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"FOREIGN ENERGY INVESTMENTS IN RUSSIA:
ARE THE DOORS CLOSING?"

Dr. Andrei A. Konoplyanik
(State Academy of Management,
Russian Federation, Moscow)

FOREIGN ENERGY INVESTMENTS IN RUSSIA:
ARE THE DOORS CLOSING? [1]

Dr. ANDREI A.KONOPLYANIK

Russian oil industry has been passing through a difficult period of its development [2,3].

One of the most effective ways of its stabilization could be foreign investments [4-6]. The question arise then: what are major forms of and areas for external financing?

Three major forms of external financing for the energy sector can be outlined in Russian foreign economic policy: technical assistance, hard currency loans and direct foreign investments. Let's examine shortly each one of them.

TECHNICAL ASSISTANCE.

Technical assistance has been allocated usually by the Governments of Western countries and by the international financial institutions. That is why it is not aimed basically on the pure commercial results but is oriented mainly on the system transformations in the economy of the recipient of such aid.

To my view, technical assistance should not be considered as an important source of financing of investment projects in energy like loans or direct investments. But it can be directed on the realization of the tasks of pre-investment phase of such projects (pre-project financing) including elaboration of different feasibility studies and also on creation (through organization of the conferences, educative seminars, etc.) of corresponding mental environment in the recipient country adequate for new - market-type - ideology of investment cooperation.

HARD CURRENCY LOANS.

In the credit policy the major emphasis should be paid on the transition from debt financing to project financing, where loan repayment will be guaranteed not by the recipient Government but by the project itself and its economic attractiveness and creditworthy.

Nowadays the Ministry for Fuel and Energy of Russia has been developing 13 major foreign credit projects with the total value exceeding \$10 bln of which 8 credit projects valued in excess of \$5.7 bln are to be channelled for the Russian oil complex (table 1). The opening of the financing for the majority of them should take place in 1994 and it was already open in November 1993 for the World Bank/EBRD/Netherland's Oil Rehabilitation Loan.

It is evident that due to an excessive risks in business in Russia [7] and to a decrease of Russia's rating as a power at the international financial market, we might succeed in getting foreign loans firstly from cooperation with international financial institutions and with state financial institutions of industrially developed countries and not so much from cooperation with private commercial banks.

That is why the first major credit project that we were going to develop and to begin its utilization during the 1993-"winter weather window" was the so-called "Oil Rehabilitation Project" of the World Bank and other co-financiers which is aimed to provide three Russian oil production associations (Limonftegas, Varieganneftegas, Purneftegas) with the loans which will help them to finance import of equipment for realization of the idle oil wells, utilization of associated reconstruction of the oilfield gathering lines, etc..

This loan is one of the first "new-type" credit projects in Russia: being given to the Government of Russia it demands a foreign guarantee of the latter, but in its internal organization the loan has been structured using project-financing approach. The World Bank's Oil Rehabilitation Project can be treated as an intermediary form of foreign loans' providing and as a step forward towards project-financing approach compared to the only existed in USSR/Russia during the previous years debt-financing approach.

To my view, Oil and Gas Framework Agreement, signed with US Government in August 1993, is another strong step forward in the same direction. This Agreement is aimed on providing \$2 bln or more in the form of direct loans and/or loan guarantees to oil and gas production associations and refineries in Russia to help them finance import of US goods and services. A general framework has been defined according to which individual projects should be incorporated to the above mentioned Agreement. Selection of the projects will be organized on the project-financing basis. Particular projects between Russian production associations and American firms should be undertaken on the basis of the individual agreements in the framework of the "Oil and Gas Framework Agreement".

That is why this Agreement will also possess an intermediate character in the evolution of organizational forms of providing an energy sector with external financing which is a transition from debt financing to project financing (table 2).

DIRECT FOREIGN INVESTMENTS.

