

# *The Revival of the Russian Oil Industry*

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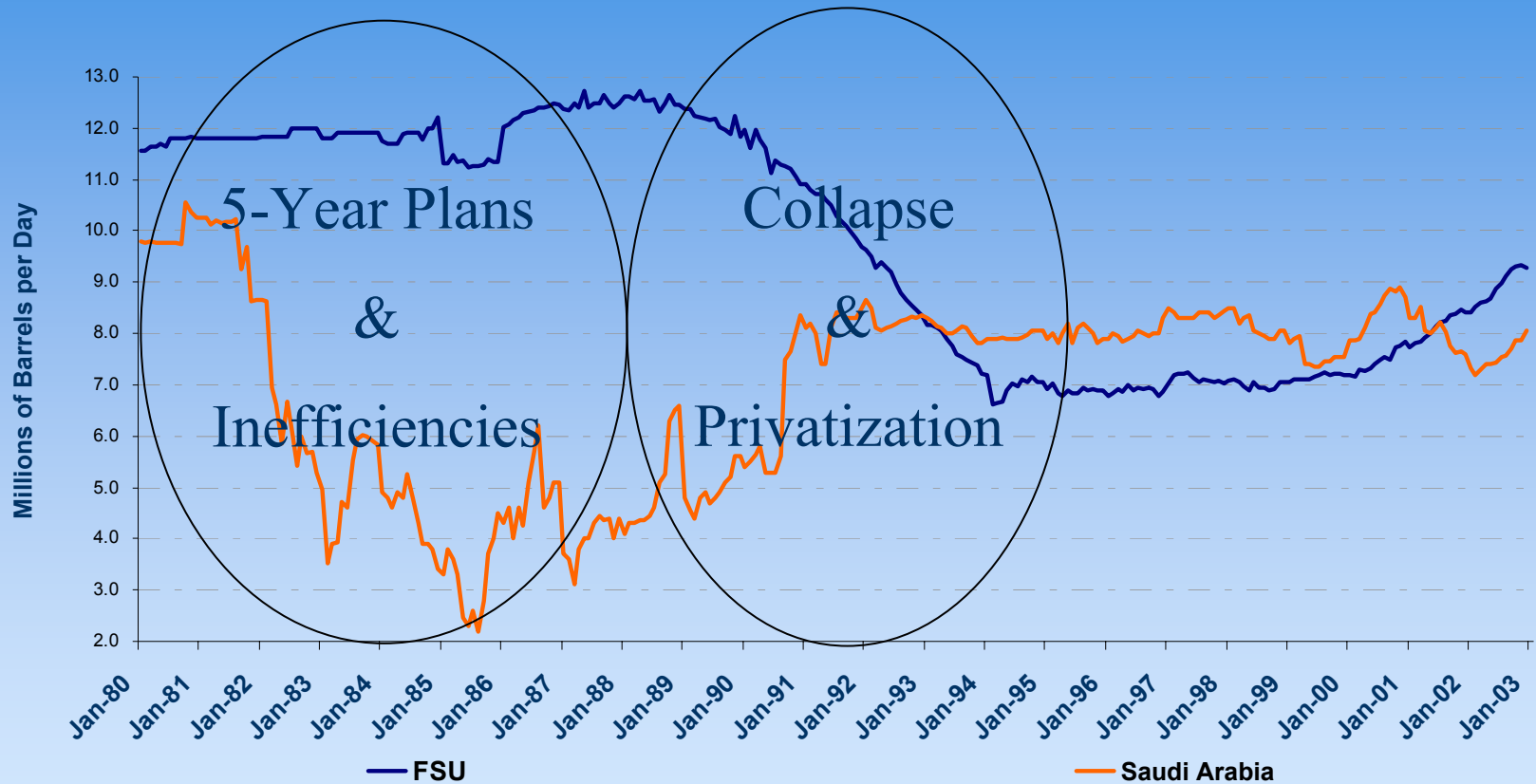
# Russian & Caspian Oil Sector

