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АНАЛИЗ КОНЪЮНКТУРЫ РОССИЙСКОГО НЕФТЯНОГО РЫНКА

ANALYSIS OF THE RUSSIAN OIL MARKET CONJUNCTURE

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Аннотация. Статья посвящена обзору текущего состояния российского нефтяного рынка. В работе исследуются спрос и предложение на рынке нефти, изучается динамика производства нефтепродуктов и изменения ценовых показателей. Особое внимание уделено деятельности ключевых игроков отрасли — крупнейших российских нефтяных компаний, а также оценке их основных экономических результатов. В документе представлены прогнозы относительно дальнейшего развития нефтяной индустрии на 2024 год. Дополнительно рассматриваются сценарии распределения потребления нефтепродуктов между различными секторами экономики вплоть до 2023 года, а также проводится долгосрочный анализ тенденций потребления различных видов нефтепродуктов до 2040 года с учетом возможных вариантов развития событий.

Abstract. The article is devoted to an overview of the current state of the Russian oil market. The paper examines supply and demand in the oil market, examines the

dynamics of oil product production and price changes. Special attention is paid to the activities of key industry players — the largest Russian oil companies, as well as the assessment of their main economic results. The document presents forecasts for the further development of the oil industry in 2024. Additionally, scenarios for the distribution of consumption of petroleum products between different sectors of the economy up to 2023 are being considered, as well as a long-term analysis of trends in consumption of various types of petroleum products up to 2040, taking into account possible scenarios.
Ключевые слова: нефть, нефтепродукты, спрос, предложение, конъюнктура рынка, стратегия, альтернативная энергетика

Keywords: oil, petroleum products, demand, supply, market conditions, strategy, alternative energy

As the primary catalyst for industrial growth across nations, oil has become the world's most widely traded commodity, distinguished by its distinctive market behaviors and developmental patterns. Global oil market conditions exert considerable sway over the economies of countries reliant on exports of this essential resource. For Russia, oil serves as the preeminent export product. This study gains importance from recognizing that fluctuations within the oil market represent a pivotal external variable impacting the state of the Russian economy, its national budget, and overall balance of payments.

The information and empirical base of the study was the official data and materials of the IEA – International Energy Agency, Information agency INFOLine, materials from the analytical center under the Government of the Russian Federation, data from the Federal State Statistics Service and the Ministry of Energy of the Russian Federation.

Oil, a mixture of hydrocarbons and various organic substances naturally occurring in liquid form, frequently coexists with gaseous hydrocarbons. It is a highly valued mineral resource processed exclusively through refining techniques.

Refined oil derivatives, encompassing fuels like gasoline, diesel, kerosene, and heavy fuel oil, alongside lubricants such as coke, paraffin, and bitumen, play an indispensable role in power generation and transportation sectors worldwide.

In 2020, global oil consumption saw its sharpest year-on-year contraction ever recorded, plummeting by 8.8% daily. This unprecedented slump resulted from COVID-19 containment efforts and the subsequent economic downturn. The transportation industry, accounting for approximately 60% of total oil usage, bore the brunt of these declines. Movement restrictions imposed during the pandemic led to a dramatic reduction in jet fuel and kerosene demand by 3.2 million barrels per day (a staggering 41% decrease), while air travel activity dropped by 66% compared to 2019 levels. Gasoline consumption also plunged by over 3 million barrels per day (representing a 12% fall). Additionally, fuel oil demand shrank by 0.5 million barrels per day (an 8% dip), primarily due to diminished requirements for bunker fuel amid weakened international trade. Conversely, demand for LPG/ethane and naphtha remained relatively stable, buoyed by their use as petrochemical feedstocks in response to heightened demand for packaging materials, hygiene products, and medical supplies [5].

