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ARGUS RUSSIAN MOTOR FUELS

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The most up-to-date Argus Russian Motor Fuels methodology is available on www.argusmedia.com

Introduction

Russian automobile fuels market

Russian refineries produce over 100mn t of motor gasoline and diesel annually, with 20% of gasoline and 55% of diesel exported, while the remainder is sold domestically. The largest buyers of diesel are agricultural enterprises and industrial and transportation companies.

Motor fuels consumption in Russia follows seasonal trends. Gasoline demand peaks during the summer driving season and diesel consumption increases in spring and autumn. In cold seasons (October to April), refineries produce both summer- and winter-grade diesel, but some plants in southern Russia never switch to cold weather fuel.

Russian vertically integrated oil companies control most of the country's refining capacity and distribute produced fuels through their branded retail chains and affiliated suppliers. However, excess volumes of diesel and gasoline end up on the market.

Prices for motor fuels in Russia depend on variety of factors, including domestic crude prices, international product prices, seasonal demand fluctuations, refinery maintenance, transportation tariffs, state taxation policy, the length of the trading chain and the dominating position of individual regional suppliers.

Russian aviation fuels market

Russian refineries produce about 9mn t of jet fuel per year, exporting 10-15pc of it. Large commercial airports consume 70pc of domestic supplies with Moscow's Domodedovo, Sheremetyevo and Vnukovo account for over half of the Russian market.

The Russian domestic jet fuel market is dominated by a handful of key producers and airport terminal owners. The four largest refiners produce over three quarters of Russian jet fuel. Many airports in Russia have only a single storage/fueling operation, and access to airport fuel terminals for independent suppliers is restricted.

Moscow airport junction is the only market in Russia where relative competition and liquidity allows Argus to collect sufficient information for independent price assessment. For this reason the price indices in Moscow can serve as benchmarks for Russian jet fuel market.

Activity on the Moscow jet market is concentrated in the last and first weeks of the month when airlines purchase fuel for the next month. Most of these purchases are term contracts with different payment terms and other conditions. The price in these deals is often not related to any market indicators. But smaller volumes are sold on a spot basis through exchange and on the OTC market.

Gasoline and diesel prices

Argus publishes prices that report and reflect prevailing levels for open-market arm's length transactions (please see the Argus Global Compliance Policy for a detailed definition of arm's length).

Argus assesses gasoline and diesel prices at 18 refineries and 5 storage terminals in Russia using a process of intelligent interpretation of market information. The information on bids, offers and deals done is collected during the course of each trading day. Assessments are produced at 17:30 Moscow time (14:30 London time). A cross-section of buyers and sellers are consulted and the market information cross-referenced with active market participants. A consensus value of bid and offer levels is then determined and used to generate prices for motor fuels.

The values are presented in Russian roubles per metric tonne with conversion into US dollars per tonne using the official rate of the Central Bank of Russian Federation for a date of publication.

All domestic price assessments are published in the Russian-language daily «Argus Моторное топливо России» (Argus Russian Motor Fuels) and are available online at www.argusmedia.com. The Argus Russian Motor Fuels is a daily Russian-language report covering the domestic market for or motor gasoline, diesel and jet fuel. Each issue of the report includes price assessments at Russian refineries, storage terminals, and sea ports as well as netback values, detailed market commentary and charts.

Spot assessments (fca refinery/storage terminal)

Argus produces a daily series of spot price assessments for Russian domestic motor gasoline and diesel. The prices are published for refineries and tank farms located in the following federal districts of Russian Federation: Central, Northwestern, Volga, Urals, Siberian, Southern and Far Eastern. Argus publishes the buy/sell price range and differentials to the previous trading day's prices for the following plants and storage terminals:

ARGUS MOTOR FUEL ASSESSMENTS IN RUSSIA						
Refinery/terminal	Basis	Mogas AI95	Mogas AI92	Mogas AI80	Summer diesel	Winter diesel
Moscow refinery*	fca	X	X	X	X	X
Ryazan refinery*	fca	X	X	-	X	X
Yaroslavl refinery	fca	X	X	-	X	X
Kirishi refinery	fca	X	X	X	X	X
Ufa group of refineries	fca	X	X	X	X	X
Nizhniy Novgorod refinery	fca	X	X	X	X	X
Saratov refinery	fca	X	X	-	X	X
Samara group of refineries	fca	X	X	X	X	X
Nizhnekamsk refinery	fca	X	X	-	X	X
Perm refinery	fca	X	X	X	X	X
Salavat refinery	fca	X	X	X	X	X
Orsk refinery	fca	X	X	X	X	X
Astrakhan gas processing plant	fca	X	X	X	X	-
Volgograd refinery	fca	X	X	X	X	X
Omsk refinery	fca	X	X	X	X	X
Surgut condensate stabilisation plant	fca	X	X	X	X	X
Achinsk refinery	fca	X	X	X	X	X
Angarsk petrochemical company	fca	X	X	X	X	X
Komsomolsk refinery	fca	X	X	X	X	X
Volodarskaya terminal**	fca	X	X	X	X	X
Nikolskoye terminal	fca	-	-	-	X	-
Sokur terminal	fca	-	-	-	X	-
Cherkassy terminal	fca	-	-	-	X	-

* DZP -25, **DZP -15

Prices are published in Roubles per tonne basis fca (free carriage at) refinery or terminal for Ai80, Ai92 and Ai95 gasolines, summer and winter grade diesel. The minimum cargo size at refineries is 180t, and at terminals is 50t, timing is 10-20 days ahead. Argus reporters consider deals done strictly on 100pc prepayment terms. The quality of motor gasoline generally meets Russian standard GOST R 51105-97 (see table on p2), diesel – updated GOST 305-82 (see table on p3). However, refineries may offer products of differing quality even within the same company. The market does not have a common price adjustment methodology based on product quality. In most cases, traders rely on their personal experience.

If the quality of products supplied through a specific transaction (or when defining demand and supply levels), fails to match the quality listed in this methodology, the price differential is based on existing commercial practices.

Argus Russian diesel index (ADTL)

Argus Russian diesel index (ADTL) represents the daily average price for summer grade diesel (0.2pc) traded at the country's most liquid markets – at pipeline terminals of Volodarskaya (Moscow region), Nikolskoye (Tambov region), Cherkassy (Bashkortostan Republic) and Sokur (Novosibirsk region).

Export alternative evaluation

In addition to spot market prices, Argus publishes export alternative values for Russian gasoil and naphtha, calculated from international market prices in northwest Europe, Mediterranean and Asia Pacific less freight, export duty, loading and inland transportation tariffs by pipeline through Ventspils and railway through Novorossiysk, Vysotsk, Tuapse and Nakhodka with addition of the Russian value-added tax (18pc) and excise. From the 24th of the month Argus uses the next month's export duty in its netback calculations. Export alternative values are compared with domestic market prices to demonstrate the relative attractiveness of export versus domestic sales.

Jet fuel prices

Argus publishes prices that report and reflect prevailing levels for open-market arm's length transactions (please see the Argus Global Compliance Policy for a detailed definition of arm's length).

The spot price assessment

The daily spot assessments are based on information on deals done, bids and offers collected from suppliers, traders and airlines by personal contact, telephone, email and instant-messenger. A cross-section of buyers and sellers are consulted and the market information cross-referenced with active market participants. A consensus value of bid and offer levels is then determined and used to generate price for jet fuel basis fit (free in tank) storage terminals of Moscow airports Domodedovo, Sheremetyevo and Vnukovo.

The prices are published in Roubles per tonne. The minimum cargo size is 500t, timing – 1-30 days ahead, 100pc pre-payment. The quality is TS-1 and RT grades compliant with the Russian standard 10227-86. Argus assessments reflect the most competitive price range.

The formula price index

The formula price index represents the daily value of Argus jet/kerosene assessment basis cif northwest Europe netted back from Rotterdam to Moscow via the port of Ventspils.

The $I = (B - F - L/EU - D - R)$

B – benchmark price for previous trading day (Argus jet/kerosene cif NWE)

F – freight rate for previous trading day (Argus Clean 30kt Baltic – UKC multiplied by WS flat rate for Ventspils – Rotterdam route)

L – loading, storage and transit transportation in Latvia (published in Argus Neftetransport)

D – Russian export duty

R – Russian railway costs including RTC rent costs assessments (published in Argus Neftetransport)

EU – Euro to US dollar exchange rate

All values reflect assessments and rates for the date of the benchmark price (Argus jet/kerosene cif NWE).

The Argus Moscow formula price index is published in Russian Roubles (including VAT) and US dollars (ex-VAT) to serve both domestic and international market participants for usage in spot and term contracts.

International market prices

International market prices for gasoline, diesel and jet are published in Argus European Products report. Price reporting methodology is available at www.argusmedia.com.