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August Oil Output Falls, Set to Rise

By The Moscow Times

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Prime Minister Vladimir Putin ceremonially opening an oil pipeline to China while in the Amur region on Sunday. **Alexei Druzhinin**

Russian oil output fell in August for the first time since January but is set to pick up again this month now that maintenance is complete on a Pacific-coast field, Energy Ministry data showed Thursday.

Crude production dropped to 10.06 million barrels per day in August from a record high of 10.14 million bpd in July because of an expected production halt for the whole month at Sakhalin-1, an Exxon-led project in the Far East.

The Energy Ministry data showed that Russia's overall oil production fell by 0.8 percent to a seven-month low, with production at fields operating under production-sharing agreements, including Sakhalin-1, down 61 percent from July.

"This is what ruined the production statistics this month, but the Sakhalin-1 maintenance was completely expected by the market," said Denis Borisov, an oil analyst at the Bank of

Moscow.

The decline came after crude output in Russia, currently the world's biggest producer, rose for seven consecutive months.

Crude production at PSA projects fell to 5 million barrels, from 8 million barrels in July, and analysts said the majority of the decline could be attributed to the production halt at Sakhalin-1's Sokol oil field.

Sakhalin-1, in which state-run Rosneft has a 20 percent stake, will launch the second of three fields included in the project later this month, which is expected to produce 30,000 bpd at its peak.

Crude output at Russia's top three producers — Rosneft, LUKoil and TNK-BP — also fell by about 0.2 percent month on month in August, which analysts said was linked to waning influence of large greenfield projects.

"Rosneft's Vankor production peaked in June, and from now, output from it will be stable. In prior months that was what was driving the company's rise in output," Borisov said.

Production at Gazprom's oil arm, Gazprom Neft, fell 0.55 percent. Only Surgutneftegaz managed a slight increase.

"Year on year, Gazprom Neft has seen a 10 percent decline at their largest production asset, Noyabrskneftegaz. Output has been falling since 2005. This month it was 1 percent down from July," said Valery Nesterov, an oil analyst at Troika Dialog.

Gas production continued to fall as demand dropped domestically and abroad during a summer heat wave, which slowed domestic industrial production growth to an eight-month low.

Russia's overall gas output fell to 1.39 billion cubic meters per day in August from 1.42 bcm per day in July, while daily production at Gazprom was cut to 1.06 bcm per day in August from 1.08 bcm in July.

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