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**TRENDS AND OUTLOOKS**  
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The review provides a detailed analysis of main trends in Russia's economy in 2015. The paper contains 6 big sections that highlight single aspects of Russia's economic development: the socio-political context; the monetary and credit spheres; financial sphere; the real sector; social sphere; institutional challenges. The paper employs a huge mass of statistical data that forms the basis of original computation and numerous charts.

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## Oil and Gas Sector in Russia in 2015<sup>1</sup>

Oil and gas industry remains the basic sector of Russian economy playing the key role in shaping the state budget revenues and the country's trade balance. In 2015, the oil sector's development was marked by positive dynamics. Due to investments made in the previous years, the crude oil production in Russia has reached peak levels since 1990 and crude oil export hit all time maximum. Restructuring of the oil sector taxation system has been launched. The reform envisages significant reduction of the economic role of export duties. Low global crude oil prices together with financial and technological sanctions imposed on Russia have hampered the development of this sector.

### 4.6.1. Dynamics of the global oil and gas prices

In recent years, the situation on the global crude oil market was characterized by sustainable excess of oil supply over demand, which resulted in a significant fall of global crude oil prices. Main factor, which determined the oil glut, was fast production growth of shale oil in the US due to application of new technologies and high oil prices during preceding years. Despite the oil price reduction, the OPEC member states refused to scale down oil production and turned to the policy of preservation of their share of the world oil market. As a result, in 2015, average price on Brent crude oil fell to \$51.2 per barrel, which is half the average price of the preceding three years. Herewith, in December 2015, the price for Russian oil declined to \$36.4 per barrel. Thus, the low prices became a new normal on the oil market.

Under the effect of the low prices crude oil production on cost-intensive fields began falling, drastically decreased investments. Oil production in the US began falling as well as production in other high-cost regions: Norway, Great Britain and Mexico. Sharply fell investments in the development of unconventional petroleum deposits including shale oil in the US, bituminous sands in Canada, and deep-sea deposits in various regions of the world.

At the same time, reduction of oil production on cost-intensive oilfields was offset by the production growth in OPEC, which members strive to increase their market share. By increasing their supplies, they strive at least partially compensate income contraction due to oil price fall. As a result, there is a constant excess over the fixed aggregate oil production quota set by OPEC (30 mb/d). Production went up significantly in Saudi Arabia and Iran, which are the leading OPEC producers of oil.

Table 22

**World prices for crude oil in 2000–2015, \$/barrel**

	2000	2005	2010	2011	2012	2013
Price for Brent crude oil, Great Britain	28.5	54.4	79.6	111.0	112.0	108.8
Price for Urals crude oil, Russia	26.6	50.8	78.3	109.1	110.3	107.7

*Cont'd*

	2014	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2015
Price for Brent crude oil, Great Britain	98.9	54.0	62.1	50.0	43.4	52.4
Price for Urals crude oil, Russia	97.7	52.8	61.4	49.1	41.5	51.2

<sup>1</sup> Author of this section: Bobylev Yu. – Gaidar Institute for Economic Policy.

Sources: IMF, OECD/IEA.

The price for Russian natural gas on the European market also displayed a downward trend. The prices for gas supplied under long-term contracts are usually tied to prices for petroleum products and with a certain lag follow the world prices for oil (*Table 23*). Meanwhile, in recent years prices for Russian gas were also pulled down by the changing situation on the European gas market, i.e. the growing competitive supply from other gas producing countries and lower spot prices for gas in comparison with prices under long-term Gazprom contracts. All this has forced “Gazprom” to bring down its sale prices for gas on the European market. In 2015, the price for Russian gas on the European market decreased by 29% compared to the previous year.

