Russian Perspectives on the Supply of Gas to Europe

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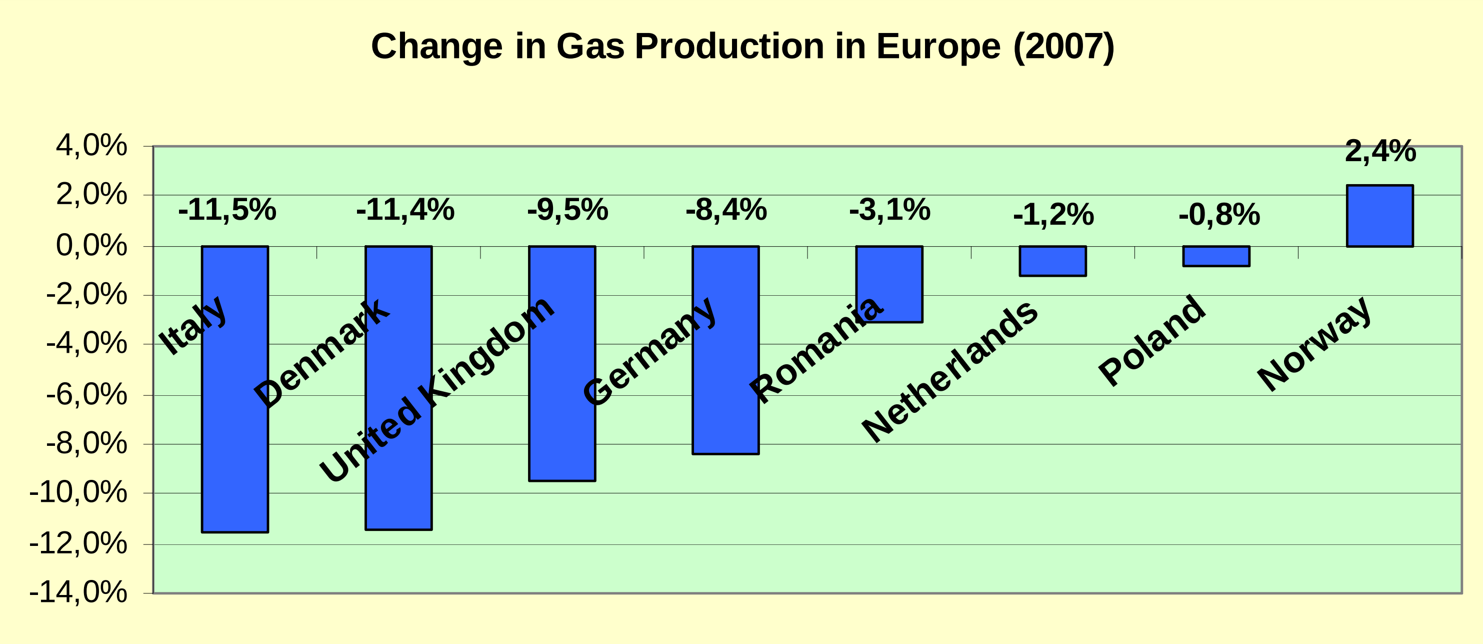
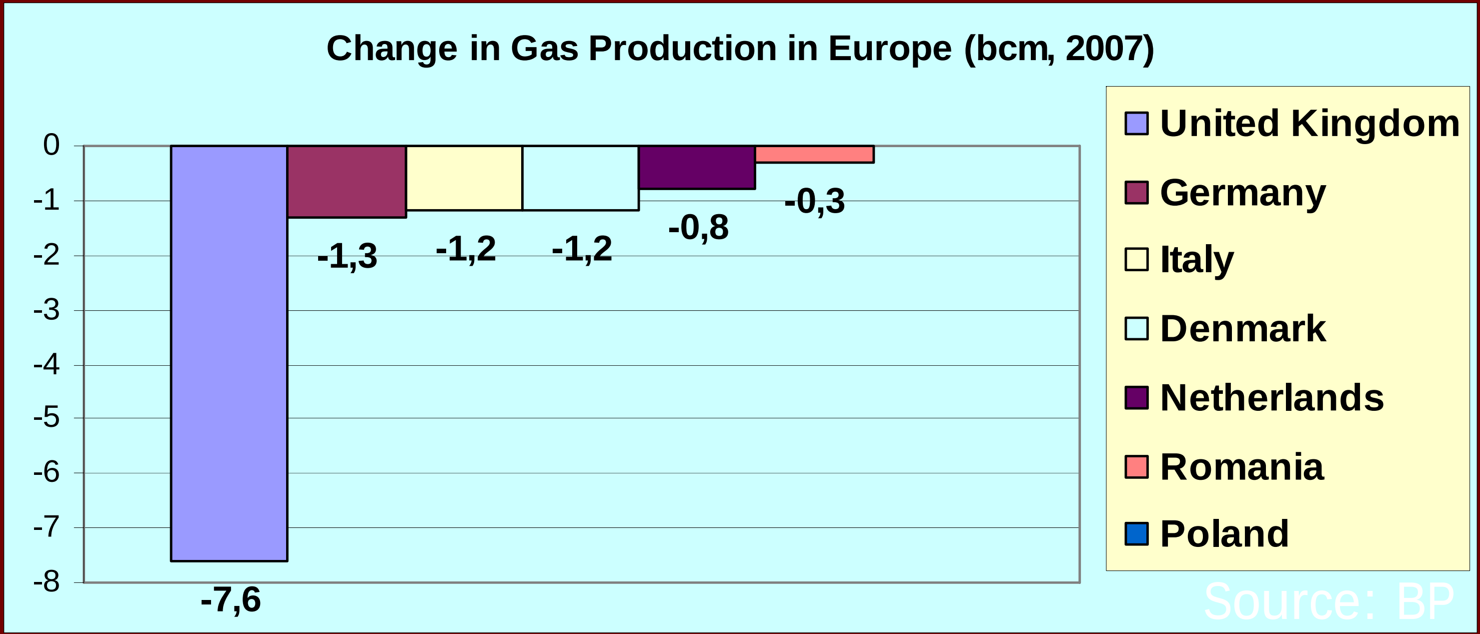
Wilton Park
November, 12
2008

