

Foreigners' Offshore Drilling Rights to Expand

By [The Moscow Times](#)

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Russia will expand the list of oil and gas companies, including foreign firms, allowed to develop its offshore hydrocarbon deposits, an official from the Natural Resources Ministry said Wednesday.

"Right now, only two companies have the legal right to develop Russia's continental shelf. From Jan. 1, the number will be increased and include foreign firms," said Denis Khramov, deputy director of the ministry's subsoil department. "Within two or three weeks, the State Duma will take up our amendment to the law on the use of subsoil resources," he told Reuters.

Khramov said his ministry was pressing the government to create an investment-friendly tax regime. "First, we must make shelf projects economically attractive. Companies producing crude from East Siberian fields get export tax breaks, and the same logic should be applied for the shelf, where even greater levels of investment are required," Khramov said.

Only state-owned energy giants Gazprom and Rosneft have the right to develop Russia's offshore, but Khramov said more investors are needed as resources off Russia's coastline, the longest in the world, remain largely unexplored. Russia scrapped the export tax on crude oil produced from its far-flung East Siberian greenfields between December 2009 and July of this year to compensate companies for high infrastructure outlays.

LUKoil said in August that the government agreed to give it similar export tax breaks on crude produced from its offshore field in the Caspian, not the continental shelf. Lev Brodsky, head of Rosneft's Far East shelf projects, which include its 20 percent stake in the Exxon-led Sakhalin-1 project, said oil companies have no incentive to invest in expensive shelf projects without tax and legal stability.

"A company that spends \$500 million on geological exploration needs to be certain that the government doesn't change its position on development rights or taxes in five years," Brodsky said.

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