

NEFTE COMPASS®

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INTERVIEW

Russian Platform Offers Procurement Solutions

In recent years, following the departure of Western partners and oil-field services companies, Russia's oil industry has faced new challenges in seeking out and purchasing the equipment needed to carry out their work. Evgeny Mozhaev, deputy general director of TEK-Torg, tells Energy Intelligence in an interview why it has been necessary to create a master catalogue of oil and gas equipment and how this could help oil and gas companies acquire the equipment more efficiently under sanctions.

Q: Will you please tell us a little about TEK-Torg? Why was this platform established, and how does it help oil and gas companies in their operations?

A: Today, TEK-Torg is a high-tech modern electronic platform that provides customers with the opportunity to conduct all necessary types of electronic procurement. Today, the company is not limited to the fuel and energy sector supply industry but is also a platform for public and corporate procurement for 80 regions in Russia and more than 750 enterprises across the country. In 2024, the trading volumes on the platform exceeded 5 trillion rubles [\$62.65 billion at current exchange rates]. And since the platform was founded in 2015, total trading volumes have exceeded 30 trillion rubles [\$375.7 billion]. Small and medium-sized businesses in Russia — and not only Russia — find suppliers and enter new sales markets through the platform.

However, TEK-Torg was initially created as a trading platform for purchases specifically in the oil and gas sector. The idea was that different oil and gas companies work with different suppliers on the same nomenclature, but there is no transfer of suppliers, technology transfer or solution transfer. It was necessary to create an independent platform under the auspices of the St. Petersburg Exchange [Spimex] in order to consolidate, on the one hand, demand from the oil and gas sector and, on the other hand, create a technology transfer, a transfer of suppliers between companies. TEK-Torg was established as a procurement platform to accumulate supply and demand.

Q: Were you able to solve this problem?

A: TEK-Torg is currently developing not only the procurement for the largest oil and gas companies but also for the largest electric power companies. We have not yet been able to completely unite the oil and gas sector, but the situation with the electric power industry is much better. In addition, TEK-Torg is developing dynamically and is already engaged in the sale of property — marketplaces as modern technologies for procurement. We have a section for the sale of hydrocarbons, oil and gas processing products and petrochemicals from Russian and foreign companies. TEK-Torg works in synergy with Spimex: The exchange deals with exchange trading, and we deal with over-the-counter deals. With the help of our partners, we can also provide many services, such as financial services, loans, banking guarantees insurance, etc. We started our work by satisfying the demand from the largest oil and gas companies, but now we see great potential in creating services for manufacturers and suppliers.

Q: Manufacturers and suppliers for the oil and gas sector?

A: Yes, for the oil and gas sector — and not only. We are interested in manufacturers and suppliers of equipment, materials, raw materials, and not just Russian ones. We are actively involved in international activities. Today, Spimex is actively building exchange bridges, promoting goods on international exchanges. We are creating similar bridges in over-the-counter trading. We are also moving towards building cooperation chains. We see that the practice of holding annual tenders and purchasing equipment has already exhausted itself. It does not

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provide an incentive to invest and develop new technologies, especially in the conditions of external pressure and high interest rates within the country. The practice of concluding long-term contracts and developing one's own suppliers of materials, raw materials and equipment seems more effective. We are talking about the practice of so-called offset contracts, when the customer guarantees long-term demand for 10 years or more to a certain manufacturer so that he organizes production that does not exist or introduces a new technology.

Q: Basically, you are in line with efforts to create the so-called industry demand, which is discussed by the Ministry of Industry and Trade, the Ministry of Energy and oil companies.

A: Ministries and departments are dealing with regulatory issues to create the industry demand. We are creating the infrastructure necessary to form this industry demand. We are moving towards cooperation, towards forming an industry order, through work with our customers and manufacturers. Over the past three years, we managed to establish a system for purchasing oil and gas equipment at a time when Western manufacturers refused to supply their goods. Some goods have certainly become more expensive. Supply chains for some items have lengthened, and the deadlines also became longer. However, there was no decline in sales and purchase deals. On the contrary, the volume of purchases on the TEK-Torg electronic trading platform increased from 3.4 trillion rubles [\$42.57 billion] in 2021 to 5.5 trillion rubles [\$68.87 billion] in 2024.