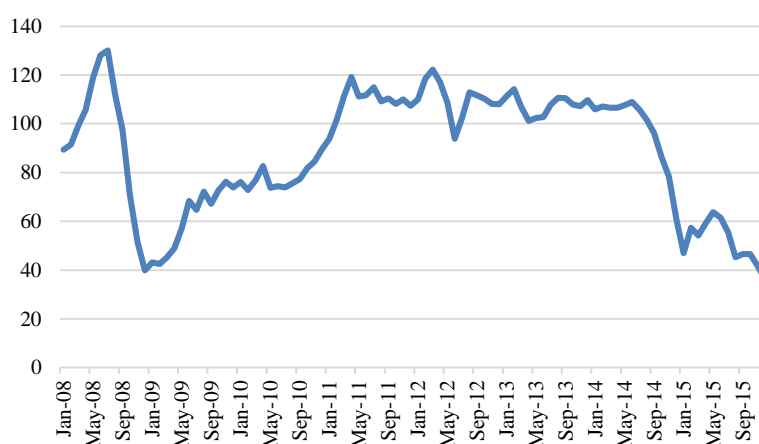


Fig. 36. Price for Urals crude oil in 2008–2014, \$/barrel

Source: Ministry of Economic Development of the Russian Federation.

Table 23

**World prices for oil and natural gas in 2010–2015**

	2010	2011	2012	2013	2014	2015
Basket price, \$/barrel	79.0	104.0	105.0	104.1	96.2	50.8
Price for Russian gas on the European market, \$/1,000 m <sup>3</sup>	296.0	381.5	431.3	402.0	376.0	267.9

Sources: IMF, Rosstat.

4.6.2. Dynamics and Production Pattern in the Oil and Gas Sector

In 2015, the crude oil production in Russia hit 534 million tons which is the record high over the period since 1990 (*Table 24*). A positive effect on the dynamics of oil recovery was produced by the recent putting in operation of several large new fields in Eastern Siberia and in the north of the European part of the country as well as the changes in taxation system, which provide incentives for the development of new production regions and better oil recovery at the producing fields. At the same time, the growth rates of oil production in recent years have been notably falling (*Table 25*) primarily due to the worsening of recovery conditions. A great share of producing fields have entered the stage of declining output while new deposits in most cases have worse mining, geological and geographic parameters and their development requires higher capital, operational and transport costs. At the moment, Russian oil industry has approached the ceiling of its production capacities. To make up for the declining production of

oil at the producing fields, one has to develop both new fields in regions with poorly developed or lacking infrastructure and idle reserves of lower quality oil in the developed regions

Table 24

**Oil production and refining in the Russian Federation in 2000–2015**

	2000	2005	2010	2011	2012	2013	2014	2015
Production of crude oil including gas condensate, million tons	323.2	470.0	505.1	511.4	518.0	523.3	526.7	534.0
Primary oil refining, million tons	173.0	208.0	249.3	258.0	270.0	278.0	294.4	287.0
Ratio of oil refining to crude oil production, %	53.5	44.3	49.4	50.4	52.1	53.1	55.9	53.7
Crude oil conversion rate, %	71.0	71.6	71.1	70.8	71.5	71.7	72.4	74.1

Sources : Federal Service of State Statistics, Ministry of Energy of the Russian Federation.

In 2015, the structural reshuffling has been underway in the oil sector’s taxation system (the “tax maneuver”), which envisaged gradual reduction of export duties on oil and petroleum products to be compensated by the increased rate of the Mineral Extraction Tax (MET).<sup>1</sup> In accordance with adopted in 2015-2017 parameters of the “tax maneuver” the marginal rate of export duty on crude oil was cut from 59% in 2014 to 42% in 2015, and the export duty rate on heating oil was raised from 66% to 76% of the export duty rate on crude oil, respectively. In 2017, the marginal export duty rate on oil should be reduced to 30%, and the export duty rate on heating oil will be raised to the level of the export duty rate on oil.<sup>2</sup>

2015 results speak about the noted change of a number trends due to the “tax maneuver” (Table 25). Among them, one should specify first, fall of the heating oil production, which happened for the first time in recent years, second, also for the first time in recent years there was an increase in export of crude oil (beneficial for the state budget compared to heating oil export), third, contraction of oil refining due to first two factors. At the same time, crude oil conversion rate moved up to 74.1%. These results should be viewed as the first positive outcome of the tax maneuver.