An analysis of Russia's oil market as of June 2021 reveals key trends. Figure 1 illustrates changes in oil production, exports, and refining from January 2020 to June 2021. In June 2021, output of crude oil and gas condensate declined by 3.7% compared to May, reaching 42.7 million tons. Between January and July 2021, production failed to match 2020 levels, partially attributable to limitations set by the OPEC+ agreement. Meanwhile, exports surged by 15.8% in June 2021, totaling 22.7 million tons. Overall, during the assessed period, oil production contracted by 10.5%, whereas exports grew by 4.1% [1]. Oil refining at refineries is 22.7 million tons as of June 2021.

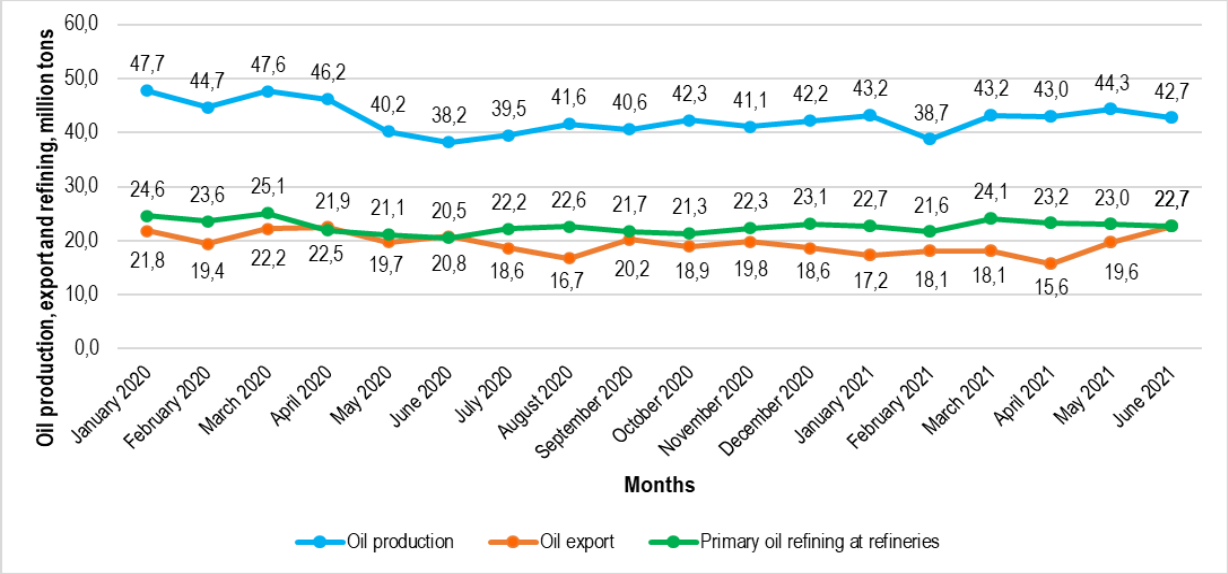

Figure 1. **Dynamics of oil production, export and refining in Russia**
Source: [11]

Crude oil constituted 42.4% of all fuel and energy exports and represented 22.8% of Russia's total exports. Simultaneously, exports made up 53.0% of the country's oil production in June 2021. Compared to the preceding June, the proportion of oil in overall Russian exports decreased by 1.4 percentage points, while the share of fuel and energy products in exports dipped by 1.3 percentage points.

When the new OPEC + agreement came into effect, Russia produced 39.7 million tons of oil, which is 15.5% less than in May 2019. For five months of 2020, oil production amounted to 226.5 million tons, which is 2.6% less than in the same period in 2019. A decrease in production volumes was recorded for all the largest Russian oil companies.

Major vertically integrated oil corporations reduced their oil production in line with Russia's commitments under the April 2020 OPEC+ accord. The greatest cuts were observed at PJSC NK Rosneft (-10.9%, producing 205 million tons), followed by PJSC LUKOIL (-10.6%, delivering 73.4 million tons) and PJSC Surgutneftegaz (-9.9%, outputting 54.7 million tons). Despite these reductions, PJSC Rosneft maintained its top position in the 2020 oil production rankings, with PJSC LUKOIL holding steady in second place, and PJSC Gazprom Neft securing

third spot with a 3.4% decline, yielding 37.0 million tons. This is shown in Figure 2.