Decline in Domestic Production





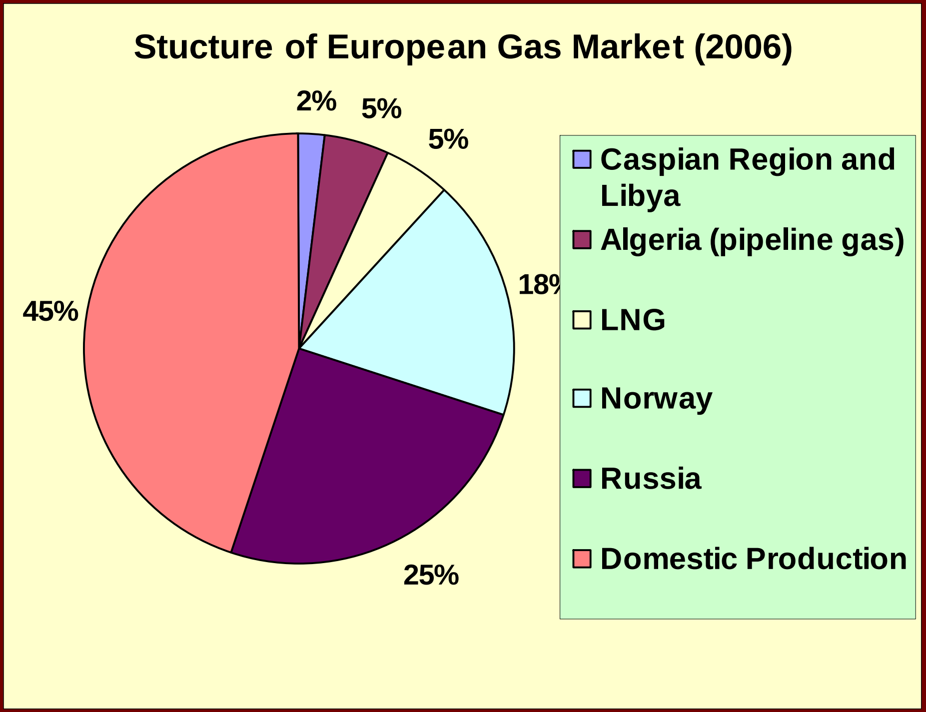
Source: BP

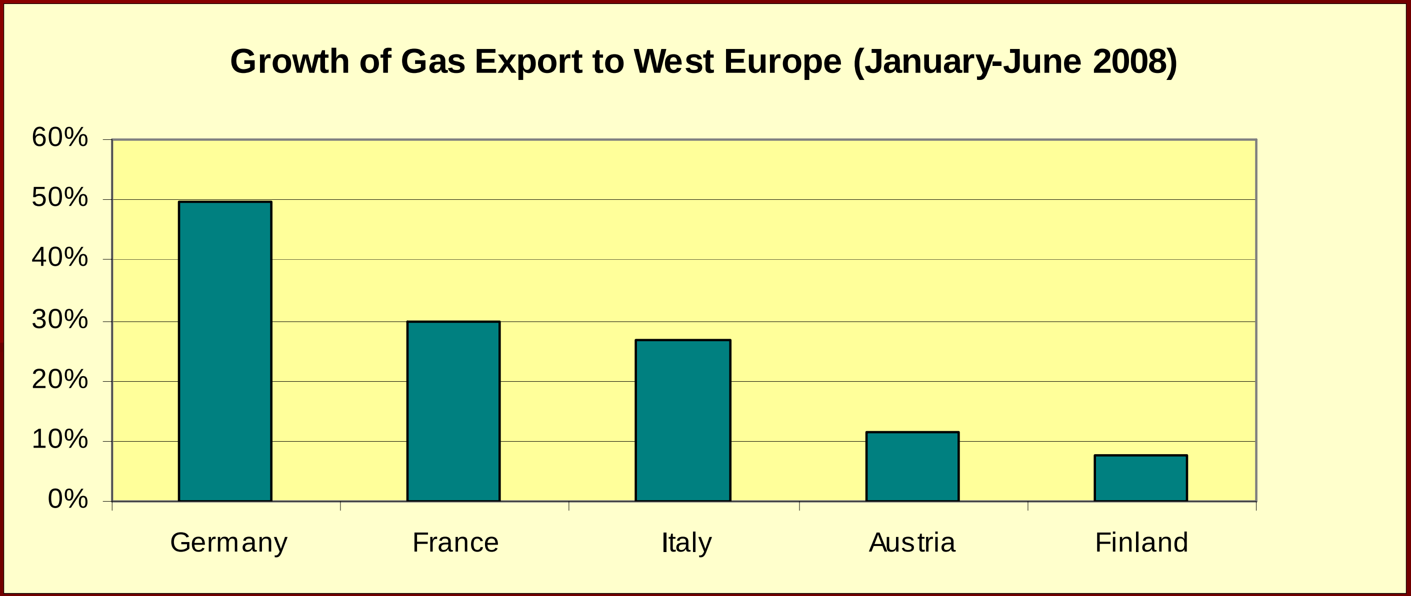
↓ >10 bcm

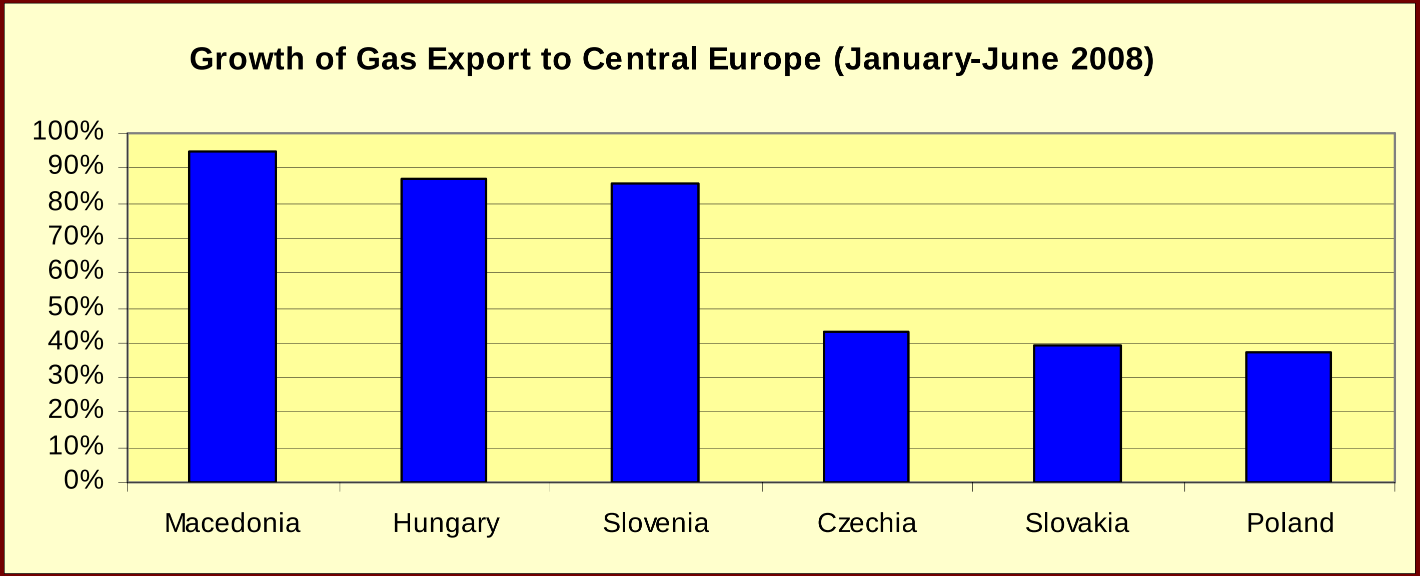
- In the period of crisis the consumption can go down
- BUT the production will go down faster

Needless Looking-for Alternatives?

- Low price – low investment to alternative energy
- Uranium – 25% of European Market is Russia
- Coal – 10% of European Market is Russia
- Biofuel – Russia is the most realistic producer in Europe
- Difficulties with diversification of supply
- Fanatic looking-for diversification of supply gives birth to the idea of diversification of demand
- The diversification for the sake of diversification



