

ESAI PRESS RELEASE
June 3, 2009

Russian Crude Exports to Sweeten

BOSTON, MASS. — In ESAI's CIS Watch, an outlook on the former Soviet states, ESAI examines the petroleum market dynamics of Russia and other former Soviet states.

Russia has historically exported medium sour crude, but over the next decade there will be more than a two million b/d increase in light sweet exports. Russia officially commences work on phase two of the Baltic Pipeline System this month and will soon complete phase one of the East Siberia-Pacific Ocean pipeline. Changes to Russian export infrastructure reflect both Russia's new crude oil export strategy and the changing landscape of Russian output. Russia, traditionally a supplier of medium sour crude, will be transformed into a significant supplier of light sweet crude to European and Asian markets over the next decade as a result of these changes.

Russian exports of light sweet crude to Europe will grow by more than one million b/d over the next decade. In the Black Sea, growth will result from development of the Russian Caspian and the increase of transit flows from Kazakhstan. In northwestern Russia, the development of Timan-Pechora will support growth of light sweet exports from the Barents Sea. These developments will partially offset declining North Sea supply of light sweet.

Growth of supply via the ESPO pipeline will raise Russian light sweet exports to Asia to 1.3 million b/d by 2020 based on ESAI's forecast for supply growth and exports. "Russian light sweet will be an attractive substitute for China's declining output of medium sweet," notes Oil Market Analyst Andrew Reed.

For more information, or for a copy of the report, please contact Andrew Reed at areed@esai.com or call 781.245.2036.

About ESAI: Energy Security Analysis, Inc. is an energy research and consulting firm located outside of Boston, Massachusetts. Since its inception in 1984, ESAI is the recognized authority on energy markets helping clients stay on top of the petroleum, natural gas, and power markets. ESAI provides market analysis and strategic decision-making support to producers and consumers of energy around the world and is dedicated to monitoring, analyzing, and synthesizing information about worldwide energy markets. Visit www.esai.com for more information.