Oil & gas month in review

4 March 2026

Welcome to the February edition of AmCham-EMOGCP monthly oil & gas report. The main focus is of course the opening of hostilities between Iran, Israel, and the US on February 28. The Strait of Hormuz is closed, Russian crude is suddenly in need, the Urals discount is likely quickly contracting, and Europe is suddenly, seriously worried about LNG risk, among many other interesting if more mundane news items from the past month.

EMOGCP research in February:

Feb 4, 2026: US-India trade deal: Can China absorb India's Russian oil imports?
Feb 11, 2026: Can Russia manage temporary production cuts?
Feb 11, 2026: Import substitution: Necessity, the mother of invention
Feb 18, 2026: Russian drilling falls in 2H25 – What does it mean?
Feb 18, 2026: TRIZ studies – The Tyumen Suite
Feb. 25, 2026: China Boosts Russian Oil Purchases – Oligopsony Looms
Feb. 25, 2026: Marginal Well Models and Russia's Weak Wellhead Economics

Oil

EMOGCP key takeaways: Although it came on the last day of February, the events in Iran and the consequent disruption of world oil markets following the breakout of hostilities between Israel, the US, and Iran overshadow most other news. In particular, this event, we believe, is quickly resetting the negotiating balance between India, China, and Russia. Meanwhile, global oil prices may grind higher daily as long as the Strait of Hormuz remain effectively closed. In other stories, Russian crude output has been running 300kbd below its OPEC+ quota, even as that quota is set to rise 62kbd from April. We think Russia has substantial idle capacity available, but faces logistical challenges associated with sanctions, although China is rapidly increasing its own purchases.

Oil markets overview

- **The attack of Iran by Israel and the US threw oil markets askew** the last days of the month. The Strait of Hormuz was announced as closed by Iran on the following day, which was then enforced by the withdrawal of insurance coverage for ship passing through the Strait by the likes of Lloyds of London. In February, Brent crude prices rose 3.1% to $72.9/bbl, while the price of Russian Urals crude fell 5.1% to c$40.7/bbl, expanding the Urals-Brent discount by $4.4/bbl to c$32.2/bbl for February (Fig. 3).

However, the first day of trading after the start of military action in the Persian Gulf on March 2 saw Brent jump to around $80/bbl. We have no seen no reliable data yet on Urals prices, but have seen indications that it has risen even faster, cutting the discount by perhaps half or more.

EMOGCP View – Market impact: *The closure of the Strait of Hormuz may result in the loss of 14-20mmbpd of crude supply to global markets while it lasts, with the range dependent upon the ability of OPEC members to ramp up bypass routes such as Saudi Arabia's East-West pipeline. Even the lower end of that number is very significant, and there are no alternative sources globally capable of offsetting it. That said, in addition to strategic reserves held in various countries against just such a situation, there has been a relatively large, 900mn bbl of oil "on the water", floating on tankers en route between exporting and importing countries, perhaps 100mn bbl above typical. That excess in the system by itself can cover for a week's closure of Hormuz.*

EMOGCP View – Oil price outlook: *Oil prices have risen less than one might have expected in the first few days after the start of a shooting war in the middle one of the world's three key oil production regions. Traders were very long going into the weekend, so there was little paper repositioning that needed doing, and traders seem likely to be wary of getting much longer in case military operations stop as suddenly as they started. In the meantime, as long as the Strait of Hormuz is closed, we'd expect a noticeable uptick in prices daily as that above-normal "on the water" and other reservoirs of crude storage are drawn down.*

EMOGCP View – Russia's negotiating position vs. China likely improved substantially: *Although it is too early to say, we believe that the recently-expanded Urals discount to $32/bbl in late February has already contracted meaningfully, perhaps by more than half. Both China and India, who between them account for over three-quarters of Russia's crude exports, each import over 75% of their oil needs, and will be significantly short of oil unless and until the Strait of Hormuz is once again open. We would expect the Urals discount to narrow into the single digits in the coming days, although as of yet we've seen no authoritative number from the likes of Argus.*

News, events, and EMOGCP comments:

- **Russia's crude output fell in January as Indian offtake declined.** Russia produced ~9.3mmbpd of crude that month, according to Bloomberg sources, 46kbd below December levels, and almost 300kbd below Russia's OPEC+ quotas. OPEC estimates were slightly lower, at 9.25mmbpd, or down 58kbd vs. December.

EMOGCP View – Production drop more likely tied to Caspian Sea issues: *The loss of half of the Caspian Pipeline Consortium's (CPC) loading capacity at the end of November due to a drone strike reduced throughput from a typical 1.5mmbpd to 0.85mmbpd in January. Some 10%-15% of CPC volumes come from Russian fields in the Caspian Sea region, and that alone could therefore have caused a 60-90kbd reduction in Russian output. Additionally, Lukoil's three Caspian Sea platforms, which have 150kbd of infrastructure capacity between them, were attacked by drones 3 times in December and once in January, and could themselves have accounted for all of the 130kbd fall in Russian production in January vs. October. However, it is possible that the production decline was caused by lower exports of crude backing up through the system to the wellhead. For more details, see Can Russia manage temporary production cuts?.*

- **Russian drilling drops 3.4% in 2025** to the lowest level in three years. Rigs drilled 29,140km of production wells, down 3.4% from 2024. This follows a strong start to the year, with January and February drilling setting seasonal records, but with a strong slump beginning in June and continuing through December.

  EMOGCP View – Sharply worse macro season most likely culprit: *A 23% strengthening of the ruble (from 102.5 Rb/$ in December of 2024 to 78.4 in December of 2025) and a 38% weakening of the Urals price of oil (from $61/bbl to $38/bbl) over the same time period caused fall in the price of oil in ruble terms of over 50%, from 46,000 Rb/ton to 22,000 Rb/ton. See Russian drilling falls in 2H25 – What does it mean? and Marginal Well Models and Russia's Weak Wellhead Economics for more details.*

- **Questions remain on Indian imports of Russian oil after US trade deal:** This was a running theme in February, as the Indian government refused to either confirm or deny statements made on social media by the Trump Administration that India, the world's third-largest oil buyer, would now refuse Russian oil in exchange for reduced trade tariffs. Indian PM Modi did not mention oil at all in his own statements after the deal was struck, adding to the ambiguity. At least three Indian refiners rushed to the government for clarifications, and two of them even temporarily suspended new purchases.
- **China Snaps Up Distressed Russian Oil Cargoes Shunned by India:** Maritime deliveries of Russian crude to China rose to 2.1mmbpd in the first 18 days of February, reported Bloomberg, up from 1.7mmbpd in the January and 1.4mmbpd in December. This more than offset a drop from India, which remained around 1.2mmbpd vs. 1.8 million in November, and off around 40% vs. the recent peak of June of 2025. In early March,

Vortexa estimated India's February imports of Russian crude were stable around 1mmbpd (every such agency seems to have a different estimate).

