

Development of gas industry in Russia.

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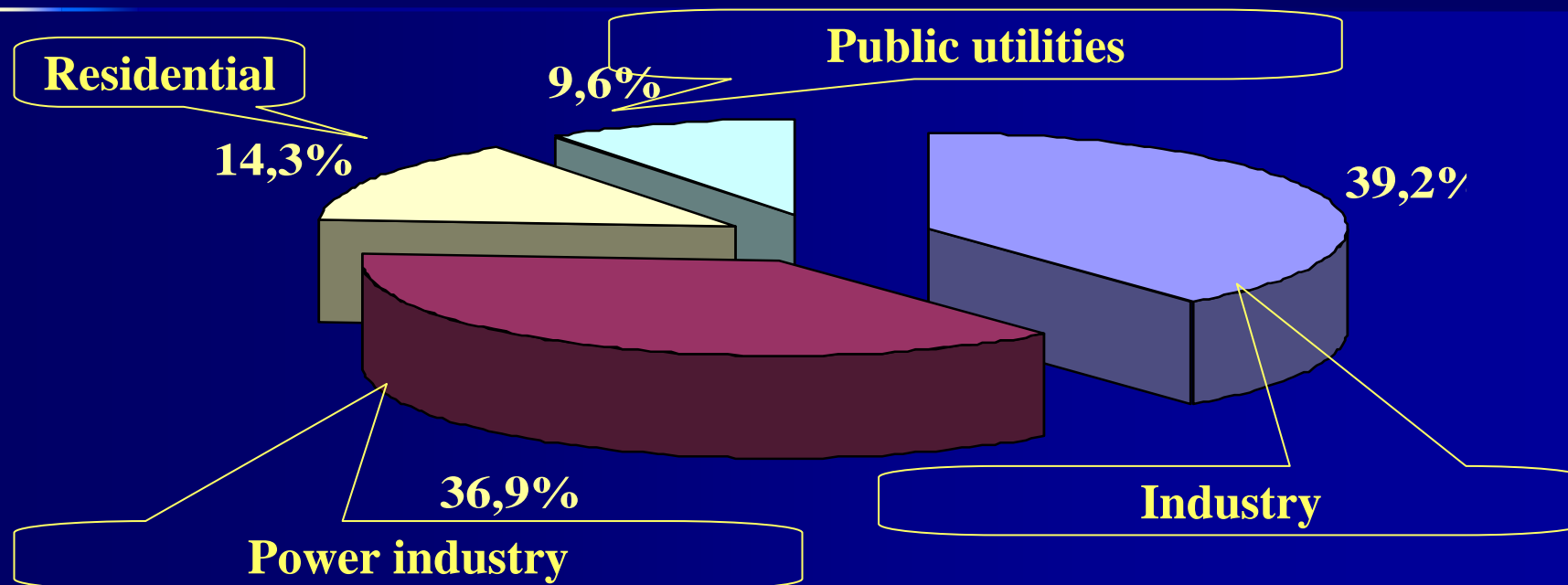
Main themes

- Structure and dynamics of Russian gas production in 2007.
- Consumption of Russian gas in 2007.
- Export supply of gas from Russia
- Modifications in Russian legislation in 2007.
- Transformations in price policy of domestic and foreign markets.
- Dynamics of wholesale and retail prices on gas and rates on services of gas transportation of independent companies in gas-supply system of Russia.
- Exchange trade of natural gas by using e-commerce system.

Upstream – production and reserves

- Gas production in Russia ran up to 653,1 b.c.m in 2007 year.
- The share of “Gazprom” in gas production is rather stable and retains the 84 % level.
- “Gasprom’s” proved reserves of natural gas (A+B+C1) increased from 28 trillion cubic meters to 29,9 trillion cubic meters.
- The maintenance of gas production implemented by “Gazprom” remains 54 years. This indicator is estimated at the beginning of the 2008.

