

# Rosneft Demands that Contractors to Reduce Costs on All Contracts by 5-15%

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Rosneft has asked its contractors to reduce the costs of their contracts by 5-15 percent for all existing and future agreements, sources within the state-owned oil major said.

Drilling, transport and distribution companies, as well as geological surveyors and suppliers that work with Rosneft, have received a letter containing the demand. If the contractors are unable to meet the request, Rosneft threatened to exclude them from future tenders, Kommersant reported.

Rosneft has been trying to trim costs since 2010. The company announced plans to cut expenditure by 15 percent after then-President Dmitry Medvedev in 2012 ordered that all state-owned companies reduce their costs by at least 10 percent annually. Rosneft has not said how effective the cost cutting drive has been.

However, industry sources said that since 2010 most major contractors have refused to revise

their contracts, and that since Rosneft cannot simply drop them, it has limited leverage over them. The company has managed to foist its terms only onto small regional companies.

Major resource exploration firms such as Schlumberger and Baker Hughes said they cannot meet Rosneft's new demands. "We cannot reduce costs that are written into agreements, but may be able to slightly increase the volume of orders at the contracted price," a source in one of the companies told Vedomosti.

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