EMOGCP View – Both of the two stories above were rendered meaningless by the closure of the Strait of Hormuz, *and we believe that both India and China are now likely moving with alacrity to pick up as much Russian oil as they can while extra loads are still available.*

- **FT Uncovers $90bn Russian Oil Smuggling Operation:** An investigation by the Financial Times revealed a network of nearly 50 seemingly-separate companies coordinating to conceal the origin of Russian oil. The network, closely linked to state-controlled Rosneft, was uncovered due to an IT error: all 48 entities share a single private email server. The FT identified 442 web domains registered to this server, indicating shared back-office operations. Most companies, largely based in the UAE, lack websites, contact details, and/or use generic names that overlap with unrelated firms worldwide, making them hard to trace.

  EMOGCP View – It should come as absolutely no surprise that Russia's own oil companies are heavily involved in "shadow fleet" operations. *The >$30/bbl discount as of late February represents a massive amount of money. Some two-thirds of Russia's maritime exports are handled by the so-called "shadow fleet", and we think some meaningful amount of the "delivery spread" – the difference between a $32/bbl discount at the port of departure and the $12/bbl discount at the port of arrival – is actually being captured by structures ultimately controlled by the companies who originally produced the oil in Russia. That said, this is another story rendered moot by the Iranian situation.*

- **Rubio: India promised the United States to refuse to purchase Russian oil:** U.S. Secretary of State Marco Rubio said that India promised the United States to completely stop purchasing Russian oil. According to him, the Indian side shared its intention with the American side during the negotiations.
- **Lavrov denies knowledge of any Indian agreement to refuse Russian oil:** Russia's veteran Minister of Foreign Affairs, Sergei Lavrov, speaking yesterday in front of Russia's Parliament regarding India and Russian oil exports, stated "I have not heard any signals that somebody has forbidden someone something, and that someone will obey."
- **Foreign Minister Jaishankar provides some framing of India's position,** stating that the country is "very much wedded to strategic autonomy" and "we would not necessarily agree on everything" with partners, per the Times of India).

EMOGCP View – A modest amount of much-delayed clarity: *These statements came on February 14, more than a week after the initial announcement by the Trump Administration, and after multiple instances of journalists asking direct questions of members of the Indian government seeking some sort of confirmation or denial of the deal regarding Russian oil. That said, Mr. Jaishankar's statements were hardly definitive, leaving much room for interpretation. Before the Iran conflict broke out, our take was that India would continue to buy Russian oil in some volumes, but 1.6mmbpd average of 2025, or around the 1-1.1mmpbd seen recently. Now we expect those volumes to jump significantly in March.*

- **Russia turning to supertankers as more oil goes to China:** Russia is shifting some shipments from Aframax-sized tankers to very large crude carriers (VLCCs) using ship-to-ship transfers. Afrmax tankers can generally carry about 750,000 barrels, versus up to 2mn barrels for VLCCs. Reportedly, some 6.3mn to 6.9mn bbl switched ships via such maneuvers in the immediate region of the Suez Canal and Red Sea, according to data from tracking platforms Vortexa Ltd. and Kpler.

  EMOGCP View – More economical shipping, storage if necessary: *This switch improves efficiencies given the increased amount of Russian crude heading further afield to China rather than India, lowering shipping costs and – if necessary – storage costs if the crude cannot be unloaded immediately.*

- **OPEC+ agreed to increase production beginning in April by 206kbd** during its March 1 meeting. This followed a three-month break in such increases for January through March. Initial expectations were for an increase of 137kbd, but on February 28, after the start of the attacks by the US and Israel on Iran, stories emerged that OPEC+ might boost production by as much as 411kbd. Russia's quota is boosted by 62kbd to 9.637mmbpd as of April, but about 340kbd above January actual numbers.

  EMOGCP View – Who can actually increase output? *Most observers think that among OPEC+ members, only Saudi Arabia and the UAE actually have meaningful amounts of excess near-term production capacity. We disagree, think Russia likely has at least 400kbd vs. January levels, although it faces additional challenges of Western sanctions and a limited pool of potential buyers. In any event, all of the OPEC countries with idle capacity are on the wrong side of the Strait of Hormuz.*

- **Russia maintained oil export volumes in 2025:** Deputy Prime Minister Alexander Novak, in a presentation to students, indicated that Russia exported 238mn tons of oil and 114mn tons of petroleum products in

2025, or a total of approximately 7.0mmbpd, versus some 240mn tons of crude in 2024. The share of crude going to 'friendly' countries has jumped from 42% in 2021 to 94% last year, while for refined products the increase was from 26% to 86% over the same period. According to the presentation, China, India, and to a lesser extent Latin American countries and Africa are considered friendly countries.

- **Authorities target a return of the Urals discount to $10/bbl (Novak):** In the same presentation mentioned above, Dep. PM Novak indicated the government intends to achieve a reduction in the discount on Russian oil to $10/bbl, a level occasionally reached in the last 2-3 years.

  EMOGCP View – more buyers needed: *Mr. Novak indicated a cause for the expansion of the discount since October was the increase in transportation costs associated with longer delivery routes to China vs. India. He stated that the government will work to reduce the discount by expanding the level of competition in the field of maritime transport and insurance. This is undoubtedly important, but we think the concentration of buying in China's hands has strengthened power of the oligopsony of China and India in terms of negotiating extra-low prices for Russian crude. Again, Iran changed the state of play, and we believe that the closure of the Strait of Hormuz, especially if it lasts for more than a few days, should materially improve Russia's bargaining position with China, and probably already has.*

- **Russian oil revenues plunge to five-year low** due to weaker global prices, steeper discounts for the nation's barrels, and a stronger ruble. Oil-related taxes halved to 282bn rubles ($3.7bn) in January from a year earlier, according to Bloomberg calculations based on finance ministry data. Combined oil and gas revenue declined by 50%, to 393bn rubles. Oil and gas taxes provided about a quarter of the government's budget in 2025, but are weaker than expected so far in 2026 due to an average Urals price of $39.2 a barrel in December, a 38% drop from a year earlier (tax collections are made one month in arrears), far below the $59/bbl assumed by the government when planned nation's budget for 2026.

  EMOGCP View – It was a weak year for the oil business, *what with a 20%+ strengthening of the ruble vs. the US dollar and a similarly-large drop in the USD price of Urals crude. This caused not only budget revenues to drop, but returns on new wells and, we think, heavily contributed to the fall in drilling.*

Sanctions, sanctions, sanctions

- **UK targets Transneft with new sanctions** as part of a package of nearly 300 measures, announcing its largest set of penalties to coincide with

the fourth anniversary of Russia's invasion of Ukraine. Additionally, the new measures brought the number of people, companies and ships sanctioned by Britain to more than 3,000 and added 48 oil tankers to its sanctioned "shadow fleet."

