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Russia Keeps Oil Production Stable Despite Sanctions and Price Drop

By The Moscow Times

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An employee talks on a portable radio set at a refinery owned by Bashneft company in the city of Ufa, Russia.

Russia, the world's top oil producer, kept its monthly oil production stable in October, according to energy ministry data, regardless of Western sanctions and weak oil prices.

Russia pumped an average 10.6 million barrels per day (bpd)last month, producing a monthly total of 44.838 million tons, which includes gas condensates, the data published Sunday showed.

The figure was little changed from September's 10.61 million bpd and a touch under the post-Soviet record high of 10.63 million bpd reached in December. It compares with Saudi Arabia's October output of 9.65 mln bpd, according to a Reuters survey.

Western sanctions have targeted Russian individuals, banks and a wide range of companies,

including in the energy sector, and limited their access to funding and advanced technology from Europe and the United States.

The measures have mostly affected future Russian oil production in areas such as the Arctic, deep water and shale. But some Russian companies have already warned they would make spending cuts.

The Energy Ministry's data showed that oil output in Russia, which produces around 80 percent of its oil from mature western Siberian deposits, was supported by increases at Rosneft, small producers and Bashneft.

LUKoil, Russia's second-biggest oil producer, warned last month Russia was under risk to lose 25 million to 70 million tons in production by 2017 due to underinvestment and a lower number of wells being drilled.

A falling oil price has further discouraged investment. The benchmark Brent price has fallen around a quarter from its year-highs in June to under $86 per barrel on Friday, which is below the level set in Russia's budget.

Russian companies and officials expect the price to return to $95-$110 in the medium-to-longer term.

Bashneft

Bashneft, Russia's sixth-largest oil producer, has been the country's fastest-growing oil firm by output. Last year, it grew by more than 4 percent, extracting over 16 million tons of oil (320,000 bpd.)

Bashneft pumped an average 376,000 bpd last month, up 1.5 percent month-on-month, the data showed on Sunday.

This week, a Moscow court ruled in favour of a seizure of Bashneft shares from Sistema, a conglomerate owned by a billionaire businessman Vladimir Yetuvshenkov, citing "improper privatization" in 2009.

Alexander Korsik, Bashneft's chief executive, said on the day of the court ruling that its output could reach around 19 million tons in 2015 "if all goes as the company plans."

Sistema has said it is considering an appeal.

Russia's daily gas output rose to 1.71 billion cubic meters (bcm) in October, up from 1.52 bcm per day in September. Output at Gazprom, the world's biggest gas producer, rose 16 percent to 1.13 bcm/day from September due to an increase in demand as temperatures fall.

Russia, Ukraine and the European Union reached a gas deal this week after Moscow cut off supplies to Kiev in June. Russia could resume natural gas deliveries to Ukraine as soon as next week once Kiev pays $2.2 billion in debt and prepayments.

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