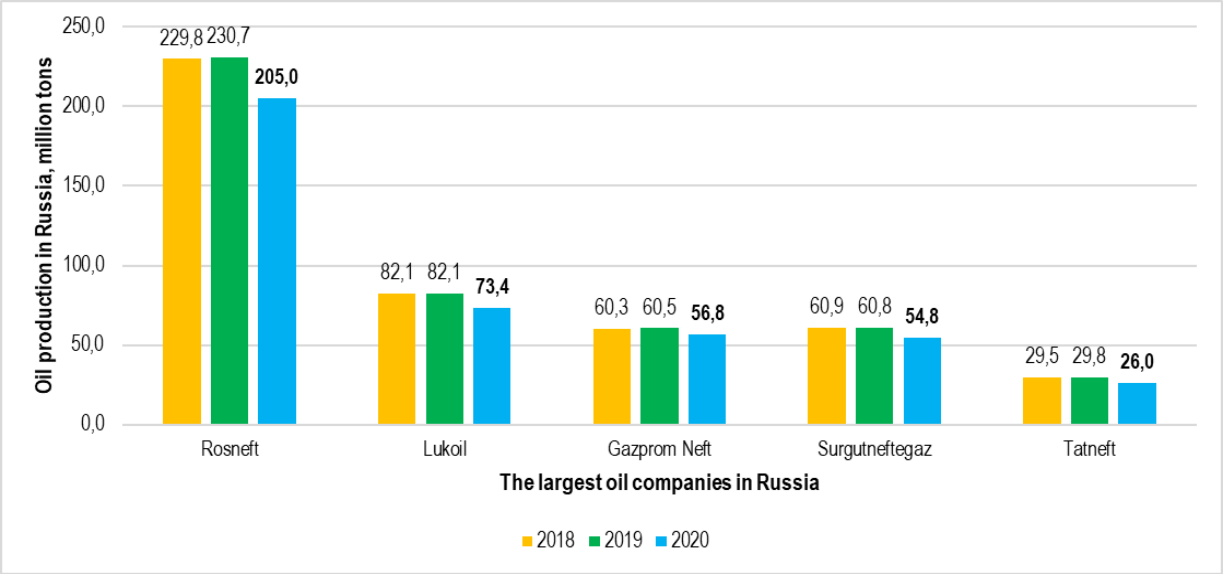

Figure 2. **Rating of oil companies by oil production in Russia**
Source: compiled by the author based on data [6] and [7]

Despite the challenges posed by reduced demand resulting from lockdown measures, major companies managed to retain their standing in the 2020 refining rankings. Rosneft secured the top spot with a 6.3% decline, processing 84.4 million tons; Lukoil came in second, experiencing a 9.1% drop to 39.9 million tons; and Gazprom Neft held onto third place, witnessing a 3.4% decrease to 37.0 million tons (figure 3).