Table 25

**Production of crude oil, petroleum products and natural gas in 2000–2015, % to previous year**

	2000	2005	2010	2011	2012	2013	2014	2015
Crude oil including gas condensate	106.0	102.2	102.1	100.8	101.3	100.9	100.7	101.4
Primary oil refining	102.7	106.2	105.5	103.3	104.9	102.7	104.9	97.3
Gasoline	103.6	104.8	100.5	102.0	104.3	101.3	98.8	102.3
Diesel fuel	104.9	108.5	104.2	100.3	98.7	103.1	107.4	98.9
Heating oil	98.3	105.8	108.5	104.6	101.6	103.3	102.0	91.1
Natural gas	98.5	100.5	111.4	102.9	97.7	102.1	95.7	98.7

Sources: Federal Service of State Statistics, Ministry of Energy of the Russian Federation.

The structure of the oil-extracting sector is characterized by domination of large vertically integrated companies with high share of state participation. In Russia, 164 companies are engaged in crude oil extraction, including: 9 large oil and gas companies; 3 companies operating on production sharing agreement; and 152 independent oil producing companies. The share of 5 largest oil producers (“Rosneft”, “LUKOIL”, “Surgutneftegaz”, “Gazprom” and “Tatneft”) account for 78% of the total oil production in the country (Table 26). At the same time, the

<sup>1</sup> See: Yu.N. Bobylev, G.I. Idrisov, S.G. Sinelnikov-Murylev. Export Duties on Oil and Petroleum Products: Need to Abolish and Scenario Analysis of the Consequences. Moscow, Gaidar Institute Publishers, 2012; Yu. Bobylev. Development of the Oil Sector in Russia. Voprosy Ekonomiki. 2015. № 6, pp. 45–62.

<sup>2</sup> See: Yu Bobylev. The Tax Maneuver in the Oil Sector. Russia’s Economic Development. 2015. № 8, pp. 45–49.

share of state companies in the total oil extraction (taking into account their shares in other companies) amounts to 59%.<sup>1</sup>

The sector of small and medium oil producing companies is underdeveloped. The share of companies with production of 2.5 mn tons per year (up to 50 thousand barrels per day) stand barely at 3% of production. In the United States where sector of small and medium oil producers has demonstrated its efficiency, the share of companies with production volume up to 50 thousand barrels per day accounts for 46% of the total oil production in the country.

Table 26

### Oil Producing Companies 2010–2015

	Oil output in 2010, mn/t	Share in total output, %	Oil output in 2014r., mn/t	Share in total output, %	Oil output in 2015, mn/t	Share in total output, %
<i>Russia, total</i>	<i>505.1</i>	<i>100.0</i>	<i>526.7</i>	<i>100.0</i>	<i>534.0</i>	<i>100.0</i>
Rosneft	112.4	22.3	190.9	36.2	189.2	35.4
LUKOIL	90.1	17.8	86.6	16.4	85.7	16.0
TNK-BP	71.7	14.2	-	-	-	-
Surgutneftegaz	59.5	11.8	61.4	11.7	61.6	11.5
Gazprom including Gazprom neft	43.3	8.6	49.8	9.5	51.3	9.6
including:						
Gazprom	13.5	2.7	16.2	3.1	17.0	3.2
Gazprom neft	29.8	5.9	33.6	6.4	34.3	6.4
Tatneft	26.1	5.2	26.5	5.0	27.2	5.1
Bashneft	14.1	2.8	17.9	3.4	19.9	3.7
Slavneft	18.4	3.6	16.2	3.1	15.5	2.9
RussNeft	13.0	2.6	8.6	1.6	7.4	1.4
NOVATEK	3.8	0.8	4.3	0.8	4.7	0.9
Operators of PSA	14.4	2.9	14.4	2.7	15.0	2.8
Other producers	38.2	7.6	50.1	9.5	56.5	10.6

Source: Ministry of Energy of the Russian Federation, author's calculations.