## Basic Issues

- FSU oil production is up 37% over three years to 9.4m bpd, accounting for 12% of the world's daily supply.
- Privatization has revolutionized the FSU oil patch.
- Exports are up by 67% since 1998 & stand at 5.7m bpd, attracting increased geopolitical interest & capital.
- CIS oil reserves are underestimated by as much as half due to a number of historical reasons.
- Transformation of Russia's non-energy sectors will diminish its energy dependence as a component of GDP.
- Russia's largest firms are already global producers.
- The post-9/11 U.S.-Russian relationship has changed.

# Monthly Oil Output: 1980-2003

## Saudi & Former Soviet Union



Source: Firebird Management LLC & PIW

# Russian Privatization

## Lessons for Iraq?

### Birth of Corporate Structures & Competition

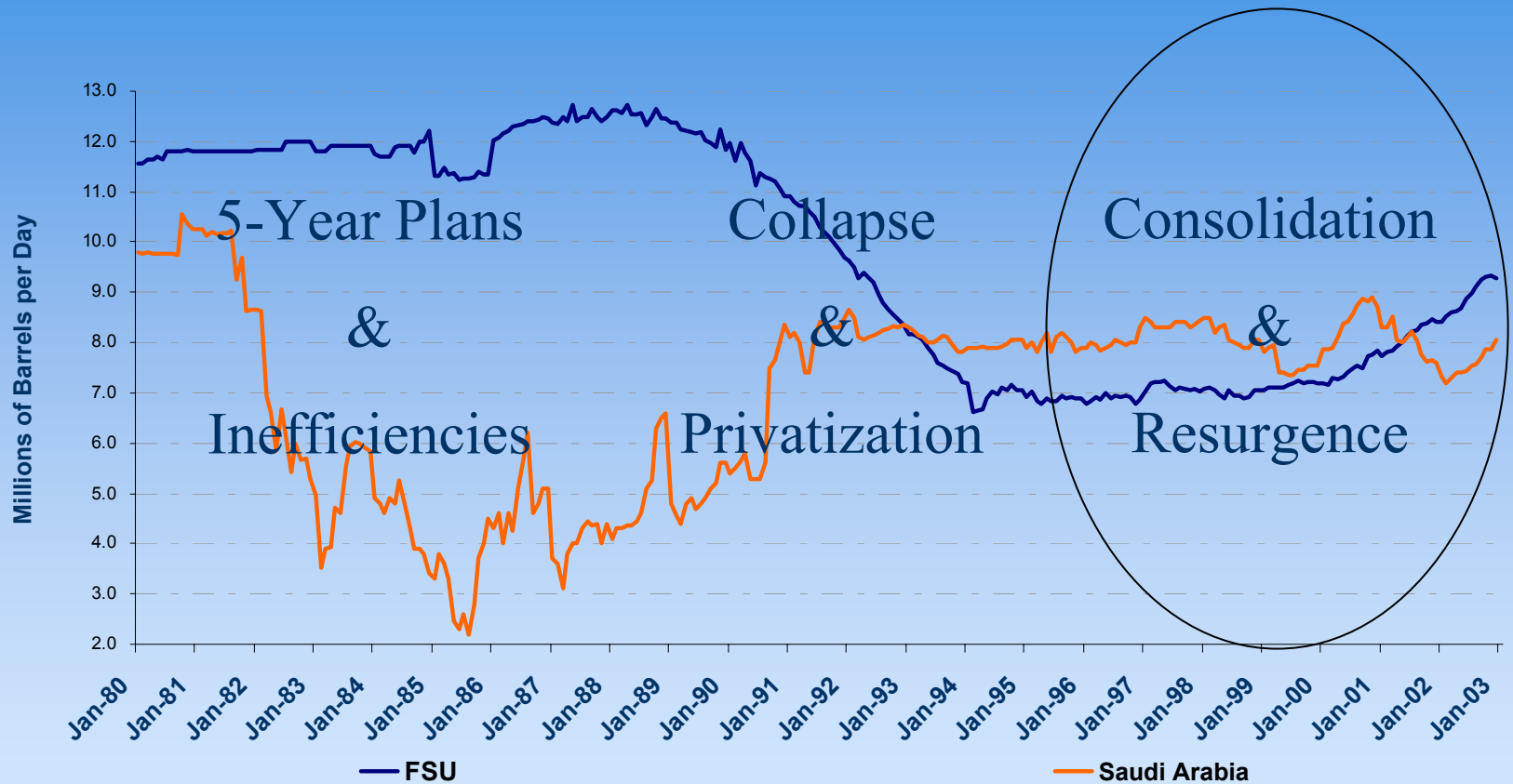
- Mass Privatization
  - Management & Employees
  - Domestic Financial Institutions & Investors
  - Allocations to Foreign Financial Investors