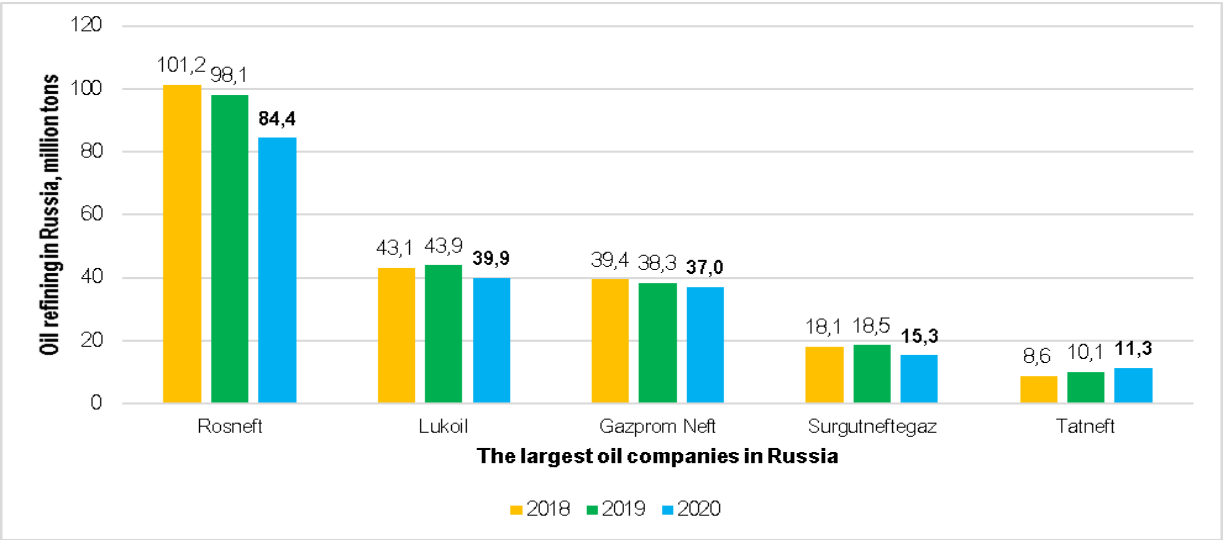

Figure 3. **Rating of oil companies for oil refining in Russia**
Source: compiled by the author based on data [6] and [7]

Figure 4 shows the dynamics of the production of oil products in Russia. Petrol production decreased by 7.3%, diesel fuel production decreased by 2.3% and masut / fuel oil production decreased by 14.9%.

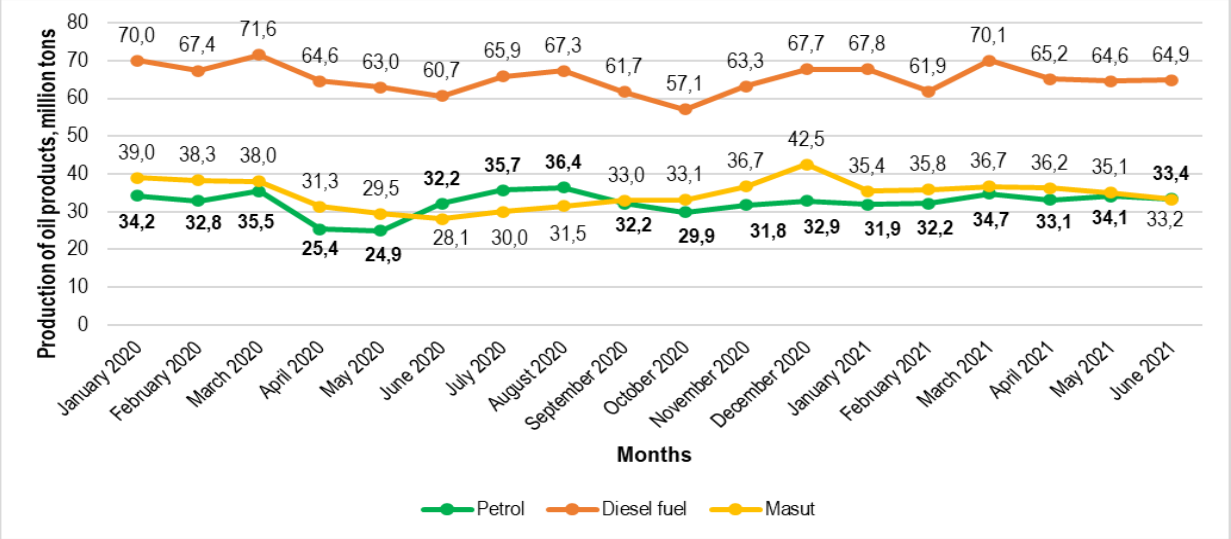

Figure 4. **Dynamics of oil products production in Russia**
Source: [11]

Overall, the output of petroleum products—including gasoline, diesel fuel, and mazut/fuel oil—declined during the specified period, largely owing to the modernization of several refineries. Nevertheless, according to the Russian Ministry of Energy, the domestic fuel market remained adequately supplied, bolstered by deliveries from existing inventories. Concurrently, the demand for gasoline and diesel fuel rose, driven by an upsurge in domestic tourism amidst ongoing epidemiological guidelines.