Besides low global oil prices, another factor, which can negatively affect further development of Russia's oil and gas industry are economic sanctions imposed on Russia in 2014 by the United States, EU and some other countries in response to the events in Ukraine. Aside from financial sanctions, which limit access of Russian companies to external financial sources, a number of developed countries have imposed a ban on supply to Russia of equipment and technologies for the development of three categories of oilfields: deposits in the Arctic shelf, deep-water deposits and shale oil deposits. All three categories depend on foreign technology. The investment cycle of projects for the development of Arctic shelf and deep-water fields is rather protracted and from the oil production point of view the negative effect of blocking such projects may show up only in the long term. Furthermore, in case of persistent low crude oil prices the implementation of the majority of projects of the kind will be postponed due to their economic inefficiency.

Amid low crude oil prices, the development of significant part of shale oil deposits will also be inefficient. However, technologies used for the development of shale oil deposits (horizontal drilling, hydraulic fracturing) are applied as well for the development of traditional oil deposits, first of all the ones with high level of resource depletion, in order to provide better oil extraction. Therefore, the ban on supply of equipment for horizontal drilling and hydraulic fracturing may also lead to the premature closing of producing fields owing to the impossibility of their enhanced recovery.

<sup>1</sup> Yu. Bobylev. Development of the Oil Sector in Russia. *Voprosy Ekonomiki*. 2015. № 6, p. 48.

Meanwhile, the potential for additional extraction on existing oilfields due to deeper recovery is rather significant. In Russia, oil recovery index stands barely at 28%, which is significantly less the average world level. In the US, this index hits the range of 35-43%, and in Norway, it reaches 46%.

The HIS research showed that Russia was among those countries, which can obtain the largest increment in oil extraction due to the application of horizontal drilling and hydraulic fracturing technologies on the “old” low production traditional oilfields. The potential of additional oil recovery through the application of these technologies constitutes 12 billion barrels. According to this indicator, Russia is second to Iran among the most hopeful countries outside North America.

In the wake of low global oil prices and technological sanctions, deeper recovery at traditional oilfields assumes crucial importance for the maintenance of oil production and export. In this regard, both more active use of respective foreign technologies not included in the sanction list and the development of own import substitution technologies for enhancing oil recovery are necessary.

Positive effect on the development of this sector could be produced by the introduction of the windfall profits tax with a progressive taxation scale depending on the project’s profitability level.<sup>1</sup> This tax takes into account all rent-shaping factors and automatically brings tax burden in line with the actual economic efficiency of certain oilfields’ development. In case of highly efficient projects, application of the windfall profits tax ensures progressive resource rent extraction in profit of state and simultaneously create required conditions for the implementation of low efficiency projects.

#### 4.6.3. Dynamics and structure of oil and gas export

In 2015, the volume of Russian crude oil and petroleum products exports hit 416 million tons, which is the all-time high. This being said, the share of crude oil and petroleum products net export constituted 77.1% in 2015 (*Table 27*). Export growth was due to both increased crude oil production and the decline of domestic consumption in the wake of the economic recession. Furthermore, significant increase of crude oil export should be noted due to the tax maneuver effect (by 9.4% against 2014, *Table 28*). The share of oil exports in its production has gone up to 45.8%. Meantime, the share of exports in the production of heating oil has come to over 90%, diesel fuel – 67.6%, gasoline – 11.8% (to compare: in 2005 the share of export in production of gasoline came to 18.5%, in 2010 – 8.2% and in 2014 – 10.9%).

*Table 27*

#### **Ratio between production, consumption and export of oil and natural gas in 2000–2015**

	2000	2005	2010	2011	2012	2013	2014	2015
1	2	3	4	5	6	7	8	9
<b>Crude oil, million tons</b>								
Production	323.2	470.0	505.1	511.4	518.0	523.3	526.7	534.0
Exports, total	144.5	252.5	250.4	244.6	239.9	236.6	223.4	244.5
Exports to non-CIS countries	127.6	214.4	223.9	214.4	211.6	208.0	199.3	221.6
Exports to CIS countries	16.9	38.0	26.5	30.2	28.4	28.7	24.1	22.9
Net exports	138.7	250.1	249.3	243.5	239.1	235.8	222.6	241.6

<sup>1</sup> See: Yu. Bobylev, M. Turuntseva. Taxation of Natural Resource Sector of the Economy. Moscow, IEP Publishers, 2010.