EMOGCP View – It is hard to see any changed for Russian oil producers: *The report stated that Transneft was targeted in order to further cut Moscow's energy revenues, but without stating how that was to be achieved. The additions to the identified "shadow fleet" brought the total to near 600 vessels, but that only closes the gap with the number of ships already sanctioned by the EU, and presumably with a large overlap between the two. We expect any increased difficulty for Russia's exporters from this will likely be incremental rather than material.*

Drone attacks

- **Drone strikes increasing in February:** After a lull in January, when only 3 drone strikes were reported on Russian refineries vs. 11 in December, Ukraine stepped up drone activity in February. Attacks on Lukoil plants in Volgograd and Ukhta and the Independent Ilsky refinery in the Black Sea region were all reported. The three plants between them have processing capacity of about 500kbd.
- **Druzhba flows stopped by Russian attack on Ukrainian pumping station:** A reported Russian attack on a pumping station in western Ukraine halted piped flows of ~200kbd of Russian crude to Hungary and Slovakia through the Druzhba pipeline system. Flows had not been resumed as of the end of February, with Hungary threatening to cut off supplies of diesel to Ukraine unless it repaired the pumping station and resumed shipments soon.
- **Two Lukoil refineries hit by drones:** First, a Ukrainian drone attack caused a fire at an oil refinery owned by Lukoil near Ukhta in Russia's northwestern Komi Republic. The head of the region, Rostislav Goldshtein, announced that nobody had been injured and that emergency services were working on the scene. Second, the Lukoil-owned Volgograd oil refinery in Russia's south, has suspended oil processing after fire erupted following a Ukrainian done attack, according to two industry sources. Sources said that a key piece of equipment, crude distillation unit CDU-1 with 140kbd of capacity, and which accounts for 40% of plant's capacity, was damaged.
- **Transneft cuts pipeline oil intake by 250kbd following a drone attack** on the key, 1mmbpd Kaleykino pumping station in the Volga region of Tatarstan. That station serves the Druzhba pipeline carrying Russian crude to Eastern Europe and to Russia's main western ports. Tatneft, the

main producer in the region, was the most-affected company by the reduction in shipments. The station is a key point for West Siberian oil transport, being a critical junction for pumping and blending of oil of different qualities that become either the Urals medium-sulfur export blend or the sweet Siberian Light grade. The extent of the damage has yet to be assessed, but if severe it could affect Russian oil exports, including volumes and quality, the industry sources said.

- **The port of Novorossiysk struck by drones on March 1:** Video posted to social media showed substantial flames, but no structures were visible for scale or to give an idea of the damage actually incurred.

  EMOGCP View – Effects as yet unknown: *If the flames were only from a broken product pipeline, then damage could be fixed in hours. If instead a substantial piece of port equipment was damaged, then exports might be reduced for days. Headlines as we prepared to publish suggested the port might be closed for a week. For context, Novorossiysk typically exports about 1mmbpd, of which about 2/3 is crude and 1/3 refined products.*

- **ALG2 "shadow fleet" tanker – on fire in Mediterranean:** An LNG carrier identified as the Arctic Metagaz, part of Russia's emerging shadow fleet transporting sanctioned liquefied natural gas, was reported by Reuters to be on fire early on March 3 in the central Mediterranean off the coasts of Malta and Libya. Footage circulating on the platform X appeared to show a large LNG carrier engulfed in flames following what several social media accounts described as explosions. However, the Telegram channel of Neft i Kapital later reported that their sources indicated the ship is undamaged and continuing on its way to its destination.

  EMOGCP View – Arctic Metagaz is indeed a vessel in Arctic LNG-2's small, 11-ship "shadow fleet". *It is not an ice-class ship itself, but rather is one of 4 older conventional vessels in that fleet that help shuttle gas from the Saam Floating Storage Unit to China's Beihai port. The key ships in the fleet are the two Arc7, ice-class tankers that shuttle LNG from ALG2 to the FSU, but the loss of the Metagaz would reduce winter capacity by approximately 1/9 (in addition to 4 conventional tankers, the project has 5 Arc4 ice-class vessels that also do runs from the FSU to China and back in the winter). If the Metagaz is indeed undamaged, it should soon arrive at the Suez Canal and show up on ship tracking services again.*

Reserves and exploration

- **Novak – TRIZ rising:** As a part of the same presentation mentioned earlier, Deputy PM Alexander Novak stated that the share of hard-to-recover reserves (TRIZ, per the Russian acronym) in Russia's total oil production increased from 20% in 2010 to 63% in 2025, and will rise to 83% by 2035 and 87% by 2050. He added that total oil production in 2025 was 10.2mmbpd, and by 2035 could increase to 10.8mmbpd (the government target). From there, additional production increases won't be possible, and the country will be forced to work to maintain that level of output, as task that will become increasingly difficult. That said, he indicated that profitable oil reserves of some 110bn bbl are sufficient for 32 years of production, while technically-recoverable reserves are estimated at about 225bn bbl, or over 60 years' worth.

  EMOGCP View – Every TRIZ estimate is different, but they all show it rising inexorably: *The main task for the government is to keep the tax regime correctly balanced between reserve quality, technological advancements, oil prices, and the exchange rate. The overarching goal for the Ministry of Finance will remain extracting 90-95% of the economic rents of each barrel while simultaneously making sure the oil companies remain incentivized to bring on-line new reserves fast enough to keep oil output stable.*

- **Gazprom Neft discovers a 400mn bbl oil field on the Yamal Peninsula,** the largest oil and gas field found on Yamal in three decades. CEO Alexander Dyukov emphasized that this discovery confirms that the Arctic holds substantial geological potential. The new oil field is located in the Yuzhno-Novoportovsky and Saletinsky license areas on the southern end of the Yamal Peninsula. It lies very close to the company's existing Novoport field, and will be able to use that field's existing infrastructure, including a gas pipeline connecting to Gazprom's high-pressure transport system, and an on-water oil loading terminal located in the Gulf of Ob. Gazprom Neft announced it will carry out additional exploration before designing a development program for it.

  EMOGCP View – Russia's oil reserves are significant, but the Arctic will boost them further: *Russia has some 255bn bbl of technically-recoverable oil under Russian AB1C1B2C2 standards (roughly equivalent to 3P, or Proved+Probable+Possible, under international standards), or more than 60 years' worth at current production levels. However, the Arctic is still under-explored, and likely a large number of fields such as this one have yet to be found. Similarly, Rosneft's giant Vostok Oil greenfield project has some 60 licenses and, despite already having a*

massive 53bn bbl of oil under AB1C1B2C2 standards, will likely grow as exploration and development drilling continues.

