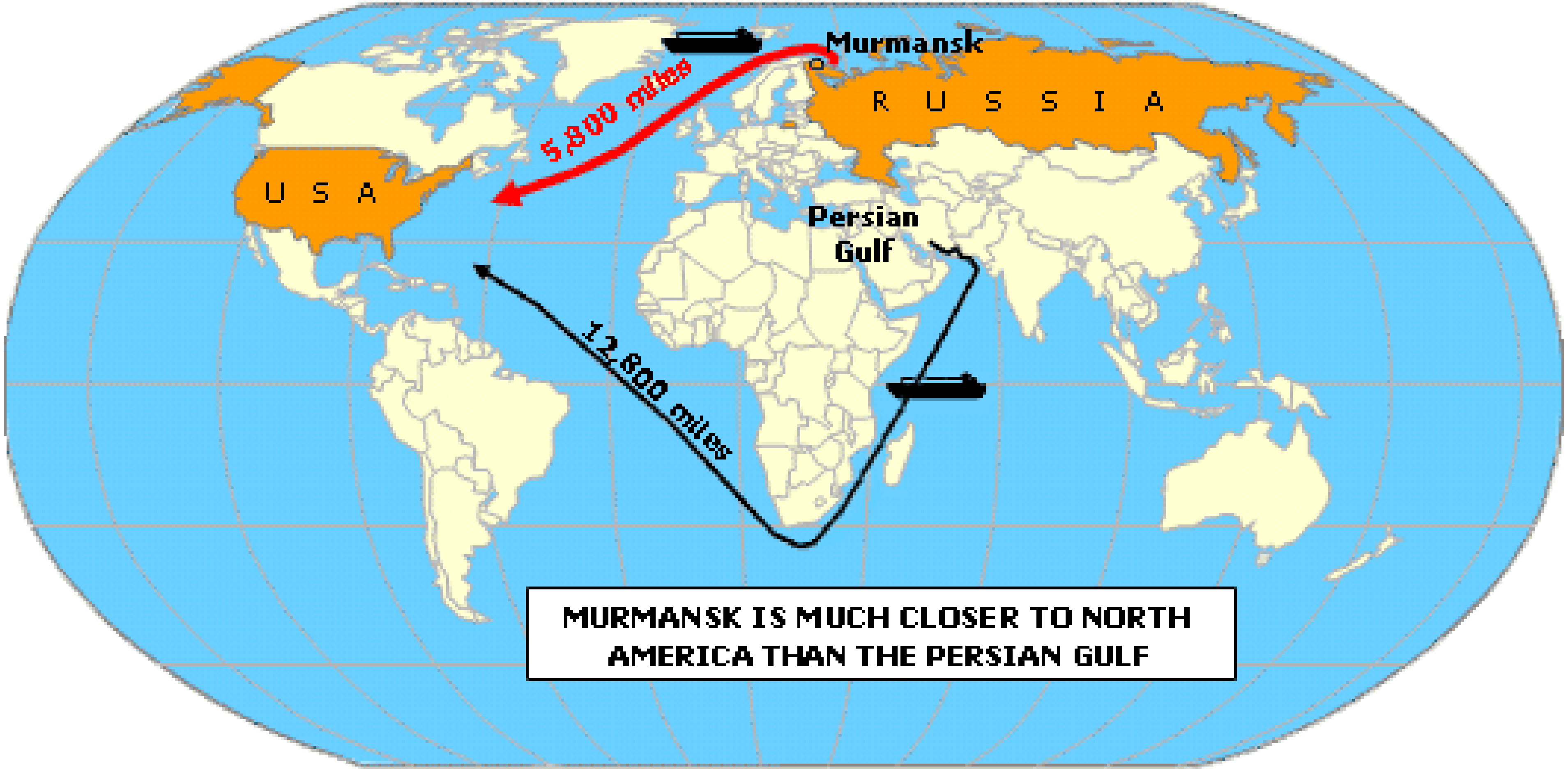
2. TRUNK PIPELINE TRANSNEFT PROBLEMS AND OPPORTUNITIES