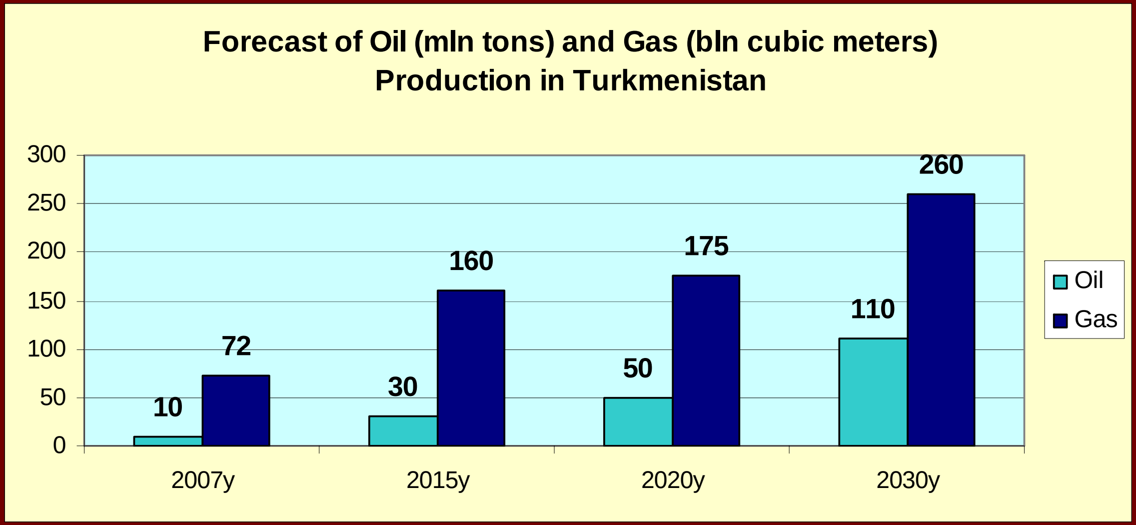




Source: Neftegazovaya Vertikal

«Word of honour» Reserves

- The confirmation of the estimate of Turkmen gas reserves, previously voiced by official Tashkent, by GCA
- The optimum estimate of the South Iolotan and Osman reserves is five times the size of Dovletabad (the primary source of Turkmen gas for Gazprom), previously thought the nation's biggest: a low estimate amounts to 4 trillion cubic metres of gas, an optimum one to 6 trillion, and a high one to 14 trillion cubic metres of gas



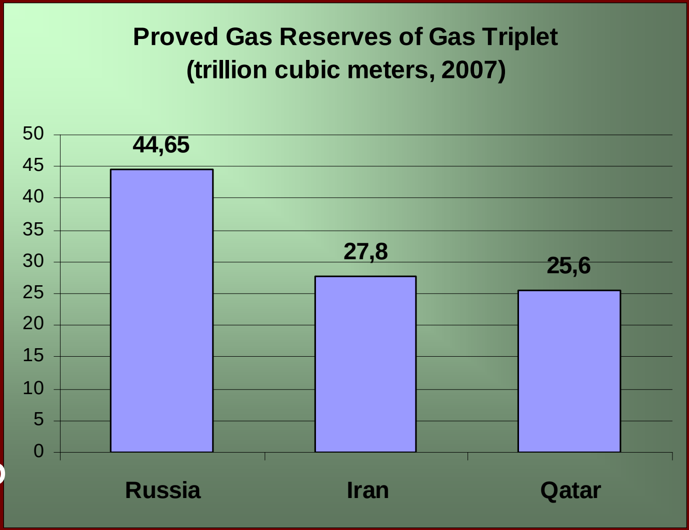
Source: Turkmen government

«Word of honour» Reserves

- **BUT**
- GCA has worked in Turkmenistan since it was ruled by Turkmenbashi. It is perfectly aware of local political realities and was again invited through its “connections,” without a tender held
- Is it enough for decision to build pipeline from Turkmenistan?

"Symmetric Response" to Europe?

- Two strategic tasks of «Gas OPEC» :
  - attempt to dissociate the gas market from the oil market and make pricing for gas independent on the oil market situation
  - attempt to share markets between major gas powers
- This project is of interest for playing in the long term



Source: BP

“Symmetric Response” to Europe?

BUT

- Creating rules of the game in the gas market that will resemble those in the oil market will technically be possible only after a considerable rise in the ratio of liquefied gas in total global consumption, as well as a rise in the quantities of gas that may be redirected from one consumer to another by utilising a wide network of crossing gas pipelines and distribution systems
- At present, however, out of all the founders of the “Organisation of Gas Exporting Countries” only Qatar actively deals with liquefied gas, while Gazprom continues to rely on long-term contracts for supplying gas to its traditional consumers
- As for Iran, on account of the underdeveloped state of its gas industry it even has to import part of the fuel to satisfy domestic requirements

The New Energy Friends of Europe?

The New Energy Friends of Russia?

The New Energy Friends of Russia?