### Causes of Excess

- Market Hype & Poor Education as Reform Policy
- Limited Rule of Law
  - Rampant Business-related Extortion & Murder
- Few Market Institutions
  - Ill-informed Regulators, Oversight & Enforcement
  - Poor-quality Financial Statements
  - Under-funded & Unsupervised & Corrupt Commercial Courts

# Monthly Oil Output: 1980-2003

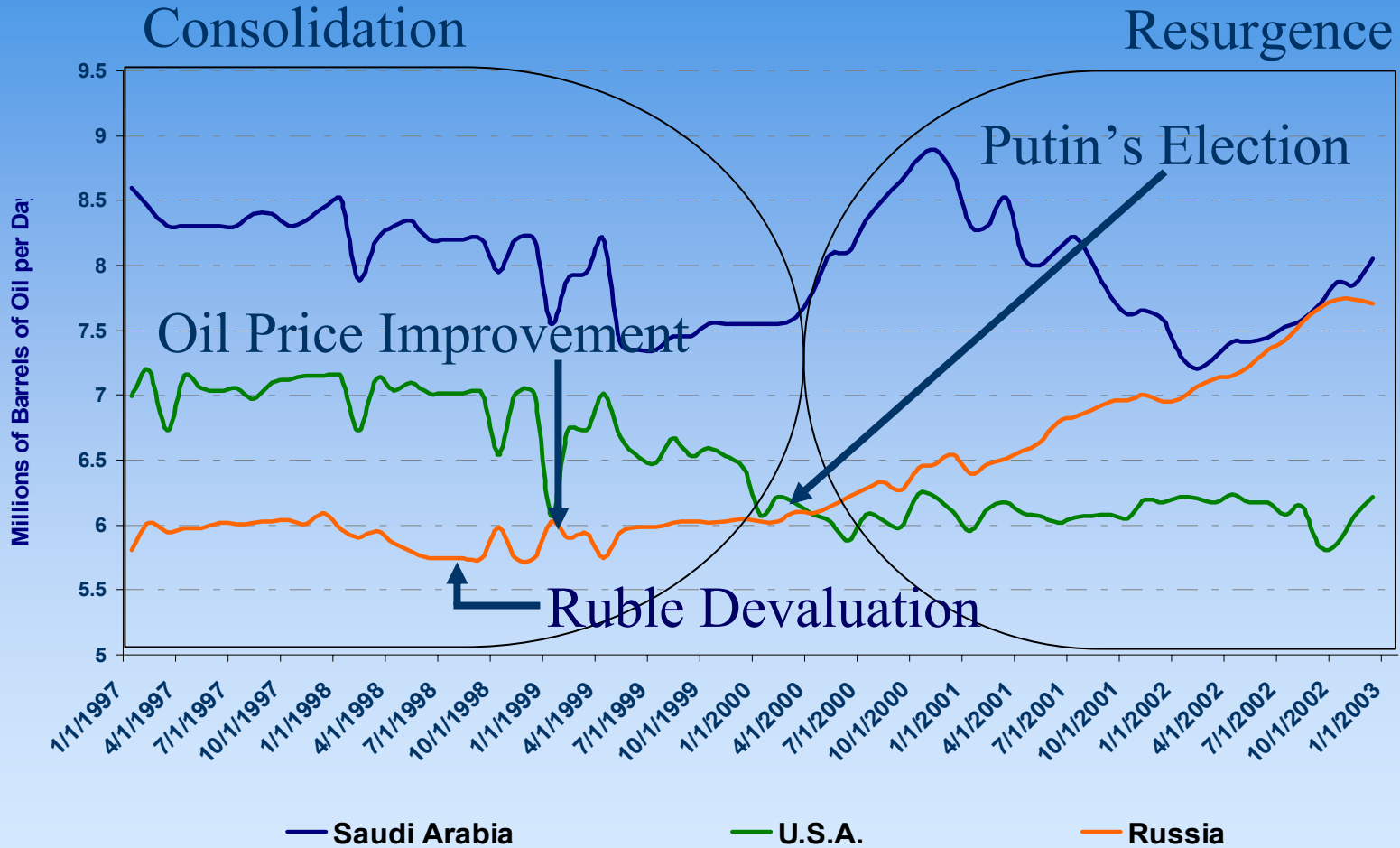
## Saudi & Former Soviet Union



Source: Firebird Management LLC & PIW

# The Renaissance of Russian Oil

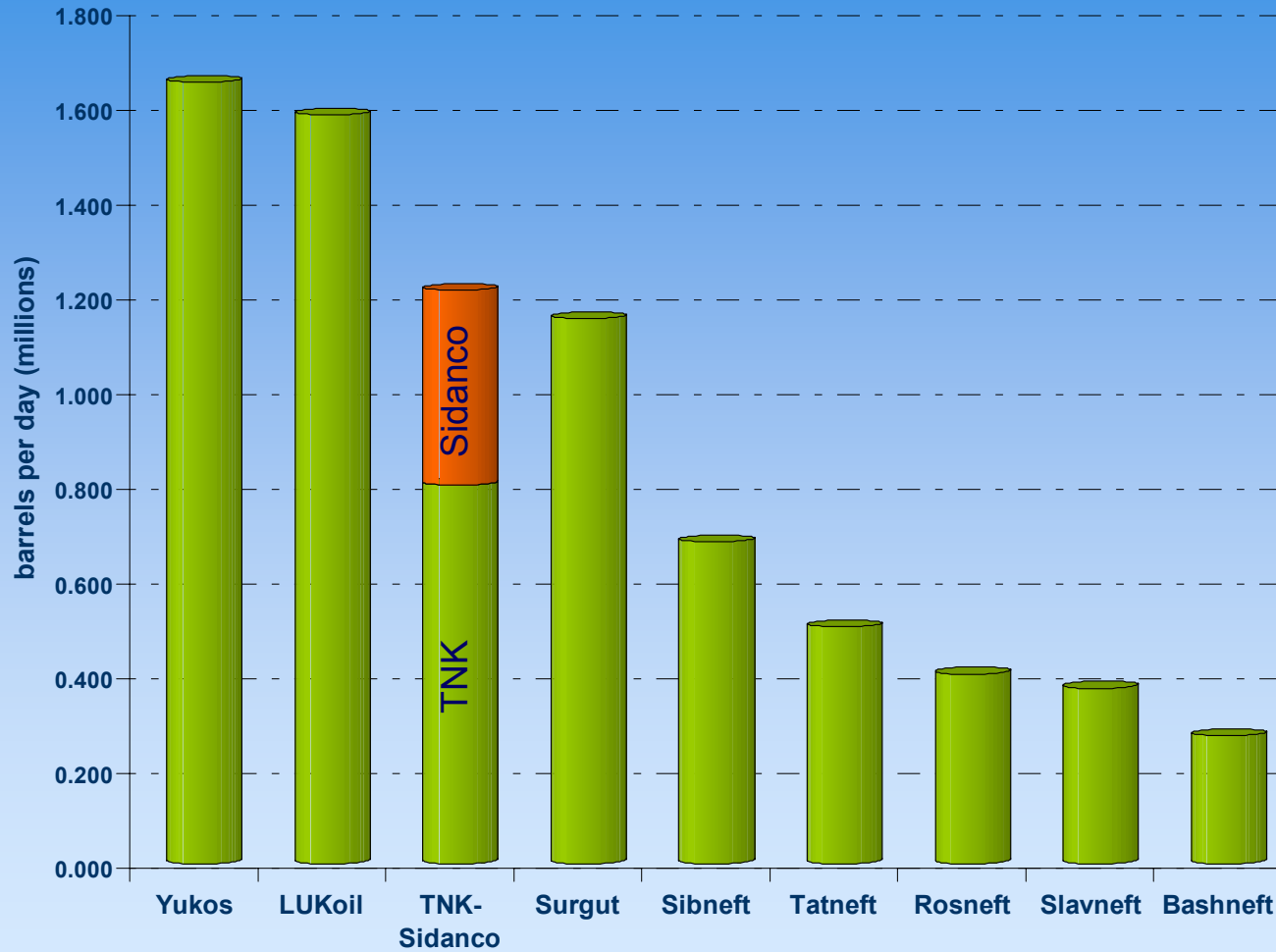
