

Speech of I.I. Sechin at a Ministerial Session of India Energy Week

Opening statement

First of all, I would like to thank our friend Minister Hardeep Singh Puri for the invitation. I am glad to welcome all the participants in this representative forum. The Indian economy is leading the world in terms of economic growth. According to the IMF's latest calculations, **India and its neighbors** will account for **half of global economic growth** this year, with the **U.S.** and the **Eurozone** accounting for only **10%**.

India, having become the most populous country in the world, is turning into a **leader of global economic dynamism**, a leader demonstrating a **rapid improvement in the lives** of its citizens. A big country with a **huge young ambitious population**, where the most important thing is the dynamics.

Russia, in turn, was able **to achieve a result** more significant than many of the world's leading economies in the face of unprecedented sanctions, pressure and **confrontation with almost the entire Western world**. The implementation of major economic programs has already become, irrespective of the situation developing around us, a **great psychological victory**. This will predetermine our successes in other spheres.

I would like to warn you in accordance with the established rules that my answers will contain a number of value judgments.

The actions of the **world hegemon**, trying to preserve its hegemony by any means, destroyed the single energy market. Today, **there is no single global energy market**. Energy security has ceased to be global.

Because of these actions, **all the principles of market trading have been destroyed, market pricing, contract law** have in fact been abolished, logistics chains built up for decades have been forcibly severed. A vivid illustration of the current situation is the **blown-up Nord Stream**, a pipeline laid on the bed of the Baltic Sea.

Look at the reformatting of the European gas market. At first, contrary to common sense, Europe was made to abandon long-term contracts and was requested to ensure switching over to spot pricing, which **led to an unprecedented prices increase – mind you – before the well-known events in Ukraine**, on the background of the forced green transition and underinvestment in conventional energy. And when, with the help of sanctions and pressure, the Russian competitor was **eliminated** from the European market, the Americans offered to return to **long-term contracts** that guarantee the return on investment. We are talking about banal unfair competition.

Ultimately, **Europe has completely lost its main advantage in global competition - energy security, which we are talking about, - access to cheap and reliable Russian energy carriers and is now forced to pay 3-5 times more for gas**. According to

BLOOMBERG, the rejection of Russian gas has already cost Europe about 1 trillion euros.

As a result, Germany recorded a **0.2%** drop in GDP in Q4. The IMF predicts a **recession** in Europe's key economy. This, of course, concerns not only energy sector, but all industries. At the same time, **capital flight and a shift of production from Europe are observed**, primarily to the United States.

Let's see who benefits from this volatility. Here are the reports of **American oil majors** for the past year. As a result of a **reasonable rejection** of accelerated energy transition, focusing on the production of conventional hydrocarbons, they have become **leaders** in terms of income and capitalization. By the way, our shareholder **BP, the leader of the green agenda, showed a different dynamic**, not being able to take advantage of the current situation, as its competitors have done.

Tomorrow, following the results of the annual reports, we may see BP announce a return to the strategy of conventional production and a reduction in green investments generating losses.

We also observe with interest in the audited annual reports that BP, which, as I have already mentioned, is our 20% shareholder, revised the value of their stake in Rosneft **to \$24 billion**, having assessed **Rosneft's performance**. In other words, BP is still with us, and I take this opportunity to send greetings to our friends and partners... I would like to assure you that we will work hard to justify the confidence of our shareholders.

Let's look at the **global energy balance** from the energy security perspective (the speech was interrupted at this point).

It seems to me that what was said by our colleagues is taking place, and of course, the reasons for volatility may be the increase in freight prices and the tax system, banking rates, insurance rates. Still, the fundamental reason is the huge underinvestment in the industry. OPEC Secretary General has stated that. Underinvestment amid consumption growth is due to the recovery from the COVID pandemic and the insufficient pace of resource base replenishment. The annual OPEC report indicates, as I have already mentioned, that, according to OPEC Secretary General Haitham Al Ghais, **in order to meet the growing demand investments in the amount of \$ 12 trillion are needed**. We need to pay attention to it. This is a serious situation.

As for price forecasts, especially for supplies from Russia, there shouldn't be any unnecessary excitement around discount issues either. I think that the experts know how to address these issues. You see, the market accepts any commercial transactions, and the aggregate of those transactions ultimately gives the estimated value that is used for pricing. Thus, if there is no Russian oil on the market in Europe, there is no reference price for Russian oil that is not coming in. The reference price will be formed where the

volumes of oil actually arrive. At the first stage, we will probably have to give up the involvement of futures transactions, settlement futures, I mean. In order to adjust these market indicators. In general, as it is written in Ecclesiastes: “What is crooked cannot be straightened, and what is lacking cannot be counted”.