# Oil industry taxation

## Average tax rates during reporting periods for oil and gas companies in Russia

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>∆, %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EXPORT DUTY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crude oil</td>
<td>93.71</td>
<td>45.87</td>
<td>(51.1)</td>
</tr>
<tr>
<td>Light petroleum products</td>
<td>28.07</td>
<td>13.72</td>
<td>(51.1)</td>
</tr>
<tr>
<td>Diesel fuel</td>
<td>28.07</td>
<td>13.72</td>
<td>(51.1)</td>
</tr>
<tr>
<td>Gasoline</td>
<td>28.07</td>
<td>13.72</td>
<td>(51.1)</td>
</tr>
<tr>
<td>Naphtha</td>
<td>51.48</td>
<td>25.18</td>
<td>(51.1)</td>
</tr>
<tr>
<td>Heavy petroleum products</td>
<td>93.71</td>
<td>45.87</td>
<td>(51.1)</td>
</tr>
<tr>
<td><strong>MINERAL EXTRACTION TAX (MET)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crude oil (₽/tonne)</td>
<td>13,039</td>
<td>8,720</td>
<td>(33.1)</td>
</tr>
</tbody>
</table>

### Export duties on oil and petroleum products

Export duty rates for crude oil and petroleum products are calculated by the Ministry of Economic Development of the Russian Federation in accordance with the Methodology for Calculating Export Duties on Crude Oil and Certain Categories of Petroleum Products approved by Resolution of the Government of the Russian Federation No. 276 of 29 March 2013.

### Export duty on crude oil

The export duty rate for crude oil is determined according to one of the following principles:

1. in accordance with Article 3.1, Clause 4 of Federal Law of the Russian Federation No. 5003-1 of 21 May 1993 ‘On the Customs Tariff’ (further – the Customs tariff federal law), export duty rates for crude oil must not exceed the marginal duty rate calculated as follows:
<table>
<thead>
<tr>
<th>Urals price quote (P), ($/tonne)</th>
<th>Maximum export duty rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤109.50</td>
<td>0%</td>
</tr>
<tr>
<td>109.50 &lt; P ≤ 146.00</td>
<td>35% × (P – 109.50)</td>
</tr>
<tr>
<td>146.00 &lt; P ≤ 182.50</td>
<td>12.78 + 45% × (P – 146.00)</td>
</tr>
<tr>
<td>&gt;182.50</td>
<td>Coil× (29.20 + 30% × (P – 182.50)), since 2019¹</td>
</tr>
</tbody>
</table>

Oil exported to Kazakhstan is not subject to the export duty. Crude oil exports to Kyrgyzstan and Belarus within indicative limits is exempt of export duties.

2. pursuant to Article 3.1, Clause 6.2 of the Customs tariff federal law, the Government of the Russian Federation may set a protective export duty rate for crude oil calculated as follows:

<table>
<thead>
<tr>
<th>Urals price quote (P), ($/tonne)</th>
<th>Maximum export duty rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤182.50</td>
<td>0%</td>
</tr>
<tr>
<td>P &gt; 182.50</td>
<td>29.20 + 45% × (P – 182.50)</td>
</tr>
</tbody>
</table>

The protective rate shall be applied within six months starting from the month following three-month period, in which volatility of crude oil prices exceeds 15%.

3. with effect from 1 January 2019, pursuant to Article 3.1, Clause 5, sub-clause 4 a special formula is used to calculate the export duty on oil with specific physical and chemical properties produced within established geographical areas, as follows:

\[ R_i = (P - 182.5) \times 30\% - 56.57 - 0.14 \times P, \]

where \( P \) is the Urals oil price, $/tonne;

4. This concession applies until the specified volume of oil exported using special formulas for calculating export duty rates is reached for each such geographical area.

- until 31 March 2032: for fields located (i) entirely in the Sea of Azov or (ii) with at least a 50% of their area lying in the Baltic Sea, the Black Sea (at a depth up to 100 meters), the Pechora Sea, the White Sea, the Sea of Okhotsk (south of 55° N), or the Russian sector of the Caspian seabed;
- until 31 March 2042: for fields with at least 50% of their area in the Black Sea (at a depth of more than 100 meters), the Sea of Okhotsk (north of 55° N), or the Barents Sea (south of 72° N);
- indefinitely: for fields with at least a 50% of their area lying in the Kara Sea, the Barents Sea (north of 72° N), or the Eastern Arctic (the Laptev Sea, the East Siberian Sea, the Chukchi Sea, and the Bering Sea).

