

Управление рисками нефтегазовых компаний

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Аннотация

В данной статье рассматриваются основные риски, которые оказывают влияние на нефтегазовые компании, и инструменты для их хеджирования. На примере ПАО "Татнефть" рассмотрены возможные варианты и пути для уменьшения различных видов рисков.

Ключевые слова: хеджирование, нефтегазовые компании, рыночный риск, валютный риск, процентный риск.

Risk management of oil and gas companies

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Abstract

This article observes the main risks, which have impact on oil and gas companies, and instruments for their hedging. Possible options and ways of diminishing different types of risks are considered on the example of PJSC Tatneft.

Keywords: hedging, oil and gas companies, market risk, currency risk, interest rate risk.

Risk is one of the main factors, which influence financial results of oil and gas companies. During their activity, oil and gas companies face such risks as: market risk, currency risk, financial risks and others.

Financial results of oil and gas companies, along with their cash inflows, profitability and future growth rates are largely dependent on existing oil and petroleum product prices on the market. Market prices for oil and petroleum products fluctuate over a wide range under the influence of many factors, including:

- 1) International and regional supply and demand (as well as expectations regarding future supply and demand) for oil and oil products;
- 2) Weather;
- 3) National and foreign government regulation, including export restrictions and taxes;
- 4) Prices and availability of alternative fuels;
- 5) Prices and availability of new technologies;
- 6) The ability of members of the Organization of Petroleum Exporting Countries (OPEC) and other oil producing countries to establish and maintain certain levels of production and prices;
- 7) Political and economic events in the oil producing regions, especially in the Middle East;
- 8) International and regional economic situation.

The main instruments, which are used by oil and gas companies to hedge commodity price fluctuations are: swaps, options, forwards and futures.

Risk management allows oil and gas companies to diminish their dependence from price volatility, currency exchange rates, ecological risks, interest rate risks and others. Let's turn to PJSC Tatneft to define what risks the company faces during its activity and see how it tries to hedge them.

Tatneft is fifth largest Russian oil company and is an internationally recognized vertically integrated holding. As of 31 December 2019, the government of the Republic of Tatarstan controls about 36% voting shares of the Company and is also the holder of the "Golden share".

PJSC Tatneft and its subsidiary enterprises are engaged in the development of oil fields and production mainly in the Republic of Tatarstan in Russian Federation. The group is also engaged in

the processing and sale of oil and petroleum products, production and sale of petroleum products , production and sales of petrochemical products and from October 2016, with the acquisition of a controlling interest in the banking group ZENIT, Tatneft is also engaged in banking activities.

Tatneft is exposed to the risks of adverse changes in exchange rates, the main of which is the fluctuation of the Ruble against the US dollar. This is due to the fact that a significant share of the company's revenues is denominated in US dollars, while most of its expenses are denominated in rubles.

In 2016, the company has conducted several currency risk hedging transactions using a foreign exchange forward. Closing deals brought income that offset the depreciation of the dollar in the reporting period.

In 2016, for the purpose of executing treasury operations of the Tatneft Group, subject to the effective use of current liquidity and minimization of operational risks, the Tatneft Group Corporate Finance Center was established. The single treasury employs 11 enterprises of the Group. Work was carried out to optimize the number of settlement accounts, reduce commission expenses of Tatneft Group on banking services. The centralization of the liquidity management functionality made it possible to cover cash gaps of companies without attracting external borrowing, to obtain additional income by optimizing the amounts and terms of the allocation of free cash, and to reduce bank guarantee fees.

The current inflation rate of 4% does not have a significant negative impact on the financial position of the company. It is hard to predict the critical level of inflation for Tatneft, since in addition to the level of consumer prices, it is necessary to take into account changes in the real purchasing power of the ruble, the situation on the Russian and international oil markets, as well as the market for materials and services for the oil industry, and further government policy regarding tariffs.

In accordance with the current development strategy of Tatneft until 2025, the main investment in development is planned to be financed from income from operating activities (equity). At the same time, the company periodically attracts borrowed funds and the ability to do this at affordable rates and in necessary volumes depends on the situation in the financial markets. In particular, a change in interest rates may affect the Tatneft's operations of borrowing funds and servicing current debt: in the case of borrowing funds in the form of bank loans with a “floating” interest rate, an increase in the general level of interest rates in the market leads to an increase in the amount of funds, interest payable.

Tatneft's cash is held in accounts and placed in deposits with banks of the Russian Federation. The company implements a diversified approach when placing its free cash. At the same time, Tatneft faced with cases of suspension of normal activities and revocation of a license from

credit organizations where funds were placed. Nowadays, these banking risks are diminished due to acquisition of banking group ZENIT in 2016.