Downstream

- **Rosneft's Tuapse refinery to remain off-line until late Feb or early March:** Damaged on December 31 in a drone strike, the Tuapse refinery was shut down not only for all of January, as originally anticipated, but as of early February was not expected to return until late in the month or even early March. However, maintenance originally scheduled for mid-March through the end of April may have been conducted during this unplanned shutdown, and thus output for 2026 may be only marginally below the original plan.
- **Russian refinery runs have rebounded to ~5.4mmbpd,** the highest monthly level in the past year, as the impact of Ukrainian drone strikes has moderated and maintenance-driven downtime has declined. Product exports have recovered, domestic fuel availability has stabilized, gasoline market pressures have eased, and the government even moved to lift export restrictions earlier than expected. Despite the improvement, utilization remains below the five-year average, with ongoing repair work and the risk of renewed disruptions continuing to constrain a full normalization. Source: Kpler on X.
- **Pipeline crude supplied to refineries in March may grow by 4.6% y/y to 4.7mmbpd,** reports Kommersant. The increase is explained by the completion of repairs, seasonal growth in demand, reorientation of crude volumes from foreign markets, and the lifting of the embargo on gasoline exports for producers.

  EMOGCP View – Both optimistic in their own way, but mind the gap: *Note the significant differential between the reported throughput numbers in the last two stories. Pre-crisis, Russia-wide refinery throughput of crude was 5.3mmbpd, so the Kpler number looks too high to us. Even with significant repairs completed, we think it likely there is some capacity still off-line due to the drone campaign. The Kommersant number, on the other hand, looks too low. A partial explanation of the 700kbd gap between the two estimates could be non-crude inputs (fuel oil from other refineries, say) which are delivered not by the Transneft pipeline system but rather by trains. The one common theme between the stories is that both indicate a significant recovery – either by direction (Kommersant) or absolute volumes (Kpler) – of Russian refining volumes.*

Technology

- **New domestic technology for converting fuel oil into gasoline.** Scientists of Tomsk State University, the Institute of Petroleum Chemistry, and the Tomsk Polytechnic University have created a method of heavy oil processing, which increases the yield of gasoline and diesel by almost 40%. The technology is based on the use of a bimetallic catalyst based on nickel and cobalt and the addition of a small amount of acetone (about 4 kg per ton of oil). The nickel accelerates the destruction of long hydrocarbons, the cobalt prevents their recondensation, and the acetone evenly distributes the catalyst and slows down the formation of waste. As a result, oil viscosity drops by 5.5x, the amount of by-products – primarily gas and coke – is reduced by 1.6x, and the sulfur content in resulting fuel is reduced by 44%. The technology turns heavy oil into a synthetic fuel, similar in properties to light grades. Reportedly, this technology can be implemented at existing refineries without large-scale modernization. At the moment, the technology's creators are testing it on different types of heavy oil and working on scaling it for industrial applications.

  EMOGCP View – It is far too early to determine if this will make a material difference, *as many promising discoveries never make the transition from the laboratory to economic adoption. However, as we pointed out in Import substitution: Necessity, the mother of invention, Russia has been making progress attaining technological independence in areas other than just the upstream, including the domestic manufacturing and installation of refinery upgrade equipment.*

Taxes and policy

- **Novak supports widening the EPT (Excess Profits Tax) for TRIZ:** Deputy PM Novak instructed the Ministry of Finance and the Ministry of Energy to prepare calculations for possibly expanding the EPT to include "hard-to-produce" reserves (TRIZ).

  EMOGCP View – This reinforces indications from late 2025 of an expansion of the EPT to cover TRIZ. *The EPT program was introduced only in 2019, but already accounts for almost half of all Russian oil production. Many TRIZ reserves, especially those with permeability of less than 2Md (millidarcies), already receive breaks. However, there are many other horizons that don't qualify for any of the detailed breaks – for example, those with permeability of 3-5Md – but are nonetheless too technically challenging to be economically produced without some level of tax breaks. Including these reserves into the Excess Profits Tax system*

would allow them to be produced without the need for the development of bespoke tax regimes for each of them.

- **Oil companies received a damper payment in January due to recalculation.** Russian oil companies would have been in negative territory on damper payments for first time in 5 years in January if not for a recalculation of the September payout. The payments to oil refiners for September was 43.8bn rubles, but only included accruals for diesel fuel as gasoline exchange prices for the month were higher than the cut-off price. The cut-off price was then adjusted and applied retroactively to September, leading to an additional payout for December of ~30bn rubles. After a deduction of 13bn rubles for what companies were supposed to pay for December, the net payment from the budget was 16.9bn rubles, paid in January.
- **The government is discussing adjustments to the fuel damper mechanism.** Russian Deputy Prime Minister Alexander Novak has instructed the Ministry of Finance and the Ministry of Energy to consider the issue. "We are constantly trying to adjust it so that it works better. Currently, there is a proposal from our companies. ... We will consider these proposals…".

  EMOGCP View – The damper system is now effectively just an additional subsidy system, *rather than a system that smooths out variances between domestic and export product markets. As mentioned above, it has been five years since the confluence of the ruble and external prices made the domestic refined product market more profitable than the export market, thus requiring payments from refiners to the government. Note that Russia also has a dedicated subsidy system for refining called the reverse excise tax.*
- **Russia plans to divert more oil revenues to budget reserve fund and cut spending,** stated Finance Minister Anton Siluanov, following a meeting called by President Vladimir Putin on how to deal with the budget deficit. Siluanov said the government planned to decide within the next two weeks whether to lower the target price for oil above which fiscal revenues from oil sales are diverted into the National Wealth Fund. Although set at a seemingly-conservative $59/bbl for 2026, Urals has consistently traded well below that price target since last October. Subsequently, news emerged that the government is considering slashing the target price for Urals for Russia's key budget rule to as low as $45-$50/bbl.

  EMOGCP View – Lowering the target to $50/bbl or less will require significant changes to the budget: *This number serves three primary purposes: First, it tells the Central Bank when to buy and when to sell*

rubles vs. foreign currencies to ease commodity pressure on the ruble. Second, it sets estimated future budget revenues from oil taxes, requiring spending and other planned taxes to be brought within allowable parameters for the budget deficit. Third, in times when oil prices are above the target, excess revenues are swept into the National Welfare Fund, which currently holds some $56bn in fiscal reserves. When oil is below the target, those funds can be drawn upon to help cover the deficit. However, at the recent pace of revenue decline existing reserves may be largely depleted inside of a year.