Pursuant to Article 11.1, Clause 5 of the Tax Code of the Russian Federation, a new offshore field is defined as an offshore field at which commercial hydrocarbon production commenced on or after 1 January 2016;

5. pursuant to Article 35, Clause 7 of the Customs tariff federal law, with effect from 1 January 2019 oil produced at subsurface sites subject to excess-profits tax (EPT) shall not be subject to export duty for a period when the \( Cy \) coefficient applied to the MET rate for oil is less than 1.

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1  —  Coil (a coefficient for oil) = 0.833 in 2019, 0.667 in 2020, 0.5 in 2021, 0.333 in 2022, 0.167 in 2023, and 0 with effect from 2024.
Export duty on petroleum products

Pursuant to Article 3.1 of the Customs tariff federal law, the export duty rate for certain categories of petroleum products shall be set by the Government of the Russian Federation. At the same time, petroleum products exported to Tajikistan, Belarus, Armenia and Kyrgyzstan within indicative limits shall be exempt of export duties.

Resolution of the Government of the Russian Federation No. 276 of 29 March 2013 established the following principle for determining export duty rates for petroleum products:

\[ R_{pp} = C \times R_{co} \]

where \( R_{pp} \) is the export duty rate for crude oil and \( C \) is the estimated coefficient for individual categories of petroleum products.

The following coefficients are used for calculating export duty rates for petroleum products:

<table>
<thead>
<tr>
<th>Light and middle distillates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diesel fuels</td>
</tr>
<tr>
<td>Lubricants</td>
</tr>
<tr>
<td>Naphtha</td>
</tr>
<tr>
<td>Gasoline</td>
</tr>
</tbody>
</table>

In accordance with Article 3.1, Clause 6.2 of the Customs tariff federal law, the Government of the Russian Federation may set a protective export duty rate on certain categories of petroleum products equal to 60% of the export duty on crude oil. This procedure shall be applied within six months starting from the month following three-month period, in which volatility of crude oil prices exceeds 15%.

Excise tax on petroleum products

The excise tax on petroleum products in the Russian Federation is paid by petroleum-product producers. In addition, the tax is paid by legal entities importing excisable goods into the Russian Federation.

Article 193 of the Tax Code of the Russian Federation set the following excise tax rates for petroleum products (₽/tonne):

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gasoline</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>below Euro 5</td>
<td>13,100</td>
<td>13,100</td>
<td>13,624</td>
</tr>
<tr>
<td>Euro 5</td>
<td>12,314</td>
<td>12,752</td>
<td>13,262</td>
</tr>
<tr>
<td>Naphtha</td>
<td>13,912</td>
<td>14,720</td>
<td>15,533</td>
</tr>
<tr>
<td>Diesel fuel</td>
<td>8,541</td>
<td>8,835</td>
<td>9,188</td>
</tr>
<tr>
<td>Engine oils</td>
<td>5,400</td>
<td>5,616</td>
<td>5,841</td>
</tr>
<tr>
<td>Middle distillates</td>
<td>9,241</td>
<td>9,5351</td>
<td></td>
</tr>
</tbody>
</table>

1 — For the period from January 1 to March 31. From April 1, the excise rate on middle distillates is calculated using the formula (see description below).
Pursuant to Article 181, Clause 13.1 of the Tax Code of the Russian Federation, with effect from 1 January 2019, crude oil feedstock is an excisable product. The excise tax shall be paid by crude oil feedstock owners having a registration certificate for oil feedstock refinery processing at their own facilities or at facilities owned by third-party processors. The excise tax rate for crude oil feedstock is calculated as follows:

\[ E_{crf} = \left( \frac{P_{oil} \times 7.3 - 182.5}{10} + 29.2 \right) \times R \times F_{pc} \times C_{corr} \times C_{reg} \]

where

- \( P_{oil} \) is the average Urals oil price on global markets, $/tonne.
- \( R \) is the average US dollar/Russian rouble exchange rate.
- \( F_{pc} \) is a specific coefficient that reflects the petrochemical-products processing output.
- \( C_{corr} \) is 0.167 for 2019, 0.333 for 2020, 0.5 for 2021, 0.667 for 2022, 0.833 for 2023, and 1 w.e.f. 2024.
- \( C_{reg} \) is a regional coefficient of petroleum markets. For production facilities located in the Omsk Oblast, \( C_{reg} \) is 1.05.