Tatneft took protective measures against risk of absorption by "foreign" structures in 2018. Tatneft meant Rosneft in probable hostile acquisition. For the Republican elite and top management, the worst outcome was the scenario of Bashneft, whose controlling stake was sold in 2016, which led to huge decrease of tax inflow into the Bashkir Republic. The purpose of the program was to complicate the possible purchase of Tatneft through the acquisition of free – float shares of the company on the market. Now, if someone buys shares from private investors, he will receive only production, but processing and maintenance will remain in the hands of management and the Tatarstan Republic.

In 2016, TAIF company had legal claims against Tatneft. TAIF is a large Russian holding, which controls 96 % of the chemical, petrochemical and oil and gas processing industries of Tatarstan. TAIF won in court in the fight for control of the Nizhnekamsk refinery. It has threatened the plans of Tatneft on the establishment of new processing facilities.

TAIF was ready to negotiate with Tatneft. But to do this, the oil companies must have made concessions: either revalue the share of TAIF in the refinery, giving it control; or buy it at a fair price. Another option was that Tatneft withdrew from the project, and TAIF compensated for the costs it had already incurred. The conflict with TAIF created serious problems for Tatneft, which needed its own processing facilities. Within five years, the plant was supposed to build a complex of deep oil refining at a cost of \$ 1.1 billion. As a result, Tatneft sold its share in the Nizhnekamsk refinery for 500 million USD, and began cooperating with the refinery as a separate company, eliminating all further possible legal trials.

Tatneft has an integrated risk management system based on the analysis and assessment of possible factors that can significantly affect the performance of the company. An important component of the risk management system is the activity to ensure the implementation of unified corporate standards covering the basic processes of production and financial and economic activities of Tatneft and its enterprises.

The corporate risk management system of Tatneft is aimed at identifying potential risks and taking timely measures to eliminate or minimize them, which makes it possible to adjust the business planning, investment activity and social policy of the company. The corporate standards in the company significantly reduce internal corporate risks. Based on the processing of large data arrays, more advanced forecasting tools are being developed that allow taking measures aimed at eliminating or minimizing potential risks. The corporate planning system uses various development scenarios that allow quickly respond to changes associated with factors affecting the activities of the company.

Also, Tatneft insures the risks of liability of members of the management bodies of the company, including abroad, on conditions and volumes that correspond to the insurance market for such risks in the Russian Federation. During 2019, the SOGAZ JSC was the insurer of such risks of the company.

Historically, Tatneft didn't hedge its currency risks, except for 2016, when the company got profit from hedging operations. The recommendation for the company is to observe the opportunity of hedging exchange rate of RUB/USD due to the fact that company gets the most part of its revenue in US dollars with later exchange into Rubles, and the decreasing cycle of key interest rate in Russia to 4,25 %, while the key interest rate of the Federal Reserve System in USA is already equal to 0,25% and has low range of further decrease. At the same time, we see the Russian Government Bonds Index beating historical maximums every week, which shows that a part of foreign investors are changing currencies into Ruble later to invest them in Russian Government Bonds in order to get higher profit. In such conditions, the probability of strengthening Ruble exchange rate to USD on the period of 6-9 month is quite high. Nevertheless, there is still a risk of explosive growth of USD/RUB exchange rate in mid-term, in case if Joe Biden wins the Presidential election in USA and announces sanctions or prohibition on operations with Federal loan bonds of Russia (OFZ). By 01.10.2020, the share of non-residents in the Federal loan bonds was 26,8% from the total volume or 3019 billion Rubles, which is 37,7 billion USD (by the exchange rate of 80 RUB per USD). The overall size of 37,7 billion USD is equal to 10 - 13 daily volumes of trading sessions of USD/RUB on the Moscow Exchange. Such huge operations can cause a lack of liquidity of USD sellers, which can lead the exchange rate of USD/RUB to uncontrolled heights. This important risk of sanctions is needed to be controlled by Tatneft strictly, in order to be ready for all possible outcomes.

Also, the recommendation for the company is to conclude long-term futures contracts on selling oil in order to fix the price for oil on the current levels. During last 5 years, prices on oil in the beginning of the New Year were dozens percent less than they were during October -December of the last year. The situation with critical fall of WTI futures prices to -37\$ / barrel in April 2020 is another sign, which shows reliability of fixed prices in long-term contracts, which help oil company to avoid unprofitable deals with lower oil prices.

Concluding, oil and gas companies have hard, but profitable business. On the example of PJSC Tatneft, we can define, that the company has stable risk management system, which allows it to develop and sustain on the market. However, Tatneft faces different risks during its activities, and needs to develop its corporate risk management program further, in order to get better financial results and reach higher paces of growth.

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