

Russia Fears Gasoline Shortages if Western Sanctions Target Refineries

By [The Moscow Times](#)

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Russia's refineries rely on foreign technology and are vulnerable to Western sanctions

Any further Western sanctions that may aim at technology for Russia's modernizing oil refineries could lead to gasoline shortages, an energy ministry official said.

The latest Western sanctions, imposed on Friday, have targeted technology for Russia's Arctic oil exploration and shale oil projects.

Yury Zolotnikov, a deputy head of the oil refining department, said his ministry already expected gasoline shortages next year and in 2016, with Russia on "a dangerous balance" of production only marginally higher than consumption.

"So far, there have been no such sanctions, but they obviously could create problems [for refinery modernization]," Zolotnikov said in an interview.

Sanctions have limited the ability of Russian companies to borrow from the Western capital

markets and hit Rosneft, Russia's top oil producer, which has had to cut its staff as its production falls.

Russia is particularly dependent on the West for catalysts, refining equipment and gas turbine parts, meaning complicated refinery modernization work to improve fuel quality is seen as almost impossible without the access to Western expertise.

Rosneft needs to invest more than \$21 billion annually until 2017 to launch new fields and upgrade refineries. It said last week it planned to replace all equipment and technology imports from the West as the U.S. and EU sanctions.

In May, Energy Minister Alexander Novak asked President Vladimir Putin to boost funding for domestic producers because a quarter of all equipment used in oil output enhancement was imported. The modernization drive is estimated to cost about \$55 billion this decade.

Zolotnikov said Russian refineries were unable to sharply increase production over the next two years, which may lead to shortage of gasoline. He added that the increasing number of accidents and routine maintenance work at refineries also pointed to possible fuel supplies disruptions.

"You can't rule out incidents at the plants, maintenance seasons in April-May and September-October, risks are being created. It is necessary that production is higher than consumption by at least 3 million tons," he said.

According to his data, production of gasoline of 3, 4 and 5 grades in Russia is seen at 38 million tons in 2014. It would only reach 38.3 million tons in 2015 and 38.8 million in 2016.

Russia has faced several gasoline shortages in the past, the latest in May 2011, when domestic refineries boosted exports in search of higher margins.

A fuel shortage for Russia's drivers would be a politically damaging for the Kremlin.

Zolotnikov said one way to avert the crisis was to increase gasoline imports from neighboring Belarus which currently run at 1.5 million tons a year.

In January-July, Russia increased shipments of gasoline from Belarus by a third, to 812,000 tons.

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