Table 1 shows that the main oil exporters in the world are the Russian Federation, the United States and Saudi Arabia, these countries export 10835, 12216 and 10453 thousand barrels per day, respectively.

Table 1. **Oil production in the Russian Federation and leading oil exporting countries in 2023, thousand barrels per day**

Country	January 2023	December 2022	November 2022
Russian Federation	10835	10873	10855
USA	12216	12101	12377
Saudi Arabia	10453	10435	10468
Iraq	4331	4431	4430
China	N/A	3983	4095
Canada	3811	4139	3840
Norway	1769	1815	1786

Source: [1]

The average actual export price of oil was 481.4 US dollars per 1 ton (106.5% by May 2021). The price of the world market for Urals oil was 521.2 US dollars per 1 ton (107.2% by May 2021). This trend is shown in Figure 5.

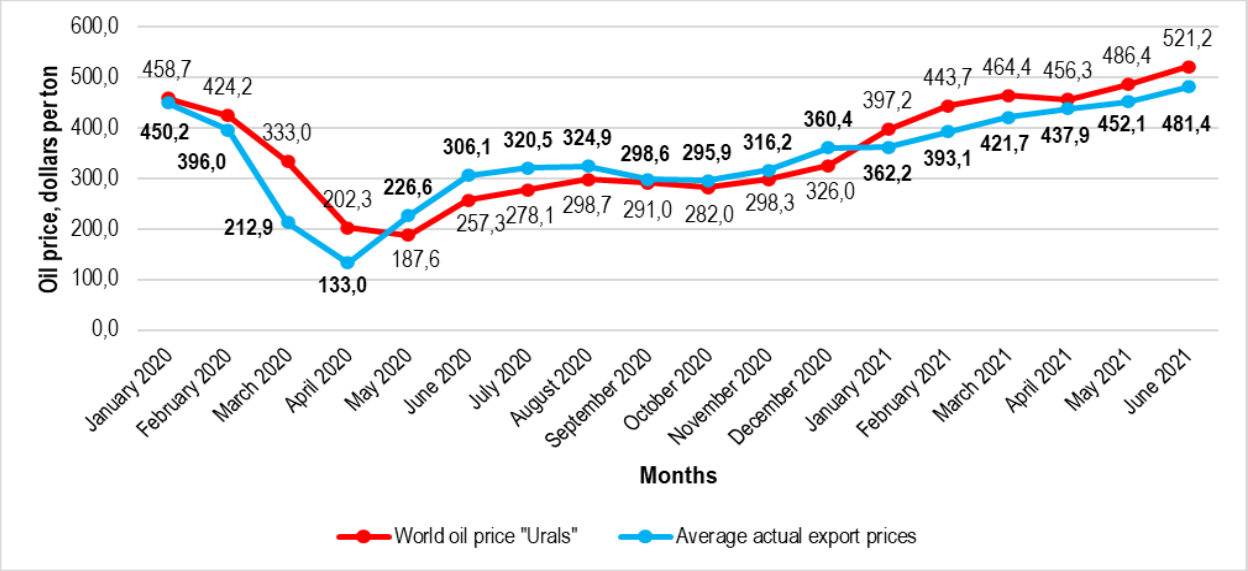

Figure 5. **Dynamics of average actual export prices of the Russian Federation and world oil prices**

Source: [1]

The collapse in oil prices in April 2020 was caused by the collapse of the OPEC+ deal. Then the oil ministers of OPEC and countries outside the cartel, including Russia, could not agree on the parameters of an agreement to cut production. The need to cut production was triggered by the growing coronavirus

crisis that hit the global economy. Saudi Arabia advocated a stronger reduction in oil supplies, while Russia insisted on extending the deal on the same terms.