Up till now practically the only legal form for direct foreign investments in the USSR/Russia was joint venture (JV) organized in special Soviet/Russian style. The experience of the recent five years during which JVs has been existing in this country proves

that this form of relations between host country and potential investors is not the most effective model for mining industries including oil and gas extraction. That is why we are trying now to adopt those traditional forms of the international petroleum agreements that has proved their practicability through time-testing (the history of international petroleum agreements is equal to around a century) and it is due to that fact that these agreements has been still widely spread in the international oil business.

Particular forms of oil and gas production agreements are defined by the priority and time-horizons of the tasks to be solved by Russian oil and gas industry.

The top priority task from the short-term point of view is slow-down of oil production decrease. The major input in solving this problem can be implemented by revitalization of idle oil wells. The number of the latter has been exceeded 32 thousands in the second quarter of 1993, which is more than 1/5 of the total fund of production oil wells, including more than 13 thousands wells being idle in excess of technologically proved normatives. With an average daily oil yield of the latter nor less than 8 tons per well, the total annual volume of non-produced oil from them reaches about 40 mln tons. Due to comparatively low cost of their repairs (\$80-100 thousands per well) the pay-back period for investments into revitalization of idle wells is rather short (measured in months if calculated for each individual well). That is why this area can be treated as a rather attractive one for foreign capital even in rather risky business environment and hard taxation pressure existing in Russia [3,8].

Western investors (and what is very important - small and medium firms among them, first of all) can be involved in these activities with direct investments in the form of pure-service contracts. But generally it will be more attractive for this country and its production associations to obtain hard currency loans to finance purchases of necessarial equipment which will be maintained by domestic producers themselves. The repayment of the loan in this case can be guaranteed by prospective export earnings of a portion of incremental oil. This approach has been used in a seria of loans being developed by the Ministry for Fuels and Energy (table 1).

Taking this into consideration, one needs to understand that the major counterparts of Russian oilmen in this area of cooperation should be small and medium oil-producing and service companies, producers and suppliers of the oil-field equipment and financial institutions (table 3).

In the medium-term (3-5 years) slow-down in oil production decrease can be stimulated through large-scale development of the already proven fields which has not been yet developed due to the

lack of investment resources. There are about 450 such fields in this country with maximum potential producing capacity about 90 mln tons a year. Foreign companies have been and would be involved in their development on competitive and risk basis. The guarantees for payment of their investments would be provided to them as the right for export of the portion of oil to be produced.

The Presidential Decree of November 1992 N 1403 on particularities of privatization of fuel and energy enterprises provided foreign investors with legal opportunity to reinvest their profits into the stocks of newly created Russian joint-stock oil companies and privatized enterprises in domestic oil business.

The license for resource management can be provided to the foreign company, who is the winner of the tender, itself. But in the case when the license for discovered field has been already given to the corresponding Russian company or production association, the foreign company might (should) create JV (or sign Joint Operation Agreement) with that Russian license-holder. Such experience has been demonstrated recently during the first anti-Mansi tender.

The principally new approach, that differs from recent past, is provision of foreign investors with opportunity to participate in development of not only the marginal fields and areas, but also in development of high-productivity fields and prospective territories (such as Priobsky field in the Khanti-Mansi Region). This will give an opportunity to significantly reduce the time of their development, speed-up oil production increase from those fields and maximize economic rent collected to the Russian budget.

Counterparts of the Russian oilmen in this area of cooperation in the case of equity participation should be major vertically-integrated oil companies and consortiums of different-size oil companies. Major form of their participation in the field development should be joint operation agreements (JOAs) and different forms of risk-contracts. To my view, most attractive for Russia among the latter should be production-sharing contract (PSC).

At the same time, in the major number of cases it is not so much an equity-participating foreign investor for joint production that is needed to Russian license holder, but it will be more preferable to the latter to sign loan agreement, structured on the project-financing basis, with some financial institution (table 3).

