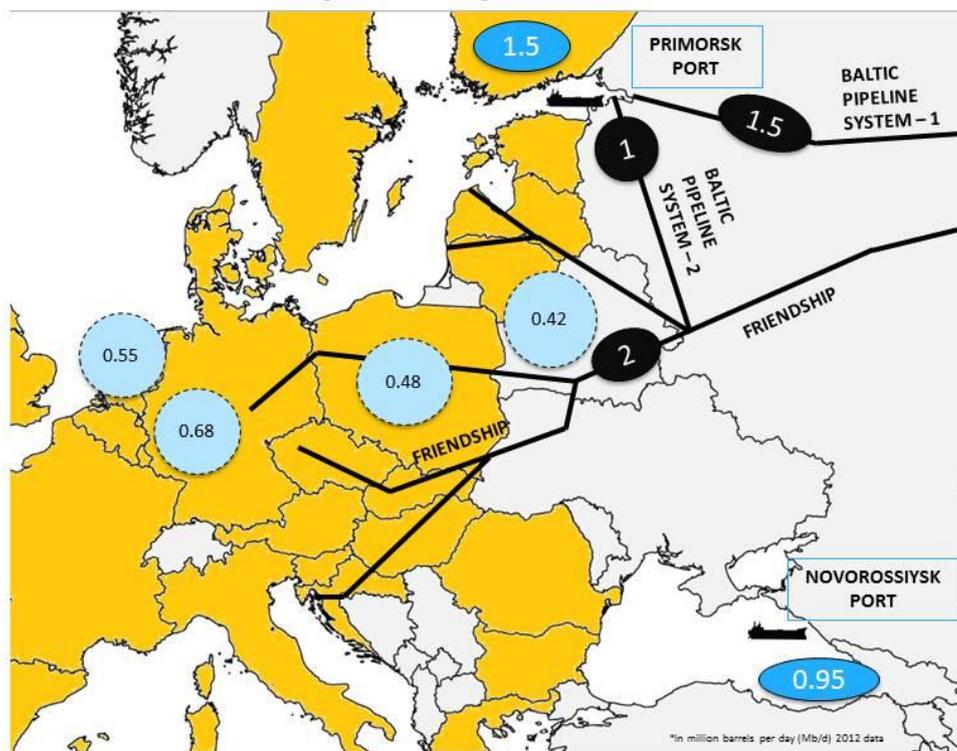


FACT SHEET

Russia – Europe: the liquid relationship often overlooked

Crude oil export capacities from Russia



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Supply

Crude oil

Russia is Europe’s main supplier of crude oil. About 35 percent of the EU’s crude import needs (2011 data) are supplied by Russia, while about 33 percent comes from OPEC countries. Russia exports about 4 – 4.4 mbpd of crude oil (CIEP calculation) to Europe. The main export destinations for crude oil and condensates (2012 data) from Russia to Europe are Germany (680,000 barrels per day (bpd)), the Netherlands (550,000 bpd), Poland (480,000 bpd) and Belarus (420,000 bpd). The Urals blend

accounts for more than 80 percent of Russia's exports and is a mixture of mostly Russian crude varieties.

Refined products

Besides crude, Russia is also an important producer of refined products. Exports of (2012 data) low-quality fuel oil (1.2 mbpd) and diesel (900,000 bpd) almost all go to Europe.

- ⇒ In 2012, Russia exported 7.2 million barrels per day of *total liquids*. The vast majority of Russian exports (84 percent) went to Europe. Russia thus is dependent on the European market, although it is increasingly diverting crude oil exports to Asia, while also refining more crude at home so it can export more value added products. In the coming years, Europe will thus most likely see the price of Ural crude go up, while it risks (1) being exposed to substantially less fuel oil supplies while (2) being flooded by cheap gasoline and low sulphur diesel. This will further challenge European refining competitiveness (see CIEP publications 2012 and 2013 on refining; www.clingendaelenergy.com).

Transport

Pipelines

Russia's extensive pipeline network is almost fully owned by state-run Transneft. Export pipelines can be divided in two categories: the ones that transport oil to port terminals such as Primorsk and Novorossiysk and the ones that deliver oil to Western European markets. Oil that leaves Primorsk via tanker ship is supplied by the Baltic Pipeline System-1 (capacity: 1.5 mbpd). Oil that leaves the Ust Luga Baltic port is supplied by the Baltic Pipeline System-2 (capacity: 1 mbpd). Oil directly into Western Europe is shipped through the Druzhba pipeline (Russian for "Friendship"), the world's longest oil pipeline (4000 km). The total capacity of the Druzhba pipeline is 2 million bpd, while actual loadings are about 1.2 mbpd.

Ports

Primorsk, near St Petersburg, is Russia's largest oil terminal, with a loading capacity of 1.5 mbpd. Urals export via Primorsk, however, have fallen below 1 mbpd (2013 data) due to an increase in domestic refining. Novorossiysk is Russia's main oil terminal on the Black Sea coast, which has a loading capacity of 950,000 bpd. Actual loadings are 660,000 bpd (2013 data).

Ukraine

The Southern leg of the Druzhba pipeline traverses the Ukraine. In Brody the Druzhba pipeline is connected with the Odessa-Brody pipeline, which is currently used to ship oil from the Druzhba pipeline to the Black Sea. In Uzhgorod the pipeline splits into lines to Slovakia (Druzhba-1 - original Druzhba route) and to Hungary (Druzhba-2).

The Black Sea port of Novorossiysk is less than 400 km away from Crimea. Oil tankers leaving Novorossiysk are supplied mainly by Caspian oil, predominantly by (1) the Tengiz field in Kazakhstan via the overland Caspian Pipeline Consortium (CPC) pipeline (capacity: 730,000 bpd, will expand to

1.4 mbpd) and (2) the Azeri–Chirag–Guneshli oil field in Azerbaijan via the Baku–Novorossiysk pipeline (capacity: 105,000 bpd).

IEA stock requirements

General

European Member States must maintain a total level of oil stocks corresponding, at the very least, to 90 days of average daily net imports *or* 61 days of average daily inland consumption, whichever of the two quantities is greater.

Products

Each Member State is invited to commit to maintaining specific stocks. In this case, they must maintain a minimum level defined in terms of number of days of consumption. Specific stocks shall be owned by the Member State concerned or the CSE set up by it. Member States shall publish their decision to hold specific stocks in the Official Journal of the European Union.

Specific stocks shall be composed of one or several of the following products:

Ethane; LPG; motor gasoline; aviation gasoline; gasoline-type jet fuel (naphtha-type jet fuel or JP4); kerosene-type jet fuel; other kerosene; gas/diesel oil (distillate fuel oil); fuel oil (high sulphur content and low sulphur content); white spirit and SBP; lubricants; bitumen; paraffin waxes; petroleum coke.

Member States shall ensure that in total, for the reference year, the crude oil equivalent of the quantities consumed of products included in the categories used is at least equal to 75 % of inland consumption. If there is no commitment to maintain at least 30 days of specific stocks, Member States shall ensure that at least one third of their commitment is held in the form of products, under the conditions laid down by the Directive.