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Bill Requiring Use of Average Oil Price for Budget Advances in Duma

By The Moscow Times

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Prime Minister Dmitry Medvedev, right, speaking during a Cabinet meeting Friday.

The State Duma on Friday passed in an initial vote a bill mandating that federal budget revenues be calculated using the average price of oil over at least a five-year period.

The new rule is aimed at avoiding a budget shortfall in years when the oil price falls relatively sharply.

This year, the value of Urals crude has risen to as high a level as $125 a barrel on Feb. 24 and as low as $88 a barrel on June 21. At 11 a.m. Friday, the price stood at just below $100 a barrel.

Currently, the budget is based on a government estimate of the oil price for the year, which is periodically adjusted as projections for it change.

Under the new rule, passed by the Duma on Friday in the first of three readings, the budget will be based on the average price of oil over a five-year period for 2013, over a six-year period

for 2014, and so on until 2018, when the average price over a 10-year stretch will be used, Interfax reported.

If the price of oil in a given year exceeds the average value used for drawing up the budget, the surplus will go to the Reserve Fund.

Meanwhile on Friday, Prime Minister Dmitry Medvedev announced budget figures for 2013, saying revenues are estimated to be 12.3 trillion rubles ($376.5 billion) and expenses 13.4 trillion rubles.

As a result, the projected budget deficit for next year will be 1.5 percent of GDP, he said.

Medvedev said the government could count on attaining a balanced budget by 2015.

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