In the long-term (8-10 years) downward trend in oil production can be reversed to stable increase in oil production only through exploration and development of prospective oil provinces. Dominant forms of attraction of foreign investors, who will be usually major vertically-integrated oil companies and consortiums of large, medium and small companies, in this area of cooperation should be

mainly risk-contracts. And as in the above-mentioned case, the most attractive type of such contracts between the owner of the resources and foreign investor should be production-sharing agreement (table 3). PSAs allows not only to place all the costs and risks on the foreign partner and to provide repayment of these costs in the natural form through the split of the oil produced, but also gives a legal opportunity to find an equilibrium between fiscal interests of the host-country (to maximize the value of the tax-receipts) and the long-term investment interests of the investor (to maximize IRR of the project).

Until very recently there was no diversified legal basis for implementation of production-sharing agreements in Russia. There legality was only mentioned in the law "On the Subsoil Resources" but corresponding regulating procedures did not exist. On December 24, 1993 the Presidential Decree N 2285 "On Production-Sharing Agreements" was signed which clarified some basic principles of their implementation and gave an order to the Government for preparation of the corresponding regulatory procedures. At a moment a package of such legal documents has been drafted including model agreement, regulation of its preparation and implementation, and some other documents legalizing not yet clarified normative questions related to PSC [9]. Despite the lack of corresponding legislation some PSAs has been already signed with different foreign companies, some others are in the stage of negotiations (table 4).

In accordance with the law "On the Subsoil Resources", issuing of the licenses for the right of the utilization of the subsoil resources, and thus the involvement of foreign investors for exploration and development of new fields, should be carried out on the competitive basis. Tender practice that was accumulated up to now in the USSR/Russia does not provide a large-scale experience in this area [10], but the tendering process has been developing: up to now 6 tenders and auctions both for development of already proven fields and for exploration and development of new prospective territories already took place (table 5). Another 13 tenders and auctions has been started or developing, including such major ones as Sakhalin III, second Khanti-Mansi, Tomsk, Magadan, etc. In this manner, through the system of tenders and auctions foreign investors has been receiving an access to exploration and development of oil and gas resources of Russia.

BUSINESS RISK ESTIMATES

In accordance with a majority of Western estimates, complex risk evaluation of investing into Russian economy is higher than, for instance, into West European or American economies. From an American investor's point of view, minimum internal rate of return while working in Russia should be 25-40% higher than in Western Europe, and 65-70% higher than in the USA [2,7].

There are also other evaluations confirming the high risk of doing business in Russia. For instance, on the eve of its disintegration the former USSR took 58th place in a list prepared by an American research group "Business Risk International". In a rating list of countries which are attractive for investments, published by "Forbes" magazine, Russia took 129th place from 169 in 1992 and 135th place in 1993. According to a poll among British directors organized by the Gallop Service for the "Control Risks Group", Russia is considered to be the most difficult place in the world for business creation and development (55% of those who were asked indicated Russia as such a place compared to 47% that indicated China and 46% that indicated South America). Thus, there is not only a low level of Russia's attractiveness as a place for capital investments, but also stable falling off in investment rating of this country in world hierarchy.

The Russian Independent Information Agency "Univers" gives a clear picture of business climate's risk in Russia. In accordance with data provided by this Agency, quantitative evaluation of risk in Russia is between the mean and worse possible values in each of the three evaluated risk categories: socio-political, internal-economic and external-economic. According to experts' opinion of the Russian Chamber for Trade and Industry, this country is positioned between 120th and 140th places in the world due to the sum of the risks (political, financial, etc.).

In the meantime, a potential attractiveness of Russian oil and gas sector remains extremely high. According to the results of the recent polls, organized by English Simon-Robertson Group among foreign oil companies, Soviet Union in the 1990 Review took the 1st place in the list of the countries with the potentially most attractive for investments oil and gas sector. In the 1991 Review the USSR moved to the 2nd place in that list and saved it (as the 1st place in the 1992 Review. In both latter cases the first line was held by Indonesia.

But that is a potential attractiveness for doing business in the oil and gas. And what is about reality? What way has been going in time real attractiveness of Russian oil and gas complex for foreign investors?

BUSINESS ATTRACTIVENESS CURVE

From my point of view, it has been undergoing changes which can be described by a classical sinusoid, which does mean that the attractiveness changes has a cyclical character (figure 1).

