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***ENERGY STRATEGY
OF THE RUSSIAN FEDERATION
TO THE YEAR 2020***

Energy Strategy of the Russian Federation -

MAIN DOCUMENT WHICH CONTAINS THE SYSTEM OF SCIENTIFICALLY- JUSTIFIED PRINCIPLES ON PRIORITIES OF LONG-TERM STATE ENERGY POLICY AND MECHANISMS OF IT'S REALIZATION

Destined for:

- **Governmental Agencies/Bodies**
- **Joint-Stock Companies**
- **Public Organizations**

Determines

**priorities, directions and means of
structural, regional, scientific,
technical and environmental policies
in energy supplies**

Means and mechanisms for realization:

- **state impact to the energy market**
- **price policy**
- **tax and customs policy**
- **institutional and organizational reforms in fuel and energy sector**
- **improving the legislative and regulatory basis**

Stages for Realization of State Energy Policy in Russia

1992

«The concept of Russian energy policy in new economic conditions»

1995

«Main Directions of energy policy of the Russian Federation till 2010»

«Energy Strategy of Russia»
(Main Provisions)

2000

Main Provisions «Energy Strategy of Russia till 2020»

2002

Elaboration on Main Provisions of Energy Strategy of Russia till 2020»

Priorities of Energy Strategy of Russia till 2020

Main Priority of Energy Strategy of Russia – improvement of energy efficiency

Its realization will provide:

- decreasing of energy intensity in production and energy supply expenditures of the society as a whole
- realization the concept of sustainable development

Main priorities of Energy Strategy of Russia:

- completion of structural reform of natural monopolies in fuel and energy complex and re-structuring of a coal industry
- prolongation of structural modification of branches in fuel and energy complex and improvement of the structure of fuel and energy balance
- decreasing of production costs in energy sector, optimization the using of available industrial potential, liquidation of the unprofitable plants, growth of profitability of the others
- forming the internal prices for energy resources at a level providing of energy sector and fuel producers self-financing
- raising the level (quality) of management in joint-stock companies operated in fuel and energy complex

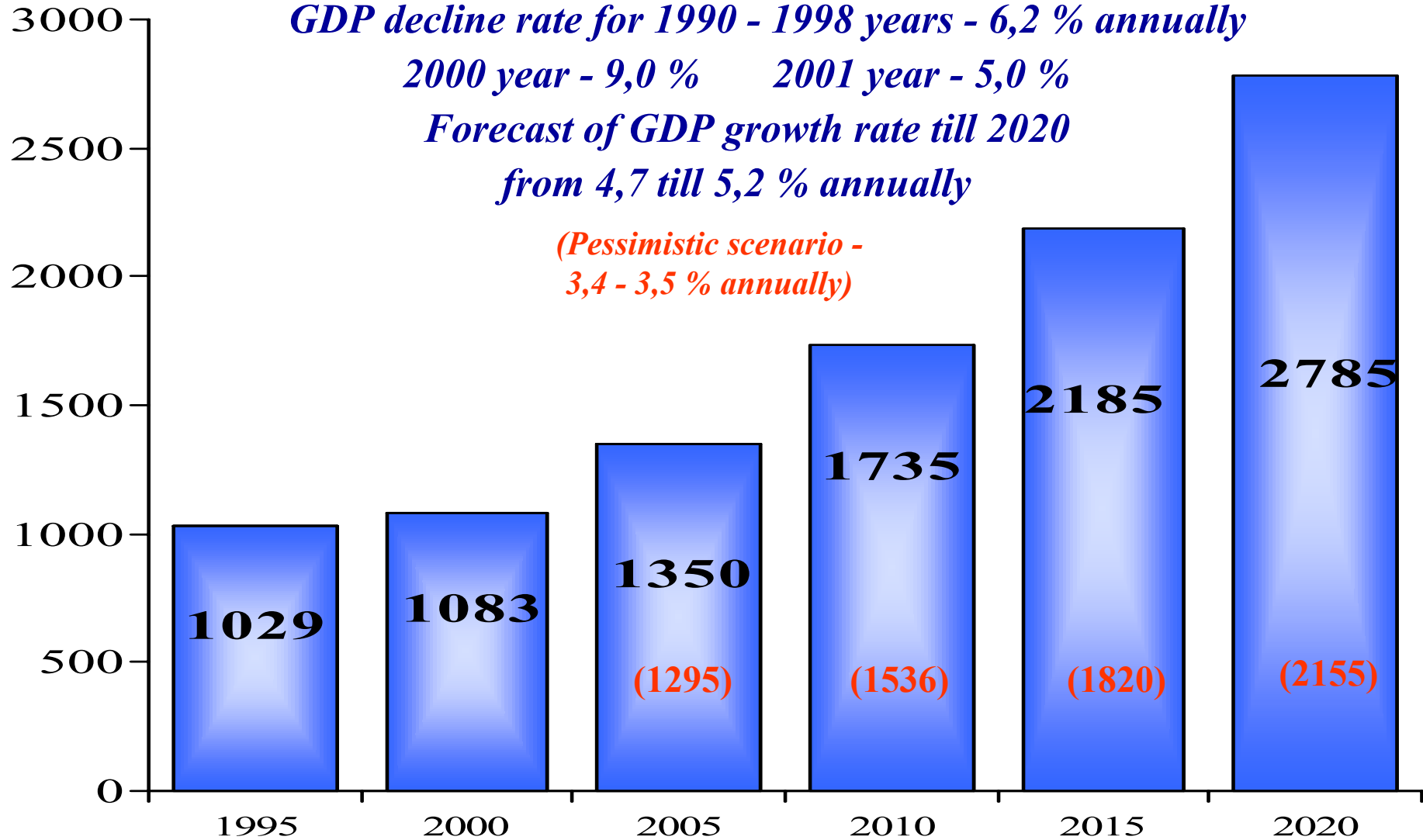
Dynamics of GDP in Russia ***(Favourable scenario)***