- **Businesses hope the ruble will weaken to 90 Rb/$ by the end of 2026,** although many exporters expected the ruble to weaken already at the beginning of this year, stated Alexander Shokhin, President of the Russian Union of Industrialists and Entrepreneurs (RSPP). At the same time, business considers a further strengthening of the ruble unlikely. "Everyone was waiting since the fall that [the exchange rate] would at least enter the range of 90-95 Rb/$, and some even hoped for 100 rubles - exporters. There was a precedent a year ago, at the beginning of last year it was 100 rubles."

  EMOGCP View – The oil industry needs either higher oil prices or a weaker ruble: *As we wrote in Marginal Well Models and Russia's Weak Wellhead Economics, new well economics deteriorated massively in the course of 2025, first because of a 20% appreciation of the ruble, then because of a fall in the realized price of Urals crude after the October-2025 sanctions on Rosneft and Lukoil began to widen the Urals-Brent discount. The government can't influence oil prices much, but it does have significant influence of the exchange rate, although any weakening of the currency would have negative consequences for inflation.*

Gas

EMOGCP key takeaways: European gas prices jump to $685/mcm on the Strait of Hormuz closure. Europe continues to move towards rejecting all Russian gas by the end of 2027, but meanwhile takes almost all loads produced by Yamal LNG and faces a difficult storage refill season following the coldest winter in more than a dozen years. China appears to be stepping up to take those volumes, but there are questions about shipping capacity. Meanwhile, Arctic LNG-2 may be expanding its conventional "shadow fleet" even as it awaits delivery of more domestically-built Arc7 ice-class tankers.

Gas markets last month:

- **European gas prices fell 19% to $405/mcm in February,** while Asian spot prices for LNG largely moved sideways, remaining around c$375/mcm. As with oil, however, the outbreak of hostilities between Iran, Israel, and the US and the subsequent closer of the Strait of Hormuz caused Qatar to declare force majeure and shut down its liquefaction trains, in turn triggering a spike in European gas prices to as high as $700/mcm intraday on March 3, before settling at $685/mcm.
- **LNG imports to Europe fell 7% month-on-month,** but only because February was a short month, as daily average flows rose 3% m/m, and overall deliveries were up 4% vs. the same month last year (Fig. 6).
- **European gas storage levels fell by 11.8 points to 29.3%,** and remain around record low levels for the time of year (Fig. 3).
- **European weather watch – A late warm-up:** The '25/'26 heating season has been colder than normal for the first time in many years, and comes on the back of the '25/'25 season which was merely 'normal', but still accounted for a jump in gas demand after two consecutive abnormally warm winters. Only in March did German weather turn warm, running 2°C higher than typical, but this still left overall winter temperatures in that country the coldest in 13 years (Fig. 5).

Gas in general

- **Kazakhstan, Russia set 2030 launch date for Ishim-Astana gas pipeline,** according to Dauren Abayev, Kazakhstan's ambassador to Russia, will be "significant for gas supply to the northern regions of our country". Kazakhstan's government signed a strategic partnership agreement with Gazprom in 2023, covering gas supply, transportation, processing, exploration and production. The planned throughput capacity of the pipeline is 10 bcm per year.

  EMOGCP View – Central Asia a prospective client for Gazprom *following the loss of most to all of its European franchise, although it will feature both lower volumes and prices. We estimate Gazprom may be able to export 15-20bcm annually to Central Asian countries by the early 2030s, but the average price is likely to be only $150-$175/mcm as compared to over $300/mcm in Europe. Russia and Kazakhstan are also discussing a separate pipeline project to transport 45bcm of gas annually, of which 10 bcm would be supplied to Kazakhstan's northeastern regions and 35 bcm would be exported to China, although China has signaled it would prefer the Power of Siberia-2 route, if anything.*

- **The Ministry of Justice confirms gas tariff increases from October,** registering an earlier decision by Russia's Federal Antimonopoly Service (FAS) on indexation of Gazprom's wholesale regulated gas prices for industry and the population by 9.6% from October 1, 2026. Per FAS's plans, a price increase of 9.1% is scheduled for July of 2027, followed by a 7% increase from July of 2028.

  EMOGCP View – Recalibration of Russian domestic gas prices almost complete: *Until recently, Russian domestic gas prices were generally around $60/mcm (depending on the ruble exchange rate), far below the $200-$500/mcm typical price range in Europe. After the 2026 change goes through, average industrial prices will be around $95/mcm, and those for power and heat even higher. Given the much-larger volumes Gazprom always delivered to Russian consumers, this change is significant for the company's income statement. For more details, see our reports from January, Gazprom's gas prices – A primer and How Gazprom remains profitable, both published this past January.*
- **European buyers are aggressively importing LNG from Russia's Arctic Yamal LNG project** as the continent prepares for a full EU ban on Russian LNG from January 2027, new figures compiled by from Kpler data show. According to the report, EU buyers purchased 93% of Yamal LNG production in January 2026, totaling 1.69 million tons, an 8% increase over January 2025. A total of 23 out of 25 shipments were delivered to European ports, underscoring the continent's continued reliance on Russian Arctic gas despite sanctions and political pressure.
- **Moscow ratifies LNG deal with Beijing:** Russia's State Duma has ratified a Russian-Chinese agreement that will pave the way for enhanced cooperation on natural gas in the Arctic. The so-called 'Protocol to the Agreement between Russia and China on cooperation in the implementation of the Yamal LNG project' provides for investments and joint projects, the Russian Ministry of Energy reports. The deal was originally signed in December of 2024.
- **China intends to increase imports of Russian LNG:** Beijing is interested in increasing the supply of Russian energy resources, including liquefied natural gas, Chinese Ambassador to the Russian Federation Zhang Hanhui told Izvestia. China is interested in increasing the supply of Russian energy carriers, including oil, gas, and LNG, and will increase cooperation with the Russian Federation in this area, according to the Ambassador.

  EMOGCP View – But not a single direct mention of Power of Siberia-2: *That 50bcmpa project still seems to be more wanted by Moscow than by China, and we continue to think that Beijing lacks the confidence in its*

15-year and longer gas demand forecasts required to sign on for such a large, 30-year purchase agreement. More likely, we believe, are more incremental increases in the Power of Siberia-1 and Far East contracts. This news is more positive for Arctic LNG-2, which is still building up its "shadow fleet", but is only working at all because China agreed to begin accepting loads from the sanctioned project at its Beihai terminal beginning late last August. A final thought – the closure of the Strait of Hormuz and its effects on LNG supply may alter Beijing's strategic calculus relating to the Power of Siberia-2 deal, but they are still unlikely to rush to sign it.

- **Russia's Yamal LNG resumes transshipments operations near the Arctic port of Murmansk,** according to LSEG data, opening the way for the possible resumption of exports of the fuel to Asia for the first time this winter season. The ship-to-ship scheme, in which ice-class gas carriers upload cargoes to conventional vessels for further deliveries, allows the company to optimize the usage of expensive ice-class tankers in winter season when navigation via the eastward Northern Sea Route along the Russian Arctic shore is restricted.

