

Booming Gasoline Exports Prompt Worries of Domestic Supply Shortages

By [The Moscow Times](#)

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A dive in the Russian ruble has propelled record volumes of gasoline to better-paying export markets in recent months, prompting the government to consider restricting shipments in an effort to avoid a repeat of protests seen two years ago.

Russia, the world's largest oil producer, slapped punitive duties on gasoline exports in 2011 following widespread demonstrations that challenged then-Prime Minister Vladimir Putin over high prices and shortages.

The protests, known as the gasoline crisis, became a precursor for much larger rallies against the results of parliamentary elections in December 2011, won by Putin's party ahead of his re-election as president last year.

Memories of that crisis have put the government on edge after gasoline exports surged by a third in the first six months of 2013, while wholesale domestic prices spiked by 30 percent

month on month in July to their highest since 2011.

"If someone raises prices at the pump, don't hesitate to call me any time — day or night," deputy energy minister Kirill Molodtsov told a meeting with officials and oil companies last week, according to participants in the talks.

Yevgeny Arkusha, head of the Russian Fuel Union, a non-governmental organization of small oil producers and retailers, said the government had so far refrained from taking extra measures to limit gasoline exports.

But given soaring wholesale prices, such steps could come as early as this month, he added.

"Domestic consumption is rising much quicker than production and that situation will last at least until 2016," said Arkusha, referring to an ongoing modernization of refineries.

Arkusha is trying to persuade the government to introduce seasonal bans on gasoline exports lasting from May to September, when consumption peaks.

He says the recent spike in wholesale prices will ultimately force retailers to charge more at the pump.

Ironically, gasoline prices at the pump of 32 rubles per liter, or just under \$1, are already around 15 percent higher in local-currency terms than during the crisis two years ago.

They are roughly in line with U.S. prices and around half the level seen in Britain.

Russia refines domestically roughly half its oil output of 10 million barrels per day, but the Soviet-era refining industry has long struggled to produce enough high-quality gasoline to meet soaring demand as people bought more modern cars.

The country's refining sector is undergoing a huge modernization, expected to cost more than \$50 billion and dramatically increase the output of high-quality products.

Some recent modernizations already have largely erased previous shortages of good-quality gasoline, and Russia is able to meet domestic needs.

However, the surplus of production over demand is not large, and seasonal spikes in consumption, together with other factors, can often upset the fragile balance — like this summer.

The Russian ruble has lost around 7 percent of its value since May, making gasoline exports more profitable than sales on the domestic market even after paying the punitive export duty.

From January through June, gasoline exports from Russia jumped by 31.7 percent year on year to 2.3 million tons, according to energy ministry data.

Although exports represent a tiny fraction of domestic supply, which rose 5 percent to 17.2 million tons, it was enough to upset the balance as wholesale gasoline prices surged 30 percent in July from June.

That will add to the government's headaches at a time the cabinet is trying to bring inflation

down to 5-6 percent this year from the current 6.5 percent.

The challenge will only increase in the next two months, when several Russian refineries partially go offline during a heavy maintenance period.

That may prompt the government to act early and limit exports, although several industry sources said that could be avoided if oil firms volunteered to halt such shipments as they have done several times in the past when asked by the Kremlin.

"In fact we are already building large stockpiles ahead of September maintenance," a source with a Russian oil major said.

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