Cont'd

1	2	3	4	5	6	7	8	9
Domestic consumption	123.0	123.1	125.9	140.7	142.1	137.5	141.3	122.2
Net exports as % of production	42.9	53.2	49.4	47.6	46.2	45.1	42.3	45.2
<b>Petroleum products, million tons</b>								
Exports, total	61.9	97.0	132.2	130.6	138.1	151.4	164.8	171.5
Exports to non-CIS countries	58.4	93.1	126.6	120.0	121.2	141.1	155.2	163.3
Exports to CIS countries	3.5	3.9	5.6	10.6	16.9	10.3	9.6	8.3
Net exports	61.5	96.8	129.9	127.2	136.8	150.0	162.8	170.2
<b>Crude oil and petroleum products, million tons</b>								
Net exports of oil and petroleum products	200.2	346.9	379.2	370.7	375.9	385.8	385.4	411.8
Net exports of oil and petroleum products as % of oil production	61.9	73.8	75.1	72.5	72.6	73.7	73.2	77.1
<b>Natural gas, billion m<sup>3</sup></b>								
Production	584.2	636.0	665.5	687.5	671.5	684.0	654.2	645.9
Exports, total	193.8	207.3	177.8	184.9	178.7	196.4	172.6	185.5
Exports to non-CIS countries	133.8	159.8	107.4	117.0	112.6	138.0	124.6	144.7
Exports to CIS countries	60.0	47.5	70.4	67.9	66.0	58.4	48.0	40.7
Net exports	189.7	199.6	173.5	179.2	171.6	189.3	165.5	178.4
Domestic consumption	394.5	436.4	492.0	508.3	499.9	494.7	488.7	467.5
Net exports as % of production	32.5	31.4	26.1	26.1	25.6	27.7	25.3	27.6

Sources: Federal Service of State Statistics, Ministry of Energy of the Russian Federation, Federal Customs Service, author's calculations.

Exports of natural gas have moved up (by 7.5% compared to the previous year). However, so far it remains below the level registered in mid-2000s. In recent years, the basic factor of gas exports' decline was the shrinking of supplies to the European market where the share of other gas producing countries has greatly increased. As a result, exports of Russian gas to the non-CIS countries in 2015 fell by 11% as compared with 2006 when the volumes of gas supplies from Russia to Europe reached their maximum. Herewith, the ratio of net exports to the output of gas dropped from 31.4% in 2005 to 27.6% in 2015.

Table 28

**Dynamics of Russian export of oil, petroleum products and natural gas  
in 2010–2015, % to previous year**

	2010	2011	2012	2013	2014	2015
Crude oil	101.2	97.6	98.2	98.6	94.4	109.4
Petroleum products	106.2	98.5	104.4	109.6	108.7	104.1
Natural gas	105.6	104.0	96.6	109.9	87.9	107.5

Sources: Federal Service of State Statistics, Federal Customs Service.

The analysis of dynamics of Russian crude oil exports over a long term reveals a notable strengthening of oil sector's export orientation as compared to the pre-reform period. The ratio of net exports of crude oil and petroleum products to the output of oil increased from 47.7% in 1990 to 77.1% in 2015. However, one should keep in mind that this is due not only to the increase of absolute export volumes but also to the remarkable drop of domestic oil consumption following market transformation of the Russian economy, improvement of oil utilization efficiency and replacement of heating oil by natural gas. It's noteworthy that the share of petroleum products in the total petroleum exports increased from 18.2% in 1990 to 41.3% in 2015. Still, one should take into account that due to the low depth of oil refining the major part of Russian export of petroleum products consists of heating oil that in Europe is used as an input for further processing and production of light oil products.

Amid decline of the global oil and gas prices, the share of fuel and energy products in Russian export moved down to 62.5% in 2015. Herewith, the share of oil and petroleum products



in Russian export constituted 45.4% (in 2014 – 54.2%), and the share of natural gas – 12.1% (Table 29).

Table 29

**Value and share of export of fuel and energy products 2010–2015**

	2010		2014		2015	
	\$ bn	%*	\$ bn	%*	\$ bn	%*
Fuel and energy products, total	267.7	67.5	345.4	69.5	216.1	62.5
including: crude oil	134.6	34.0	153.9	31.0	89.6	25.9
natural gas	47.6	12.0	54.7	11.0	41.8	12.1

\* as % of the total Russian exports.

