

Russia: the major gas sector indices of 2021

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In 2021, gas extraction in Russia amounted to 762.3 bcm, which is an annual increase of 10% compared to 2020 and of approx. 3.3% compared to 2019. Gazprom increased production to 514.8 bcm, which is 62.2 bcm more than in 2020 and a 13.6 bcm increase when compared to 2019. The most important companies owned by Gazprom recorded production increases. The largest of them, Gazprom Dobycha Yamburg, increased its production by 19% (to 160 bcm). In turn, yearly gas mining rate from the Bovanenkovo field increased by 12%, to 110.8 bcm (the maximum annual level of 115 bcm will be reached by 2025). Novatek, the second largest gas producer in Russia behind Gazprom, also saw growth. The company increased production from 72.4 bcm in 2020 to 77.2 bcm in 2021.

The largest gas manufacturers also increased their supplies to the domestic market in 2021. In the case of Gazprom, they amounted to 257.8 bcm, which is an annual growth of 31.9 bcm and the highest result since 2013, while Novatek reached 67.9 bcm (an annual growth of 1.8%).

In 2021 Gazprom also recorded an increase in gas exports to countries behind the so-called far-abroad, which in Russian nomenclature includes European customers excluding the Baltic states, as well as Turkey and China. In particular, the company has increased deliveries to the Turkish market (from 16.4 bcm in 2020 to 26.7 bcm in 2021) and China (from 4.1 bcm in 2020 to 10 bcm in 2021). To a lesser extent, Russian gas exports to Germany and Italy increased compared to 2020 – from 45.8 bcm to 50.6 bcm and from 20.8 bcm to 25 bcm, respectively. At the same time, Gazprom reported that a further 15 countries received pipeline-supplied imports. A full breakdown of gas sales on individual markets is usually published in the later weeks of the first quarter.

In 2021 Gazprom significantly reduced the gas sales through the St. Petersburg Electronic Trading Platform. The total volume of contracted supplies amounted to 8.1 bcm, which is more than 12 bcm less than in 2020 and over 7 bcm less than in 2019.

Commentary

- The higher gas production rates in 2021 stem mostly from the increased demand in the domestic market and, to some extent, abroad. Higher gas consumption, in turn, was related both to economic recovery after the first year of the coronavirus pandemic and to weather conditions (the harsh winter in the 2020/2021 heating season).
- The published data confirm Gazprom's dominant position among the Russian gas producers. The company is responsible for almost 90% of the gas output growth in 2021.

Novatek's market share has also been growing steadily. However, the volume of gas supplied to the market by Rosneft has remained unchanged for several years. In 2021, it produced 42.8 bcm of gas – a volume that significantly deviates from the targets it declared at the beginning of the 2020s (to increase production to 100 bcm annually by 2020). The delays in expanding its own gas base may make it difficult for Rosneft to obtain the right to transport gas through the pipeline system, which the company has been consistently demanding for many years.

- Although in 2021 the volume of gas exports through the pipeline system to the so-called far-abroad countries turned out to be higher than in 2020, it was still lower than those achieved in the pre-pandemic years. In 2018, supplies to these markets reached a record high in Gazprom's history of 200.8 bcm, and in 2019 it was 191.3 bcm. Moreover, the final results for 2021 were crucially influenced by increased supplies to Turkey and China. Exports to European countries, on the other hand, amounted to 148.8 bcm, which is around 10 bcm less than a year earlier and 27 bcm less than in 2019.
- The reasons for the relatively low (considering the good state of the economy) gas exports to Europe are complex. However, it seems that the abandonment of the sale of additional volumes on the European exchanges and via its own Electronic Trading Platform in St. Petersburg, as well as the low stock in its own storage facilities in Europe were primarily motivated by the intention to worsen the gas crisis and drive the European partners to quickly launch Nord Stream 2. This is how the numerous statements of President Vladimir Putin and Deputy Prime Minister Alexander Novak should be read. On the other hand, the Russian actions were to some extent also a result of the situation on the domestic market. Record low stocks in domestic gas storage facilities after the end of the previous heating season (about 12 bcm) made it necessary to replenish their own reserves (at the start of the 2021/2022 heating season, the stock level was 72.6 bcm). In addition, increased supplies to the internal market were probably partly a consequence of increased demand caused by the post-pandemic recovery; this will be verifiable when the authorities publish more complete economic data for 2021.

Appendix. Major gas manufacturers in Russia in 2017-2021 (in bcm)

	2017	2018	2019	2020	2021
Gazprom	472.1	498.7	501.2	454.5	514.8
Novatek	45.5	58.5	70.1	72.4	77.2
Rosneft	47.5	45.7	44.1	42.5	42.8
Lukoil	21.1	21.0	20.5	20.5	19.1
Total for Russia	690.5	725.7	737.6	692.3	762.3

Source: author's study based on the data published by Gazprom and Interfax.