

## ***PEEL ALERT***<sup>1</sup>

August 26, 2003

Two new articles have caught our attention. We bring this to the attention of our friends and clients because of the relevance of the two put together.

1. The announcement in the *Moscow Times* today that Russian exports (Transneft) for the first half of 2003 were 8.5 million tonnes (metric tons) versus 7.3 million tonnes in 2002; and
2. The Reuters news item today, quoted in the *Moscow Times*, that Ukraine had reversed the Yuzhny-Brody (also called Odessa-Brody) pipeline, and that Transneft would begin exports at the "3 to 4" ships (100,000 tonners each) per month level in the 4th quarter of 2003. That would add another 4 million tonnes of export capability to Transneft's existing demonstrated capacity of 8.5 million tonnes. We remain to be convinced that this news release is accurate as the YB pipeline reversal has been a contentious issue in Ukraine.

Pan EurAsian will follow this story and post an article on the website as soon as we can get some clarification.

We believe this is significant for world oil trade. Russia has been plagued by export bottlenecks. It would seem that those are being addressed and corrected. In addition, earlier news stories have mentioned improvements at Primorsk. The impact on the balance of power in world oil markets is significant, if all this is true.

---

<sup>1</sup> From time to time, Pan Eurasian will publish news alerts on items we think worthy of drawing to the attention of our clients and friends. We recognize that some will know the information already. We will endeavor only to bring those items which have some special relevance or impact, and we will explain why we believe the item is worthy of special attention. Otherwise, we recognize, the newspapers will suffice.