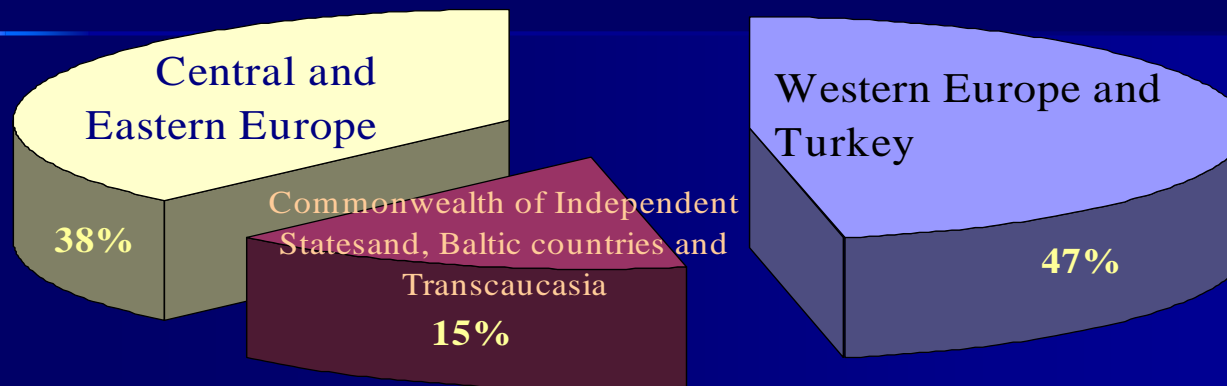
The structure of gas consumption in Russia.



Notice: Preliminary information based on the results of 9 months of 2007.

“Gazprom” provided 20,2 billion rubles on realization the gasification program. This program will support increase of the current level of Russian gasification to 62% at 2008.

Export of gas from Russia.



Notice: Preliminary information based on the results of 9 months of 2007.

Russia repeatedly confirmed her status of reliable supplier of energy resources during 2007!

Main changes in Russian legislation

- Government regulation of Russian Federation from 28.05.2007 № 333 «Improvement of state policy of gas prices»
- Government regulation of Russian Federation from 30.10.2007 № 722 «Making changes in main statutes of forming state control on gas prices and tariffs on services of gas transportation through Russian territory»
- Government regulation of Russian Federation from 10.12.2007 № 851 «Prolongation the experiment of gas sale using e-commerce system in 2008»
 - Federal Tariff Service, order from 5.07.2007 № 156-e «Ratification of the statement of determining the formula of wholesale gas price.»
 - Federal Tariff Service, order from 5.07.2007 № 155-e «Ratification of the statement of determining gas volumes and consumers, that is regulated by principals written in the point 15.1-1.53 that sounds as “Main statements of state control on gas prices and tariffs on services of gas transportation through Russian territory»
 - Federal Tariff Service, order from 25.10.2007 № 286-e/4 «Making changes in methods of accounting tariffs on services of gas transportation through gas pipelines, which were maintained by The Order of Federal control of tariffs of Russian Federation from 23.08.2007 № 388-E/1»

Prices on gas

- Wholesale prices on gas increased on 15% in 2007
- By estimation, average price reached 1304,6 rubles/thousand cubic meters or 53,24 \$/thousand cubic meters.
- Indexation of wholesale prices in 2008 – 25 %
- Average level of regulated wholesale prices on gas expected in 2008 introduced below
 - industry- 1690 rubles/thousand m³ or 68,98 \$/thousand m³
 - population - 1290 rubles/thousand m³ or 52,65 \$/thousand m³
- ❖ Growth rates of wholesale gas prices determined by Government of Russian Federation for all groups of consumers in 2009-2010 from 1st January and 1st July appraise 13% (in whole year this rate is 27,7%)
- ❖ Prices on gas are to be increased by the level that secured profitability of gas supply on foreign and domestic markets with the glance of the transportation and customs costs.

Tariffs on gas transportation through the gas-supply system of Russia

- Tariff of gas transportation service through gas pipelines for independent companies includes the rate for using pipelines and the rate for work made to transport gas.
- Tariff of gas transportation for independent companies increased on 15%.
- All the gas volume declared by independent companies for supply to final consumers got the access to Russian gas-supply system.
- There is no problem with the access for independent companies to Russian gas-supply system.
- The main factor of tariff changing is the increase of capital investments of “Gazprom” for an expansion and modernization of the gas pipeline system.

Gas trading on the exchange

- Government regulation of Russian Federation from **02.09.2006 № 534 «Carrying out the experiment of selling gas on e-commerce»**
- E-commerce of “Megregiongaz” is the place for gas trading.
- “Gazprom”, oil and gas companies are the bidders.

The volume of gas selling on e-commerce from December 2006 to 14 September 2007 was 5,43 billion m³, from them 3,12 billion m³ are owned by “Gazprom”
2,31 billion m³ are owned by independent gas producers.

**Thank you for your
attention!**