  EMOGCP View – Saam FSRU not enough for Yamal LNG and Arctic LNG-2, so STS action necessary. *We think that Arctic LNG-2, which had been heavily using the Saam FSRU near Murmansk for reloading gas from its two Arc7 ice-class tankers to its Arc4 or conventional tankers for shipment to China, may have also switched to ship-to-ship transfers in the immediate vicinity of Murmansk. This is less efficient: As it requires both ships to be in place at the same time, one may have to wait some time for the arrival of the other. However, with arrival a few weeks ago of the Alexei Kosygin, its 2nd Arc7 tanker, Arctic LNG-2 at least temporarily has more shuttle capacity than it does conventional capacity, so a bit of waiting by the Arc7s will not impair by overall offtake.*

- **The construction of two more domestically-built Arc7 LNG tankers is expected to be completed in 2026,** according to the Minister of Industry and Trade of the Russian Federation Anton Alikhanov. "Last year, the Arc7 head gas tanker was commissioned under the project of a foreign company, this year the construction of two more will be completed," the minister said, speaking at a meeting of the State Duma Committee on Industrial Policy. The Ministry expects two more LNG tankers to be commissioned in 2027.

  EMOGCP View – Russia heading to tanker independence? *Minister Alikhanov also noted that a project has begun to design a fully-Russian LNG tanker. As we wrote in Import substitution: Necessity, the mother of invention, Russia is closing in on the ability to independently construct*

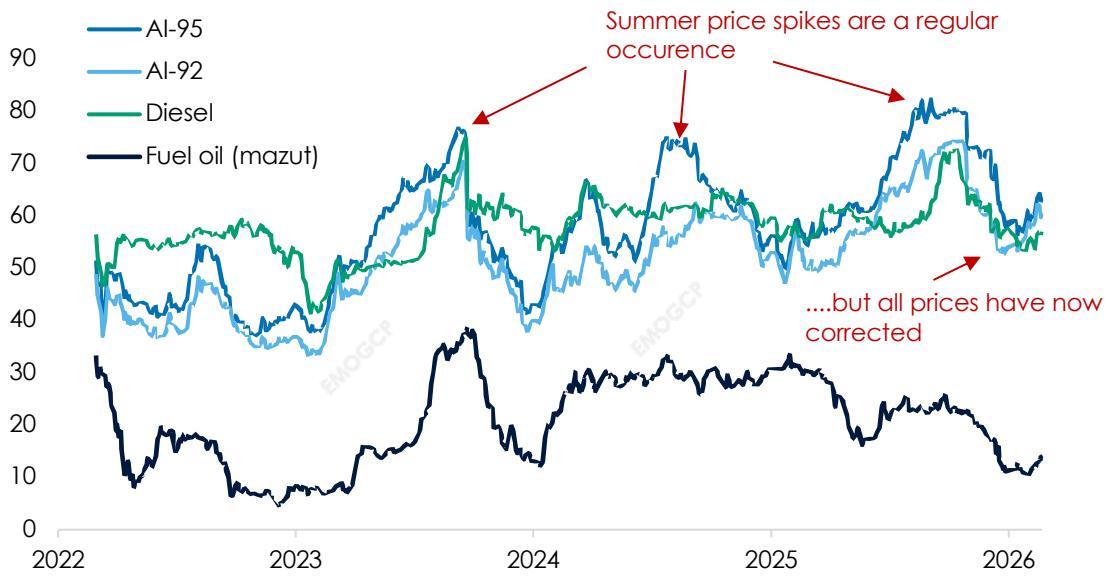
the thrust azipods necessary for Arc7 tankers, and already has the shipyard capacity to build ice-class tankers of this class. Some key components may still need to be sourced externally – the domestic production of membranes for lining LNG storage tanks is not yet certain – but this is likely a rapidly-shrinking list.

- **Arctic LNG-2 Dark LNG fleet - Phase 2 expansion?** There is evidence of a repeat of Novatek's spring 2024 acquisition spree to secure a fleet of shuttle tankers to serve Arctic LNG-2. In early February Omani Asyad Shipping sold four 150,000m3 class currently uneconomic carriers built in 2005 and 2006, while themselves being in the process of receiving a new fleet of modern LNG carriers. The four ships sold have been purchased (ref. Equasis and brokers) by two small companies, Celtic Maritime & Trading in Panama (Salalah and Nizwa) and Fidelity Denizcilik ve Ticaret in Turkiye (Ibri and Ibra), both ship management companies, but neither previously active in LNG. The business of the buyers indicates that the ships have not been purchased for scrapping, which has been the destiny of other similarly aged and recently sold ships. Having just discharged final cargoes in Asian port, all of the four ex-Asyad ships have been renamed and are now westbound. In particular, the Ibri renamed to Akit LNG is now in the Red Sea, a segment recently only used by Arctic LNG-2 ships due to Houthi attacks at Bab al-Mandeb (source: Eikland Energy).

  EMOGCP View – it is not yet certain these ships will work for either Arctic LNG-2 or Yamal LNG. *That will become clear as the ships clear the Red Sea (only Russian LNG ships tend to use that route of late) and continue past Europe headed north. We calculated in Arctic LNG-2: How Much Can a Lean Shadow Fleet Export? that the project might need to add 10 conventional ships to the fleet just to fully utilize the two Arc7 tankers it currently has during winter season. If the other two Arc7s are indeed delivered this year, then the project will need to source a great many additional conventional tankers.*