When Gaidar's government came to power at the end of 1991, they began to hope on a rapid establishment of an investor-friendly legal and economic environment in Russia, stimulating business activity. It was expected then that a numerous declarations proclaiming necessity of the creation of an open-type

economy, of the liberalization of the external economic relations, etc., will be supported with rapid creation of the conditions for intensive inflow of Western capital into Russian economy and first of all into its main export-oriented industries. That will promote, as was expected, an accumulation of hard currency earnings adequate for financing the further development of Russian economic reforms and its transition to market economy. Thus, area of "business expectations" of foreign investors (particularly in relation to oil and gas sector of Russian economy) has strongly marked the "increasing" direction at the given diagram.

For the first months of this Government at power the above-mentioned expectations were in a considerable manner supported by a real governmental activities. But at the same time, from the very beginning the program steps planned by the Gaidar's Government began to be corrected both from the part of the Parliament, on the one hand, and, on the other hand, from the part of the "wing" in the Government itself and in the different governmental bodies, that were disposed in a conservative and protectionist manner and in practical terms were clearly opposed to the ideas of the open-type economy, to the direct foreign investments, to the investment regime based on "national treatment", etc. As a result, by the middle of 1992 growth rate of business attractiveness of Russian legal and economic environment came through its highest point.

A dismissal of one of the members of Gaidar's team, Minister for Fuel and Energy V.Lopukhin and a simultaneous assignment of V.Chernomyrdin as a Vice-Prime-Minister controlling fuel and energy complex was equal to the signal that the change has begun in the Government's course towards foreign investments into Russian energy sector ("macroeconomist" V.Lopukhin actively supported an idea of wide attractiveness of foreign capital on a diversified basis while "a strong manager" V.Chernomyrdin, as former Parliamentary speaker R.Khazbulatov called him, was representing the largest domestic monopoly "Gazprom" which has been actively confronting the whole idea of direct foreign energy investments).

To my view, a visit of Boris Eltsin to the USA on June 1992 and then, in two weeks period, to a G-7 meeting in Munich were those points after which a realization of initiatives connected with a stimulation of foreign investments became to achieve harder and harder. A "business attractiveness" curve of Russian oil and gas sector for foreign investors became more sloping.

From my view, the above-mentioned curve achieved its top point at the end of November - beginning of December 1992. By this time such an events took place as a signing of Presidential Decree that granted a license for developing of giant Shtokmanovskoye gas-condensate and Prirazlomnoye oil fields on the Barents sea shelf to Russian "Rosshelf" joint-stock company established by the former military enterprises and in which 51% of the shares belongs to Gazprom. Boris Eltsin signed that Decree on the eve of the VIIth

gress of People's Deputies and that clearly reflects the political dimension of that document (he tried to show a good picture to a Russian military-industrial complex and by that price gain its support at the forthcoming Congress) even despite the fact that this decision of him violated the existing Russian laws. He cancelled a competitive order of granting a license for natural resources development stipulated by the law "On the Subsoil Resources" and led to a direct economic losses of the consortium of foreign firms (Conoco, Norsk Hydro, Finnish Barents Group) working on the preparation of the Feasibility Study of that project.

Another significant event at that time was, of course, a dismissal of key reformer Egor Gaidar from the position of Acting Prime-Minister and from the Government itself at the VIIth Congress of People's Deputies and his replacement by V.Chernomyrdin.

After that a "business attractiveness" curve began to fall again. That took place despite the fact that some legal and protective acts have been published in the first half of 1993 related to foreign investments in energy sector which were positively treated by the Western business community. But from my point of view, the issuing of those acts reflected not so much the more-or-less unchanged attitude to foreign energy investments at the decision-making level after Gaidar's dismissal, but mainly the inertia of legislative process: the majority of those acts (such as Governmental Decrees on revitalization of idle wells through service contracts with foreign companies, on export tariff preferences for joint ventures, etc.) were inspired, ideologically fixed and drafted in 1992-beginning of 1993. Since end-1992 every successive effort in supporting foreign energy investments was only slowing-down the overall worthening of the business attractiveness of Russian oil and gas sector for solid foreign investors.