However, we have not yet resolved the key issues of risk and responsibility between players, instability and irregularity of supplies, payment issues, issues of selecting analogues of this or that equipment, and logistics issues. We see three main challenges — equipment selection, logistics (including cross-border logistics) and payments.

Q: What do you mean when you talk about equipment selection?

A: TEK-Torg is currently working on creating a master catalogue of oil and gas equipment. Each company has its own uniform technical requirements for this or that equipment. Our task is to bring together requirements of different companies, compare these requirements through our master catalogue. We put into the catalogue all the technical requirements that a particular customer has, and the system selects a supplier that meets these requirements.

The main direction here is to describe the position in the catalogue as the customer sees it, not as different suppliers or

dealers see it. At the same time, it is important to understand that one customer, i.e., an oil and gas company, may have 10 parameters described, while another may have 30 parameters. We maintain the widest catalogue possible on our side, and we give the oil executives exactly the part of the parameters that they need. It is important that no one imposes anything on anyone.

Q: So you create some standards for the production of oil and gas equipment?

A: Not exactly. The Institute of Oil and Gas Technology Initiatives [INTI] is responsible for standards in the industry. INTI helps different oil and gas companies agree to use uniform standards for equipment. This is very difficult, and the work on creating standards is not going very quickly. INTI develops standards, defines parameters, and we digitize these standards, transfer them to a product card and fill them with manufacturers who are ready to produce equipment, according to these standards. As a result, we get a database of manufacturers. If oil companies at some point agree to use INTI standards in their work, then we will already have a database of manufacturers ready.

Q: Do oil companies already use your catalogue?

A: Yes, we already conduct purchases using our catalogue. For example, oil companies want to buy equipment. They go to our online store and select the equipment parameters that meet their technical requirements. They also see which of these requirements are consistent with INTI standards.

Q: Which companies are already using your platform?

A: These are the companies that together stand for 50% of Russia's total production and refining, as well 70% of the country's total energy generating companies.

On the oil side, the main purchases are made by the biggest Russian state companies and some regional producers. However, there exist alternative trading platforms as well.

Q: So there is still no single trading platform?

A: Not yet, but the idea of our catalogue is to create a clear digital catalogue of products with the requirements of various fuel and energy companies and create a database of equipment suppliers who will see the requirements of all companies and create their equipment for these needs.

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Q: Are the equipment suppliers Russian companies?

A: No, not only Russian. We are negotiating with Belarus, Kazakhstan and Iran. From a technical point of view, we have prepared a full set of services necessary for entering the Russian market. Each foreign equipment manufacturer can be included in our product catalogue and selected by an oil company for purchases if it meets its standards. Getting into our catalogue for product suppliers means an opportunity to enter the Russian market.

For an oil and gas or other companies, our catalogue gives the opportunity to choose suppliers based on their compliance with technical requirements, as well as taking into account the pricing policy. Thus, oil companies have a chance to find real analogues of equipment that they can no longer purchase from Western suppliers, perhaps among lesser-known manufacturers, but among those whose goods fully comply with technical requirements and can be cheaper in price. But it's not just about the price. With our solutions, we are fulfilling the task of supplying oil companies with more promising equipment that has not yet won worldwide recognition but is capable of working effectively here and now, which was previously complicated by the saturated market. On

the other hand, the catalogue allows you to set certain technical parameters and find someone who will be ready to specially produce the necessary equipment. In this way, we create industry demand and form a database of equipment suppliers.

Q: You mentioned the issue of logistics. What are we talking about?

A: We are studying the exchange's experience with commodity supply operators, studying the experience of marketplaces and their logistics networks, and looking for optimal options.

Q: You also mentioned the issue of payments. How is it being solved?

A: In terms of paying for purchases from domestic manufacturers, there are no difficulties. However, purchases from foreign manufacturers require resolving payment issues. We are working on the possibility of alternative payment methods, including through digital financial assets.

Staff reports