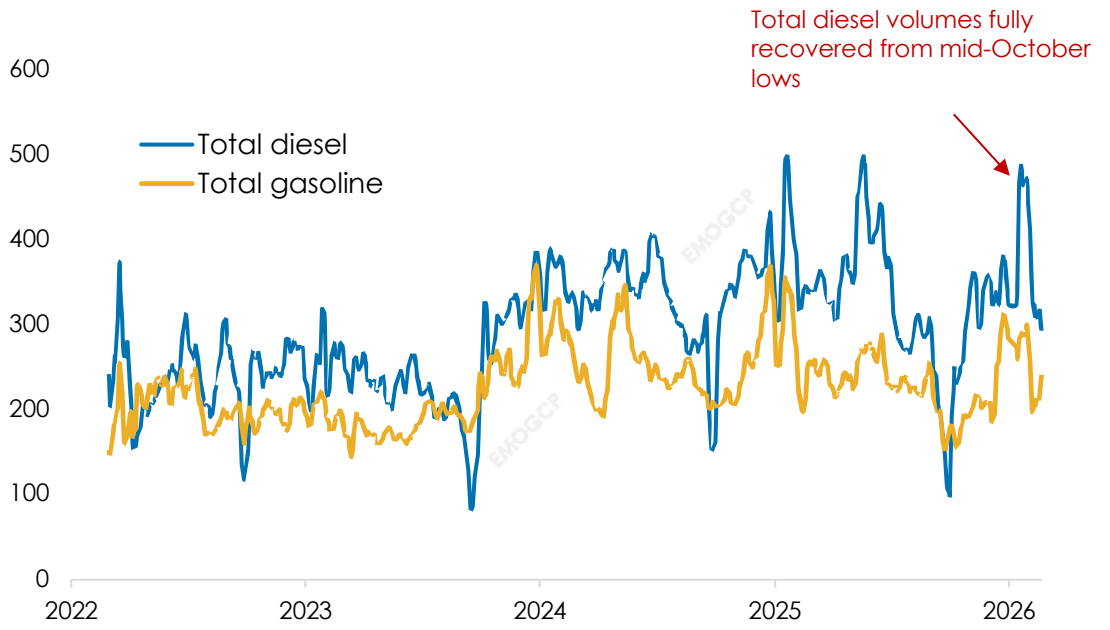
Charts

Fig. 1: SPIMEX wholesale product prices RUBk/ton



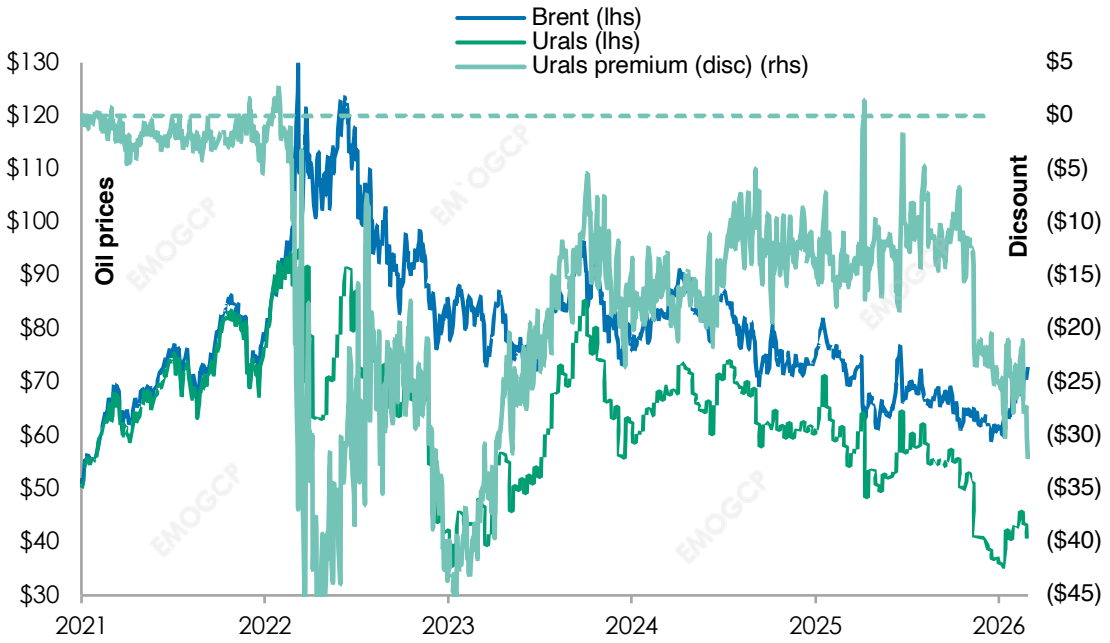
Source: SPIMEX

Fig. 2: SPIMEX wholesale product volumes, kbd



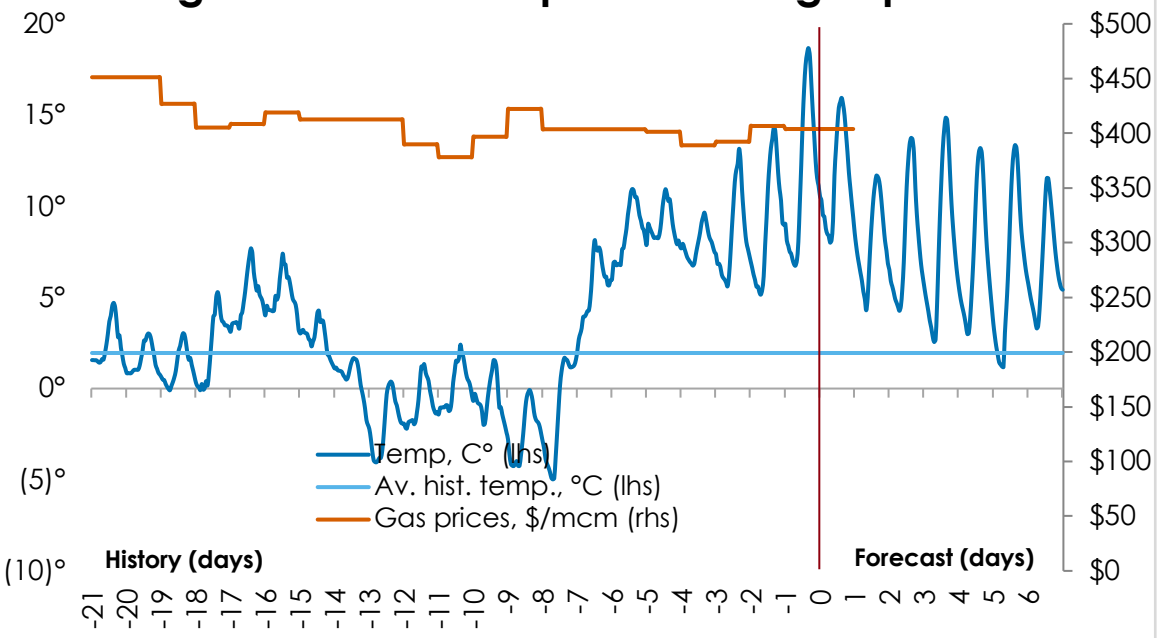
Source: SPIMEX

Fig. 3: World oil prices, $/bbl



Source: Profinance.ru, investing.com

Fig. 4: German temperature vs. gas prices



