

The world's 25 biggest oil companies: Putin's playthings

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When sorting through the rankings of the World's 25 Biggest Oil Companies and looking at who controls and influences the likes of ExxonMobil, Statoil, Rosneft and Pdvsa—one thing becomes clear: no industry leader has more sway, has twisted more arms or made more deals than Russian President Vladimir Putin.

Putin's influence begins with Gazprom (#2 on the list of biggest oil and gas producers) and Rosneft (#15). Russia's biggest natural gas and oil producers may be publicly traded, but a majority of shares are held by the Russian government, and thus overseen by Putin. *Forbes* first investigated Putin's use of Gazprom as a political tool back in 2006 and his hold on the company—which has a near monopoly on selling gas to western Europe—has only strengthened since then. The same goes for Rosneft, to which Putin recently appointed his long-time deputy and energy tsar Igor Sechin as chairman.

Putin is also influential in the interworkings of Lukoil (#18), which does not have any government ownership but was formed by a former Soviet deputy oil minister, Vagit Alekperov, who is now worth \$13.5 billion.

Alekperov regularly consults with Putin, and the Russian oil giants already have some joint ventures and are discussing another link up for Arctic exploration.

But Putin's gravity has attracted many other oil giants. Royal Dutch Shell (#7) has a long history with Gazprom in the Sakhalin Island developments.

This year ExxonMobil (#4) forged a sweeping joint venture with Rosneft to explore the Arctic as well as Siberia's massive Bazhevon shale formation, which some think could be 80 bigger than the Bakken formation of North Dakota. Exxon has said that if successful this tie-up could lead to \$500 billion in investments in the years to come.

BP (#6) tried to cut a similar deal last year, but was blocked by the Russian oligarchs behind BP's 50/50 venture TNK-BP. (BP is now in talks with Rosneft again, given its intent to sell out its TNK-BP stake.) Rosneft in recent months has cut similar ventures with Norway's state oil giant Statoil (#20) as well as Italy's champion Eni (#19). A stern-visaged Putin has presided over each of the signing ceremonies.

Eni has been particularly friendly with the Kremlin. Putin forged a close friendship with former Italian Prime Minister Silvio Berlusconi and reportedly said that the sexual allegations that led in part to the fall of Berlusconi were "made out of envy."

That helped open the door for Gazprom to link up with Eni on natural gas projects in north Africa, especially Libya. Putin, at a summit with Muammar Gaddafi in 2008 forged an alliance between Russia and Libya, and was highly critical of NATO's attacks on Libya last year.

Gaddafi was just one of Putin's oil-soaked despot pals. In 2010 Putin and Venezuelan strongman Hugo Chavez signed a deal in which Russia promised to sell Venezuela weapons and energy technology and to even help Chavez build a nuclear power plant. Last year Gazprom and Rosneft loaned Petroleos de Venezuela (#22) \$4 billion in exchange for access to oil and gas opportunities.

But what of the great Middle Eastern oil and gas powers? Putin has had a rocky relationship with OPEC over the years. Russia is not a member of the cartel despite the fact that until just recently it was exporting more oil than Saudi Arabia. In fact Russia has competed directly with Saudi Aramco (#1) for customers in the Far East. Last year, however, Putin said that Russia would start cooperating with OPEC

"OPEC is sometimes irritated by us as we, not being a member of the organization, produce more oil, which influences international crude oil prices," said Putin. "But we will coordinate our work with OPEC."

Putin tried, and failed, five years ago, to get natural gas giants Qatar Petroleum (#17) and the National Iranian Oil Company (#3) interested in forming a gas version of OPEC. That was before the U.S. shale gas boom changed the face of global gas supply.



Putin presides over a signing ceremony in Moscow last April with Italian energy company Eni CEO Paolo Scaroni (L) and Rosneft CEO Eduard Khudainatov. (Image credit: AFP/Getty Images via @daylife).

The trouble for Putin and other gas giants is that the global gas market is nowhere near as fungible as oil. Asian buyers like Japan and Korea pay upwards of \$14 per thousand cubic feet for gas delivered via LNG from Qatar. Gazprom sells gas to Europe at around \$12. Contrast that with the going price in the United States right now of \$2.90 for a thousand cubic feet.

The revolution of cracking natural gas out of shale is frankly the biggest threat to Putin's power over the energy industry. It's brought the price of gas in the U.S. down more than 80% since 2008 and enabled manufacturers to move operations back to the U.S. to take advantage of it — saving America \$100 billion a year in the process.

Once U.S. producers build facilities to export LNG (Cheniere Energy is getting closer all the time) that will be one more global competitor for Gazprom.

So it's no wonder that Putin and his cronies have been railing against shale gas. Two years ago Gazprom's Alexander Medvedev hit out against shale gas, saying fracking "endangers drinking water." Last April Putin himself said Russians must "rise to the challenge" of shale gas and that "national energy companies, obviously, must respond to these challenges." The Kremlin's global propaganda arm, a government-owned TV network that broadcasts in the U.S. and over YouTube called Russia Today, has done just that with a series of one-sided anti-fracking stories like this and this and this.

We'll see how the tune changes when it's time to Exxon and Statoil to start fracking Siberia. Don't think for a second that Putin will let anti-fracking protests prevent Gazprom and Rosneft from losing their place among the World's Biggest 25 Oil Companies.

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