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Duma Orders Long View of Oil Prices

By The Moscow Times

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The bill would tie federal budget revenues to the average oil price over at least a five-year period. **Maxim Stulov**

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 price of oil falls relatively sharply.

This year, the price of benchmark Urals crude has risen as high as $125 a barrel (on Feb. 24) and fallen 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.

Deputy Finance Minister Tatyana Nesterenko told a Duma budget committee meeting last

week that several factors observed in the global economy "are forcing the government to assess the risks of a deteriorating economic situation."

The Finance Ministry accordingly ordered "a forecast budget calculated on an oil price of $60 per barrel on the basis of risk testing," Interfax reported.

"From the point of view of risk assessment, this issue has to be calculated," Nesterenko said.

Under the new rule, passed by the Duma 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.

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

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