RUSSIA’S OFFSHORE OIL PRODUCTION IN THE CASPIAN SEA: THE CASE OF THE FILANOVSKY AND KORCHAGIN FIELDS

Nowadays, Russia is strongly interested in developing its continental shelves in order to enlarge the oil and gas potential of the country. As one of the major hydrocarbon exporters in the world, Russia is in search for a viable alternative to replace its aging Western Siberian fields, which are experiencing a drastic and unavoidable decline in production. Therefore, the Russian government launched large-scale programs for conducting additional geological exploration in other parts of the country, including the Caspian shelf, intended for the further expansion of the oil and gas production.

It is worth mentioning that unlike Azerbaijan, Kazakhstan and Turkmenistan, Russia is a latecomer regarding the development of its offshore oil and gas fields in the waters of the Caspian Sea. In fact, during the Soviet times, the Northern and Central parts of the Caspian basin, where Russia has sovereign rights and exclusive jurisdiction over hydrocarbon exploration, were considered to be of little promise. Therefore, the only Russian energy company that in 1995 took a risk and started geological research in the North and Central Caspian under the governmental program was Lukoil. It took four more years for the company to launch exploratory drilling using an Astra semi-submersible jack-up rig. The first success of oil exploration in the Russian sector of the Caspian Sea was marked in 2000, when Lukoil reported about the discovery of the Yuri Korchagin field. This success was followed by seven other discoveries within eight years: Sakhseheynoye and 170th Kilometer in 2001, Korchagin-Kyzyk in 2002, Vladimir Filanovsky in 2005, Morskoye and Shtsheinoye in 2008. It is assumed that mentioned 8 fields and 16 more perspective structures contain over 4.7 billion barrels of oil equivalent.

In order to encourage the energy companies to engage in the wide-scale geological survey in the region, the Russian authorities provided a favorable internal fiscal regime. For instance, the current policy of maintaining tax breaks for the development of the Caspian offshore deposits. Moreover, in 2015, it is declared that mentioned 8 fields and 16 more perspective structures contain over 4.7 billion barrels of oil equivalent.

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- The Deputy Prime Minister of Turkey, Numan Kurtulmus, announced that Ankara suspended high-level diplomatic contacts with the Netherlands in response to a ban on the Turkish ministers speaking at political rallies in the Dutch cities. The Government of the Netherlands barred the Turkish Foreign Minister, Mevlut Cavusoglu, from flying to Rotterdam and later did not permit the Family Minister, Fatma Betul Sayan Kaya, to enter the Turkish Consulate in Rotterdam.

- During his official visit to Paris, the President of Azerbaijan, Ilham Aliyev, and the President of France, Francois Hollande, discussed prospects for strengthening the economic bilateral relations focusing on agriculture, infrastructure, space industry and tourism. As a result, the parties signed five documents including Memorandums of Understanding (MoUs) on renewable energy, environmental and transportation cooperation.

- During his official visit to Doha, the President of Turkmenistan, Gurbanguly Berdimuhamedov, and the Emir of Qatar, Sheikh Tamim Bin Hamad Al-Thani, discussed prospects for development of trade and economic cooperation and diversification of mutual trade turnover. As a result, the MoUs on the development of energy cooperation and on cooperation in standardization, meteorology, certification and accreditation were adopted at intergovernmental level.

- On the sidelines of the 5th Global Baku Forum, the President of the Azerbaijan, Ilham Aliyev, and the President of Georgia, Giorgi Margvelashvili, discussed opportunities for deepening bilateral cooperation between the two countries, especially in international energy and infrastructure projects.

- The Parliament of Kazakhstan adopted the law, which ratifies the Protocol on returning of the Emba range to Kazakhstan by Russia. According to a Protocol, the process of the transfer and acceptance of the Emba range will be carried out by a Joint Commission consisting of the parties’ authorized representatives. It is planned that the returned lands will be further used for the interests of the entrepreneurs involved in agriculture and the companies specializing in exploration and extraction of minerals.

- During his two-day official visit to Minsk, the Chairman of the Majlis of Kazakhstan, Nurlan Nigmatulin, met with the Belarusian Prime Minister, Andrei Kobyako, the Chairman of the House of Representatives, Vladimir Andreichenko, and the Chairman of the Council, Mikhail Myasnikovich. During the meetings, the parties discussed a wide range of issues, including interparliamentary cooperation, trade and economic interaction and improvement of the legislative framework.