The excise tax on crude oil feedstock is subject to tax deductions. Tax deductions amount to excise tax on crude oil multiplied by 2 and increased by \( C_{damp} \).

\[ C_{damp} = \left( \frac{D_{MG} + F_{MG}}{V_{MG}} \times V_{MG} + \frac{D_{DF} + F_{DF}}{V_{DF}} \times V_{DF} \right) \times C_{COMP} \]

applicable from January to June 2019.

\[ C_{damp} = \frac{D_{MG}}{V_{MG}} \times C_{MG,COMP} + \frac{D_{DF}}{V_{DF}} \times C_{DF,COMP} + \frac{D_{FE,MG}}{V_{FE,MG}} \times V_{FE,MG} + \frac{D_{FE,DF}}{V_{FE,DF}} \times V_{FE,DF} \]

applicable from July 2019.

\( V_{MG}/V_{DF} \) is the volume of Euro 5 motor gasoline with an octane number of 92 or higher / Euro 5 diesel fuel sold or used for own needs in the Russian Federation.

\( C_{COMP} \) is 0.6 applicable from January to June 2019.

\( C_{MG,COMP} \) is 0.75 applicable from July to December 2019, and 0.68 applicable from 1 January 2020.

\( C_{DF,COMP} \) is 0.7 applicable from July to December 2019, and 0.65 applicable from 1 January 2020.

\( D_{MG,COMP} \) is the difference between the average export alternative price and the nominal average wholesale price for Euro 5 gasoline with an octane number of 92 / Euro 5 diesel fuel in the Russian Federation.

\( V_{FE,MG}/V_{FE,DF} \) is the volume of Euro 5 motor gasoline with an octane number of 92 or higher / Euro 5 diesel fuel sold at delivery locations in the Far Eastern Federal District of Russia.

\( D_{FE,MG}, D_{FE,DF} \) are Far Eastern allowances calculated as the sum of ₽2,000 and \( D_{MG} \) or \( D_{DF} \). If \( D_{FE,MG} \) or \( D_{FE,DF} \) is greater than 2,000 or less than 0, \( D_{FE,MG} \) or \( D_{FE,DF} \) shall be assumed to be 2,000 or 0 respectively.

\( F_{MG}, F_{DF} \) are compensatory allowances for motor gasoline (diesel fuel) equal to:

- 0, if \( D_{MG} \) (\( D_{DF} \)) is less than or equal to 0 or
- \( F_{MG} = 5,600 \) and \( F_{DF} = 5,000 \), if \( D_{MG} \) (\( D_{DF} \)) is greater than 0.

With effect from 1 April 2020 the tax rate for middle distillates shall be calculated using the following formula:

\[ E_{MD} = \left( E_{DF} + 750 \right) - D_{DF} \times C_{DF,COMP} \]

where

- \( E_{DF} \) is the excise tax rate for diesel fuel.

If \( D_{DF} \) is greater than 0, it shall be assumed to be 0 for calculation of the middle distillates excise tax rate.
Mineral extraction tax (MET)

**MET on crude oil**

1. Pursuant to Article 342 of the Tax Code of the Russian Federation, the following formulas shall be used to calculate the MET rate for crude oil:

\[
D_m = C_{MET} \times C_p \times (1 - C_d \times C_r \times C_{dp} \times C_{can}) - C_c - C_{MAN} \times S_{ov} - C_{MGDF}, \text{ w.e.f. 2019.}
\]

\[
C_{MET} = 559.
\]

\[
C_p = (P - 15) \times R / 261,
\]

where:

- \(P\) is the average monthly Urals price on the Rotterdam and Mediterranean markets ($/bbl)
- \(R\) is the average monthly US dollar/Russian rouble exchange rate.

\[
C_d = 3.8 - 3.5 \times \frac{N}{V},
\]

where:

- \(N\) is cumulative oil production from a specific subsurface site
- \(V\) is initial extractable oil reserves of all categories at a specific subsurface site as at 1 January 2006.

