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Russia Oil Output Could Fall 5-10 Percent if Prices Remain Low – Deputy PM

By The Moscow Times

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Deputy Prime Minister Arkady Dvorkovich

Russian oil production could fall by up to 10 percent if world prices stay consistently low for a long period, Russian Deputy Prime Minister Arkady Dvorkovich told the Reuters Russian Investment Summit on Tuesday.

But he said it was unlikely that prices would drop below their current level, of around $48 per barrel, for a sustained period because it was not in the interests of most oil producers to endure low prices for more than two years.

"We calculate the budget based on a price of $50 a barrel," Dvorkovich said at the summit, held in the Reuters office in Moscow.

"If prices remain at a low level for a very long time, then a reduction in production of 5-10

percent is entirely possible, that is if the prices stay at a low level for several years," he said.

He said the government would not take artificial steps to reduce output, but that a reduction would be the natural consequence of low prices for oil companies' investment plans.

Despite a sharp fall in prices, Russia has refused to cut production. It has instead maintained and even increased crude output, putting up with low prices in the hope it can increase its own share in the world oil market at the expense of others who cut back their output.

Asked about the prospect of a further fall in oil prices, Dvorkovich said: "Low prices for an extended time are not in the interests of the majority of producing countries, therefore that scenario is unlikely."

"We understand that some people can wait under low prices — some for one year, others for two, but we don't see countries that want to live with low prices for more than two years."

He said Saudi Arabia, the world's biggest oil producer, could technically afford to endure low prices for longer, but that even it would have to cut back investment in new production, threatening its position as market leader in the long term.

Even if Saudi Arabia held out, in the meantime other countries would be forced to cut production, Dvorkovich said, pushing prices back up again before Russia reached the point where it too would have to cut.

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