Economy, Finance and Energy

- The Southern Military District of Russia reported that over 6,000 troops took part in the unplanned military drills, which were held in military units deployed to the Krasnodar and Stavropol regions, the Astrakhan and Volgograd regions, Karachay-Cherkessia and Adygea, and also units of the Russian military bases in Armenia and Abkhazia.

Eurasian Economy

- The Shah Deniz Consortium, which is led by the British Petroleum, announced that the second jacket for the Shah Deniz Stage 2 platforms was sailed to the Caspian Sea offshore of Azerbaijan after commissioning at the Heydar Aliyev Bacu Deepwater Jackets Factory. It was noted that the transportation, launch, positioning, pile installation and final completion activities of the jacket are expected to take around 75 days.

- According to the Russian state-owned nuclear company Rosatom, the construction and installation works were started on the site of Bushehr-2 Nuclear Power Plant in Iran. It was noted that the implementation of Bushehr-2 project would take 10 years.

- Azerbaijan’s state oil company SOCAR stated that purchasing of seven tankers from Turkey-based Palma Shipping Company, which would expand the transport capacity of the company’s fleet in the Mediterranean and Caspian seas was completed. The deal gives the company access to two Suezmax-class tankers with deadweight of 140,000 tons each and five Aframax-class tankers with 80,000 tons capacity each.

- Kazakhstan’s Lokomotiv Kurastyru Zauyty reported that next consignment of diesel locomotives was delivered to Azerbaijan. Currently, 10 locomotives produced in Kazakhstan are running along the railways of Azerbaijan. Moreover, Kazakhstan’s diesel locomotives are already successfully operated on the railways of Kyrgyzstan, Tajikistan, Ukraine and Turkmenistan. Azerbaijan Railways and the Kazakh Lokomotiv Kurastyru Zauyty signed an agreement on the supply of locomotives to Azerbaijan in August 2015.

- The President of Ukraine, Pyotr Poroshenko, imposed sanctions against five banks with the Russian state capital operating in the Ukrainian financial sector. Restrictions are introduced for a year against Sberbank, VTB Bank, Prominvestbank, VS Bank, Prominvestbank, VTB Bank and BM Bank.

- The Foreign Minister of Russia, Sergey Lavrov, stated that the country channeled $6.7 billion in financial aid to the Central Asian countries over the past decade. Financial aid provided through the UN comes to more than $570 million, while financial aid through the World Bank and other organizations exceeds $1.3 billion. Moreover, financial aid through the Eurasian Economic Union comes to more than $592.3 million. It was also noted that bilateral financial aid that does not have to be reimbursed comes to more than $4 billion.

- On the sidelines of the Islamic Finance News Forum (IFN) held in Astana, the Islamic Corporation for the Development of the Private Sector (ICD) and the Tajikistani private bank SOHIBCORBANK signed the MoU aimed to set the stage for jointly introducing Islamic banking products in Tajikistan. The parties agreed to strengthen cooperation at the strategic and technical levels on the basis of complementarity, comparative advantages and mutual benefit.

- The Ministry of National Economy of Kazakhstan reported that the average nominal income per capita in Kazakhstan amounted to 72,999 tenge ($229.65) in January 2017, which is 4.1% higher than in January 2016. It was also noted that the average monthly nominal wage in February 2017 was 137,331 tenge.

Society and Culture

- Turkmenistan announced its plans to apply to the United Nations Educational, Scientific and Cultural Organization (UNESCO) to include Akhal-Teke horses in the World Heritage List. The President of Turkmenistan, Gurbanguly Berdimuhamedov, gave instructions to prepare a catalog of the Akhal-Teke horses with the prospect of their international registra-

- During the First Baku International Water Week organized by the Government of Azerbaijan with the participation of the World Water Council, the participants explored practical solutions to various global water issues addressing major issues such as clean and sustainable water resources, access to sanitation services, environmental and ecological conditions, as well as climate change.

- The Ministry of Labor and Social Protection of Kazakhstan reported that more than 2,000 work permits for foreign citizens were issued in February 2017, while only 480 work permits were issued in January 2017. It was also noted that the number of permits issued by the local executive authorities to employers for attracting foreign labor force increased from 210 in January 2017 to 476 in February 2017.

- The Chief Ecological Inspector for the Atyrau region of Kazakhstan, Kanat Kalmukhan, reported that an oil producing company Tengezchevroil was fined in amount of 4.8 billion tenge ($15.35 million) for the accidental discharge of 33.393 million cubic meters of gas in atmosphere. It was noted that the gas-flaring incident carried out without a special permission was registered in January-February 2016.