Until the Autumn of 1993 this curve has been further steadily falling down stipulated by corresponding activities of the Government and especially of the Ministry for Fuel and Energy in relation to JVs after the new, more protectionist-minded leadership that Ministry was appointed in Spring 1993 (table 6). Among these acts a June '93 decision of the above-mentioned Ministry can be indicated that excluded JVs out of a schedule on the oil pumping through "Transneft" pipelines (it was later cancelled) and some other "initiatives".

To the moment of E.Gaidar's returning to the Government as a Deputy-Prime-Minister in mid-September of 1993, the creation of a ready vertical chain of officials confronting an idea of foreign capital involvement into Russian energy sector has been already established in the Government and in the Ministry for Fuel and Energy at the corresponding decision-making levels, i.e. in those Governmental bodies on whom those foreign investors were most dependent (table 6). Each person in this chain does not possess economic/financial/legal background, represents a producer-side

view of individual heavy industries on macroeconomic problems and shares a common for all of them pure protectionist approach to the problem of foreign energy investments. That approach presupposes dominant state role of distributive and not of regulative character in relation to external finances. That does mean that the doors into Russian energy sector for foreign investors were slowly but steadily closing.

That is why the only fact of Gaidar's second appearance in the Government was treated by corresponding domestic circles and the Western business community as an opportunity to receive a constructive support for foreign energy investments at the highest decision-making level. Since the traditional way of achieving adequate Governmental support to the projects through the routine vertical (via Ministry for Fuel and Energy) seems to be closing, Gaidar's new position in the Government combined with his title of the Minister of Economy gave legal authority for attempts to solve the problems related to foreign energy investments through that Ministry. That is why a lot of corresponding applies were addressed to him during his second presence in the Government.

Some following actions of the Government again gave hopes for the stabilization of legal and economic environment in Russia and for its development in a favorable towards foreign investors direction (i.e. through the upper curve at the figure 1): in September the Presidential Decree was signed "On the Improvement of Work with Foreign Investments", in October the Government accepted its Decree "On Measures on Liberalization of External Economic Activities", in December the Presidential Decrees were signed "On the Production-Sharing Agreements in Mining Industries" and related to export tariff problems of the JVs, etc.

But those hopes of the investment community were mainly over-expectations.

The results of the December '93 elections to new Russian Parliament (State Duma) and the following recent changes in the Russian Government (after December '93 election, in the course of reorganization of the Government all the major reformists, including E. Gaidar and Deputy Prime-Minister & Minister of Finance B. Fedorov, left the Government in the mid-January 1994) can significantly slow-down the process of foreign investments involvement into Russian economy and its oil industry in particular. The backward-changing mentality of the decision-making bureaucratic vertical (table 6) might try to move the whole problem of foreign capital involvement into Russian energy sector back to those forms of cooperation that were traditional some years ago (mainly debt financing) and thus more understandable to that type of mentality of former managers of the former USSR Governmental structures (now coming back slowly to power).

business attractiveness of Russian energy for the new forms of external financing, especially direct foreign private investments, will thus still be diminishing through the following couple of years and will be developing according to the lower curve of the diagram.

If that slow-down or even flow-out of the foreign capital into Russia will take place, after no longer than 2-3 years (which, in my view, is a worst scenario) Russia will again inevitably be forced to open further its energy economy for foreign investments and the business attractiveness curve (figure 1) will begin to rise again. But the latter might take place under another Russian Government.

At that time the above mentioned priorities for external financing of the Russian energy economy will be, to my view, still basically the same.

Table 1.

