The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Refineries in Ukraine Under Pressure

By The Moscow Times

February 10, 2011

Ukrainian oil refineries face further pressure this year as cheap fuel imports cut demand for products from plants operated by Russian producers TNK-BP and LUKoil.

"Ukrainian refineries face strong competition from oil product imports from neighboring Belarus and Kazakhstan, who supply local markets with fuels made from cheaper foreign crude," the International Energy Agency, an adviser to energy-consuming nations, said Thursday in its monthly Oil Market Report.

TNK-BP, owned 50-50 by BP and a group of billionaires, has said it may halt its Linik facility in Ukraine because of the "noncompetitive" market. The refinery had a loss of 470 million hryvnas ($59 million) in the first nine months of last year, which may widen to $150 million this year, Dmitry Sergeyev, a TNK-BP spokesman in Moscow, said by e-mail.

The company "is currently analyzing the remedial options, and one of them includes the shutdown of the refinery from the first quarter of 2011," Sergeyev said. If Ukraine ensures competition and equal market access, TNK-BP may carry out upgrades at the refinery, he said.

LUKoil shut its Odessa refinery for maintenance in October, rather than the first quarter of 2011, because of the ''untoward'' conditions of the market, the Moscow-based company said last year. The company may run the refinery in the second and third quarter when product demand is higher, the IEA said Thursday.