If the degree of depletion of a specific subsurface site ranges from 0.8 to 1, \(C_d\) shall be calculated using the formula: \(C_d = 3.8 - 3.5 \times \frac{N}{V}\). If the depletion degree for a specific subsurface site exceeds 1, \(C_d\) shall be assumed to be equal to 0.3. In other cases, \(C_d\) shall be assumed to be 1. If a subsurface site contains an oil deposit(s) with \(C_e\) less than 1, the \(C_d\) coefficient shall be assumed to be 1.

\[
C_r = 0.125 \times V_r + 0.375.
\]

\[
C_e = \begin{cases} 
0.2, & \text{when oil is extracted from a specific deposit with confirmed permeability of no more than } 2 \times 10^{-3} \text{ μm}^2 \text{ and the net pay thickness of no more than } 10 \text{ m}; \\
0.4, & \text{when oil is extracted from a specific deposit with confirmed permeability of no more than } 2 \times 10^{-3} \text{ μm}^2 \text{ and the net pay thickness of more than } 10 \text{ m}; \\
0.8, & \text{when oil is extracted from a specific deposit classified in the State Mineral Reserves register as forming part of the Tyumen Formation pay zone}; \\
1, & \text{when oil is extracted from other hydrocarbon deposits}.
\end{cases}
\]

\[
C_{dp} = 3.8 - 3.5 \times \frac{N_{dp}}{V_{dp}}.
\]

If the depletion degree for a specific deposit ranges from 0.8 to 1, the \(C_{dp}\) coefficient shall be calculated using the formula: \(C_{dp} = 3.8 - 3.5 \times \frac{N_{dp}}{V_{dp}}\). If the depletion degree of a specific deposit exceeds 1, \(C_{dp}\) shall be assumed to be...
0.3. In other cases, $C_{sp}$ shall be assumed to be 1. For other deposits at the respective subsurface site (with $Ce$ is 1), the $C_{sp}$ coefficient shall be assumed to be equal to the value of $C_{n}$ coefficient as calculated for the entire subsurface site.

$C_{can}$ is a coefficient that characterises the region of production and the properties of oil. This coefficient reduces the MET rate for oil for subsurface sites located entirely or partially in regions with challenging climatic and geological conditions (including the Yamal Peninsula in the Yamalo-Nenets Autonomous Okrug, the Irkutsk Oblast, and the Republic of Sakha (Yakutia)). $C_{can}$ shall be assumed to be 0 till the first day of the month following the month when at least one of the following conditions is met: (1) the limit on cumulative oil production from the subsurface site is reached, or (2) the stipulated period expires. After the tax incentive period expires, $C_{can}$ shall be assumed to be 1.

$C_{t}$ is set at ₽428 with effect from 2019.

$C_{can} = E_0 \cdot R \cdot C_{corr} - F_m$

$E_0$ is a coefficient calculated as follows:

<table>
<thead>
<tr>
<th>Urals price quote (P), ($/tonne)</th>
<th>ED, ($/tonne)</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤109.50</td>
<td>0%</td>
</tr>
<tr>
<td>109.50 &lt; P ≤ 146.00</td>
<td>35% × (P - 109.50)</td>
</tr>
<tr>
<td>146.00 &lt; P ≤ 182.50</td>
<td>12.78 + 45% × (P - 146.00)</td>
</tr>
<tr>
<td>&gt;182.50</td>
<td>29.20 + 30% × (P - 182.50)</td>
</tr>
</tbody>
</table>

$R$ is the average US dollar/Russian rouble exchange rate.

$C_{can}$ is 0.167 in 2019, 0.333 in 2020, 0.5 in 2021, 0.667 in 2022, 0.833 in 2023, and 1 w.e.f. 2024.

$F_m$ is a coefficient that reflects the introduction of a protective export duty rate for crude oil by the Government of the Russian Federation (for details, see paragraph b) of the Export Duty on Crude Oil section).

$S_{so}$ is 0.1 for oil with viscosity of at least 10,000 mPa•s (in situ). In other cases, Sov is 1.

$C_{MGDF} = A_{MG} \times l_{MG} + A_{DF} \times l_{DF}$ during 2019

$C_{MGDF} = A_{MG} \times l_{MG} + A_{DF} \times l_{DF} + A_{BUG}$ w.e.f. 2020

$A_{MG}/A_{DF}$ is a coefficient that reflects an allowance for motor gasoline (125 for the period from January through September 2019, 200 for the period from October through December 2019, and 105 w.e.f. 2020) or diesel fuel (110 for the period from January through September 2019, 185 for the period from October through December 2019, and 92 w.e.f. 2020).

