



15th Annual Session of the UNECE Committee on Sustainable Energy

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28 November 2006



Topics for discussion

- Old and new trends in EU gas market liberalisation
 - *Future of long-term contracts*
 - *Ownership unbundling*

- Rising risks for producers and consumers alike in securing stable and reliable deliveries
 - *Unstable legal regime*
 - *Investment uncertainty*

- Producers' strategy to preserve and develop their market position



Future of long-term contracts

Ability of free markets and market forces to promote energy security is widely questioned.

Reasons:

- *Gas release programmes*
- *Volume and duration constraints for contracts between importers and distribution companies*

Results:

- *Increased pressure on long-term contracts*

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Ownership unbundling

- *“liberalisation process itself creates investment uncertainty for the producer countries...and this could cause a supply shortfall in the next decade”⁽¹⁾*

More reasons for it now:

- *“There has to be a structural solution that once and for all separates infrastructure from supply and generation. In other words: ownership unbundling.”⁽²⁾*
- *“We will undoubtedly propose separation in the European energy market...this really is the current tendency”⁽³⁾*

⁽¹⁾
⁽²⁾
⁽³⁾

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Ownership unbundling (cont.)

- will ownership unbundling which undermines fundamental private property rights stimulate investments in gas industry?

Multibillion decisions are now difficult to take:

- *investment decisions on construction of Nord Stream and participation in BBL pipeline need to be taken soon*
- *previous investments in Germany and Great Britain are at risk*

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Integration risks

- Integration risks add to the uncertainty of legal and investment framework
- Polish demarche sets a potentially precarious precedent in the EU external relations
- the problem of managing “27 different voices” recognized in EU at the highest level

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Gazprom's contribution to Europe's security of supply

Summer 2006:

- Agreement with E.ON Ruhrgas to prolong gas supply contracts till 2035 (total volume - 300 bcm);
- Supply contract with E.ON Ruhrgas till 2036 to deliver up to 100 bcm via Nord Stream

November 2006:

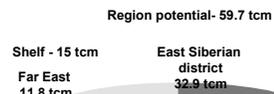
- Strategic partnership agreement with ENI envisaging prolongation of supplies to Italy till 2035.

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Meeting East Asia's Future Demand



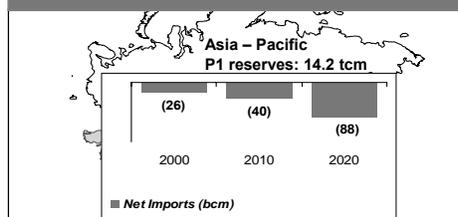
East Siberia and Far East gas reserves⁽¹⁾



East Siberia and Far East Gas Production Projections⁽²⁾

bcm p.a.

Strong Growth Expected in the Asian Gas Market



Projected gas deliveries to China⁽³⁾

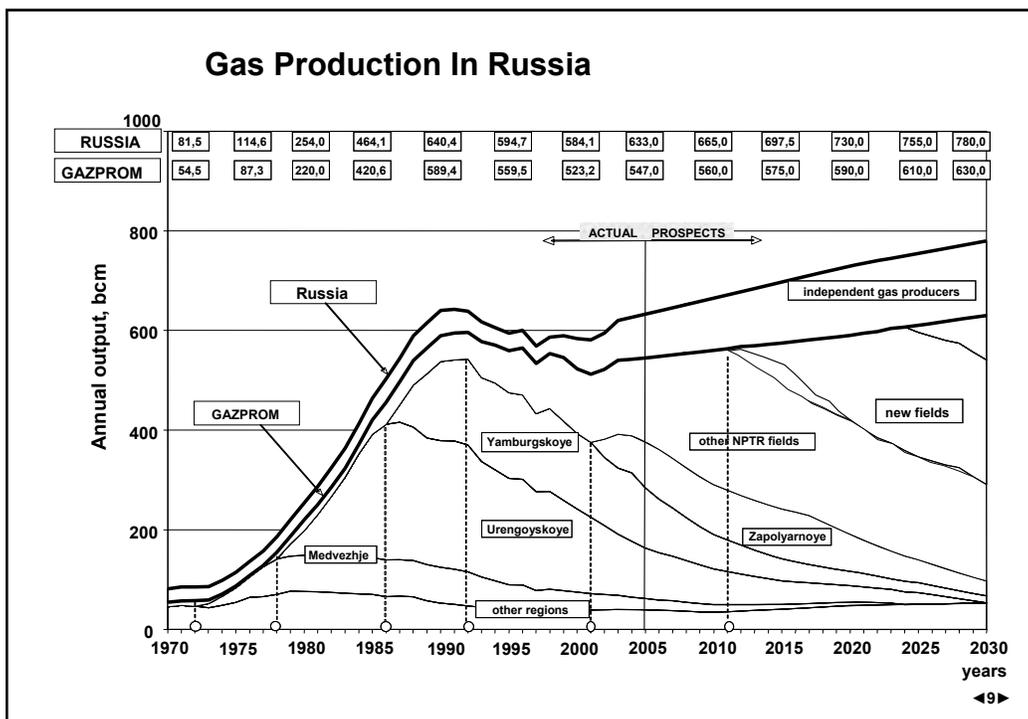
- Deliveries to start in 2011
- Annual volume - up to 30 bcm
- Deliveries period - 30 years

(1)

(2)

(3)

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Urgent problems to address

If Europe wants to be competitive with other consuming markets it will need to address the following issues:

- *Transport infrastructure investments are burdened with legal, integration and entrepreneurial risks*
- *Companies willing to provide such investments need clear, stable and economically reasonable playing rules in energy sector*
- *Due to natural gas market becoming truly global Europe will face increasing competition from emerging demand centers*

Is Europe ready?

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