List of foreign credit lines for fuel and energy complex of Russia developed by the Ministry for Fuel and Energy with Western industrially developed countries

| Donor country/ Head financial agency | Credit value, \$ bln | Other donors, participating in the credit line |
|--|----------------------|--|
| <u>INTERNATIONAL FINANCIAL INSTITUTIONS</u> | | |
| <u>WORLD BANK</u> | | |
| 1. Oil Rehabilitation Project | 866.3 | EBRD, Government of the Netherlands |
| 2. Second oil project | 1000 | ... |
| 3. For critical import for the coal-mining industry (within the framework of the "Rehabilitation Loan" for the Russian Federation) | 50 | - |
| 4. Project on associated gas utilization | 1300 | - |
| <u>EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT</u> | | |
| 5. For rehabilitation of idle wells | 300 | |
| 6. Project on gas-distribution network development and gas-saving | 550 | Rurgas, International Financial Corporation |

NATIONAL FINANCIAL INSTITUTIONS

U S A (Export-Import Bank)

| | | |
|---|------|---|
| 7. Oil and Gas Framework Agreement | 2000 | - |
| 8. On equipment purchase for Russian oil industry with Lafkin company | 100 | - |

CANADA

| | | |
|---|------|---|
| 9. On equipment purchase for Russian oil industry | 54.2 | - |
|---|------|---|

JAPAN (Export-Import Bank/Ministry for International Trade and Industry)

| | | |
|---|-----|---|
| 10. On equipment purchase for Russian gas industry | 700 | - |
| 11. On equipment purchase for Russian oil industry | 700 | - |
| 12. On equipment supplies by Mitsui Company to Concern LUKOIL | 700 | - |

ITALY (SACE Export-Import Agency)

| | | |
|---|------|---|
| 13. On equipment supplies for the reconstruction of gas pipelines | 1500 | - |
|---|------|---|

Table 2

Evolution of organizational forms in providing
Russian energy sector with external financing:

| | |
|---------------|--|
| YESTERDAY --> | Debt financing |
| TODAY --> | Technical Assistance, Hard currency loans: - debt financing - framework agreements Project financing |
| TOMORROW --> | Project financing |

Table 3.

Energy policy concept for direct foreign investments involvement into the Russian oil industry

| Time horizon for activity | Major activity | Potential for cooperation | Potential foreign counterparts for Russian oilmen; prospective forms of external financing | First incremental oil expected |
|---------------------------|---|--|---|--------------------------------|
| Short-term | Revitalization of idle oil wells | >32 thous. idle wells, Annual non-produced potential: - 90 mtoe (theory) - 40 mtoe (practical) | Small and medium oil-producing and service companies (pure service contracts); equipment producers and suppliers (purchase contracts); financial institutions (hard currency loans) | Some months |
| Medium-term | Development of already proven fields | 450 fields, Maximum production capacity 90 mtoe/year | Major oil firms and consortiums of large medium and small firms (JOAs, risk contracts - mainly production-sharing); financial institutions (hard currency loans) | 3-5 years |
| Long-term | Exploration and production in new prospective areas | 19 tenders and auctions until now, incl.: - tenders: Sakhalin II & III, Khanti-Mansi, Tomsk, etc.; - auctions: Komi, Khanti-Mansi, Magadan, etc. | Major oil firms and consortium of large, medium and small firms (JOAs, risk-contracts - mainly production-sharing); | 8-10 years |

Production-sharing agreements with Western companies in Russian oil and gas sector
(at the different stages of negotiations or/and examination of opportunities)

| Western companies and their Russian partners | Location/Region |
|--|---|
| 1. Elf-Acquitaine | Volgograd region |
| 2. Total | Khariaginskoye field, Arkhangelsk region |
| 3. McDermott/Marathon/ Mitsui/Mitsubishi/ Shell (MMMMS) | Piltun-Astokskoye & Lunskoye fields, Sakhalin shelf (Sakhalin-II) |
| 4. Texaco /Exxon/Amoco/ Norsk Hydro | Arkhangelsk region) |
| 5. Amoco/Yuganskneftegaz/ Yugraneft | Priobskoye field, Khanti-Mansi region |
| 6. Shell/Evikhon | West- & Upper-Salym & Vadelupskoye fields, Khanti-Mansi region |
| 7. Urals-ARA | Khulturskoye & Slavinskoye fields, Khanti-Mansi region |
| 8. Exxon/SODECO | Chaivo, Odoptu & Arkutun-Daginskoye fields, Sakhalin shelf (Sakhalin-I) |
| 9. Mobil/Texaco | Kirinsky block, Sakhalin shelf (Sakhalin-III) |
| 10. Exxon | East-Odoptinsky & Ayashsky blocks, Sakhalin shelf (Sakhalin-III) |
| 11. OMV | Yakutia |
| 12. Norsk Hydro/Phibro Energy/Anglo-Suisse/ Varyeganneftegaz | Tyumen region |

