



ARGUS NEFTETRANSPORT

Contents:

Introduction	2
Maritime freight	2
Rail transportation costs	2
Pipeline tariffs	2
River freight	2
Port loading costs	2

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The most up-to-date Argus Neftetransport methodology is available on www.argusmedia.com

Introduction

Argus Nefte transport is a Russian-language monthly covering wide range of issues of crude and oil products supply logistics in Russia and other former Soviet Union states. The publication contains pipeline and rail tariffs, sea and river freight rates and port terminals' storage and loading costs.

Maritime freight

Argus publishes freight rates for key international maritime markets in *Argus Freight* daily. The price reporting methodology is available at www.argusmedia.com.

Railway transportation costs

Russian railway tariffs are based on the tariff policy of Russian Railways for own (leased) tonnage effective on the date of publication. Argus uses specialized software for railway tariff calculation, such as Polyus and STM-Tarif.

The following assumptions are used for tariff calculations:

1. Number of tank car axles – 4;
2. Tank car capacity – 66t;
3. Average tank car load regardless of product type – 60t;
4. Value added tax in Russia (VAT) – 18pc. This being said:
 - tariffs for export train crude or product cargoes shipped from Russia do not include VAT;
 - tariffs for crude or products shipments within Russia for domestic consumption include VAT;
 - tariffs for empty tank car return in Russia include VAT, regardless of whether these cars return from Russian or non-Russian dispatch station.
5. Loaded train dispatch type (number of railway cars):
 - export railway tariffs, used for the calculation of fuel oil and diesel export alternative prices, are set for full train (fixed-route dispatch);
 - in all other cases, the tariffs are set on a per car basis.
6. The tariffs for empty railway tank car return in Russia are set on per car basis.
7. Extra charges:
 - security guarding costs (diesel, gasoline, etc.) are charged by the State railway security guard enterprise of the Russian Federation;
 - the cargo security costs, used for calculation of the export alternative prices, are set for a loaded train (fixed-route dispatch);
 - in all other cases, the cargo security costs are set on a per car basis.

Argus Nefte transport publishes monthly tank car rent costs assessments. The information on tonnage prices is collected by personal contacts, telephone, electronic mail and messengers. A cross-section of car fleet owners, operators and shippers (producers and traders) is consulted and the market information cross-referenced with active market participants. The rent costs are assessed in Russia (in Roubles, ex-VAT), Ukraine and Kazakhstan (in US Dollars, ex-VAT). The rates are published in *Argus Nefte transport* no later than the 20th of each month.

The following base parameters are used for cost assessments:

- tank car load – 60t;
- speed of loaded tank car – 330km/d within Russia, 550km/d – on export routes;
- speed of empty railway tank car return – 330km/d;
- delays during tank car loading and discharge – 4 days;
- Delay on each border station – 1 day.

Pipeline tariffs

Argus monitors the publishes crude and product pipeline transportation tariffs in Russia set by the Federal Tariff Service (FST). The tariffs are normally adjusted once or twice a year. FST sets the maximum tariff rates for product pipeline transportation, while pipeline system operator Transneftproduct is responsible for setting tariffs below the maximum level.

River freight

Argus monitors costs of product exports along the Russian inland waterways. River vessel freight rates are published by *Argus Nefte transport* on a monthly basis during the river navigation season from March to December. Freight rates are monitored by the enquiries of the most active participants of the river transportation market, by phone or by electronic means of communication.

Port loading costs

Argus monitors the publishes port terminal rates for loading operations from overland transportation to sea-going tankers. Crude and product port loading operations and storage rates are set by FST and terminal operators in Russia, and by terminal operators in other former Soviet Union states. The costs of loading operations are assessed annually in January edition of *Argus Nefte transport*. The information is collected by personal contacts, telephone, electronic mail and messengers. A cross-section of terminal operators and shippers (producers and traders) is consulted and the information cross-referenced with active market participants.