GDP decline rate for 1990 - 1998 years - 6,2 % annually

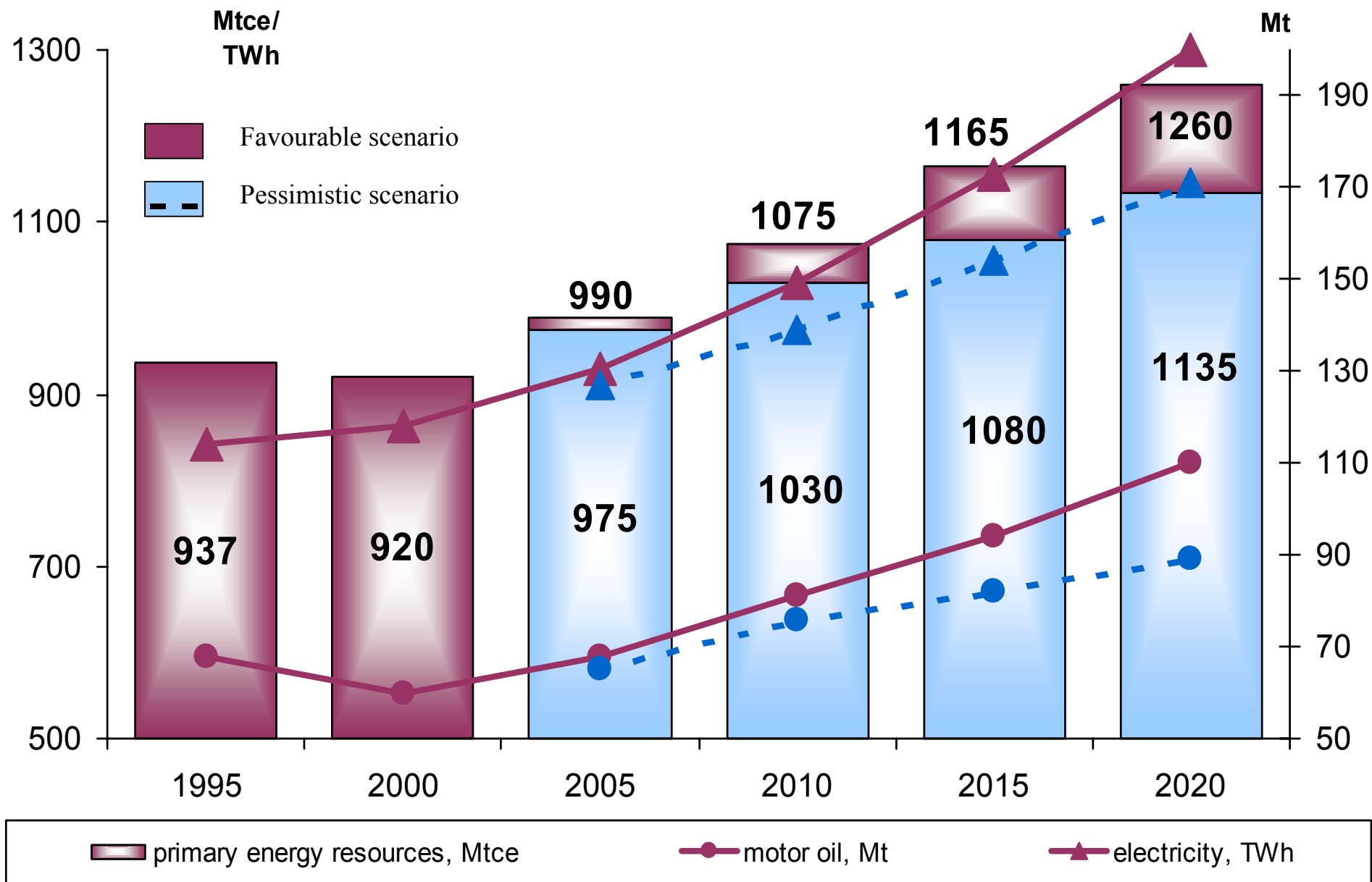
2000 year - 9,0 % 2001 year - 5,0 %

***Forecast of GDP growth rate till 2020
from 4,7 till 5,2 % annually***

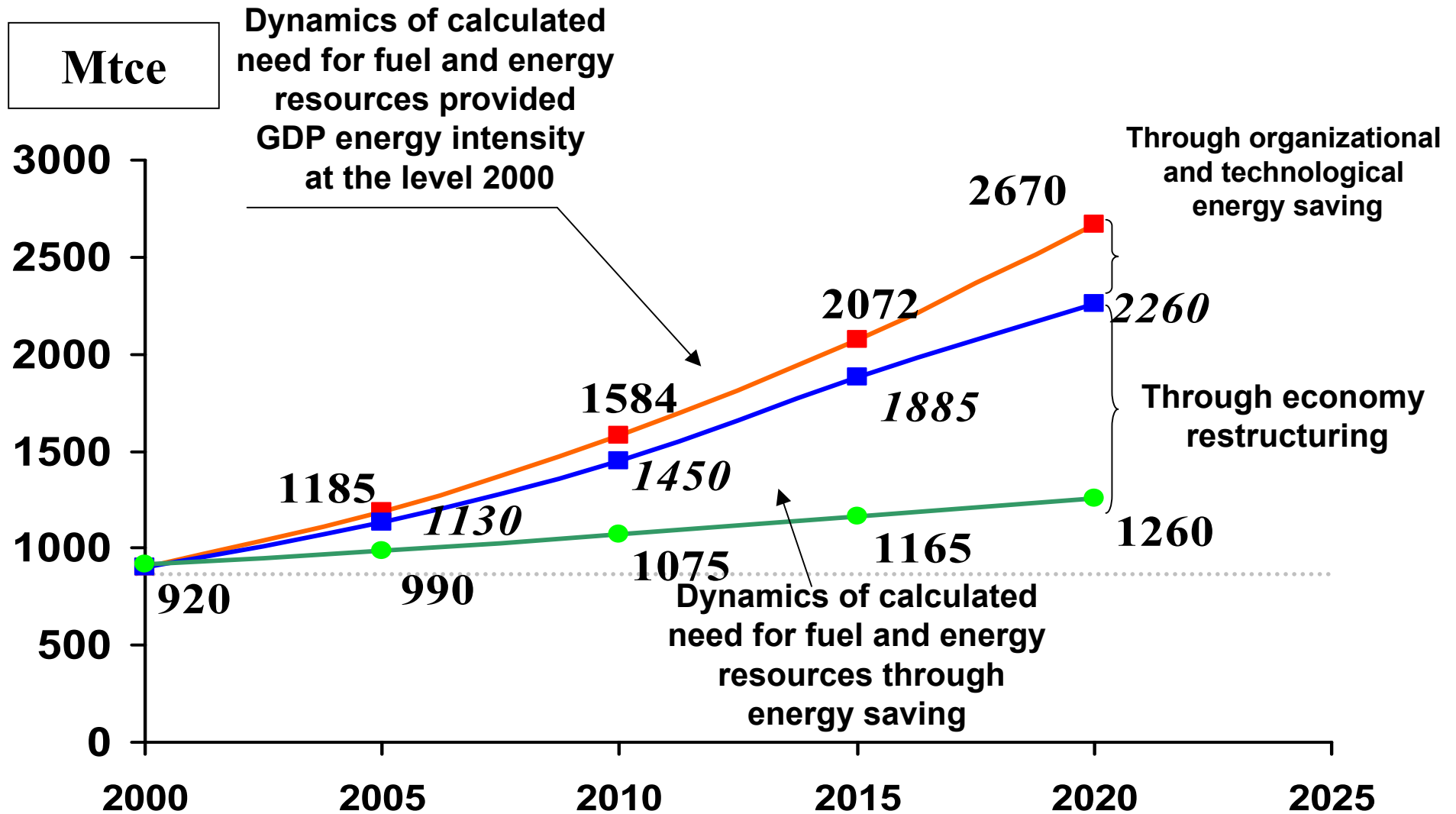
***(Pessimistic scenario -
3,4 - 3,5 % annually)***