Among the key factors that have a positive effect on the oil price are such factors as:

− compliance with the terms of the OPEC+ agreement by its key participants;

− gradual recovery in oil demand, including due to the recovery of travel by personal transport;

− reduced investment in new drilling and projects around the world leads to supply shortages in the medium term;

− loose monetary policy and other measures to stimulate the economies of countries affected by the pandemic [7].

Among the negative trends, the following can be highlighted:

− possible tightening of restrictions due to COVID-19;

− sanctions;

− uncertainty about the timing and pace of global economic recovery;

− rising tensions between the US and China;

− active development of alternative energy sources [10].

The resurgence of the global oil market since early 2021 has motivated Russian producers to prioritize crude oil exports over supplying domestic refineries. Despite the supportive measures implemented by the Russian federal government over the past three years, these initiatives have failed to ensure adequate profitability for companies, even when the state compensates for more than 60% of the discrepancy between export and wholesale prices. Amid scenarios involving significant increases in both exchange and retail prices of gasoline and diesel fuel, it may be prudent to reevaluate the current damping mechanism [4].

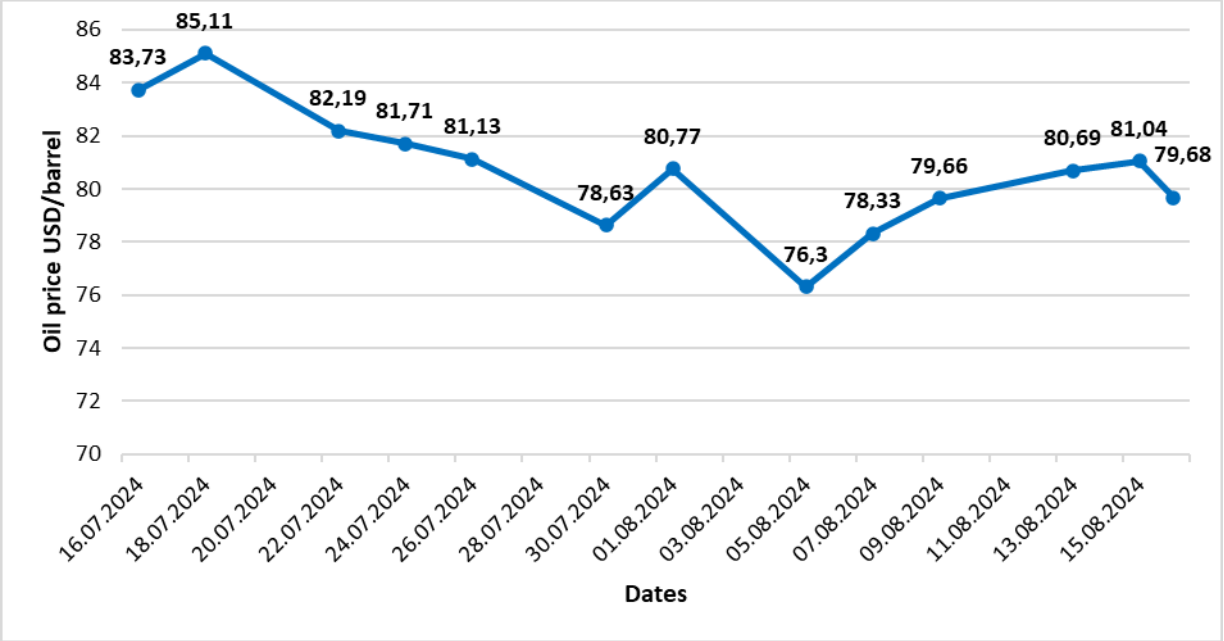

Figure 6. **Dynamics of Brent crude oil prices, July-August 2024**

Source: [3]

Figure 6 shows that the price of Brent crude oil is 79.68 dollars per barrel. In general, over the past month, there has been a decrease in the price per barrel for Brent crude oil.