## Monthly Oil Output: 1997-2003



Source: Firebird Management LLC & PIW

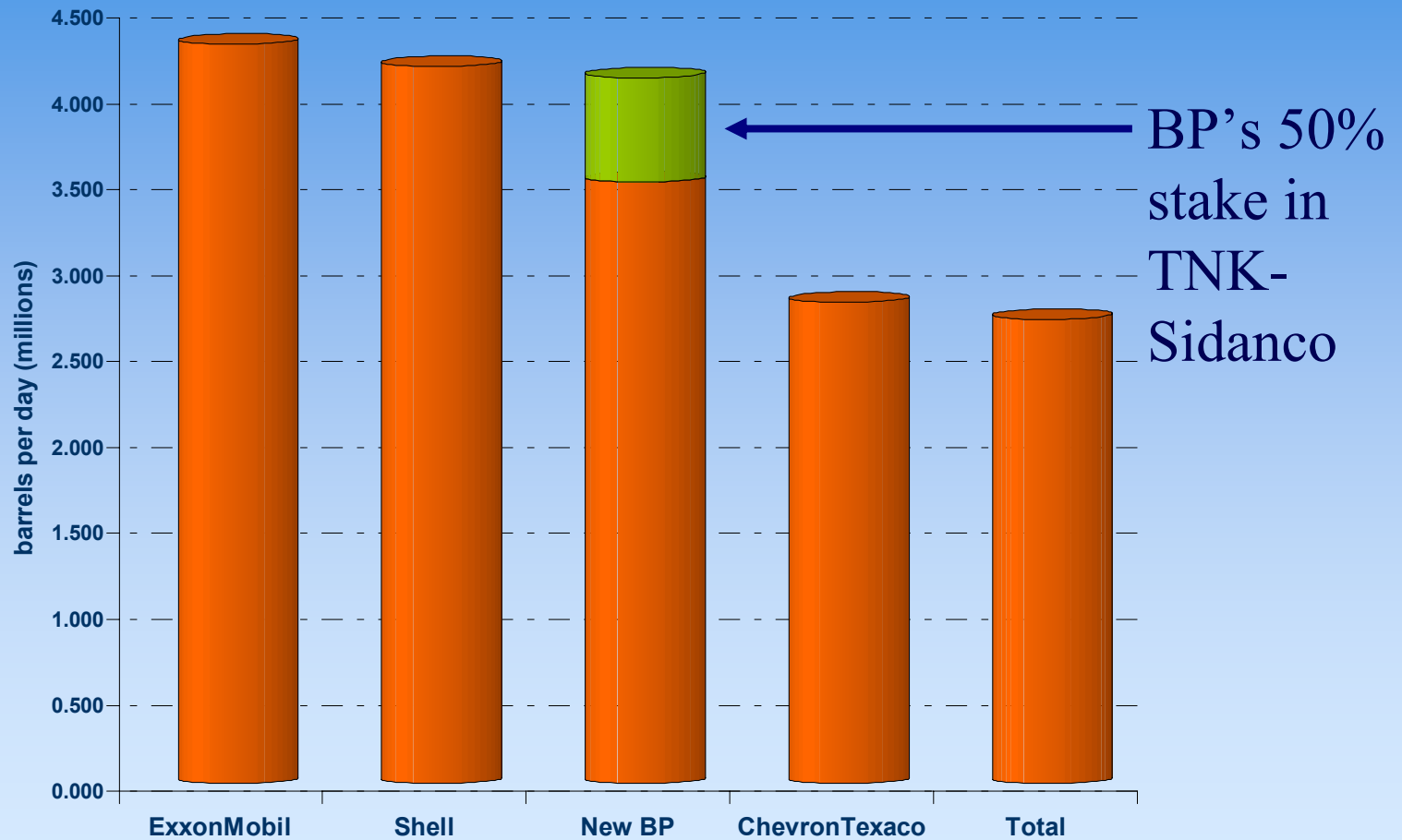
# Russian Oil Majors

## 2003 Estimated Production

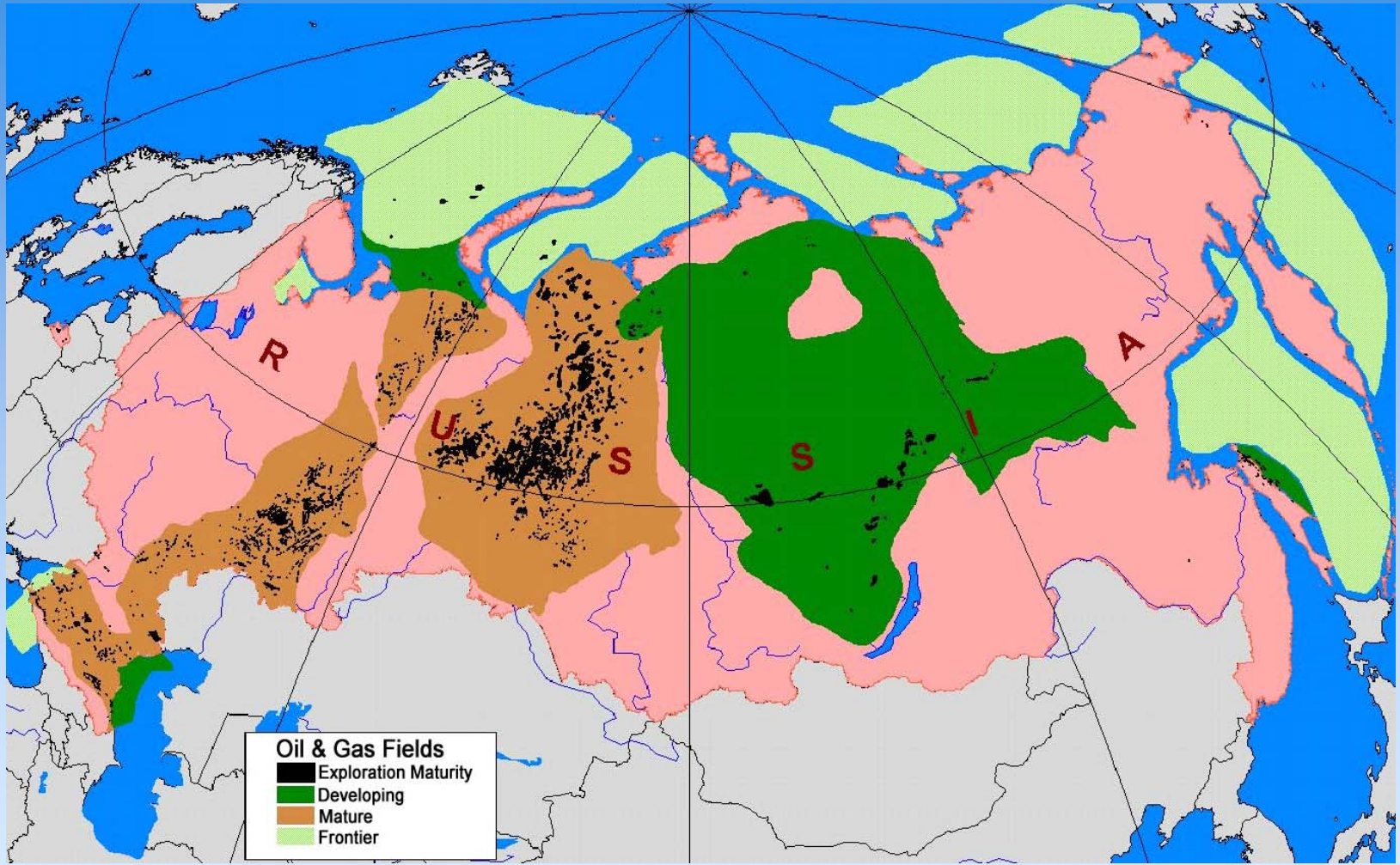


# Global Oil Majors

## 2003E Production



# Exploration Maturity



Source: Yukos

Winter 2003

Firebird Management LLC

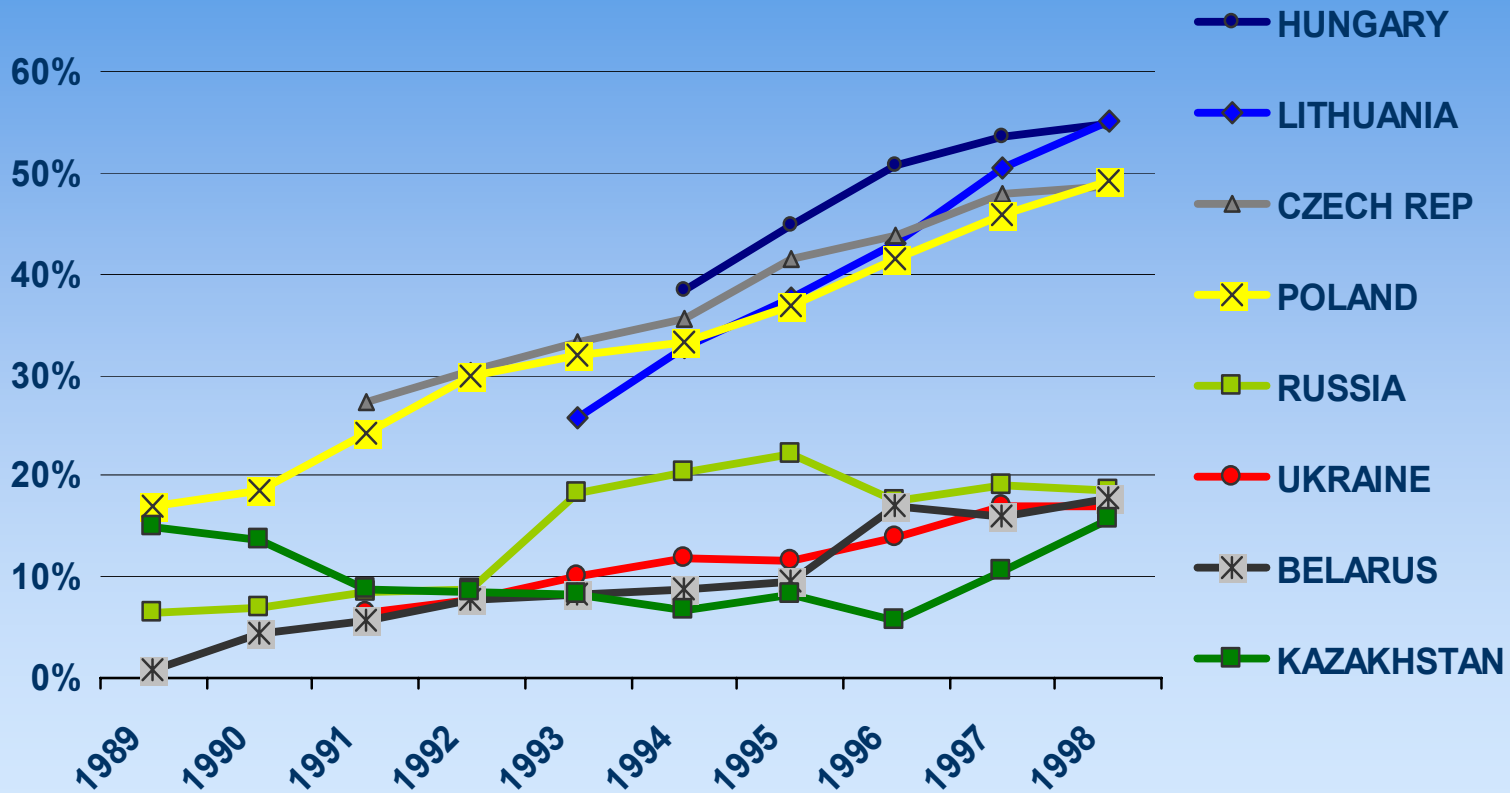
# FSU Daily Exports: 1997-2010E

## & Oil Pipeline Export Routes



# Economies in Transition

Labor Market Share of Employment in Small Enterprises  
(Firms with 50 employees or less)