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Master MEDEA
a.a. 2002-2003

THE MAJOR RUSSIAN OIL AND GAS COMPANIES: CHARACTERISTICS AND RECENT RESULTS

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San Donato, 27 giugno 2003

THE MAJOR RUSSIAN OIL AND GAS COMPANIES: CHARACTERISTICS AND RECENT RESULTS

- Current status: characteristics of the industry and its major actors
- Trunk pipeline Transneft. Problems and opportunities
- Gas reserves development. The necessity to reform Gazprom
- Capitalization of the Russian oil majors
- Conclusion: overview of opportunities and limitations

1. 1990-1996: REFORM OF THE OIL INDUSTRY

- the collapse of the Soviet Union, 1989-1995 production decline of 250 MM tons, from 559 MM tons a year in 1987-1988 to 306 MM tons in 1995
- basic laws adopted in 1992 founded the reform of the oil and gas structure in Russia and created vertically integrated oil companies

1. CURRENT STATUS: CHARACTERISTICS OF THE INDUSTRY AND ITS MAJORS ACTORS

Company	State ownership	Private ownership
Lukoil	13%	87%
Yukos		100%
SNG		100%
TNK		100%
Sibneft		100%
Tatneft	31.7% (Ministry of Land and Property of Tatarstan Republic)	68.7%
Sidanko		100%
Rosneft	100%	