$l_{MG}$ and $l_{DF}$ are binary coefficients for motor gasoline / diesel fuel 0 if $D_{MG}/D_{DF}$ does not exceed 0. If $D_{MG}/D_{DF}$ exceeds 0, $l_{MG}/l_{DF}$ is set at 1 respectively.

$A_{BUG} = (N_{L_{DEHP}} \times S_{L_{DEHP}}) \times 37.5/484 + D_{FE,MG} \times 2/484 + D_{FE,DF} \times 3.7/484 - 124$
\[ A_{\text{DEMP}} = DG \times K_{\text{MG,COMP}} + DDF \times K_{\text{DF,COMP}} \] (characterises the damper effective from 2020).

\[ S_{\text{DEMP}} = (D_{\text{MG,S}} + F_{\text{MG}} + D_{\text{DF,S}} + F_{\text{DF}}) \times 0.5 \] (characterises the damper before 2020).

\( D_{\text{MG,S}}, D_{\text{DF,S}} \) – difference between the average export alternative price and the cut-off price of Class-5 automotive AI-92 gasoline (diesel fuel).

2. Article 342, Clause 2.1 and Article 338, Clause 6 of the Tax Code of the Russian Federation sets the following ad valorem MET rates for oil produced at new offshore fields (as percentage of its value):
- 30% for a five-year period from the start of commercial hydrocarbon production: for fields located entirely in the Sea of Azov, or with at least 50% of their area lying in the Baltic Sea;
- 15% for a seven-year period from the start of commercial hydrocarbon production: for fields with at least 50% or more of their area lying in the Black Sea (at a depth of up to 100 meters), the Sea of Japan, Russian territory of the Caspian Sea, as well as for fields commercial hydrocarbon production at which begins before 1 January 2020 with 50% or more of their area lying in the White and the Pechora Seas, and the Sea of Okhotsk (south of 55°N);
- 10% for a ten-year period from the start of commercial hydrocarbon production: for fields with 50% or more of their area lying in the Black Sea (at a depth over 100 metres), as well as for fields commercial hydrocarbon production at which begins before 1 January 2020 with 50% or more of their area lying in the Sea of Okhotsk (south of 55°N), the Barents Sea (south of 72°N); and
- 5% for a 15-year period from the start of commercial hydrocarbon production: for fields with 50% or more of their area lying in the Kara and the Barents Seas (north of 72°N), and the Eastern Arctic Seas (the Laptev, the East Siberian, the Chukchi and the Bering Seas), as well as for fields commercial hydrocarbon production at which begins before 1 January 2020 with 50% or more of their area lying in the White, the Pechora, the Barents Seas, and the Sea of Okhotsk (south of 72°N).

In addition, the tax legislation stipulates a reduced tax rate for oil extracted from deposits classified as part of the Bazhenov Formation, provided that the requirements of the Russian Tax Code are complied with. In accordance with Article 343.2, Clause 3.2 of the Tax Code of the Russian Federation, with effect from 1 January 2019, a tax deduction may be applied for subsurface sites listed in Article 3.1, Clause 5, Subclause 4 of the Customs tariff federal law, which is calculated as \( C_{\text{man}} \times V_{\text{eo}} \), where \( V_{\text{eo}} \) is the amount of crude oil extracted at a subsurface site and exported from Russia under preferential crude oil export duty rate.

3. In accordance with Article 342.6 of the Tax Code of the Russian Federation, the following formula shall be used to calculate the MET rate for crude oil produced at subsurface sites subject to excess-profits tax (EPT):

\[
\text{MET on crude oil} = (50\% \times (P - 15) \times 7.3 \times C_y - ED) \times R
\]
P is the average monthly Urals price on the Rotterdam and Mediterranean markets ($/bbl).

R is the average monthly US dollar/Russian rouble exchange rate.

ED is the export duty rate for crude oil ($/tonne).

