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Soviet Petroleum Industry:
(Near Term Prospects to Export and Transport Oil)

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Soviet Petroleum Industry

1. The USSR is second only to the United States in production of crude oil and natural gas. The Soviet Union has abundant potential resources of petroleum, both onshore and offshore, that could make it the leading producer of petroleum within the next 2 or 3 decades. However, at least one-third of these reserves are located in permafrost regions of Siberia and the Far North where exploitation will be difficult and costly. Exploration and development of these reserves and transport of the petroleum to major consuming regions will require not only sizable investment, much of it in modern technology and equipment, which is not available in the USSR.

2. The announced goals for production of oil and gas and for construction of pipelines during the present five year plan (1971-75) appear ambitious. The new plan calls for production of 480-500 million tons of crude oil in 1975, with three-fourths of the total increase during the 5 year period to come from West Siberia and from the Mangyshlak Peninsula in Central Asia. The annual increment in oil production, if the plan is to be fulfilled, will have to average 25-29 million tons, some 15% to 30% more than the record 22 million tons a year attained during 1966-70.

3. The plan also provides for a substantial increase in the delivery of crude oil from the USSR to the Communist countries of Eastern Europe -- a total of 243 million tons during 1971-75 compared to 138 million tons during 1966-70 -- but no mention is made of the expected level of exports to the West. As oil is the USSR's largest single earner of foreign exchange, every effort probably will be made to maintain oil exports to the non-Communist world, at least at current levels.

4. Estimates of Soviet oil production, consumption, and trade during 1971-75 are shown in the attached table. The production indicated for 1975 represents the lower limit of the planned range and probably is the maximum that will be achieved.

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To achieve this level of output large-scale imports of Western technology and equipment, along with substantially increased investments from domestic sources will be required. Moreover, current forecasts of supply and demand in the USSR and Eastern Europe suggest that supplemental quantities of oil will have to be imported from non-Communist countries, e.g., UAR, Iraq, Iran, and Algeria, if the USSR is to maintain the recent level of oil exports to its markets in the industrialized countries.

5. On 1 January 1971, the Soviet tanker fleet included 269 vessels with a total capacity of 4.4 million deadweight tons (DWT) -- about 3% of the world tanker fleet. The average tanker in the Soviet fleet was 16,000 DWT, less than half the size of an average tanker in the world fleet, over 40,000 DWT. The largest Soviet tanker is 50,000 DWT. The Soviets are still designing their first supertanker, the 150,000 DWT "MIR"-class, the first of which is scheduled to enter service in 1974. Only one Soviet port, Novorossisk, is capable of handling tankers of this size. The tonnage of the Soviet tanker fleet has grown at an average annual rate of 7% since 1965; it is expected to grow at a somewhat slower rate during 1971-1975.

6. The Soviet tanker fleet is utilized close to capacity in oil trade with Western Europe and Japan and with Cuba and North Vietnam. The Soviets have little tanker capacity available for charter to third parties except for occasional backhaul voyages from the Persian Gulf after trips from the Black Sea to the Far East. They also provide a small amount of charter service for other Communist countries and the UAR.

7. During 1970, over 90% of the USSR's oil exports to non-Communist countries was transported by tanker, about half in Soviet-flag vessels. A substantial portion of the remainder of the seaborne exports is sold on an f.o.b. basis and is delivered on vessels under control (charter) of the consignees.

Estimated Trade in Soviet Oil
1971-1975

	Million Metric Tons*				
	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
Production	375	400	426	453	480
Demand:					
Domestic	280	300	320	340	360
Exports to Eastern Europe	45	48	53	58	63
Total Demand	<u>325</u>	<u>348</u>	<u>373</u>	<u>398</u>	<u>413</u>
Available for Export:	<u>50</u>	<u>52</u>	<u>53</u>	<u>55</u>	<u>57</u>
Possible Level of Exports:					
To Other Communist Countries	9	10	11	12	13
To Non-Communist Countries	45	48	50	52	54
Imports from Non-Communist World**	4	6	8	9	10

* Crude oil and products expressed in terms of equivalent crude oil.

** A residual quantity necessary to provide a supply/demand balance. This oil, presumably destined for Communist countries other than the USSR, would free a corresponding quantity of Soviet oil to maintain exports to non-Communist countries.