Source: the companies' reports

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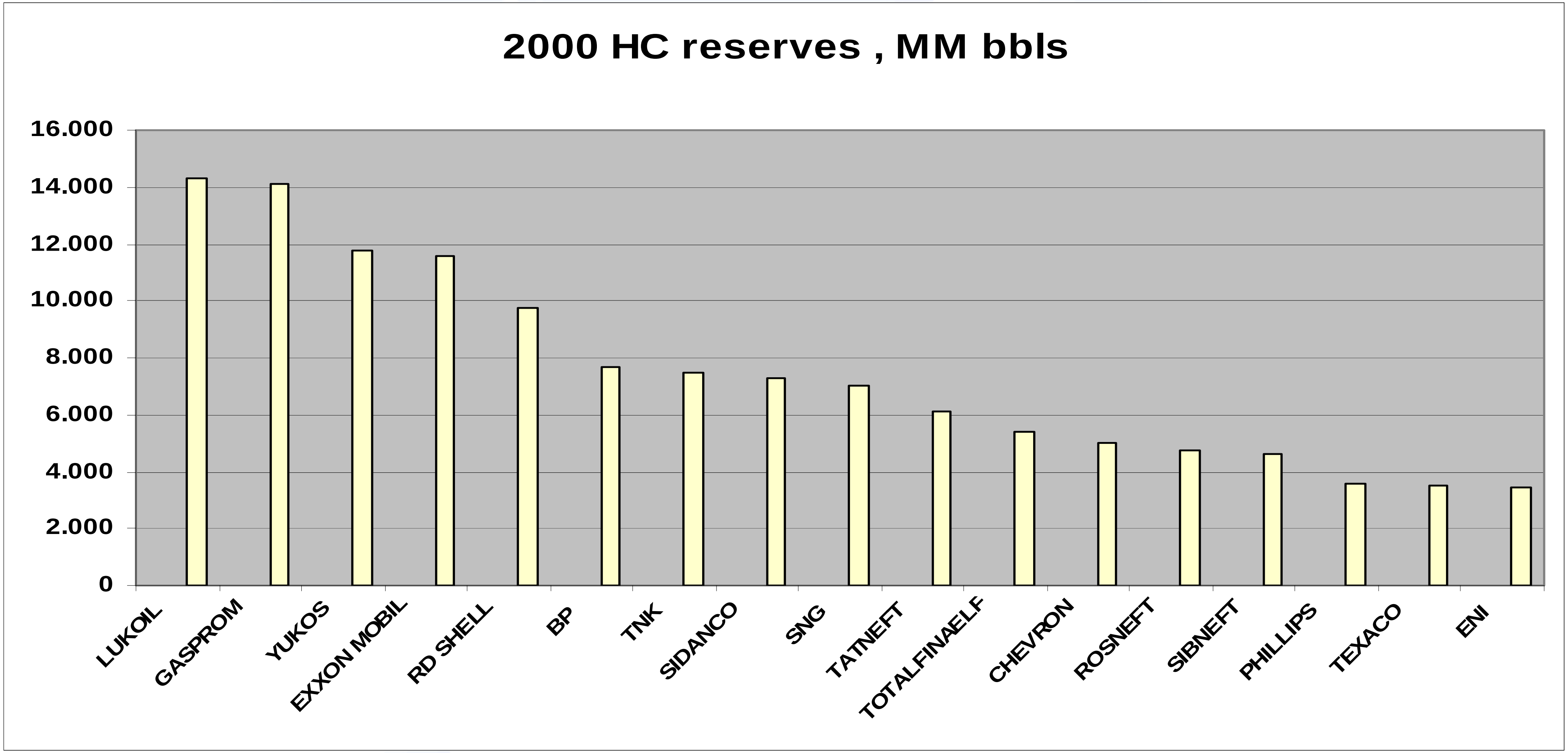
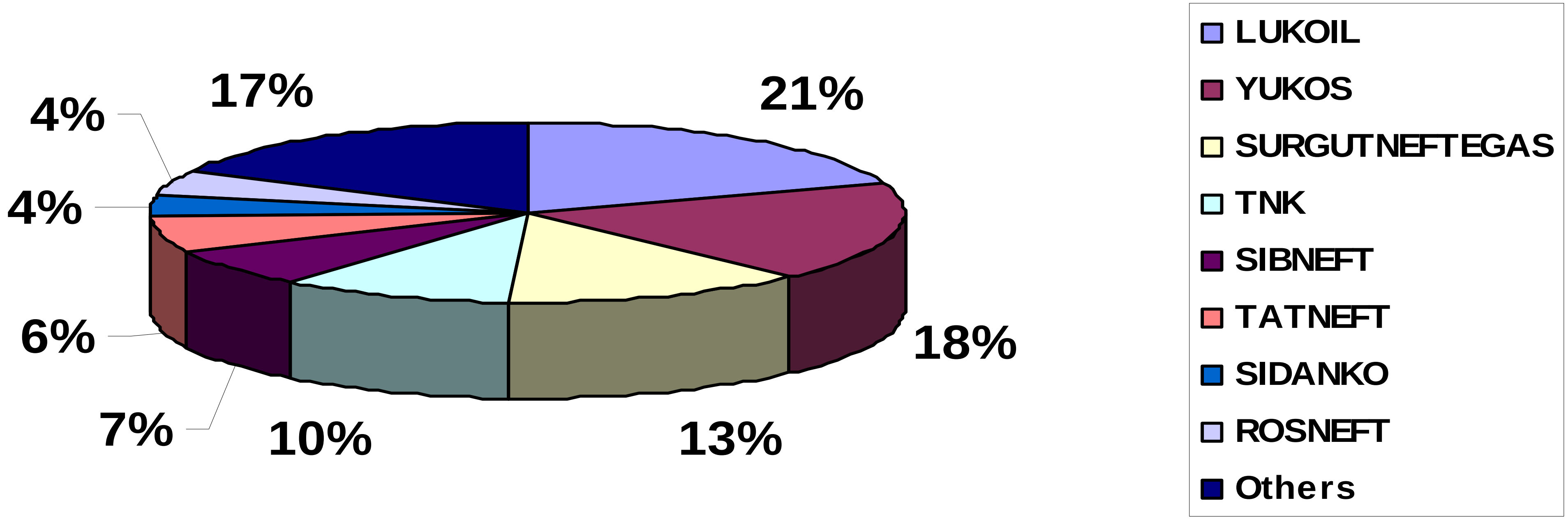


Source: extracted from www.sibneft.ru
the original source - ENERGY INTELLIGENCE GROUP)