Table 5.

Oil and gas tenders and auctions that took place in the USSR/Russia up to now

| Year | Russian region/ FSU republic | Tender or auction (*) | Field's name | Foreign companies - the winners |
|------|---------------------------------------|--------------------------|-------------------------------------|--|
| 1991 | Azerbaijan | Tender | Azeri | Amoco, BP, Statoil, McDermott, etc. |
| 1991 | East Turkmenia | Auction | ... | Bridas |
| 1992 | Kazakhstan | Tender | Karachaganak | Agip, British gas, etc. |
| 1992 | Komi Republic | Auction | ... | Oxidental |
| 1992 | Sakhalin - II | Tender | Piltun- Astokhskoye, Lunskoye | Marathon, McDermott, Mitsui, Shell, Mitsubishi |
| 1993 | Hanti-Mansi Autonomous District | Tender Auction | 11 fields 3 blocks | Amoco, Shell, Urals-ARA Surgutneftegas, "Rosa Mira" |

(*) Tender - for the right of development of already discovered fields; auction - for the right of exploration and development of prospective territories

Table 6.

Transformation of the Governmental "vertical" directly controlling decision-making process related to foreign energy investments in Russia (from supportive-minded to opposed-minded personalities): (a) supportive-minded, (b) OPPOSED-MINDED, (c) neutral-minded

| | Dec/91 | June/92 | Dec/92 | Feb/93 | May/93 | Nov/93 |
|-----------------------------|--------------------|--------------------|--------------------|--------------------|-----------------|--------------|
| GOVERNMENT: | | | | | | |
| (Acting) Prime-Minister | ... | <u>Gaidar</u> | CHERNOMYRDIN | CHERNOMYRDIN | CHERNOMYRDIN | CHERNOMYRDIN |
| First Deputy | <u>Gaidar</u> | ... | ... | SOSKOVETS | SOSKOVETS | SOSKOVETS |
| Deputy | ... | CHERNOMYRDIN | ... | ... | ... | ... |
| MINISTRY FOR FUEL & ENERGY: | | | | | | |
| Minister | <u>Lopukhin</u> | ... | ... | SHAFRANIK | SHAFRANIK | SHAFRANIK |
| First Deputy | <u>Grushevenko</u> | <u>Grushevenko</u> | <u>Grushevenko</u> | FOMIN | FOMIN | FOMIN |
| Deputy (EER) | <u>Konoplyanik</u> | <u>Konoplyanik</u> | <u>Konoplyanik</u> | <u>Konoplyanik</u> | SHATALOV | SHATALOV |
| Head of Department (EER) | <u>Vasiliev</u> | <u>Vasiliev</u> | <u>Vasiliev</u> | <u>Vasiliev</u> | <u>Vasiliev</u> | MORDASOV |

