

Energy Ministry Predicts More Oil and Gas Production Records

By [The Moscow Times](#)

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Russia expects its oil output to reach 525 million tons, or 10.54 million barrels per day this year, up 0.4 percent from 2013, Deputy Energy Minister Kirill Molodtsov said — a figure that would set a post-Soviet record high.

Russia, the world's leading oil producer, added almost 1.4 percent to its crude output last year to reach 10.51 million bpd, the previous annual post-Soviet record.

"We expect an increase in oil and gas production to 525 million tons and 700 billion cubic meters, respectively," Molodtsov, a former executive with Gazprom's Shtokman offshore gas project, told a news conference late Wednesday.

The gas production figure would also set a record since the collapse of the Soviet Union. In 2013, Russia produced 668 billion cubic meters of gas, with the bulk coming from state-controlled Gazprom, which meets a quarter of Europe's gas needs.

Russia has the capacity to ramp up natural gas production significantly, unlike oil output. Gas output has been closely following demand, which has been rising in Europe, where Gazprom agreed to cut prices and where other suppliers of gas, such as Norway and North Africa, have reduced exports.

Molodtsov said this year, growth in oil will come from the Taas-Yuriakh assets in East Siberia owned by state-controlled Rosneft and China's CNPC, as well as from Gazprom Neft projects and LUKoil's Caspian fields.

Most of Russia's oil production comes from West Siberia, where many of the Soviet-era fields are now becoming depleted.

Russia's oil production peaked at 11.41 million bpd in 1988, when it was still part of the Soviet Union. It later declined due to underinvestment and relatively low oil prices.

Moscow is now shifting its focus to greenfield projects in the Arctic and in East Siberia, which is closer to energy-hungry Asian markets, and is also testing oil prospects that are harder to extract, known as tight oil.

The IEA, the West's energy watchdog, expects Russian production to remain roughly flat at 10.5 million bpd until the end of the decade, and then fall to about 9.5 million bpd by 2035.

The shale oil revolution in the United States has changed the global energy landscape in just a few years and the country is now set to overtake Russia as the world's top oil producer.

Russian officials, who neglected shale oil and gas for some time, are now counting on extraction of tight oil at home, in particular in West Siberia, to at least maintain output at 10 million bpd.

Russia's Energy Ministry hopes that recent tax breaks to encourage tight oil production will boost its share to some 11 percent of the Russian total by 2020, from 0.2 percent now.

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