

Rosneft and Gazprom May Be Forced to Buy Russian Equipment

By [The Moscow Times](#)

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A Gazprom rig off Sakhalin island. Lawmakers want to mandate increased orders for local equipment producers.

Gazprom and Rosneft may be obliged to purchase Russian-made equipment to develop offshore oil and gas fields, under legislative amendments being drawn up by the State Duma Committee on Energy and the Union of Oil and Gas Equipment Producers.

The initiative would force the two state companies, which dominate the country's massive resource extraction industry, to locally source either a fixed percentage of equipment — from 30 to 80 percent — or a quantity determined on an individual project-by-project basis.

The amendments will be presented to the government by the end of the year, Izvestia reported.

Currently, the law has no such requirements, and Russian oil and gas firms tend to buy

from overseas providers, which often offer a better quality-price package and speedier delivery, said Alexander Romanikhin, president of the Union of Oil and Gas Equipment Producers.

This, he said, leads to dependence on foreign manufacturers in a sector of strategic importance.

"It's like buying tanks from America. We sponsor their economy while the Russian oil and gas industry dies out."

Any local purchase requirements should be introduced gradually, said Radif Tuktarov, who manages purchases for extraction services at Gazprom Neft. To avoid damaging offshore development, the quota could rise from 5 percent in 2015 to 90 percent by 2030, he said, adding that foreign producers would likely respond to the rules by localizing production facilities.

Not everyone thinks such legislation can reanimate Russian capacity in the sector. Major infrastructure changes would be required to make it possible, said Marat Mansurov, director of Gazprom's research arm, Gazprom VNIIGAZ, and the right way to source equipment is on the basis of market competition.

Rosneft has declared its readiness to buy locally — Igor Sechin, the company's CEO, has said that of planned investment of \$500 billion in offshore equipment, \$400 billion will go to Russian suppliers. However, this may in practice be difficult to achieve — the law obliges companies to offer tenders on purchases, and directs that the winner should be chosen first and foremost on the basis of price.

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