The growing structural shortage of crude oil and petroleum products in Asia and the ever-growing oversupply in the Atlantic basin are creating new trade routes in the global oil market. This eastward shift to Asia, especially to China and India, is driving oil market activity as the energy transition gains momentum.

According to OPEC+ forecasts, oil demand in 2024 will grow by 2.2 million barrels per day (bpd), to 102 million bpd. In the long term, demand may increase from 102 million b/d to 115 million b/d by 2030. Air transportation and petrochemicals are expected to grow, and demand in Asia and Africa will grow.

This trajectory is likely to persist over the next two decades. Emerging economies will increasingly rely on oil, whereas mature markets will gradually reduce their dependence. Globally, the consumption of liquid hydrocarbons is projected to rise between 2035 and 2040, with IEA forecasts indicating that daily oil demand could surge to 106.3 million barrels by 2040. Growth will

predominantly originate from the Asia-Pacific region, spearheaded by China. Contrastingly, demand in Europe and the U.S. is expected to wane due to advancements in fuel efficiency, transportation electrification, and rising gas utilization. Throughout this evolution, the transportation sector, particularly personal vehicles, will remain the dominant consumer, accounting for roughly 45 million barrels per day, or nearly 45% of worldwide demand [8].

Figure 7 shows that the volume of consumption of oil products is expected to increase by 8% by 2030 as a whole.

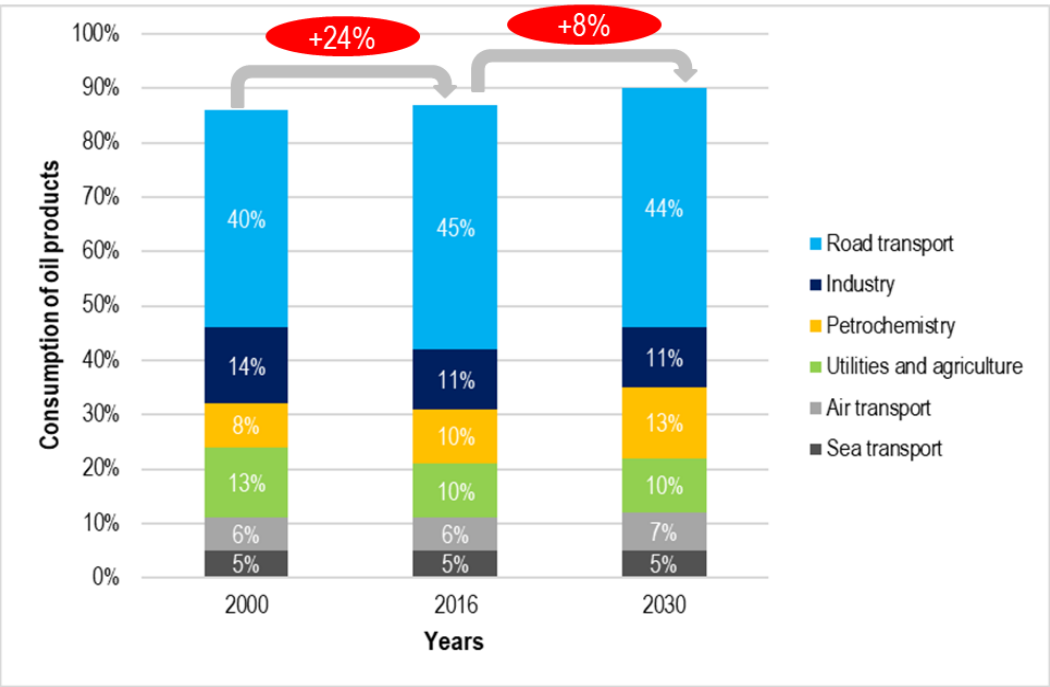

Figure 7. **Sectoral structure of consumption of oil products by volume, %**

Source: [8]

Global demand for basic polymers is expected to grow by 40% by 2030 and by 60–65% by 2050. The countries of the Asia-Pacific region (APR) will become the center of growth in the production and consumption of petrochemical products. In general, the growth in the consumption of petroleum products in the foreseeable future will be determined by the developing Asian countries with the largest growth in GDP and population [8].