Sources: Openmeteo.com, investing.com

Fig. 5: German Winter Temperatures

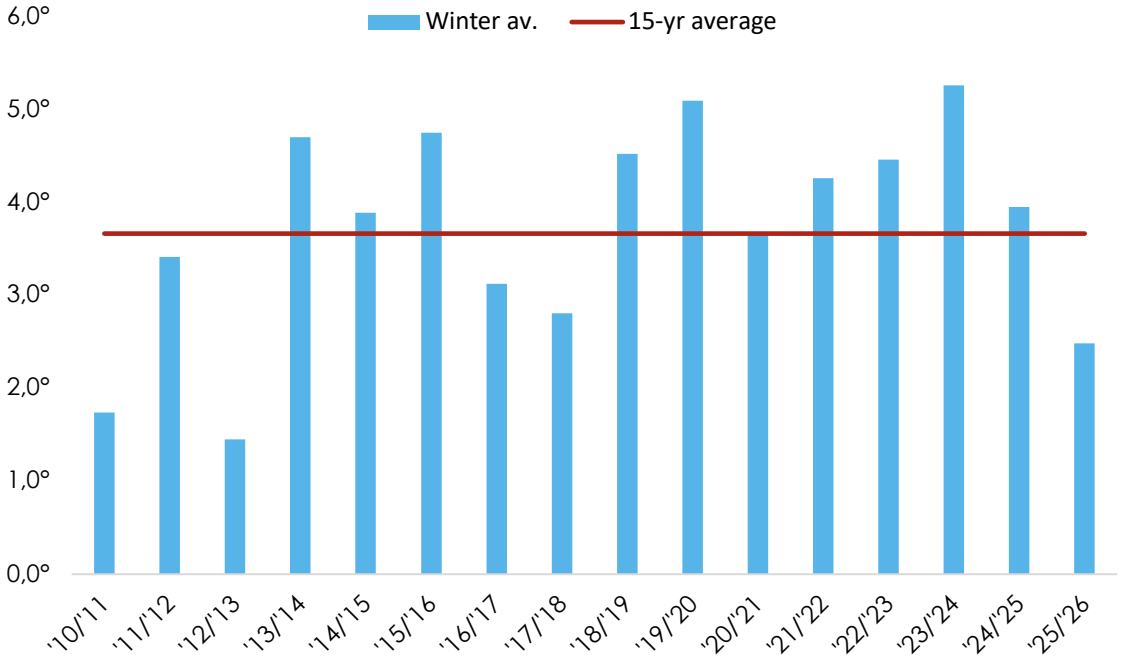
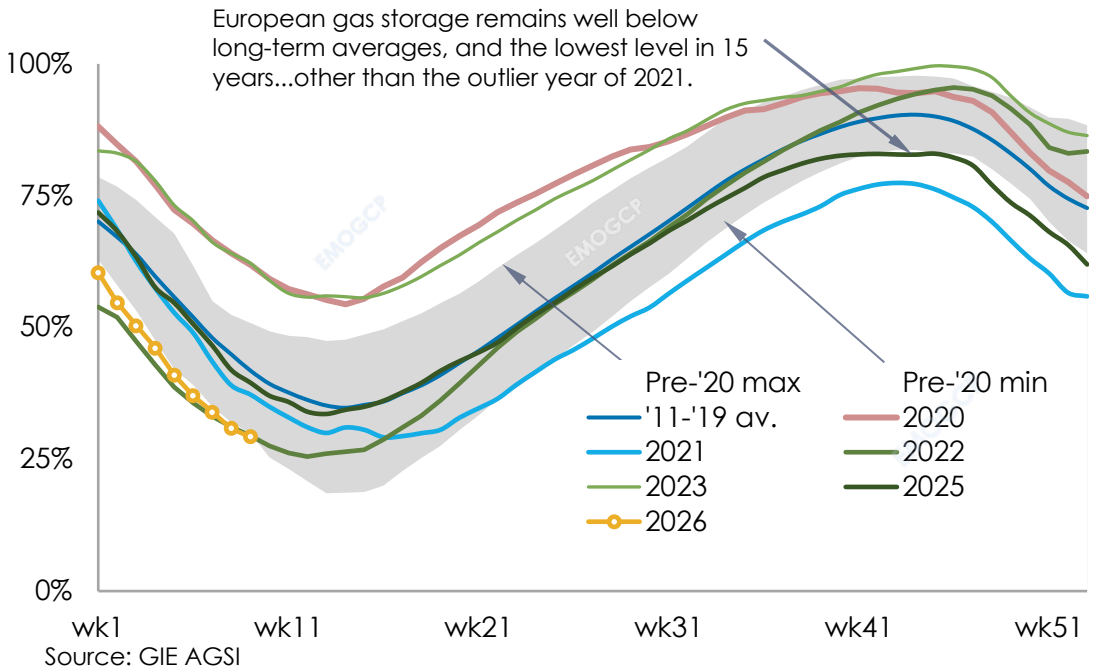
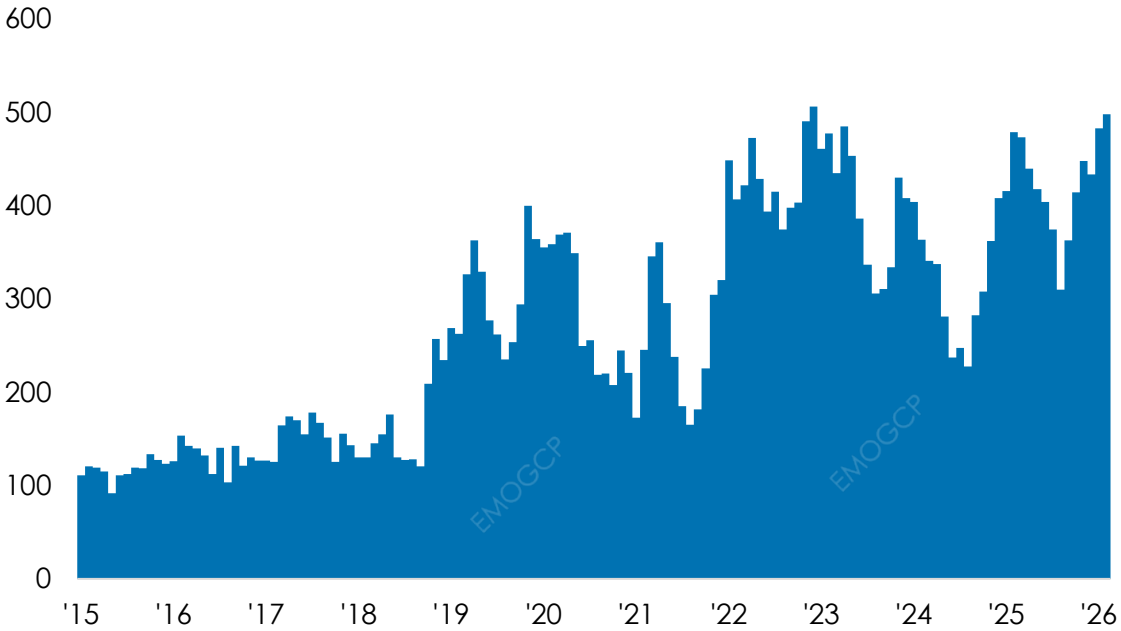


Fig. 6: European gas storage, % of full



Source: GIE AGSI

Fig. 7: European LNG imports, mmcm/d



Source: ENTSOG, EMOGCP estimates

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