

# What is TotalEnergies doing in Russia?

According to the company, TotalEnergies' interests in Russia would be very limited. Evidences suggest however that they absolutely crucial to its industrial and financial future.

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Reacting to the war that Vladimir Putin's Russia started on Ukraine, Patrick Pouyanné (TotalEnergies CEO) initially tried to play down the importance of his group's activities in Russia. Russian activities would amount to only "3 to 5% of its total revenues". Yet, while Shell, BP, Eni, Equinor and now Exxon have decided to divest from their participation in several joint projects with Russian companies, TotalEnergies is refusing to withdraw from Russia. It has merely announced that it would no longer invest in new projects, but that it would otherwise remain in Russia (1).

At a time when many voices, including in Ukraine, are calling on world leaders to commit to "reject and ban any import of fossil fuels from Russia and rapidly phase out all fossil fuels" (2), TotalEnergies' position seems uncanny and unworthy, for a transnational company that has always pretended to be responsible. Especially when Russia's main exports - and therefore main foreign exchange income - are based on crude and refined oil and gas.

Based on the information that TotalEnergies itself published ahead of its last AGM (on 28 May 2021) (3), this note shows that TotalEnergies' interests in Russia are much more significant than TotalEnergies' crisis management PR management would suggest. The French transnational's presence in Russia is neither marginal nor totally different in nature from that of the other oil and gas majors that have recently decided to withdraw. More significantly, TotalEnergies' Russian interests, most notably in gas, are set to expand significantly in the coming years, making the group a major player: **without Russia, the very core of TotalEnergies' industrial strategy would be meaningless.**

# Russia: TotalEnergies' strategic keystone

There are several ways of looking at TotalEnergies' presence in Russia. First, like the company's executive leaders do, one could suggest that the group's Russian activities are ultimately relatively secondary. TotalEnergies and Patrick Pouyanné have publicly stated that the group only generates 3 to 5% of its total revenues in Russia (4). In this perspective, the group's activities in Russia, which are mainly related to the exploration and exploitation of fossil fuels, are to be compared with all of its activities, including refining fossil fuel, transporting oil and gas products, as well as other financial activities. **Besides remaining vague (the evaluation of TotalEnergies' revenues therefore varies almost from one to two), this approach allows TotalEnergies' CEO to imply that its activities in Russia are marginal, almost residual - and that they're at least not strategic. Observers are thus invited to move on.**

Data that we're presenting in this document shows the exact opposite of what TotalEnergies' telling: Russia is a key country for the implementation of TotalEnergies' most recent industrial strategy. This strategy that can be partially summarised as follows: making gas extraction and distribution the keystone of the company's current and future development and investments, by claiming that there is no alternative to gas as in the energy transition towards "carbon neutrality". The following data shows that **without Russian gas, TotalEnergies' industrial strategy would largely collapse.**

TotalEnergies has operated in Russia for over 30 years. In addition to its long-standing presence in the Kharyaga oil field (1995), and more recently in the Termokarstovoye gas field (2009), through the acquisition of a stake in the Yamal gas site and in Novatek (2011), and then in the Arctic LNG 2 site (2018), TotalEnergies' Russian strategy became clear: **positioning the group as key player in Russia, investing massively in Russian gas for the sake of supplying the European market (5).**

TotalEnergies' equity investments in Russia	share	Details
PAO Novatek	19,40%	Novatek is a Russian gas giant
Yamal gas site	29,73%	20,02% as direct investments, 9,71% through PAO Novatek
Arctic LNG2 gas site	21,64%	10% directly (Total E&P Salmanov), 11,64% through PAO Novatek
Kharyaga oil field	20,00%	Together with Zarubezhneft (40 %, operator), Statoil (30 %) and Nenets Oil Company (10 %).
Termokarstovoye gas field	58,89%	49 % directly (ZAO Tern eftegas) & 9,89% through PAO Novatek

“ **Without Russian gas, TotalEnergies' industrial strategy would collapse**

**To explain why it has decided to remain in Russia,** TotalEnergies has also said that its Russian partner Novatek is not of the same nature than the other majors' the Russian partners, which are often state-owned companies. This is highly questionable given that the Russian gas giant Novatek has strong ties to the Kremlin: its chairman, Leonid Mikhelson, is a close friend of Putin, while Gennady Timchenko, Novatek's second largest shareholder, has been targeted by US sanctions since 2014 and is now facing EU sanctions.

# Russian gas production , current and future, is extremely strategic

Russian gas' central role in TotalEnergies' strategy is obviously reflected in the data that TotalEnergies publishes to report on the group's fossil fuel production, region by region. While Russian fluids production (crude oil, etc.) represents only 5% of the group's global production, gas production is much more significant. **Russia amounts to nearly 30% of the group's global gas production - even if the first LNG cargo shipment from the Arctic LNG 2 site is not even scheduled until 2023.** When compared to the group's production in Europe and Central Asia - i.e. the gas that can be transported to Europe by pipeline - **Russia's share is even more significant, amounting to nearly 61% of the gas produced by TotalEnergies.** This is much more significant than the 17% for Russia's share of the group's total production that TotalEnergies has claimed.