Figure 8 shows different development scenarios that will affect the consumption of oil products.

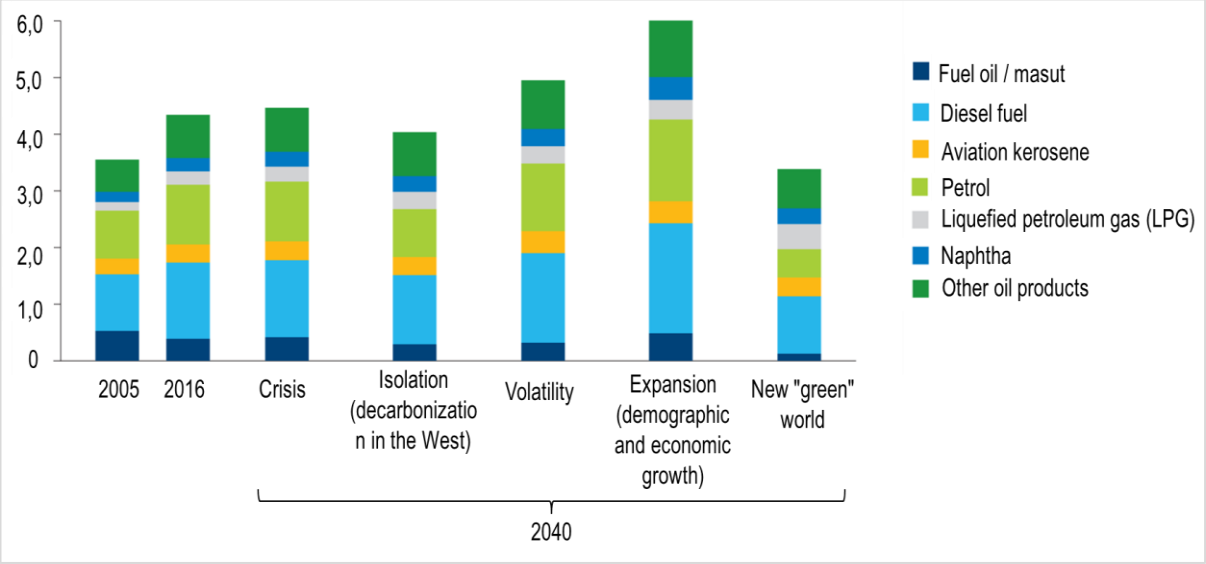

Figure 8. **Consumption of oil products in 2016 and 2040 under different development scenarios, billion tons per year**
Source: [8]

Thus, the most favorable development scenarios for the oil industry are expansion (demographic and economic growth) and volatility. And the least favorable scenario is a new "green" world, since the development of this scenario will lead to a reduction in the consumption of oil products. However, the development of this scenario is impossible in the near future, since the proliferation of electric vehicles and decarbonization in general is a long process. Today, hydrocarbons provide more than 80% of the world's energy, while solar and wind energy account for less than 2% [8].

Collectively, the study concludes that the oil industry is anticipated to rebound, with demand for oil and petroleum products poised to escalate in the foreseeable future. This projection holds true despite the recent declines in crucial indicators of oil production and refining, triggered by the dual pressures of the Covid-19 pandemic and OPEC+-mandated production curbs. Industry recovery, however, will unfold incrementally, given that many pandemic-induced restrictions, such as those on air travel, remain unresolved. Moreover, considering that alternative energy sources currently lack the capacity to fully supplant oil, the outlook for sustained industry expansion remains promising over the long haul.

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