

## **Actual Development of the Ukrainian Gas Industry in 2004**

In 2004 natural gas consumption in Ukraine totalled 75.8 Bcm - it means 0.5 Bcm or 0.7% less than in 2003. Natural gas keeps playing a major role in the fuel-energy balance, sharing about 42% in primary energy consumption.

The indigenous production of natural gas was 20.3 Bcm (or 0.8 Bcm more than in 2003), ensuring 26% of the country's demand for natural gas. Gas import totalled 59.8 Bcm (74% of gas demand), including gas import from Russia (42%) and Turkmenistan (32%). Gas export in 2004 decreased to 4 Bcm, in comparison with 5.2 Bcm in 2003.

The structure of natural gas consumption has not changed since 2003. The residential/commercial consumption was 33.1 Bcm (44% of total consumption), gas consumption for power generation was 6.7 Bcm (9%) and 36 Bcm (47%) was delivered to the industrial enterprises, including the fuel gas for transmission system.

Five gas fields were discovered in 2004, two ones were put into operation. Ukrainian construction companies built more than 150 km of main gas pipelines and branches.

The work on increase of gas transmission system reliability and its rehabilitation has proceeded. New Ukrainian high efficiency gas turbines were installed on compressor stations instead of outdated drivers. About 2070 km of gas pipelines were pigged using "intelligent" pigs technology.

Ukraine has a developed network of the NGV filling stations in 70 cities, including 90 NGV stations within Naftogaz of Ukraine NJSC. The annual capacity of NGV filling stations totalled 0.7 Bcm. Economical and ecological advantages of vehicles using natural gas as fuel resulted in 6% growth of gas usage at NGV filling stations last year (to 0.4 Bcm). Number of vehicles using CNG totalled about 60 thousand.

The transit deliveries of natural gas to the countries of Central and Western Europe were 116.5 Bcm in 2004 vs 107.2 Bcm in 2003 (or 9% more). It should be noted that the actual transit capacity of the Ukrainian gas transmission system to Europe is 140 Bcm, which is 20% higher than existing level of gas transit.

Besides, 16.7 Bcm of Russian gas were shipped via Ukraine to the south of the Russian Federation and Moldova (as in 2003).

Within the last several years Ukraine owns significant reserves of storage capacity. Underground gas storage facilities (UGSF) are used only for 60-70% of their working capacity, however for the last year we point out increase of gas injection to UGSF. The fuller usage of our UGSF by neighbouring countries will considerably increase the reliability of natural gas supply of these countries.

Gas prices for residential and commercial consumers are regulated by government (National Commission on Energy Regulation - NCER). In 2004 they remained at the level of 35 - 45 USD/1000 cm. For industrial enterprises gas prices were free, but in 2004 NCER regulated prices only for Naftogaz of Ukraine NJSC, as monopolist, and they could not exceed 85 USD/1000 cm.

Moreover it is very important to point out the continued increase of GDP in Ukraine, which in 2004 was over 12% vs 9,3% in 2003.