Domestic consumption of fuel and energy



Calculated need for fuel and energy resources by the level of energy intensity of economy



Priorities of Energy Strategy of Russia till 2020

Main Priority of Energy Strategy of Russia – improvement of energy efficiency

Its realization will provide:

- decreasing of energy intensity in production and energy supply expenditures of the society as a whole
- reducing the impact on environment
- realization the concept of sustainable development
- energy and technological development of the labour forces of the country and improvement of their economic effectiveness and competitiveness

Energy Efficiency and Energy Saving

Russian Economy is Energy Extravagant

Energy Intensity is High

(B 2.3 – 2.7 times higher than in developed countries and was growing in 1990s (was falling in developed countries))

Technical energy saving potential is enormous -

40-45% (!) of the total energy consumption of the country

Low energy resources prices

do not encourage its effective usage

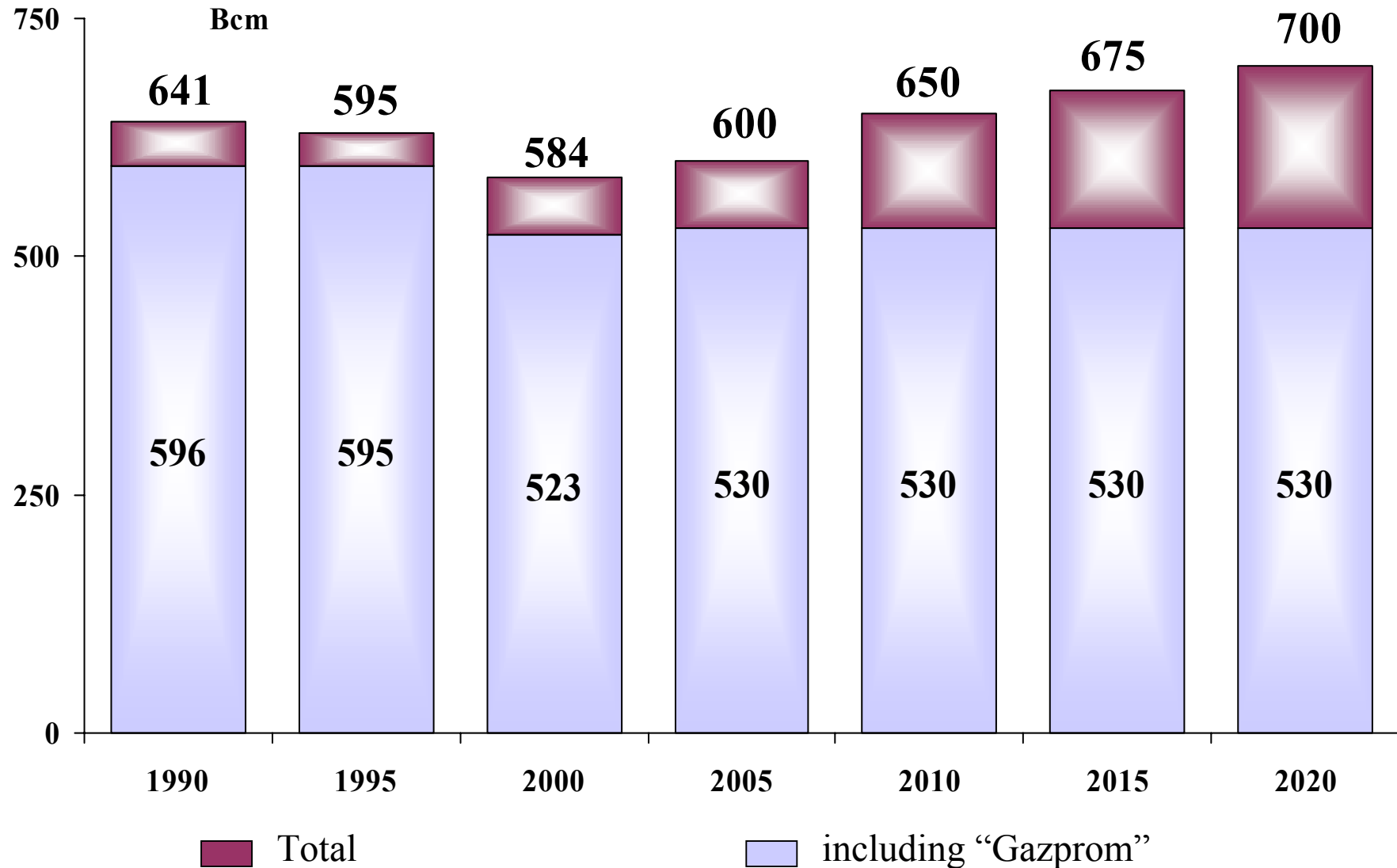
Need – active energy saving policy

- = **strict administrative measures** (standards, energy supervision, energy audit), particularly in **budget area**
- = **technical refurbishment** of the economy
- = **economy structural reorganization** = from 185 -250 Mtce by 2010 up to 390-610 Mtce by 2020

