ITP: Russia 2006

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Paper Title: Foreign Direct Investment in the Russian Oil and Gas Industry: The Impact of Sakhalin II

Abstract:

The Russian oil and gas industry has been an international focus ever since the world was first faced with uncertainties in securing diverse energy sources and rising oil and gas prices. Russia is the world’s second largest crude oil exporter and is estimated to have the world’s largest reserve of natural gas. During the turbulent time of the 1990s, the Russian government entered into three production-sharing agreements to develop expensive offshore oil and gas projects. The Sakhalin Island homes the Sakhalin 2 PSA, which is Russia’s first ever PSA and is the world’s largest offshore integrate oil and gas project. The paper will examine the details of the Sakhalin 2 PSA and analyze the implementation issues of Sakhalin 2 that concern foreign investors. Lastly, a comparative analysis of the Russian PSA regime with reference to the United States licensing regime and Indonesia’s world’s first PSA regime will show that future Russian oil and gas developments will be regulated within the licensing regime instead of PSAs.