Source: Federal Service of State Statistics.

4.6.4. Dynamics of prices for energy products on the domestic market

Prices for oil and petroleum products on the domestic market are basically determined by the corresponding global prices so that to provide equal profitability of supplies to foreign and home market, i.e. are net-back prices equaling the world price minus export customs duty and export shipment costs. In recent years, the growth of global prices for crude oil and petroleum products drove the prices up on the domestic market. However, in the second half of 2014–2015, lower world prices and ruble exchange rate resulted in a notable decline of domestic prices in dollar terms (Table 30, Fig. 37). It's noteworthy that due to the high export duties there still remains a significant gap between the global and domestic prices. In the meantime, due to the “tax maneuver” the reduction of export duty rate led to convergence between domestic and global price. In 2014, the domestic price for oil (producer price) came to \$42.0 of the global one (price for Urals oil on the European market) than in 2015 – 55% of the global price.

Table 30

**Domestic prices for oil, petroleum products and natural gas in dollar terms in 2005-2015 (average producer prices, \$/ton)**

	2005	2010	2011	2012	2013	2014	2015
Oil	167.2	248.2	303.3	341.1	346.1	178.9	156.7
Gasoline	318.2	547.9	576.9	628.7	614.4	372.3	301.8
Diesel fuel	417.0	536.1	644.9	774.2	698.0	419.3	349.4
Heating oil	142.7	246.3	274.6	275.3	235.8	128.7	49.5
Gas, \$/1,000m <sup>3</sup>	11.5	20.5	21.3	40.3	39.8	29.1	24.5

Source: calculated on the data released by Federal Service of State Statistics.

Domestic prices for gas remain the subject of state regulation. In order to ensure the competitiveness of national economy the government supported far lower level of the domestic gas prices in comparison with that of the world market. In 2015, the domestic price for gas (the price paid by industrial consumers less indirect taxes) averaged only 26.0% of the price for Russian gas on the European market.

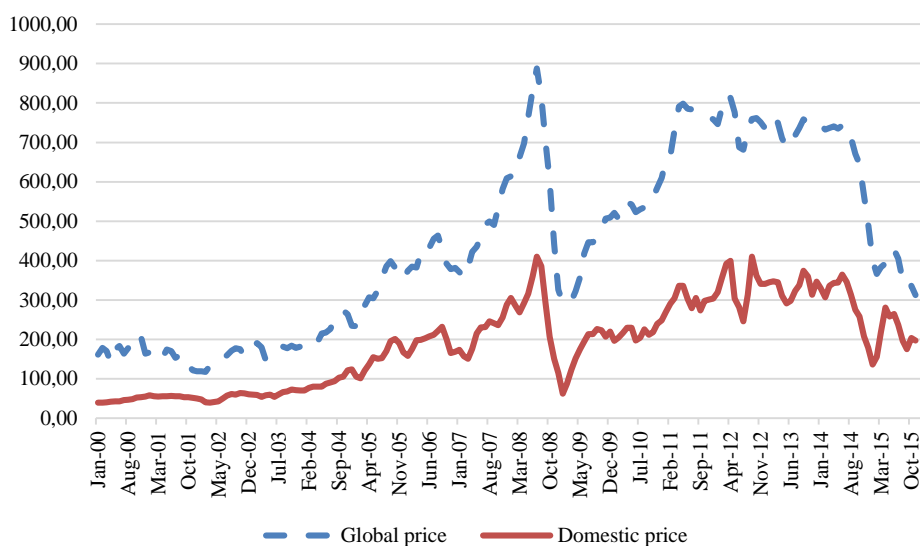


Fig. 37. Global and domestic oil price in 2000–2015, \$./t

Source: calculated on data released by Federal Service of State Statistics.

