



## Russian Government and Gas Industry

### Main Tendencies

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# RUSSIAN GAS - GREAT PROJECTS!



*But we will not talk about it...*

# WHAT WE WILL TALK ABOUT?

*TRENDS*



UNNOTICIBLE CHANGES

**PLANS**

*UNOFFICIAL NEWS*

**STAFF CHANGES**

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...about what you didn't know

...about what you have heard but didn't consider it important

**...about inconspicuous events that are possible determine future**

# “General Scheme of Gas Industry Development for the Period until 2035”



Routine technical document which traditionally is developed by VNIIGAZ became a field of "battle" between Gazprom and Rosneft.

Novatek is waiting...



- The reason is the new chapter that has been added by the decision of Commission for ECPs under the President:

## “The concept of gas market”

- After consideration by the Government, the General Scheme has been sent back for revision .... to VNIIGAZ

# Federal Antimonopoly Service "won" Federal Tariff Service



ФАС России



- Federal Tariff Service is liquidated
- All functions of FTS are transferred to the FAS
- Less than one-fifth of FTS employees are recruited by FAS
- **FAS will have to introduce market-based methods of regulation of natural monopolies**

# The single export channel for natural gas

- After the liberalization of exports of LNG, independent producers have begun to demand access to income from exports

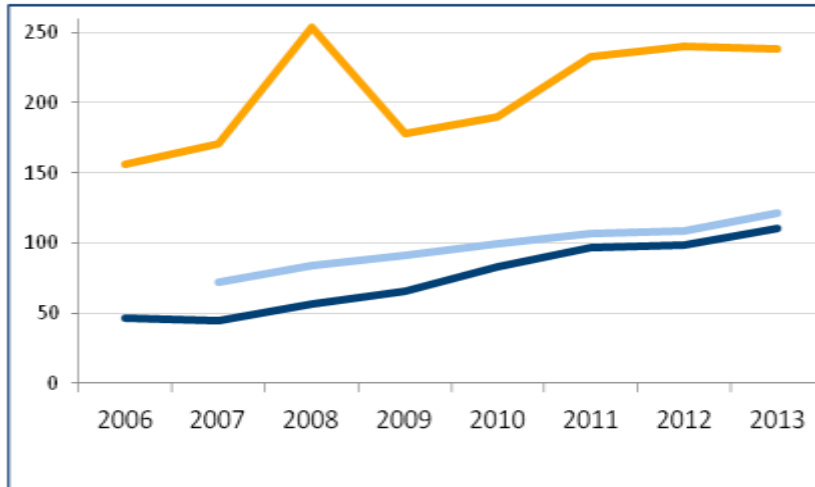


- Gazpromexport management was replaced. A new generation of managers come
- The first auction was carried out for export

- The Government is considering options for obtaining independent producers share of export revenues
  - Net – back prices (for East Siberia?)
  - Gazpromexport as a broker (for Europe?)

# How to regulate the prices of gas?

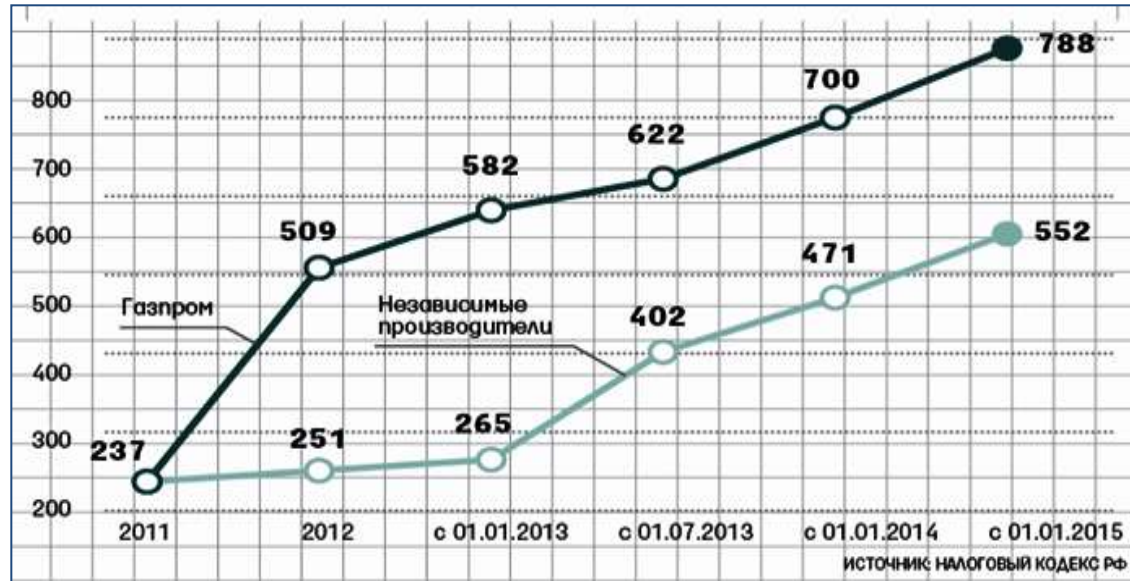
## Nobody know...



