Opportunity for Cooperation in Energy Sector between Russia and Japan in Eastern Siberia and the Russian Far East

International Conference on Energy Cooperation between Russia and Japan

Mitsui & Co. , Ltd.
Chief Regional Representative in CIS
Hiroshi Meguro
Oil is one of the most stable energy resources given that world primary energy demand will increase, and demand outlook for oil is expected to increase. It will be led mainly by Asian countries such as China and India.
Oil Production and Export in Russia (2014)

- 72% and 26% of produced oil is exported to European and Asian regions respectively.
- Oil production from West Siberia, which produces about 60% of the oil, is in a declining trend. It is expected to increase production in the frontier areas such as East Siberia.
- Russia is focusing on the development of those areas promoting development programs of the Russian Far East and is intending to increase exports to growing Asian market.

Oil production: 10.56 mil bpd
(4.75 mil bpd is exported)

To Europe: 3.42mil bpd
To Asia: 1.24 mil bpd

<Main breakdown>
① ESPO pipeline: 0.81 mil bpd
② Sakhalin 1 & 2: 0.29 mil bpd

Reference: U.S. Energy Information Administration, Wood Mackenzie
Crude supply to Asia is increased after ESPO pipeline start up.
Crude supply to Asia is also increased contributing to strengthening Japan’s energy security and diversification of oil resources.
ESPO expansion may boost crude oil supply to Asia.
Importance of the Development of Resources in Eastern Siberia and the Russian Far East

<Environment Recognition Surrounding Russia>

① External factors

- Maturation of European economy, which is traditional export market for Russian oil and gas
- EU’s intention to decrease dependency on Russian gas
- Growing energy demand in Asia

② Internal factors

- Production decline of existing oil & gas fields mainly in West Siberia
- Development of frontier areas such as East Siberia is required
- Diversification of energy market is required
- Development of resource-rich Far East area is required.

- Development of East Siberia and Far East Russia is most important issue for Russia.
- Energy procurement from Far East Russia significantly contributes to Japan energy security.
- Development of this area is beneficial both for Russia and Japan. Thus, Mitsui has the intention to be engaged in projects from upstream to downstream in the area.
360° business innovation.
Appendix
Suppliers of Crude Oil to Japan

<table>
<thead>
<tr>
<th>Region</th>
<th>2005</th>
<th>2010</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Middle East</td>
<td>188.1</td>
<td>158.3</td>
<td>140.8</td>
</tr>
<tr>
<td>Russia</td>
<td>1.5</td>
<td>13.0</td>
<td>13.9</td>
</tr>
<tr>
<td>Africa</td>
<td>6.9</td>
<td>3.0</td>
<td>3.0</td>
</tr>
<tr>
<td>North America</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Central &amp; South America</td>
<td>0.0</td>
<td>0.4</td>
<td>2.6</td>
</tr>
</tbody>
</table>

**World total (Unit: mil tons)**
- 2005: 208
- 2010: 183
- 2014: 170

Reference: METI
Suppliers of Crude Oil to USA (2014)

<table>
<thead>
<tr>
<th>Region</th>
<th>Crude Oil (mil tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe &amp; Eurasia</td>
<td>3.1</td>
</tr>
<tr>
<td>North America</td>
<td>142.0</td>
</tr>
<tr>
<td>Central &amp; South America</td>
<td>109.2</td>
</tr>
<tr>
<td>Middle East</td>
<td>91.2</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>1.9</td>
</tr>
<tr>
<td>Africa</td>
<td>14.5</td>
</tr>
</tbody>
</table>

World total (2014)

- World total: 362 mil tons

Reference: U.S. Energy Information Administration