Source: World Bank

# Fiscal Discipline

## ...in Spite of High Energy Prices

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003E</u>
Nominal GDP, \$ billion	260	309	346	433
GDP per capita, \$	1795	2149	2412	3025
Exports (goods), \$ billion	105	102	107	124
Oil & Gas Exports, \$ billion	36	34	40	48
Imports (goods), \$ billion	45	54	61	74
Current account balance, % GDP	18.0	11.2	9.5	7.9
Total government debt, % GDP	62	49	40	29
Bank credit to private sector, % GDP	10.7	14.1	16.2	18.0
Federal budget surplus, \$ billion	6.2	9.4	8.1	8.9
Central bank reserves, YE \$ billion	28.0	36.6	47.8	65.0

*Source: Goskomstat, CBR, Ministry of Finance, Brunswick UBS Warburg Estimates*

# Firebird Profile

Firebird is a New York-based group of private funds which are dedicated to investment in CEE, Russia & Central Asia. The firm launched the first investment vehicle for foreign investors to enter Russian stock market in January 1994. Firebird has a team of four investment professionals and \$225 million of assets under management.

Firebird Fund is ranked #1 over the past 8 years with performance of 514% since inception (Standard & Poor's). Firebird New Russia Fund and Firebird Republics Fund are included in CSFB/Tremont and MSCI Hedge Fund Indices, on the basis of track record and transparency. The firm's private equity fund, Amber Trust, is a joint venture with Danske Capital Finland and focuses its investment activities on the Baltic States.

Firebird's investors are comprised of blue-chip institutions and high-net worth individuals from the Europe, the United States & East Asia.

James Richard is a principal at Firebird where he a lead manager for Amber Trust SCA. Before joining Firebird, he worked for international development agencies in the Middle East where he also lived for several years. His writings on the global energy markets have appeared in *Foreign Affairs*, *Barron's*, *Middle East Economic Survey (MEES)* and other publications. He is a graduate of the College of St. Thomas and Columbia University. He is on the board of AB Snaigė, a Central European independent white goods producer headquartered in Lithuania.