

equipment and services, and transportation. The delegation will include approximately 15 U.S. based senior executives of small, medium and large sized U.S. firms. The mission will reaffirm U.S. Government support of U.S.-Russian cooperation in the energy sector and seek to expand opportunities for U.S. companies. Members will participate in the U.S.-Russia Commercial Energy Summit in St. Petersburg on September 22–23, and will participate in additional meetings in Moscow on September 24–25.

II. Commercial Setting for the Mission

The U.S. has become increasingly engaged with Russia on energy issues. At the Presidential Summit in May 2002, Presidents Bush and Putin announced a new Energy Dialogue, with the goals of increasing global energy supply and security, and promoting U.S.-Russian cooperation in developing energy resources. The first event of the new Dialogue was the U.S.-Russia Commercial Energy Summit, in October 2002 in Houston, Texas. This historic Summit brought together top officials and executives from the U.S. and Russian governments and energy industries. It was chaired by the U.S. Secretaries of Commerce and Energy, and the Russian Ministers of Energy and Economic Development and Trade. Together, they agreed to strengthen energy cooperation between the U.S. and Russia by working towards the common goals of diversifying energy supplies, improving the investment environment, expanding commercial partnerships, and developing resources in an environmentally responsible way. They also agreed to form the U.S.-Russia Commercial Energy Dialogue (CED). The CED consists of U.S. and Russian energy companies, and provides a forum for discussing issues affecting the U.S.-Russia commercial energy relationship. The CED has had regular meetings since the Commercial Energy Summit, and will submit a report outlining ways to promote more U.S.-Russian energy cooperation at the Second Commercial Energy Summit, scheduled for September 22–23 in St. Petersburg, Russia.

Oil and Gas Equipment and Services

Russia is currently the fifth largest export market for U.S.-made oil and gas field equipment. In 2002, U.S. exports of oil and gas field machinery to Russia totaled \$328 million, an increase of 16 percent from 2001. High oil prices, which allowed Russian oil companies to invest in new and existing oil fields, new pipeline construction, and major loans to Russian oil companies from the

U.S. Export-Import Bank and the European Bank for Reconstruction and Development account for much of this increase.

Because Russia's mature oil production base has been exploited for decades, efforts to offset production declines and to increase oil recovery factors have led to excellent prospects for U.S. exports, especially those targeted at oilfield rehabilitation and enhanced oil recovery technology. There are also a number of new projects planned for previously undeveloped regions such as Timan Pechora, East Siberia, and the Russian Far East. The huge oil fields offshore Sakhalin Island in the Russian Far East, which are being developed by several international consortia, present enormous opportunities for U.S. equipment suppliers. The consortia are expected to invest a total of \$30–45 billion over the 30-year life cycles of these projects. Investment in energy-related infrastructure such as pipelines, ports, and processing facilities is also planned.

Oil and Gas Exploration and Production

In 2003, Russia remains the world's top energy producer, when production of both oil and natural gas is considered on an oil equivalent basis. This year, Russia could produce as much as 8.0 million barrels of oil and natural gas liquids per day (bpd) and 610 billion cubic meters (bcm) of natural gas. These figures represent a dramatic recovery in the oil and gas sector since 1996 when oil production had dropped to only 6.04 million bpd and in 1997, when gas production was 575 bcm. The Russian government expects oil and gas production to continue to increase over the next decade as oil companies discover new fields and rehabilitate old ones.

To date, U.S. companies have played a fairly limited role in developing Russia's massive oil and gas resources. U.S. companies' involvement ranges from several small joint ventures to the massive Sakhalin-I project in the Russian Far East.

Oil and Gas Transportation

Russia's oil exports have been steadily increasing since 1995. In 2003, Russia will export about 5.5 million bpd of crude oil and refined oil products, based on industry projections. The Russian government and Russian energy industry have stated that they intend to increase oil and gas exports, and to find new markets in addition to Europe, where the demand for oil and gas is expected to remain relatively flat. This will require new export infrastructure including pipelines and oil and gas

terminals. Currently, consideration is being given to building an oil terminal at the warm-water port of Murmansk; a 2450-kilometer pipeline from Angarsk (East Siberia) to Daqing in northeastern China; and an LNG plant on Sakhalin for gas exports to the Far East.

III. Goals for the Mission

The mission aims to further U.S. commercial policy objectives and to advance specific U.S. business interests. The mission will:

- Assess the commercial climate and export and investment opportunities in Russia;
- Advance specific U.S. business interests of the mission members by introducing them to key host government decision-making officials and to potential clients and business partners;
- Assist new-to-market firms to gain a foothold in Russia and increase the visibility of U.S. companies already operating in Russia in this very competitive market;
- Support U.S. Government efforts to eliminate market access problems encountered by U.S. firms in Russia;
- Encourage continued progress in economic reforms in Russia;
- Promote U.S.-Russian energy cooperation.

IV. Scenario for the Mission

The Business Development Mission will provide participants with exposure to high level contacts and access to the Russian market. American Embassy officials and local U.S. businesses will provide a detailed briefing on the economic, commercial and political climate, and current export and investment opportunities. Meetings will be arranged with appropriate government ministers and other senior level government officials. In addition, private meetings will be scheduled with potential business partners. Networking events will also be organized to provide opportunities to meet Russian business and government representatives. Secretary Evans will meet with his trade counterparts and other senior government officials to encourage support for U.S. companies in Russia's energy sector.

Mission members will participate in the U.S.-Russia Commercial Energy Summit in St. Petersburg, which will allow them to meet senior energy sector officials and industry leaders. They will also travel to Moscow for additional meetings with senior Russian government officials, as well as for one-on-one sales and business partnership opportunities.