Main requirement

***increasing energy resources prices and
improvement of taxation policy***

Development of natural gas production (Favourable scenario)



Conditions for implementation of the favourable scenario of natural gas production

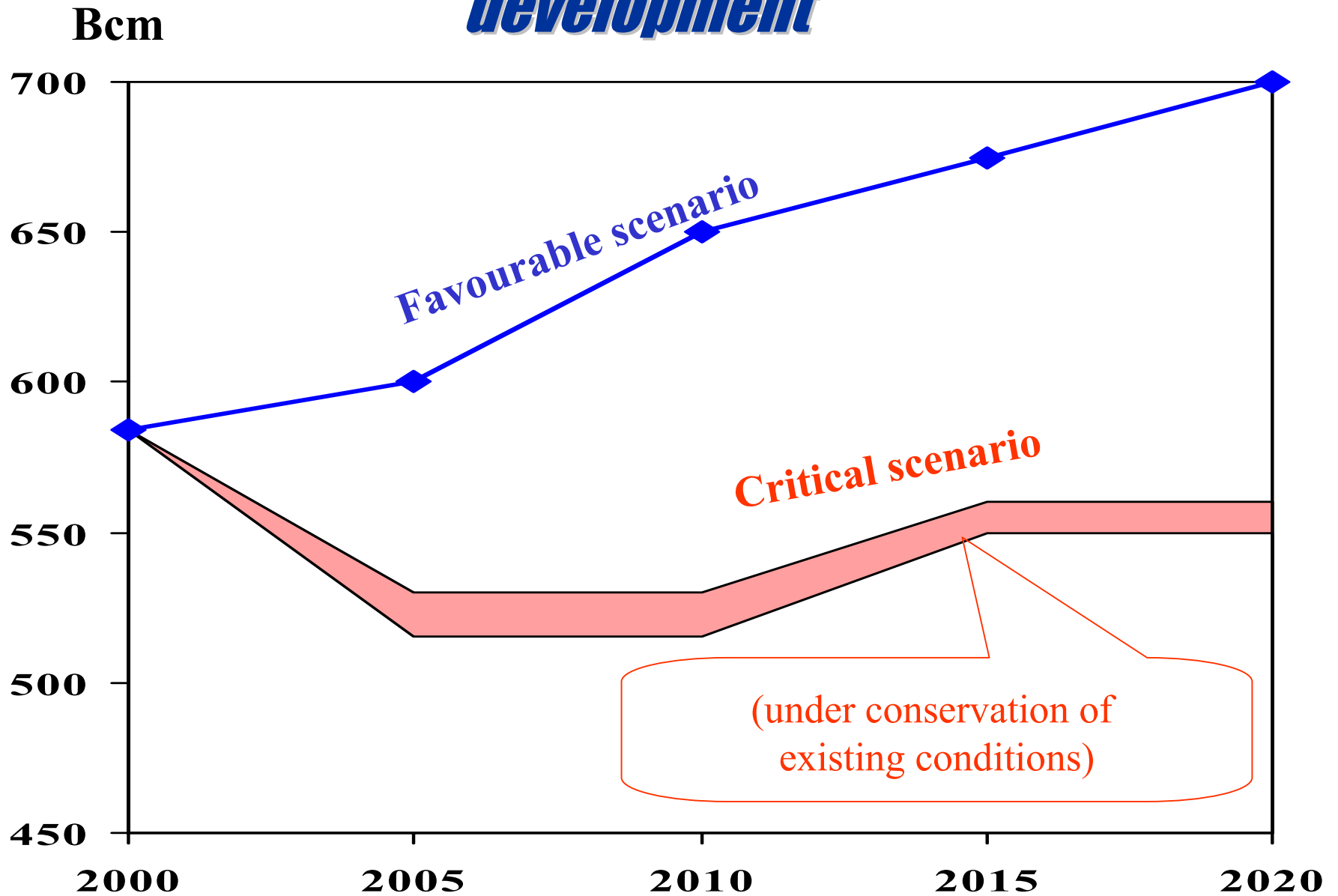
- internal gas price increase, 1,9-2,1 times higher by 2005 compared with the level of 1 March 2002
- providing for independent gas producers access to the main gas pipeline system and export
- improvement of subsoil use and taxation for the purpose of creating conditions and incentives for:

