

Russia's Natural Resources Minister Wants to Lighten Regulation on Shale Oil

By [The Moscow Times](#)

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An employee pours black oil before testing it at a quality control laboratory of the Krasnoyarsknefteproduct oil product company in Krasnoyarsk, Siberia, Oct. 10, 2014.

Russia needs to lighten regulation to exploit unconventional oil deposits, including shale, its natural resources minister said, as conventional resources dwindle and Western sanctions limit access to foreign technologies and financing.

The world's top oil producer, believed to hold most of the world's shale oil, extracts less than a million tons a year from unconventional sources, including heavy, tight and shale.

It pumps conventional oil near its capacity of about 10.5 million barrels per day, with the bulk still coming from depleting western Siberian deposits.

Moscow was counting on technology and funding from abroad to increase its shale production before sanctions were imposed this year over its stance on the Ukraine crisis.

"Russia is facing serious challenges. It is essential to clearly understand which sources will allow sustaining a mineral resources production level essential for the country's economic development," Sergei Donskoi said.

Tapping shale oil has become increasingly unprofitable in Russia as oil prices have plunged by a quarter since June to just above \$80 per barrel. Last year, Russia introduced some tax breaks to boost shale oil production.

In a column in newspaper Vedomosti on Tuesday, Donskoi suggested skipping tenders for unconventional oil exploitation, and offering rights to develop such deposits based only on a request from a firm, with a bias toward smaller companies.

Those firms should be obliged to start exploration no later than four or five years after the offer was accepted, with a possibility that the field would be transferred to another company if the firm failed to find appropriate technology, he said.

Donskoi also suggested canceling mineral extraction tax for unconventional oil, and guaranteeing access to refining facilities and funding, including from the National Wealth Fund.

Russia's main oil industry tax is oil export duty and mineral extraction tax, and it offers tax breaks depending on the structure of a field and its location.

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