

Russia halves cargoes to Estonia

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Russia's state railways have ordered exporters to halve shipments of refined oil products, metals and coal via Estonia amid renewed political tensions with Tallinn, industry and trade sources said.

"There was a meeting chaired by (Russia's First Deputy Prime Minister Sergei) Ivanov and he ordered that transit via Estonia be limited," one industry source said, speaking on condition of anonymity.

A source close to Ivanov denied his boss had ordered the cut and state railways declined to comment. But oil traders said major exporters of refined products on the route had already halved shipments.

"It seems very similar to what we had earlier this year, although more exporters are likely to be affected," one source said.

Moscow's relations with Tallinn hit a low in April when Estonia removed the statue of a Red Army soldier from the centre of its capital, angering Moscow and prompting state railways to order a complete halt of rail deliveries to Estonia. The ban was lifted after 10 days. Trade sources warned that if supply disruptions last longer this time, exporters would be hurt by traffic backlogs and supply gluts inside Russia.

Estonia is the transit route for 25 million tonnes per year of Russian fuel, or around a quarter of the country's total oil products exports. It is also an important transit route for coal, metals, timber and chemicals. Many Russian politicians have called on state officials to stop re-exports of goods via Estonian ports, while Tallinn has said Moscow should be kicked out of the G8 Group of most industrialised nations for its controversial energy policies.

Glut fears

Problems have eased since May, although small firms had faced problems with gasoline and naphtha exports via Estonia.

The new cuts will affect the most important product, fuel oil, mostly used by power stations.

"All major fuel oil exporters - TNK-BP, Gazprom Neft and even Surgut's Kirishi - have been told to re-route half their volumes to other destinations," said a trader with a major operator on the route.

"But I still don't understand how it can be done, because nothing has changed since the last cut and there are no alternative routes for these volumes."

Russian Railways said in June it would cut the number of rail cars plying the Estonia export route to 980 per day from the usual 1,500.

It asked oil products exporters to seek alternative ports in Lithuania and Latvia and requested that timber cargoes go via Finland and coal via Ukraine and Russia's Ust-Luga.

Trading sources at Estonian terminals said they believed the new ban would not last long again: "What will Russia do with fuel oil, especially in the middle of summer? It doesn't look serious to me," said one.

Russia has drastically cut transit shipments of oil via neighbouring states, especially Latvia, Lithuania and Estonia, in recent years after President Vladimir Putin called on the government to stop subsidising its neighbours with transit fees.

Oil supplies are now mainly concentrated in Russia's biggest Baltic Sea port, Primorsk. Russia also wants to build a major refined products export outlet there in addition to the ports of St Petersburg and Vysotsk, which already compete with Estonia.

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