**development of small
and medium fields**

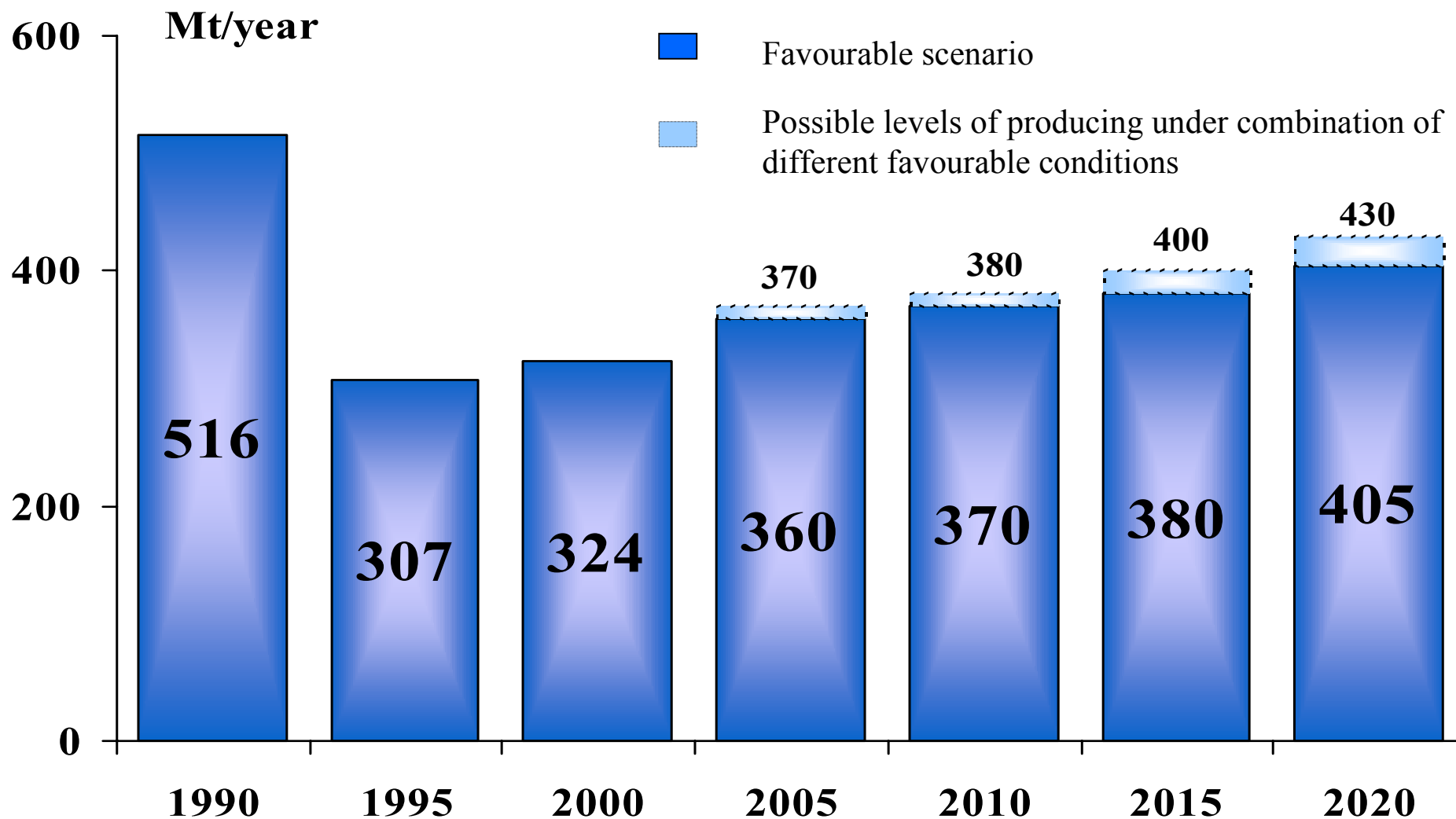
**utilization of the
fields at the late
development stage**

**development of deeply
deposited gas reserves**

Critical scenario of gas industry development



Development of oil producing branch



Conditions for implementation of the favourable scenario of oil production

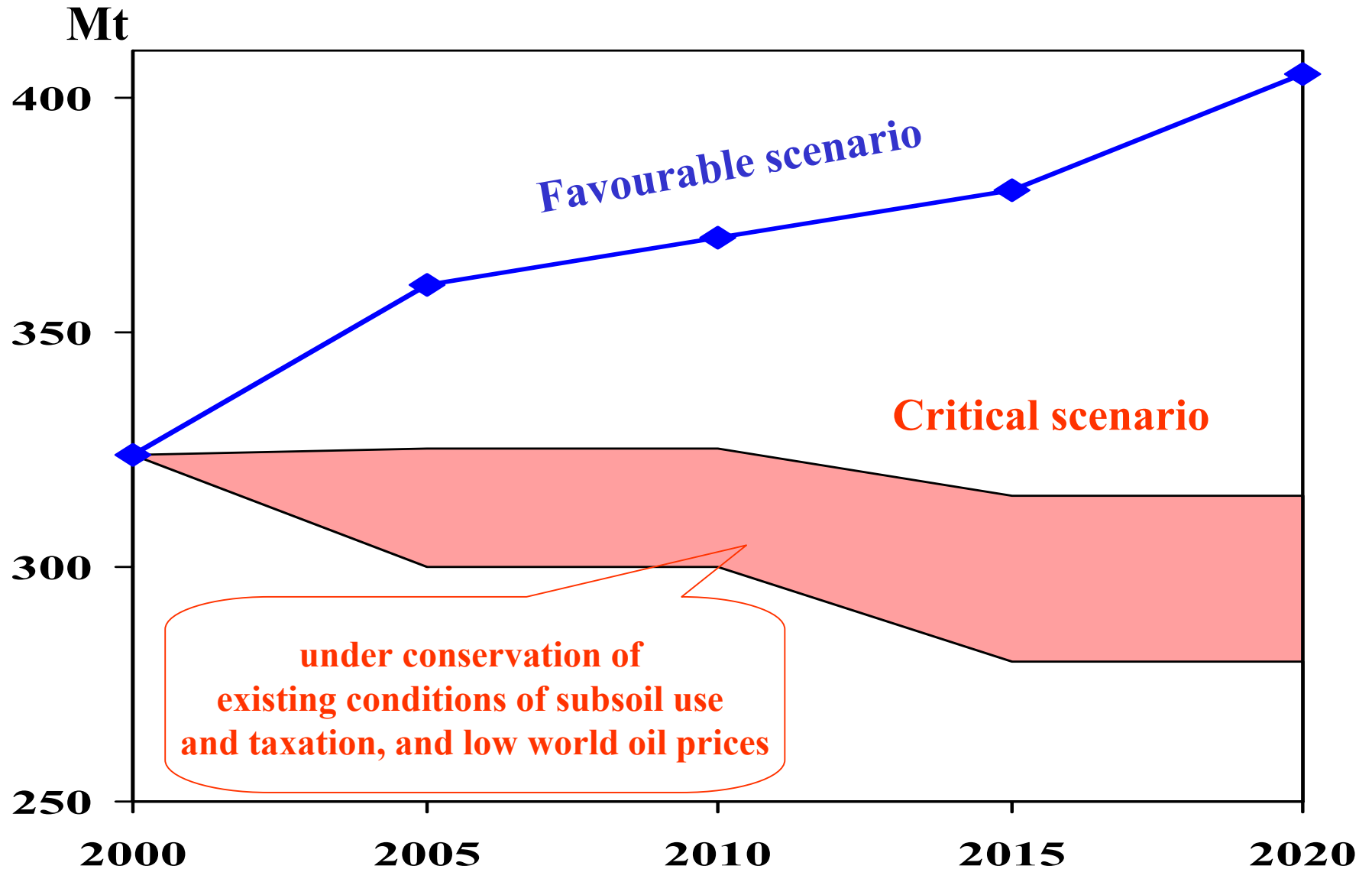
Improvement of subsoil use and taxation system by means of inserting alterations in the 26th and 29th chapters of the Second Part of the Tax Code and in the Federal Law “On Subsoil”

