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Russia for First Time Acknowledges Low Oil Prices May Hit Output

By The Moscow Times

September 18, 2015



Russia's oil production may drop if crude falls below $40 a barrel, Deputy Energy Minister Alexei Teksler said on Friday, the first time Russia, one of the world's biggest producers, has acknowledged low prices could hit output.

Russia has so far insisted it would not deliberately cut production of oil, its chief export, even if prices fall below $30 per barrel. That has frustrated some oil exporters who want coordinated cuts to arrest the slide in world prices.

"If the price falls below $40 per barrel, then we, most likely, would be faced with a production decline," Teksler told reporters.

He said any output cuts would come about as energy companies would be forced to change their approach, adding that firms would start reviewing business models if crude traded persistently below $45 a barrel.

"With a price of $40-$45 per barrel, the companies will revise their models, if the low price persists long term," Teksler said. "Previously approved models would stop working efficiently."

Brent crude edged lower to below $49 a barrel on Friday after the U.S. central bank warned on the health of the global economy and on signs the world's biggest producers would keep pumping at high levels to maintain market share.

Teksler's comments may not yet amount to an early signal to the Organization of the Petroleum Exporting Countries that Russia might cooperate on production cuts.

However, it is a change of tack in official comments that the country, which in the past years has produced more oil than most in the industry expected, could in theory cut its output.

The statement follows a similar acknowledgement by Kazakhstan, another important ex-Soviet oil producer, that its oil output could fall by a 10th next year if prices drop to $30 per barrel.

Teksler added that the energy ministry sees a risk the European Union will introduce sanctions on Russian oil purchases, but that would be costly for the EU.

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