1. CURRENT STATUS: CHARACTERISTICS OF THE INDUSTRY AND ITS MAJORS ACTORS

Total 379.6 million tons produced in 2002 were shared as follows



Source: the companies' annual reports

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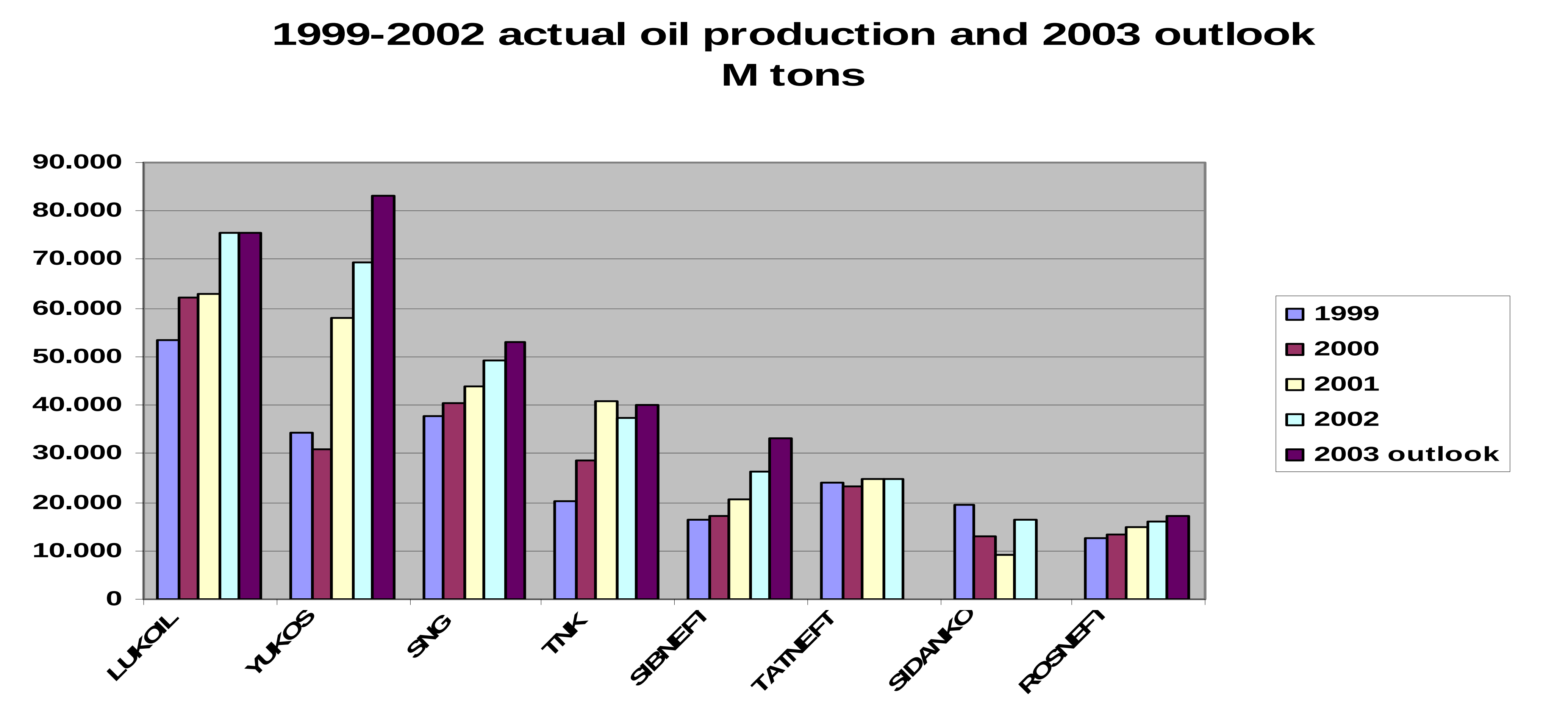

