

January oil and gas production preview: Rosneft hits records, Lukoil stabilizes, gas output below last year



Russian daily oil output, '000 bpd

	Jan 12	Dec 11	Jan 11	MoM	YoY
Rosneft	2,322	2,308	2,288	0.6%	1.5%
Lukoil	1,692	1,688	1,751	0.2%	-3.4%
TNK-BP	1,466	1,464	1,441	0.2%	1.8%
Surgutneftegas	1,221	1,222	1,210	-0.1%	0.9%
Gazprom neft	610	617	598	-1.0%	2.1%
Tatneft	530	526	525	0.7%	1.0%
Slavneft	363	363	365	0.0%	-0.5%
Bashneft	307	306	298	0.4%	3.1%
Gazprom	332	309	292	7.6%	13.9%
Rusneft	279	279	261	0.0%	6.9%
Total Russia	10,347	10,305	10,210	0.4%	1.3%
Refining	5,183	5,051	4,947	2.6%	4.8%

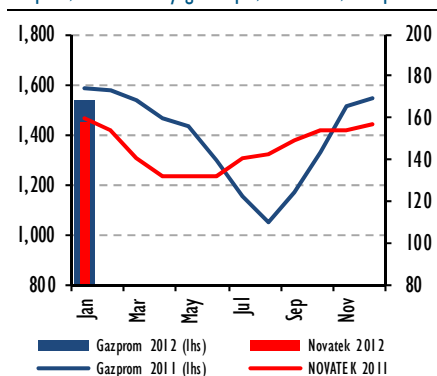
Source: Ministry of Energy, Gazprombank estimates

Russian daily gas output, mmmcpd

	Jan 12	Dec 11	Jan 11	MoM	YoY
Gazprom	1,540	1,546	1,585	-0.4%	-2.9%
Novatek	157	157	151	0.1%	4.6%
Other oil cos	186	189	178	-1.4%	4.7%
Other gas cos	142	135	129	5.2%	10.4%
Total Russia	2,026	2,027	2,042	-0.1%	-0.8%

Source: Ministry of Energy, Gazprombank estimates

Gazprom, NOVATEK daily gas output, 2011-2012, mmmcpd



Source: Ministry of Energy, Gazprombank estimates

On Thursday, February 2, 2012, we expect the Russian Ministry of Energy to report the preliminary data on Russian oil and gas production for January 2012. Based on the ministry's preliminary daily data, we expect the average daily oil output in January to set another historical record of 10.35 mbpd, up 0.4% MoM and 1.3% YoY. The average daily gas output is expected to slightly decrease by 0.1% MoM and 0.8% YoY.

Oil production: another record on the back of Rosneft highs and Lukoil output stabilization

We expect the average daily oil output of Russian companies to set another historical record of 10.35 mbpd in January, up 0.4% MoM and 1.3% YoY. We expect this increase to have been driven by higher liquids output of Gazprom and an increase in crude production by Russian oil majors. Gazprom has increased its liquids production by estimated 7.6% MoM and 13.9% YoY on the back of the sharp increase of gas condensate production.

Rosneft continues to ramp up Vankor production capacity, which has driven the company's January production up 0.6% MoM and 1.5% YoY. Moreover, last week, Rosneft production was up almost 1% MoM and 2% YoY. Lukoil may show the first noticeable monthly output increase over the last 12 months - by 0.2% MoM; however, the YoY rate is still in the red zone at minus 3.4%. Among other producers, we highlight Gazprom neft, whose production may decrease by 1% MoM, which we would consider as a temporary drop.

Gas output: the warm weather in the first half of January has driven gas output down, while the second half was promising.

The monthly dynamics should have been determined by warm weather in the first half of the month and the cold second half, when gas production rebounded. We expect the total Russian average daily gas production to have slightly decreased by 0.1% MoM and by 0.8% YoY. At the same time, we note that the second half of January average daily gas output was 1.6% higher than in the first half of the month, and we attribute this to colder weather. On January 29 Russian daily gas production volumes climbed to 2.070 bcm, close to historical records, mainly driven by peak levels of domestic demand on the background of relatively moderate export volumes for January.

Gazprom production is expected to decrease by 0.4% MoM and 2.9% YoY, but we note that the drop in production over the first half of the month has affected the company to the highest extent as its second-half average production was more than 2% higher than in the first half.

We expect NOVATEK to have sharply decreased its growth rates as the company's production was almost flat MoM and the YoY growth rate was 4.6% - a decent growth for any other producer in Russia, but not for NOVATEK after a 40% YoY increase in 2011 production. We expect the growth rate to only increase in 2H12, when NOVATEK may launch its new production facilities.

Oil refining: Daily volumes up 2.6% MoM, and 4.8% YoY.

We expect the average refining volumes to have increased in January after a slight drop in December 2011, by 2.6% MoM to 5.2 mbpd, which is also up 4.8% YoY. The growth in demand for oil products in Russia should have driven up refining volumes. We also expect Tatneft's TANECO refinery, which started full operations in November 2011, to boost Russian annual refining volumes by at least 2.5% YoY in 2012.

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