Cy is a coefficient that reflects the time period from the date when commercial oil production commenced at the subsurface site. This coefficient reduces the MET rate for oil from new subsurface sites located entirely or partially in Western (including the Khanty-Mansi Autonomous Okrug–Yugra and the Yamalo-Nenets Autonomous Okrug) and Eastern Siberia (including the Irkutsk Oblast and the Republic of Sakha (Yakutia)). The Cy coefficient is applied until the end of the stipulated time period starting from the year following the year when the degree of depletion for a subsurface site exceeded 1%. The Cy coefficient for subsurface sites not considered as ‘new’ is 1.

**Gazprom Neft group effective MET rate for crude oil**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>Δ, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard MET rate for crude oil</td>
<td>13,039</td>
<td>8,720</td>
<td>(33.1)</td>
</tr>
<tr>
<td>Effective MET rate for oil (after $c_d$, $c_r$, $c_e$, $c_{ep}$ and $c_{can}$ are applied)</td>
<td>9,873</td>
<td>6,316</td>
<td>(36.0)</td>
</tr>
<tr>
<td>Difference between the standard and effective MET rates for crude oil ($/tonne)</td>
<td>3,166</td>
<td>2,404</td>
<td></td>
</tr>
<tr>
<td>Difference between the standard and effective MET rates for crude oil (%)</td>
<td>24.3%</td>
<td>27.6%</td>
<td></td>
</tr>
</tbody>
</table>

The average effective MET rate for crude oil during 2020 was ₽6,316 per tonne, which is ₽2,404 less than the average standard rate set in accordance with the tax legislation. This deviation was due to reductions in the MET rate for crude oil in accordance with the tax legislation, including the application of the $c_d$, $c_r$, $c_e$, $c_{ep}$ and $c_{can}$ coefficients.
**MET on natural gas and gas condensate**

Pursuant to Article 342 of the Tax Code of the Russian Federation, the following MET rates have been set for flammable natural gas and gas condensate:

<table>
<thead>
<tr>
<th>Natural gas (₽/thousand cubic metres)</th>
<th>Gas condensate (₽/tonne)</th>
</tr>
</thead>
<tbody>
<tr>
<td>[35 \times U_{fe} \times C_{com} + T_{g}]</td>
<td>[42 \times U_{fe} \times C_{com} \times C_{adj} + 0.75 \times C_{man}]</td>
</tr>
</tbody>
</table>

\(U_{fe}\) is the base value of a unit of fuel equivalent calculated by the taxpayer based on natural gas and gas condensate prices, as well as the ratio of their respective production volumes.

\(C_{com}\) is a coefficient that reflects the complexity of mineral extraction from a deposit. This coefficient reduces the MET rate and is assumed to be equal to the lowest of the following five reduction coefficients: \(C_{reg}\) (reduction based on location), \(C_{dep}\) (reduction for depleted sites), \(C_{d}\) (reduction for deposits located at a depth of more than 1.7 km), \(C_{s}\) (reduction for subsurface sites, gas from which is used for regional gas supply system purposes) and \(C_{tur}\) (reduction for deposits classified as forming part of the Turonian pay zones).

\(T_{g}\) is an indicator reflecting the cost of natural gas transportation (assumed to be equal to 0 in 2017–2019, according to the Federal Anti-Monopoly Service of the Russian Federation).

\(C_{adj}\) is an adjustment coefficient equal to 6.5/\(C_{g}\), where \(C_{g}\) is a coefficient reflecting the export margin per unit of fuel equivalent.

The average effective MET rate for natural gas during 2020 was ₽619 per one thousand cubic metres, which is ₽47 less than the average standard rate set in accordance with the tax legislation. This deviation was due to MET benefits for natural gas established in accordance with the tax legislation, including the application of the \(C_{com}\) coefficient.

**Additional income tax**

Additional income tax (AIT) in producing raw hydrocarbons took effect from 2019. The AIT shall be payable on income from hydrocarbon production at a rate of 50% excluding an estimated export duty and transportation costs, as well as actual capital and operating expenses attributed to developing a subsurface site.

This new tax is set to reduce the total amount of fiscal payments that depend on gross indicators (MET and export duty for crude oil), while increasing fiscal payments that depend on the profitability of hydrocarbon production.

A closed list of groups of pilot blocks in Western and Eastern Siberia has been compiled which may be subject to AIT while the new fiscal regime is tested. Gazprom Neft’s portfolio includes blocks in all of these groups.