Level of world oil prices not lower than:

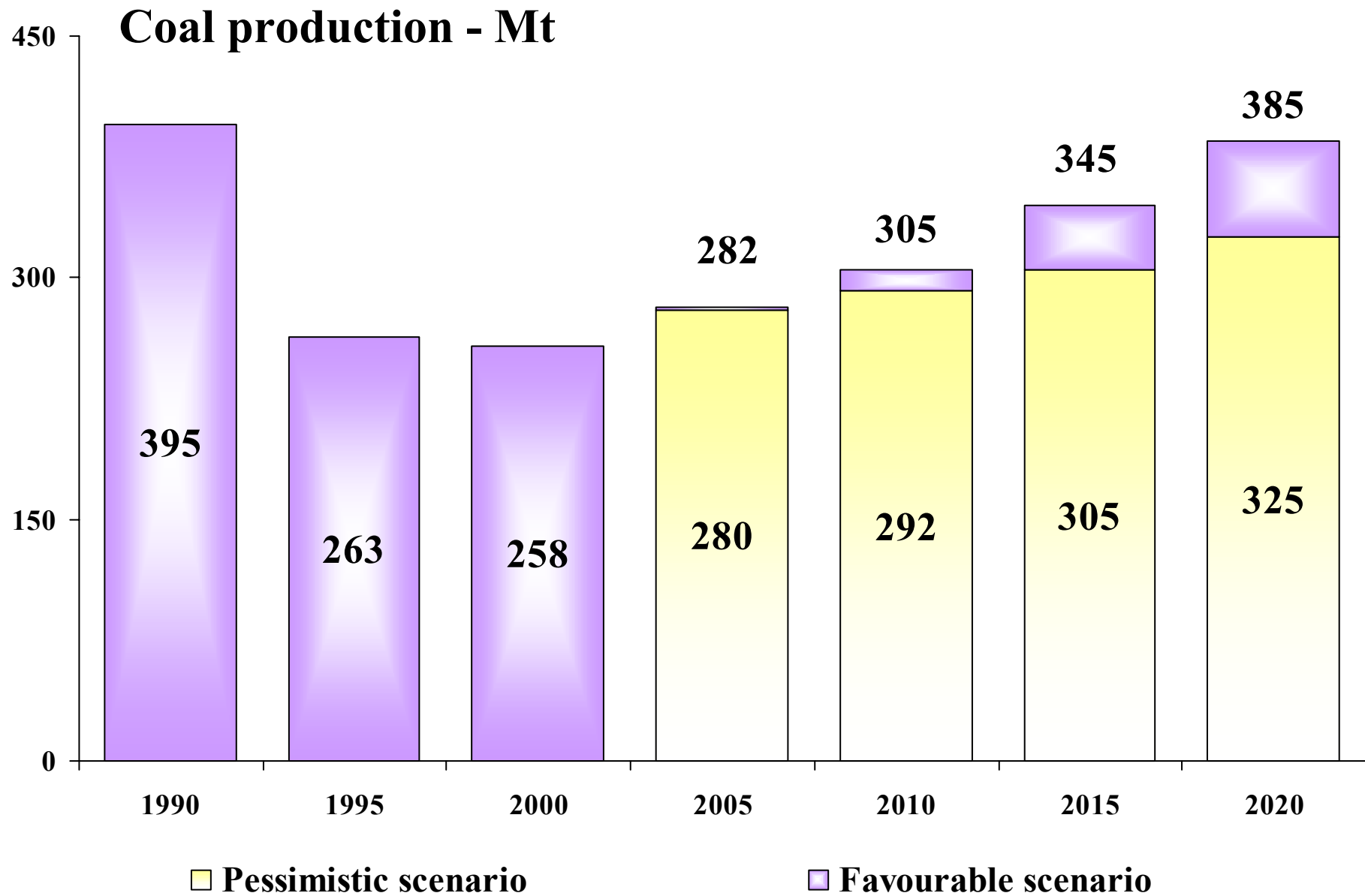
\$ 27/ bbl in 2010

\$ 33 /bbl in 2020

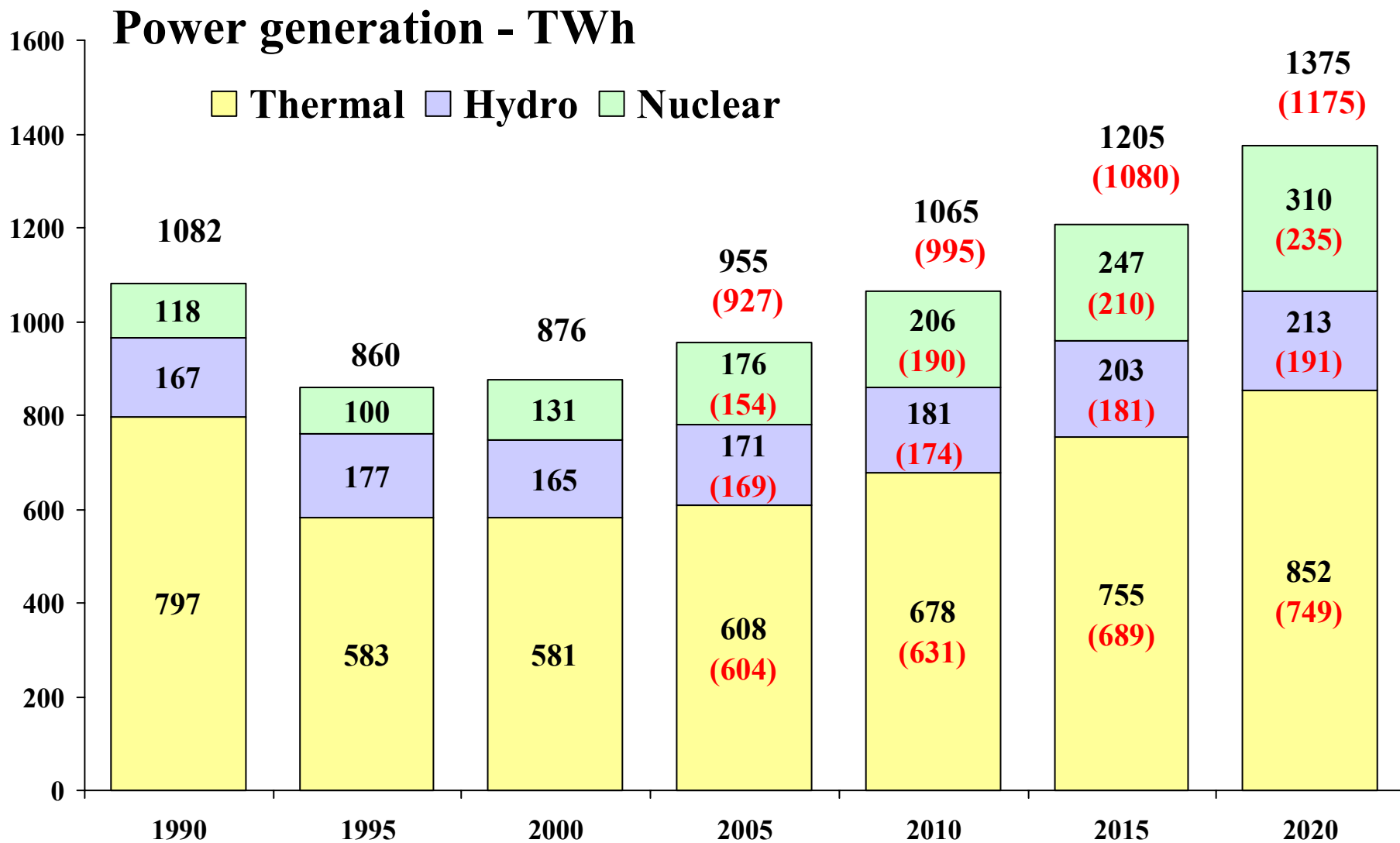
Critical scenario of oil industry development



Coal industry development



Electricity development

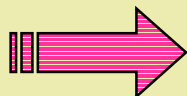


955 – favourable scenario

(927) – pessimistic scenario

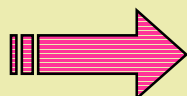
Priorities of territorial electric power development