(EER) - external economic relations; ... - position is vacant

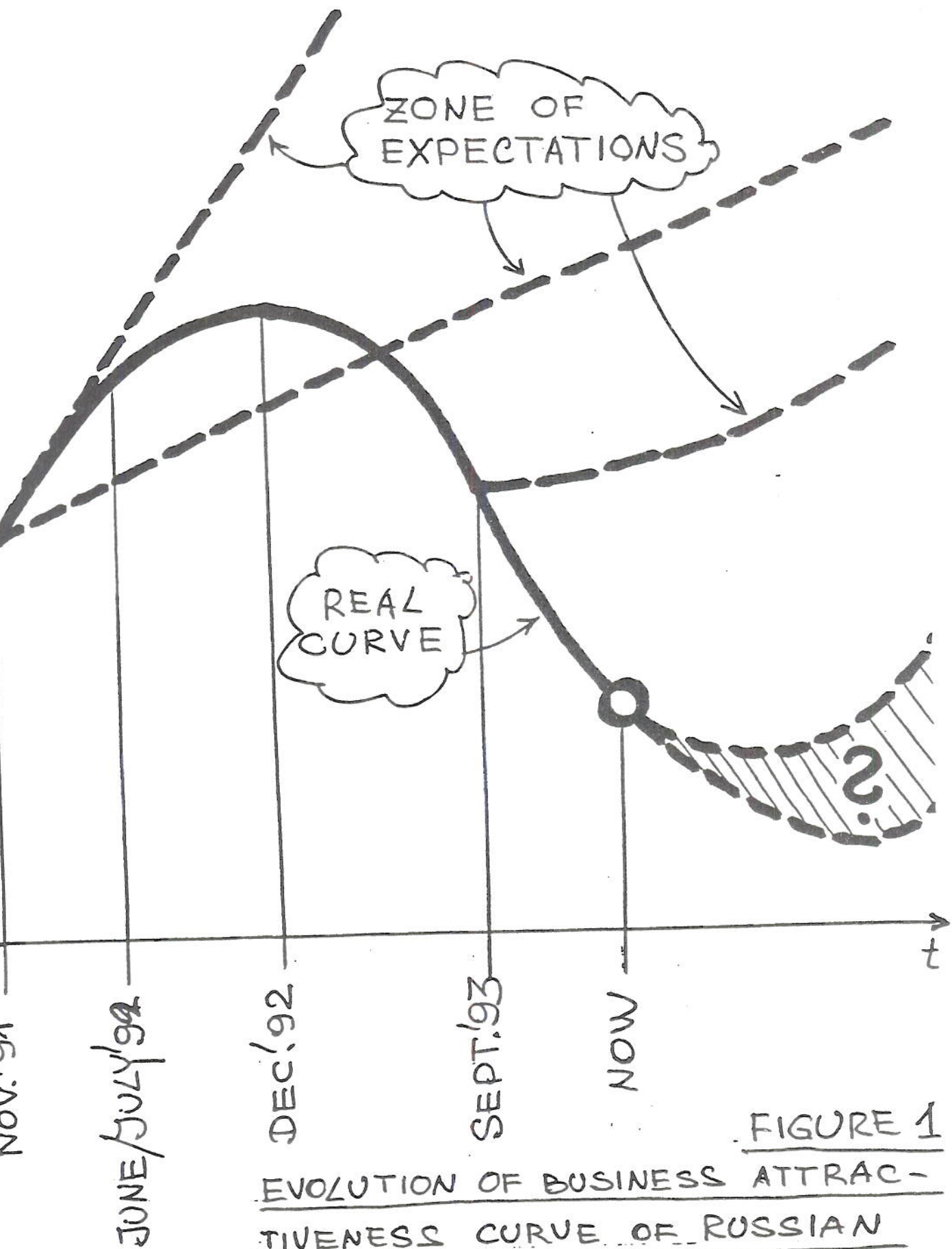


FIGURE 1
EVOLUTION OF BUSINESS ATTRAC-
TIVENESS CURVE OF RUSSIAN
OIL & GAS FOR FOREIGN INVESTOR

REFERENCES IN ENGLISH

- [1] The idea to prepare a paper with such a title was proposed to the author by Prof. Thomas W. Walde, Executive Director of the Centre for Petroleum & Mineral Law & Policy, University of Dundee. The author has used that title for his presentation made at the Executive Seminar "International Oil & Gas Policies" (Course 6 - 1993 Summer Programme), CPMLP, Sept. 20/21, 1993, St. Andrews, Scotland.
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