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Exxon Bids Goodbye to Rosneft as Sanctions on Russia's Oil Sector Tighten

By The Moscow Times

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U.S. oil giant ExxonMobil has abandoned nine of its 10 joint projects with Russian state oil firm Rosneft, as Western sanctions on Moscow over Russia's alleged support for separatists in Ukraine tighten.

Exxon's spokesman Alan Jeffers told news agency TASS that the company had almost finished winding down its hard-to-reach oil operations with Rosneft. Washington's latest wave of sanctions on Sept. 12 seeks to weaken Russia's oil industry by barring U.S. companies from participating in Russian shelf and shale oil projects. Russia has partnered with Western oil majors in these areas to gain access to their more advanced technology.

The Exxon-Rosneft joint projects hit by the measures include oil deposits under the Black Sea shelf, the Arctic and in western Siberia. The Universitetskaya-1 well in the Kara Sea north of Siberia, which struck oil in September, will need several days to wrap up given the difficulty of sealing the well there and the complicated ecological situation.

The field where oil was first struck, located in the farthest northern point of Russia's territory, was subsequently named Pobeda, meaning "victory." Although difficult to access, underwater oil reserves in this area are believed to be comparable in size to those of Saudi Arabia's — meaning the sanctions have the potential to cause Exxon massive lost revenues.

Alexander Novak, chief of Russia's Energy Ministry, was quoted by online newspaper Gazeta.ru as saying on Tuesday that Rosneft will soldier on with the difficult exploration for Arctic oil, but said it is still too early to speak about finding alternative partners.

But sanctions may complicate Rosneft's ability to go it alone. Cut off from Western capital, Igor Sechin, a former member of Russia's security services and current Rosneft head, has requested 1.5 trillion rubles ($40 billion) from the state to help the the company keep its investment plans on the road. Russian officials have already said the company is unlikely to get the full amount.

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