**European part of
Russia**



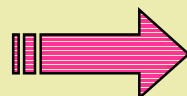
Maximum nuclear power plants development; replacement of steam power turbines by combined cycle units; development of coal-fired power thermal plants in the Urals region

Siberia



Coal- fired thermal power plants and hydro energy

Far East



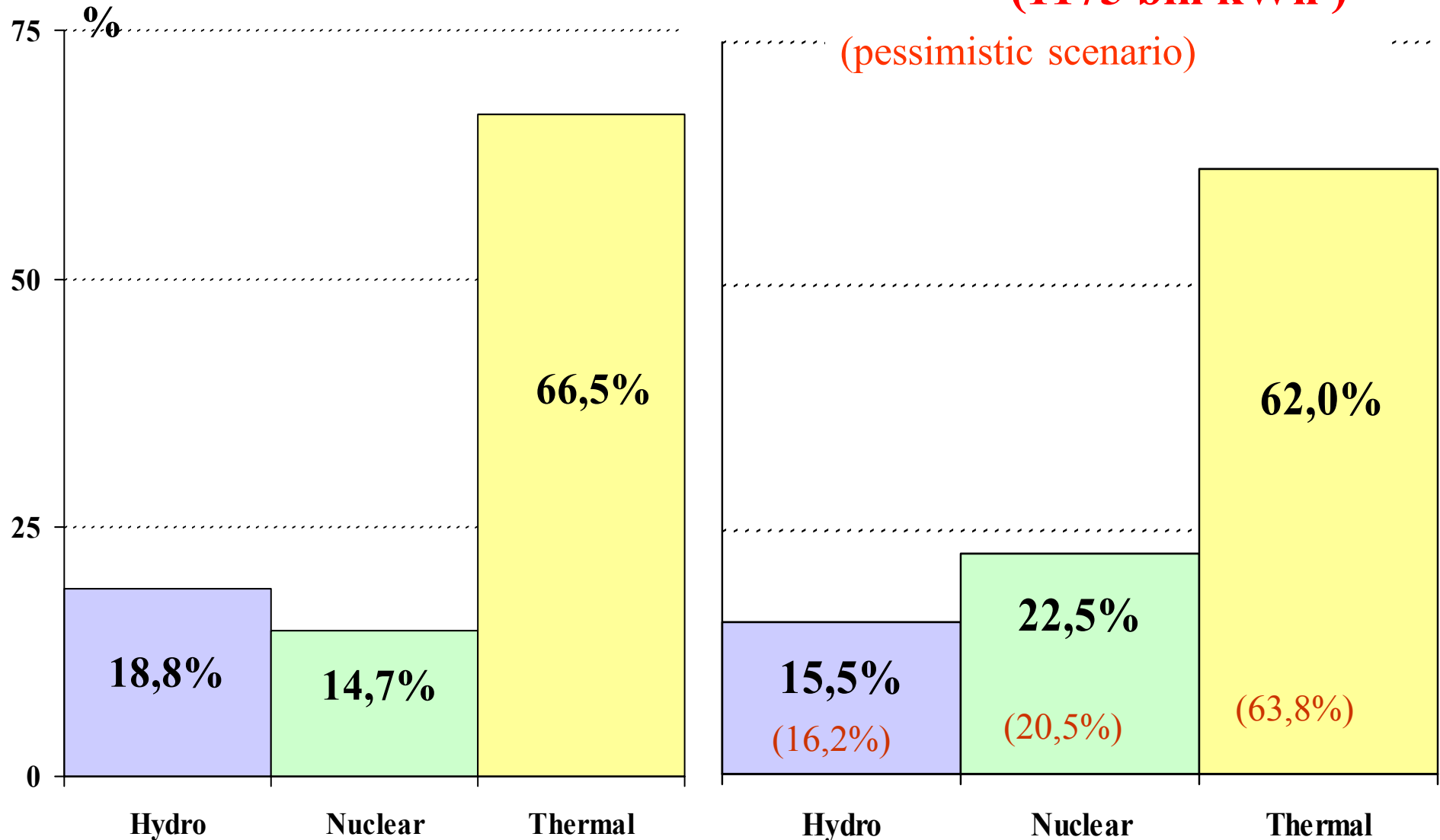
Hydro power plants, coal- fired thermal power plants and in some regions – nuclear power plants