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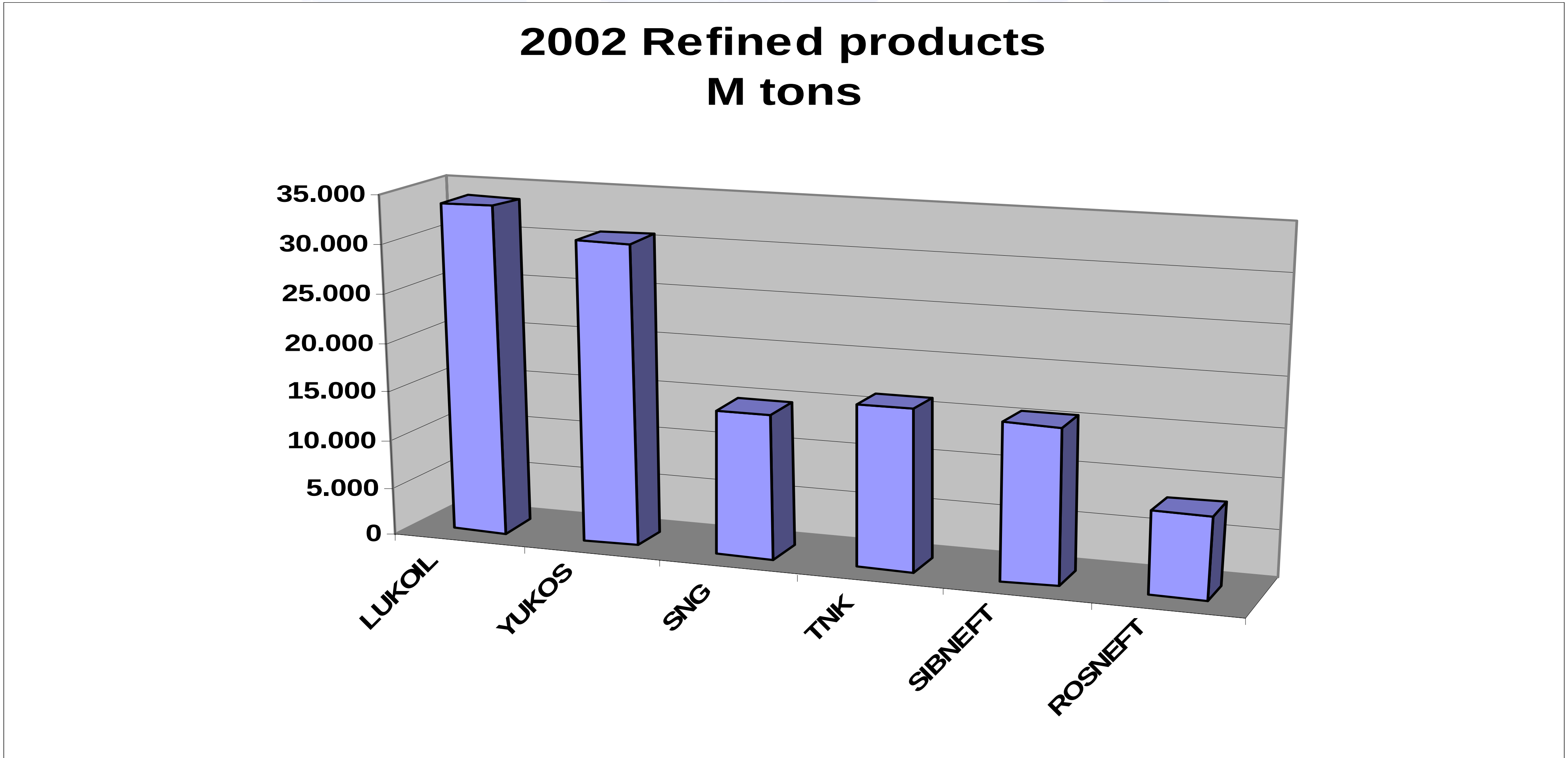
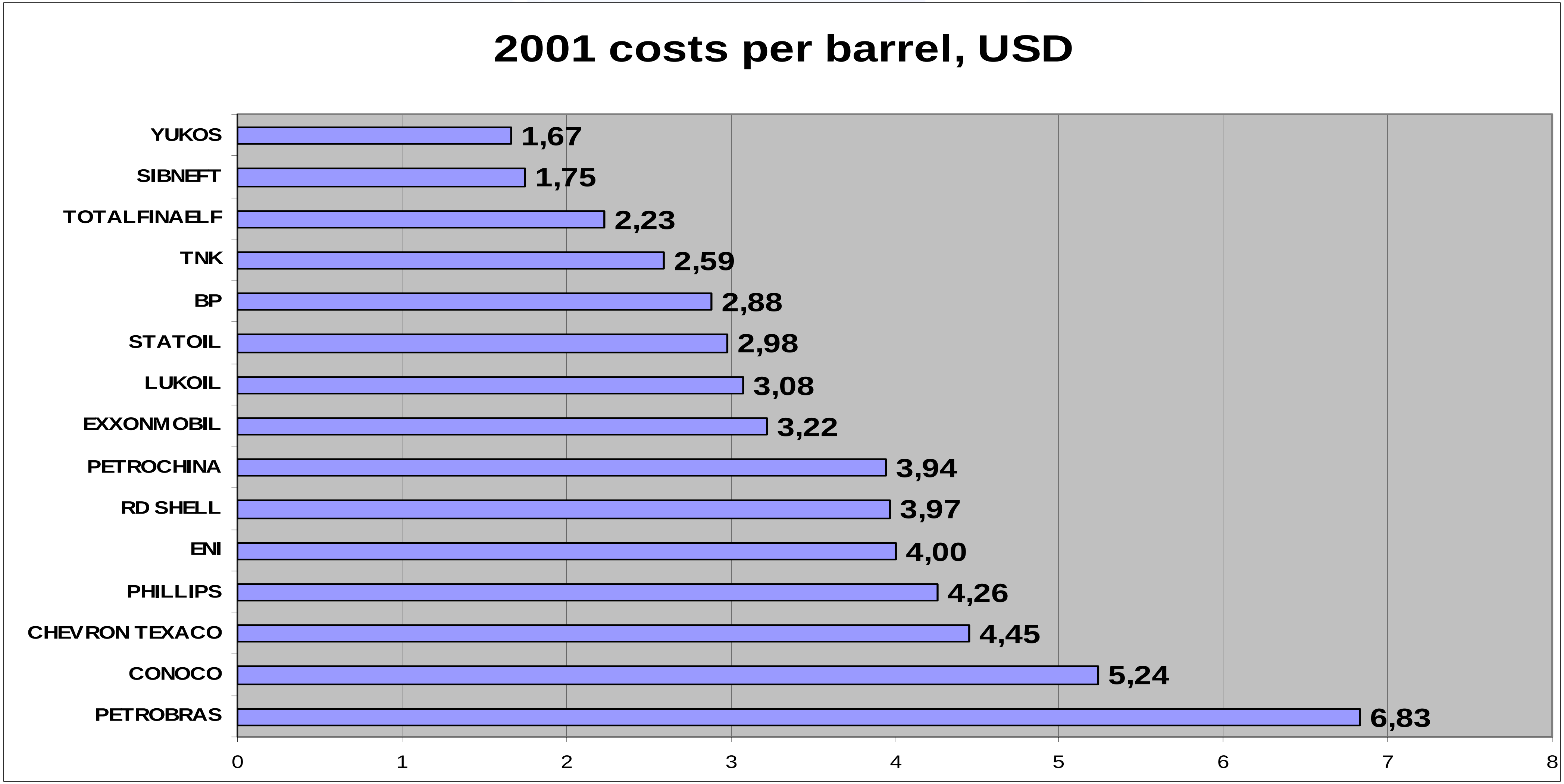