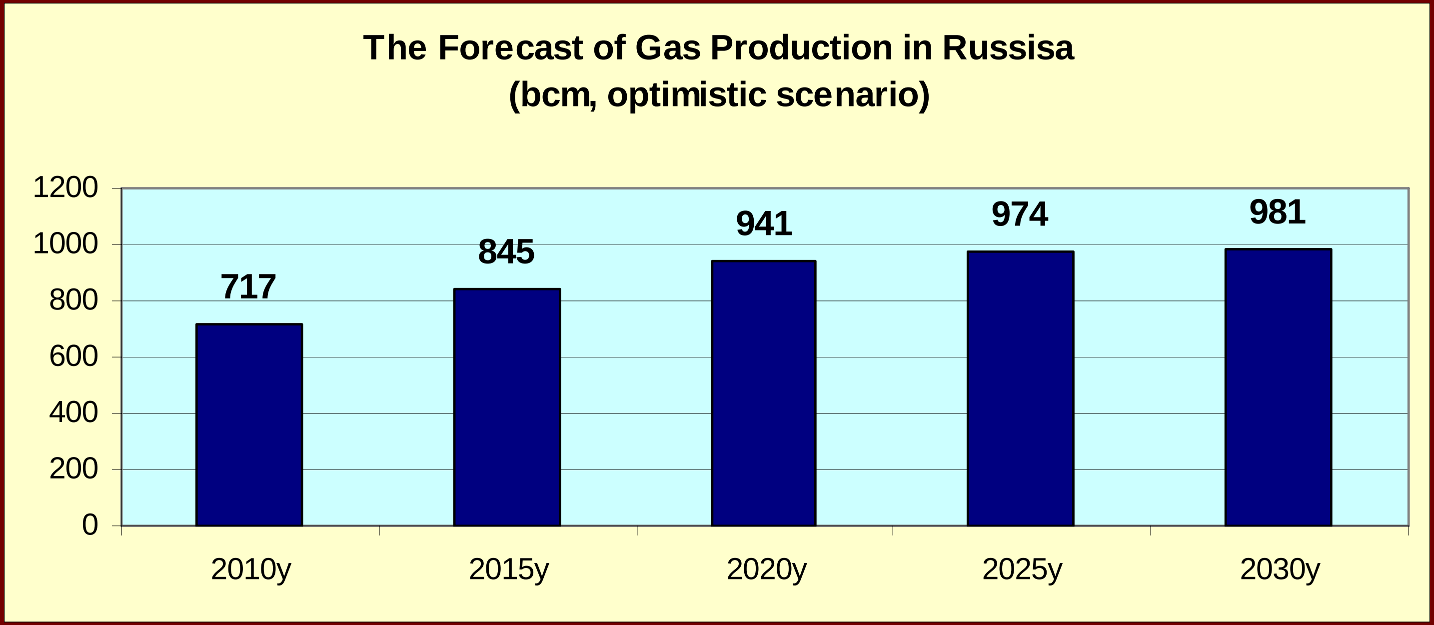
- Formula of Oil Friendship?

