

Oil Companies' Fines for Gas Flaring to Hit \$500M in 2012

By [The Moscow Times](#)

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In 2010, Russia burned half of associated natural gas, a by-product of oil production, rather than sell it. Above, flaring of gas from BP's damaged Deepwater Horizon wellhead in the Gulf of Mexico in May 2010. **Patrick Kelley**

Deputy Natural Resources and Environment Minister Denis Khramov on Wednesday named a hefty sum that oil companies will pay this year in penalties for natural gas flaring.

The total will be about 16.5 billion rubles (\$500 million), he said, RIA-Novosti reported.

Compared with last year, the amount represents a 50-fold increase.

It is in line with what the Skolkovo Business School Energy Center predicted in February. The center estimated the payments would reach 16.7 billion rubles.

The government raised the penalties in an effort to do away with the massive gas flaring at oil fields. Under the measure, companies suffer the fiscal punishment for the gas that they burn

above the 5 percent limit.

Just two oil producers, Surgutneftegaz and Tatneft, don't overstep that level. State-owned Rosneft, analysts have said, is doing the worst.

In 2010, Russia burned half (about 35 billion cubic meters) of associated natural gas, a by product of oil production, rather than sell it, according to the World Bank. One of the reasons is that gas pipelines lie far from the oil fields.

The government first announced in 2009 that it would get tough on flaring.

The Natural Resources and Environment Ministry has predicted the companies will comply with the 5 percent threshold in 2014 at the earliest.

The high penalties could make production at some fields loss-making, the Skolkovo energy center warned. The Cabinet could slightly reduce the payments starting next year, Khramov said.

Oil companies are planning cumulative spending of 63 billion rubles in 2012-14 on projects to use the gas instead of allowing it to go to waste, former Energy Minister Sergei Shmatko said in March.

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