Source: the companies' annual reports

1. CURRENT STATUS: CHARACTERISTICS OF THE INDUSTRY AND ITS MAJORS ACTORS

- The Russian majors focus a lot on efficiency:
- Combination of integration processes with outsourcing policies
- Cost reduction
- R&D and new technologies
- HES programs and focus on environment
- Corporate governance

1. CURRENT STATUS: CHARACTERISTICS OF THE INDUSTRY AND ITS MAJORS ACTORS



Source: www.yukos.ru

2. TRUNK PIPELINE TRANSNEFT PROBLEMS AND OPPORTUNITIES

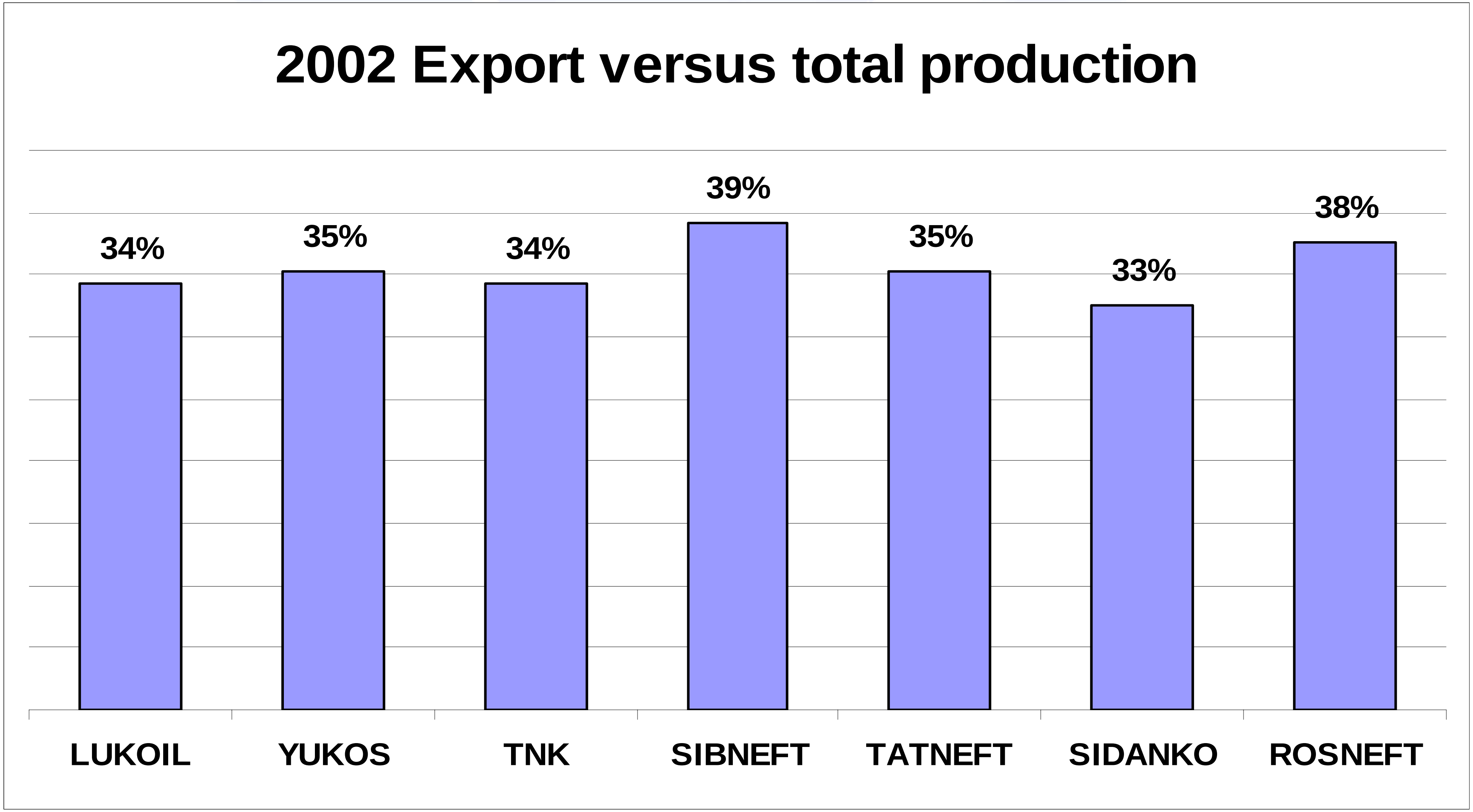
Problems:

- Monopoly of Transneft
- Limited export facilities and need for expansion

Opportunities:

- Construction of a pipeline to China (400.000 bll/day)
- Construction of a pipeline to the port of Murmansk
- Pipeline down Sakhalin Island to the port of Prigorodnoye (300.000 bll/day)