- The principle of equal profitability of export and domestic prices failed completely

- Why domestic price of gas should follow prices in Europe?
- What prices will be acceptable to industry and households?
- The government is about to begin studying these questions

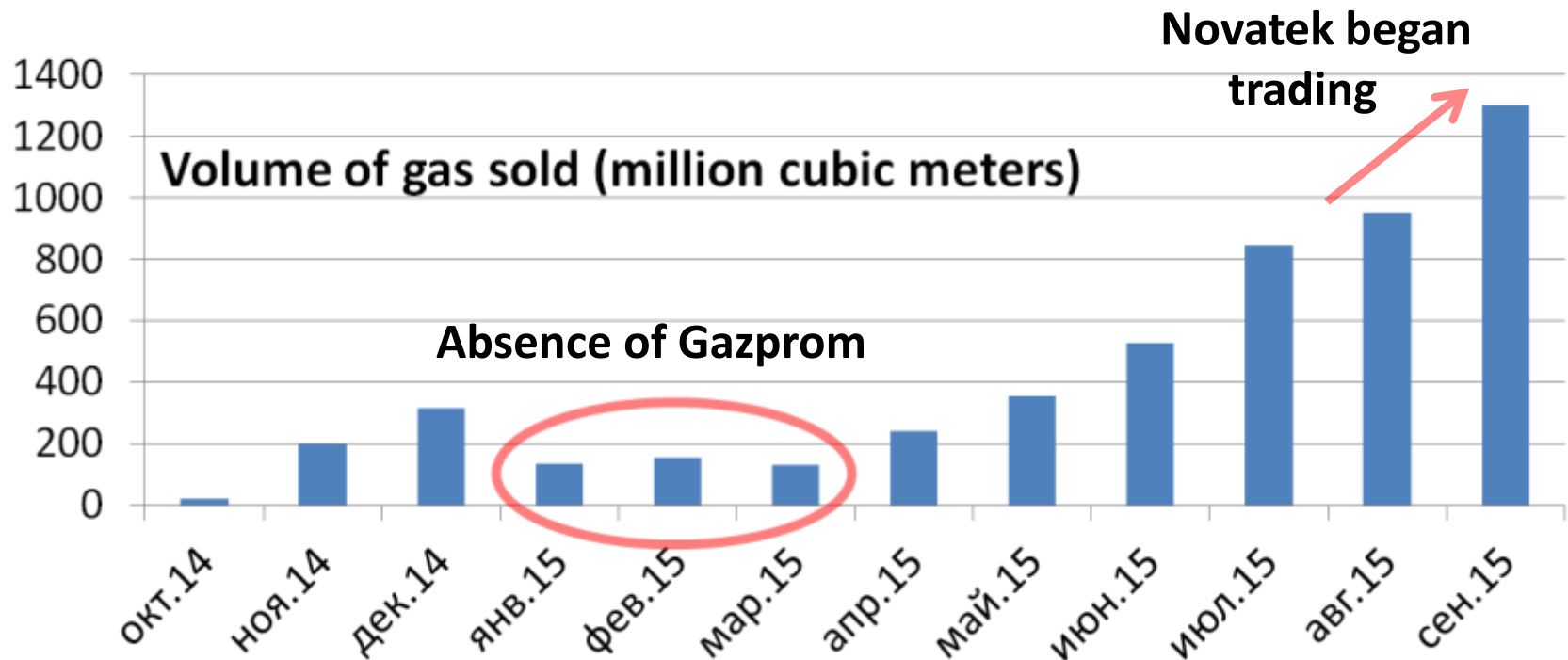
# Mineral Extraction Taxes for Gas



- Today's MET was set at 2012. Will anything change?
- Gazprom demands equal MET for him and “independent”.
- In a crisis, the government is trying to take more taxes from oil companies. Oil companies offer to take more taxes from gas



# GAS EXCHANGE



- Novatek's start of trading on the Exchange is a signal beginning of a real competitive trade
- They say that the large customers of Novatek began themselves to trade on the exchange through independent traders
- A further significant increase in the volume of trade could create problems for Gazprom, which provides balancing of gas transportation system

# Households are "social burden" or promising market?



- Households are one of the few sectors where gas consumption keeps
- In south regions of Russia the share of households gas consumption is about 40%
- Recently, the government has significantly simplify and cheapen the procedure for connecting to the gas network

# Possible drivers of growth of the Russian gas market

- Domestic market
- Export to China
- Export of LNG