#### 4.6.5. Prospects

Russia boasts of rather significant crude oil reserves, which allow sustaining high levels of extraction and export in the course of many years. There is a considerable potential for crude oil production both due to putting into operation undeveloped reserves in developed regions and to deposits in the new production regions. At the same time, there is a rather considerable potential for additional production at existing fields by means of their deeper recovery. Moreover, the potential of presently undeveloped non-traditional crude oil reserves is immense. According to the US Energy Information Administration, by technically recoverable shale oil resources Russia is second to none in the world (US takes second place). Crude oil refining potential is also high, however by its technological level, it significantly lags behind the level achieved by the developed countries. Depth of refining in Russia stands only at 74%, meanwhile in the leading industrially developed countries it hits 90-95%. Raising depth of refining allows satisfying domestic needs in motor fuel with lower volumes of oil consumption.

In the long view, the global demand for crude oil will be growing, which allows Russia to preserve and even to increase current volumes of oil export. Herewith, owing to demographic trends and rising energy efficiency one should expect a reduction of oil demand in Europe, which is the main export market for Russia. Meanwhile, one can forecast a significant growth of oil demand in Asia, first of all, in China. In this regard, it is necessary to change regional pattern of Russian export of oil by expanding infrastructure potential for oil supplies to the East.

At the same time, the development of the Russian oil industry will significantly depend on global oil prices. Conditions of the oil market are characterized by predominance of factors, which will contribute to the retention of relatively low oil prices. Among major factors are significant shale oil resources in the US, which will be quickly developed and increase supply with global oil prices above \$60 per barrel, slowdown of economic growth in China, decline of discipline in the OPEC as well as growth of shipments from Iran.

In Russia, in the wake of low oil prices, potential for the development of new oilfields and nontraditional resources will be significantly limited because investments in the most cost-intensive projects will be economically inefficient. First of all, the Arctic shelf projects will be economically inefficient.

Financial and technological sanctions imposed on Russia will limit the development of the oil sector. Financial sanctions will hamper access for Russian companies to foreign financing and technological sanctions actually block the development of deep-water oilfields, resources on the Arctic shelf and shale oil resources. Imposed ban on deliveries of equipment required for horizontal drilling and for hydraulic fracturing considerably limits deeper recovery on the operating oilfields.

In the context of low global crude oil prices and effect of sectoral technological sanctions, the traditional crude oil reserves should become the basis for further development of the Russian oil sector. This being said, deeper recovery on the producing oilfields and increased oil recovery rate will be very important. It is necessary to both actively use of free of sanctions foreign equipment applied in this sphere and accelerated development of import substitution technologies required to increase oil recovery rate. Potential for the oil production maintenance will to a greater extent depend on the technological progress in this sector.

Further development of the oil industry will require the creation of fiscal conditions. First of all, restructuring of the oil sector's taxation system is necessary, which includes gradual reduction of export duties on crude oil and petroleum products (down to their abolition) and increased role of MET. Reduction of export duties will cut ongoing subsidization of the oil refining sector and will create real incentives for its modernization and increase of oil refining index. Besides, it will greatly decrease the subsidizing of other Customs Union member-states by Russia that occurs owing to duty-free supplies of Russian oil and petroleum products. At the same time, the growth of domestic prices for oil and petroleum products (amid low world oil prices, it will be relatively slower) will strengthen incentives for the improvement of energy efficiency.

Imposition of the windfall profits tax at the new oilfields should be the next step. This tax will ensure a wider differentiation of tax burden and will create required conditions for investment in the development of new deposits. In the future, it can be applied at the already producing fields, in particular on projects with the use of methods to increase oil recovery.

Creation of conditions for the operation of small and medium companies will be important for further development of the oil sector. The activity of major oil companies, as a rule, focuses on the implementation of large-scale and highly profitable projects and small and less profitable projects turn out to be beyond their interests. This creates potential for expanded activity of small and medium companies in the oil producing business. They can be rather efficient in such spheres as deeper recovery on the producing fields, development of small deposits and tight oil resources, geological exploration works and provision of services.

Development of small and medium oil producing companies requires the creation of corresponding organizational and legal regime including significant reduction of the administrative barriers in granting the use of subsoil areas.

Implementation of these measures will contribute to maintenance of production and export of crude oil and to more rational use of oil resources.