

Russian Fuel and Energy Sector: Dynamics and Prospects

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1 Introduction

Russia's fuel and energy complex has always played an important role in the country's economy. Its role has further increased during the reforms, in connection with an abrupt decrease in production in other economic sectors. Over the recent decade, Russia's fuel and energy sector did meet its basic requirements in fuel and energy, thus maintaining the country's energy independence. At present, this sector is one of Russia's economic sectors showing stable performance and determining the present state and prospects of the national economy, accounting for around one-quarter of its GDP, one-third of industrial production and revenues of Russia's consolidated budget, and around one-half of exports and currency revenue.

Table 1. Russian Fuel and Energy Complex: Basic Indices

Production	1990	2000	2003
Oil (mln tons)	516	324	408 (111.1% against 2002)
Gas (bln cubic meters)	641	584	581 (103.4% against 2002)
Coal (mln tons)	395	258	275 (176% against 2002)
Electric energy (bln kW/h)	1082	878	915 (102.6% against 2002)

Source: The Energy Strategy of Russia for the Period of up to 2020. Ministry of Energy of the RF, Moscow, 2003, p. 64.

The major factors impeding the development of Russian fuel and energy complex are as follows:

- lag of the development and objective growth of costs for developing prospective raw materials base for hydrocarbons production, especially regarding the gas industry;
- in all the branches of the fuel and energy complex putting new production facilities into operation decreased twofold to sixfold over the 1990s;
- a high degree of wear of the main funds (over 50%);
- the practice of prolongation of the equipment's term of service is fraught with the future production inefficiency. As a consequence an accident rate is high;
- lag of the productive potential of fuel and energy complex from the world science and technology level. The shares of both oil extraction using modern methods and oil processing with the help of technologies that increase the quality of production are low;
- deformation of price ratio regarding the interchangeable energy sources resulted in the absence of competition between them and led to a demand structure characterized by excessive orientation toward gas and reduction of coal share. In the long term the policy of maintaining the relatively low prices for gas and electric energy may lead to an increase in the deficit of corresponding