$25 bln / $50 per barrel / 7,4 = 67,5 mln tons

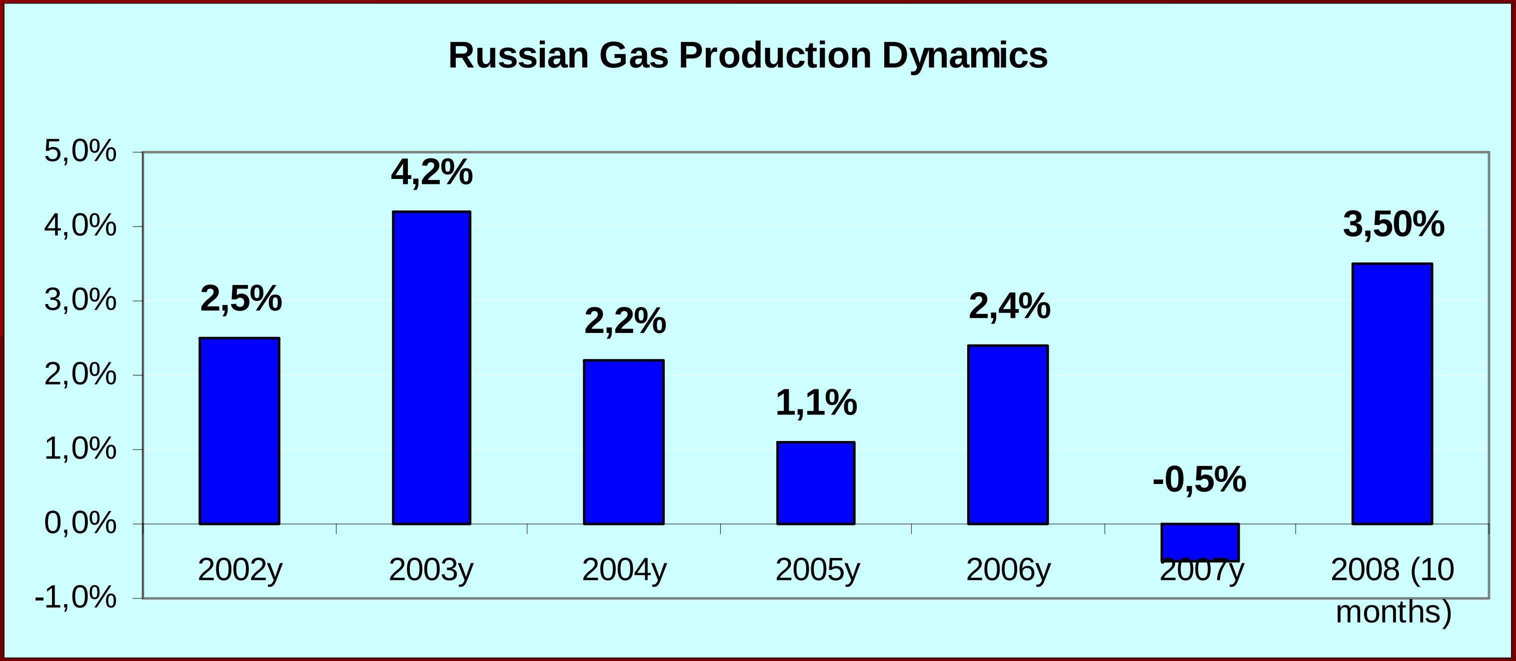
High Hopes

Forecast of Pipeline Export to Russia (bcm)

	2007	2008	2009	2010	2015	2020	2025	2030
Contracts in force	153,7	161	165,1	166,6	189	189	189	189
New contracts					29-33	30-36	30-38	30-38



Source: Gazprom



Changes to Gazprom's Investment Programme for 2008 ($ billion)

	New programme	Old programme
Capital investment	22.88	20.65
Long-term financial investment	12.51	9.94
Expected earnings	139.36	126.01
Borrowings	3.88	3.88

Source: Gazprom

Situation in Upstream

Situation on Main Brown fields

	Year of putting into operation	Max Production	Year of Max Production	Production in 2007
Medvezie	**1972**	**75,3**	**1983**	**19,3**
Urengoiskoe	**1977**	**276,2**	**1987**	**94,4**
Yamburgskoe	**1986**	**174,2**	**1994**	**109,9**

Situation on Main Operable Green fields

	Year of putting into operation	Max Production	Year of Max Production	Production in 2007
Pestsovoe	2004	27	2007	27
Uzhno-Russkoe	2007	25	2009	1,3
Beregovoe	2007	10,5	2010	0,8

Source: Gazprom

Cross Ownership in Energy Sector

- Cross Ownership in Energy Sector can be the best solution
- Europe can control situation in Russian Upstream if Western companies will be minority shareholders in Russian upstream Project
- News from Shtokman? Ask Total and StatoilHydro

Thank you!

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