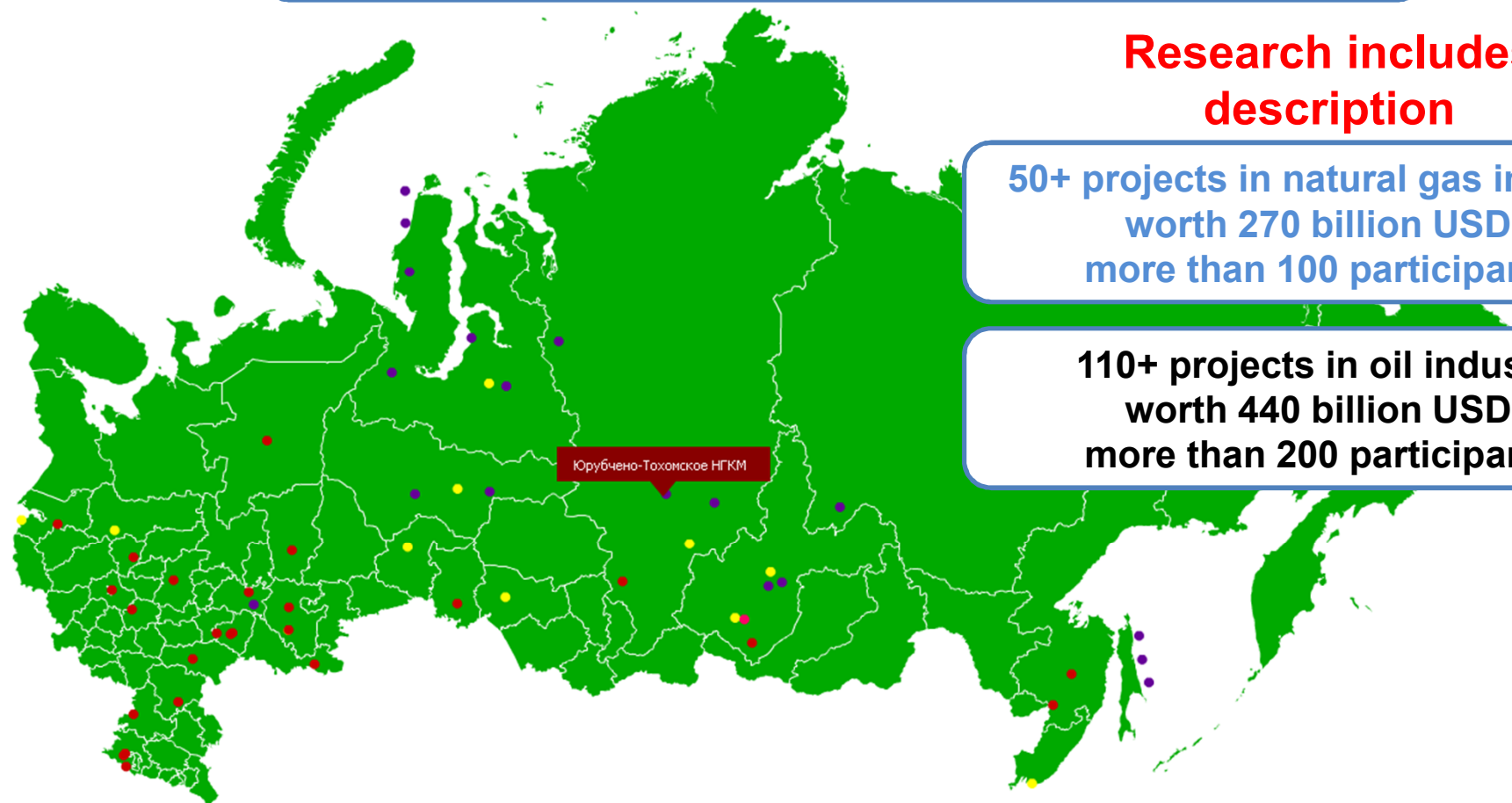


Database of **more than 300** investment projects is updated on the fly

**Research includes description**

50+ projects in natural gas industry worth 270 billion USD, more than 100 participants

110+ projects in oil industry worth 440 billion USD, more than 200 participants



### Advanced processing





Planning  
investments into  
production  
380 billion USD  
in 2012-2020



### Bovanenkovskoe field

- gas reserves > 4.9 trillion cubic meters



### Vankorskoe field

- oil reserves > 520 million tons



### Sakhalin-1 and Sakhalin-2

- gas reserves > 1.1 trillion cubic meters
- oil reserves > 480 million tons



### Chayandinskoe field

- gas reserves > 1.2 trillion cubic meters
- Oil and condensate reserves > 68 million tons



Planning  
investments into  
processing  
170 billion USD  
in 2012-2020



### TANEKO

- 1 stage– 7 million tons of raw materials annually



### PN complex (KINEF LLC)

- 36 million tons of raw materials annually (in 3 stages)



### Yamal LNG

- 15 million tons of LNG annually



### ORP of VNHK in Hakhodka

- 3.4 million tons of raw materials annually



Transportation of  
crude oil and oil  
products  
19 billion USD  
in 2012-2020



ESPO-2

- 2046 km, 8 PS, 1 SOLS, 50 million tons/year



BPS-2

- growth of capacity up to 50 million tons/year



Zapolyarnoe - Purpe

- 488 km, 45 million tons/year



Vankor – Purpe

- 550 км 33 million tons/year



Natural gas  
transportation  
≈130 billion USD  
in 2012-2020



### Bovanenkovo-Uhta-Torzhok

- 2600 km, 17 PS, 140 billion cubic meters/year



### Nord Stream

- 1224 km, 55 billion cubic meters/year



### South Stream

- 2700 km, 63 billion cubic meters/year



### Sakhalin-Khabarovsk-Vladivostok

- 1800 km, 47.2 billion cubic meters/year







1. Contact data
2. Information about management
3. History of development
4. Capital structure
5. Financial indicators
6. Operational indicators
7. Investment projects



Russian engineering companies



Construction segment



Design segment



Foreign EPC companies



Any questions?



**Subject:**

## Investment Projects and Engineering in Oil and Gas Industry of Russia

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