On top of that, the area that TotalEnergies owns in Russia (for its mining and drilling operations), directly or indirectly, represents almost 10% of what it owns globally to develop its future exploration and production activities. **The importance of Russia in TotalEnergies' industrial future appears as blatant when looking at the group's proven reserves.** Based on an extremely conservative Brent crude oil price (\$41.32/bbl at the end of December 2020), these estimates are largely undervalued given the current price surge. Nevertheless, Russian gas reserves represent more than 40% of its global gas reserves, and more than 50% for those that are not yet developed. These rise to 78% and 84% of the group's activities in Europe and Central Asia, and represent respectively 24% and 34% of TotalEnergies' global reserves (including oil). **For TotalEnergies, withdrawing from Russia therefore would be the equivalent of renouncing to a third of its proven, yet unproduced, total reserves. This is huge.**

Production in Russia	In volume	% of the production in Europe and Central Asia	% of TotalEnergies' global production
Fluids	28 Mb	20,0%	5,0%
Gas	789 Gpc	60,8%	29,8%
Total	175 Mbep	46,1%	16,7%

Proven reserves in Russia		volume	% of the group's reserves in Europe and Central Asia	% of the group's global reserves
Oils	Developed and undeveloped	340 Mb	25,5%	6,4%
	undeveloped only	145 Mb	44,5%	10,6%
Gas	Developed and undeveloped	14 121 Gpc	78,1%	40,1%
	undeveloped only	7 257 Gpc	84,1%	50,8%
Total (fluids + gas)	Developed and undeveloped	2 955 Mbep	62,9%	24,0%
	undeveloped only	1485 Mbep	77,3%	34,2%

# Russia, a source of massive future cash flow

Based on the very same data published by TotalEnergies, we have identified what Russian hydrocarbon production represents in the group's current and future profits. In 2020, it amounted to almost 7% of the company's revenue.

However, when looking at TotalEnergies's projections on future cash flow that would be generated by fossil fuel production in its various areas of production, **Russia's share reaches more than 20% of the group's expected global cash flow in the near future.**

This figure is a good way to assess the solvency and sustainability of a company and proves that **the global industrial future of TotalEnergies is heavily dependent on the Yamal and Arctic LNG sites: giving them up would be tantamount to encumbering an extremely large part of the group's proven reserves, as well as its future income.**

**These figures expose the true reasons behind TotalEnergies' refusal to leave Russia:**

since its Russian investments are meant to provide a large part of its future production, income and growth, **renouncing to operate in Russia would put the future of the company at stake.** Furthermore, during Emmanuel Macron's 2018 visit to Moscow, TotalEnergies was granted a direct participation (between 10% and 15%) in all Novatek's future LNG projects on the Yamal and Gydan peninsulas. **In a way, by having promoted the interests of TotalEnergies to Vladimir Putin, the Elysée and Bercy are therefore co-responsible for TotalEnergies' refusal to leave Russia. It is therefore up to them to organise and plan the withdrawal of the French multinational from Russia,** both for moral reasons linked to the war in Ukraine, but also for economic reasons of energy independence and, finally, for climatic and ecological reasons as the Yamal and Arctic LNG projects are ecological and climate bombs (6).

2020 financial data	volume (millions \$)	% of the group's volume in Europe and Central Asia	% of the group's global volume
revenue	1632	26,6%	6,90%
Future cashflow (actualized net)	7007	50,9%	21,2%

## Notes and annexes

1 TotalEnergies press release: <https://totalenergies.com/fr/medias/actualite/communiqués-presse/totalenergies-position-face-guerre-ukraine>

2 STAND WITH UKRAINE - End global fossil fuel addiction that feeds Putin's war machine - <https://www.with-ukraine.org/>

3 2020 Universal Registration Document including the annual financial report, published ahead of the General Meeting of Shareholders on 28 May 2021: <https://totalenergies.com/system/files/documents/2021-03/document-enregistrement-universel-2020.pdf>

3 <https://www.france24.com/fr/info-en-continu/20220224-le-gaz-russe-pas-rempla%C3%A7able-en-europe-dans-l-imm%C3%A9diat-selon-le-pdg-de-totalenergies>

5 Yamal LN - onshore field was launched in 2013. The project includes a gas liquefaction plant, with a nominal capacity of 16.5 Mt/year of LNG, which started up at the end of 2017 with a first cargo on board the LNG carrier Christophe de Margerie. In 2020, the plant's production reached 17.9 Mt exceeding the nominal capacity by 9%. The Arctic LNG 2 project is located on the Gydan Peninsula opposite the Yamal Peninsula and is expected to have a production capacity of 19.8 Mt/year. The first LNG cargo is scheduled for 2023.

6 [https://www.lemonde.fr/economie/article/2020/09/02/la-france-pourrait-soutenir-un-gigantesque-projet-gazier-dans-l-arctique-russe\\_6050731\\_3234.html](https://www.lemonde.fr/economie/article/2020/09/02/la-france-pourrait-soutenir-un-gigantesque-projet-gazier-dans-l-arctique-russe_6050731_3234.html)