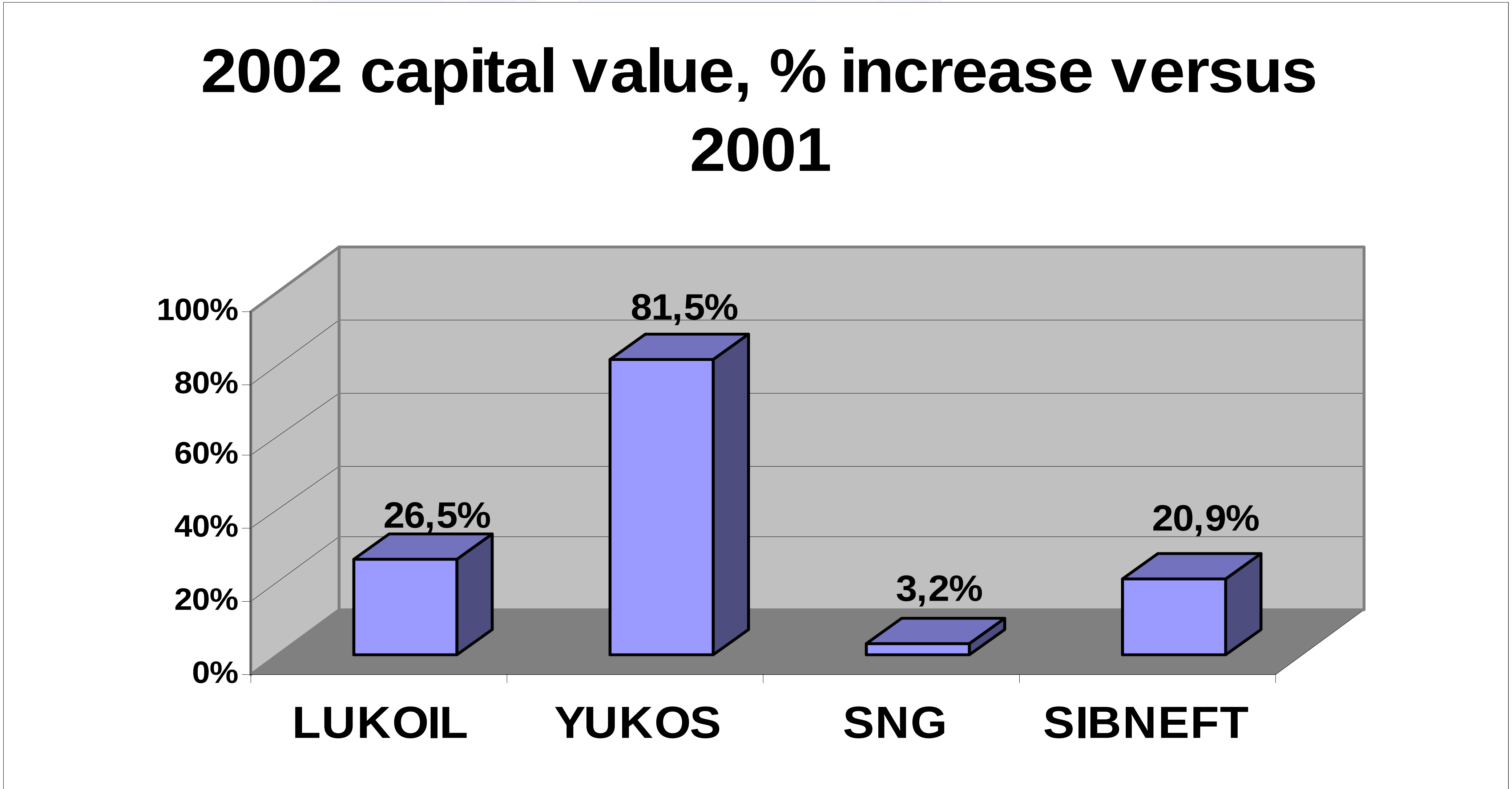
2. TRUNK PIPELINE TRANSNEFT PROBLEMS AND OPPORTUNITIES



3. GAS RESERVES DEVELOPMENT

- 8 companies under question in 2002 jointly produced 54 billion m^3 of the total 575 billions produced in Russia
- The commercial sales of gas is not possible according to the current legislation
- No access to gas pipeline
- Construction of private pipelines is not allowed by the current legislation
- The necessity to reform Gazprom

4. CAPITALIZATION OF THE RUSSIAN OIL MAJORS



Source: Energy 50 rating

5. CONCLUSION: OVERVIEW OF OPPORTUNITIES AND LIMITATIONS

- Russia is likely to continue its policy of maximizing oil revenues, and the Russian oil majors will keep increasing oil production and export
- The litmus test of the reform of the oil sector -attraction of large-scale foreign investment, BP/TNK
- YukosSibneft - from being global in scale to being global in value
- The world oil price scenario is going to influence the performance of the Russian oil majors