Structure of Electricity Production in Russia

Year 2000 – 878 bln kWh

Year 2020 – 1375 bln kWh

(1175 bln kWh)



Main tastes of the tax policy

**improvement of taxation system for the purpose
of creating conditions for:**

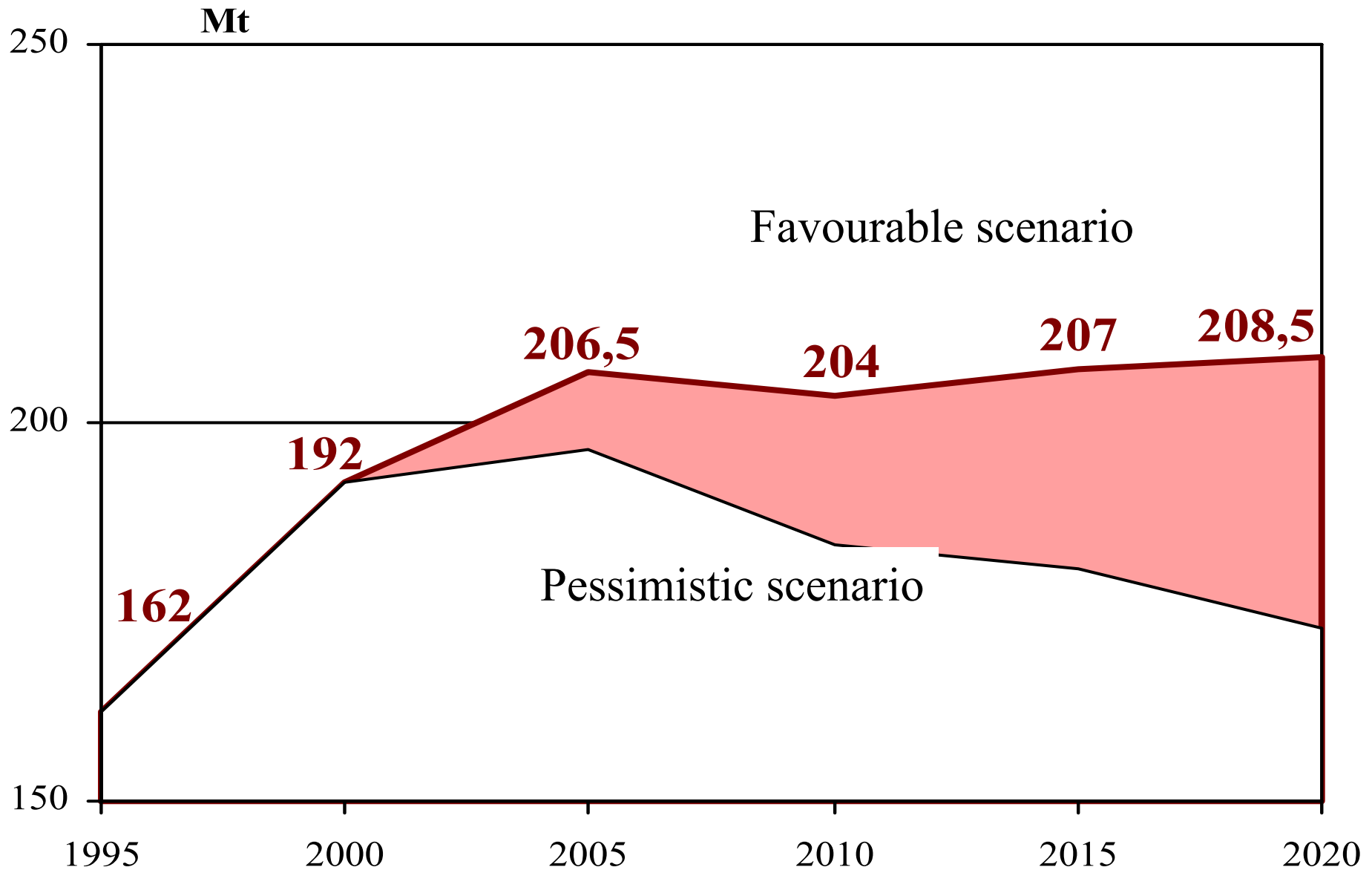
- long-term stable development of the fuel
and energy complex**
- improvement of efficiency of fuel and energy use**

**providing for possibility of self-financing and
competitiveness of fuel and energy enterprises**

Main tastes of pricing policy

- stage by stage expanding area of application of market fuel and energy pricing in the internal market
- providing for financial stability and investment attractiveness of fuel and energy enterprises
- removing existing disproportion between prices of main types of energy resources
- deepening price (tariffs) differentiation for different categories of consumers
- stage by stage liquidation of all forms of cross-subsidizing

Oil and Oil Products Export



Gas Export

