



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

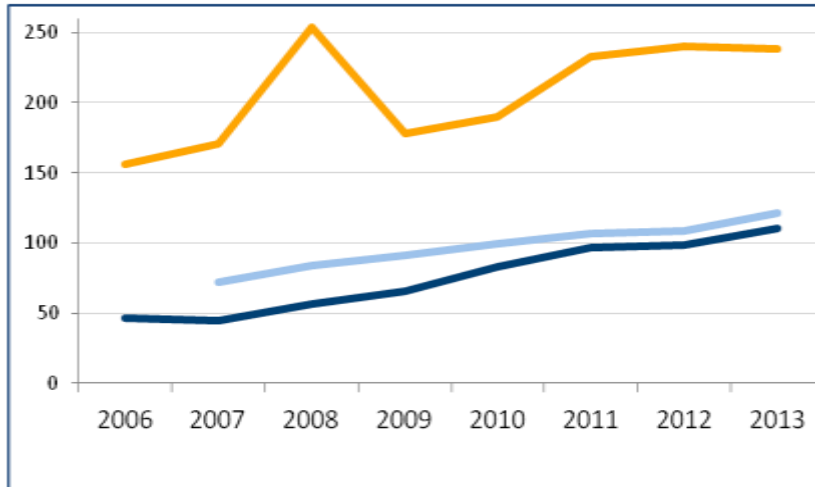


- Gazpromexport management was replaced. A new generation of managers come
- The first auction was carried out for export

- 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?

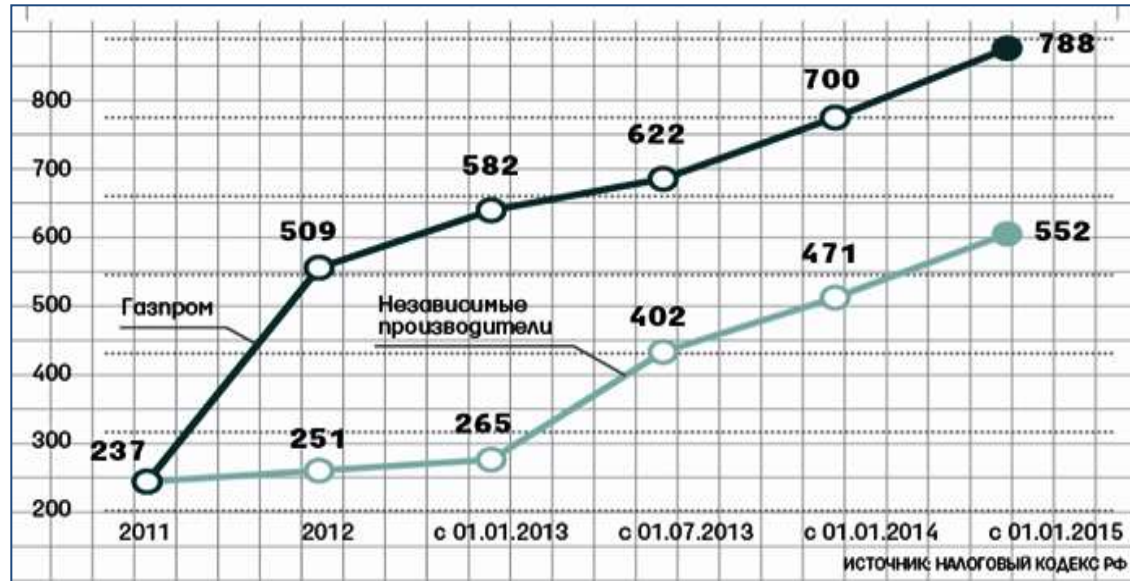
Nobody know...



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

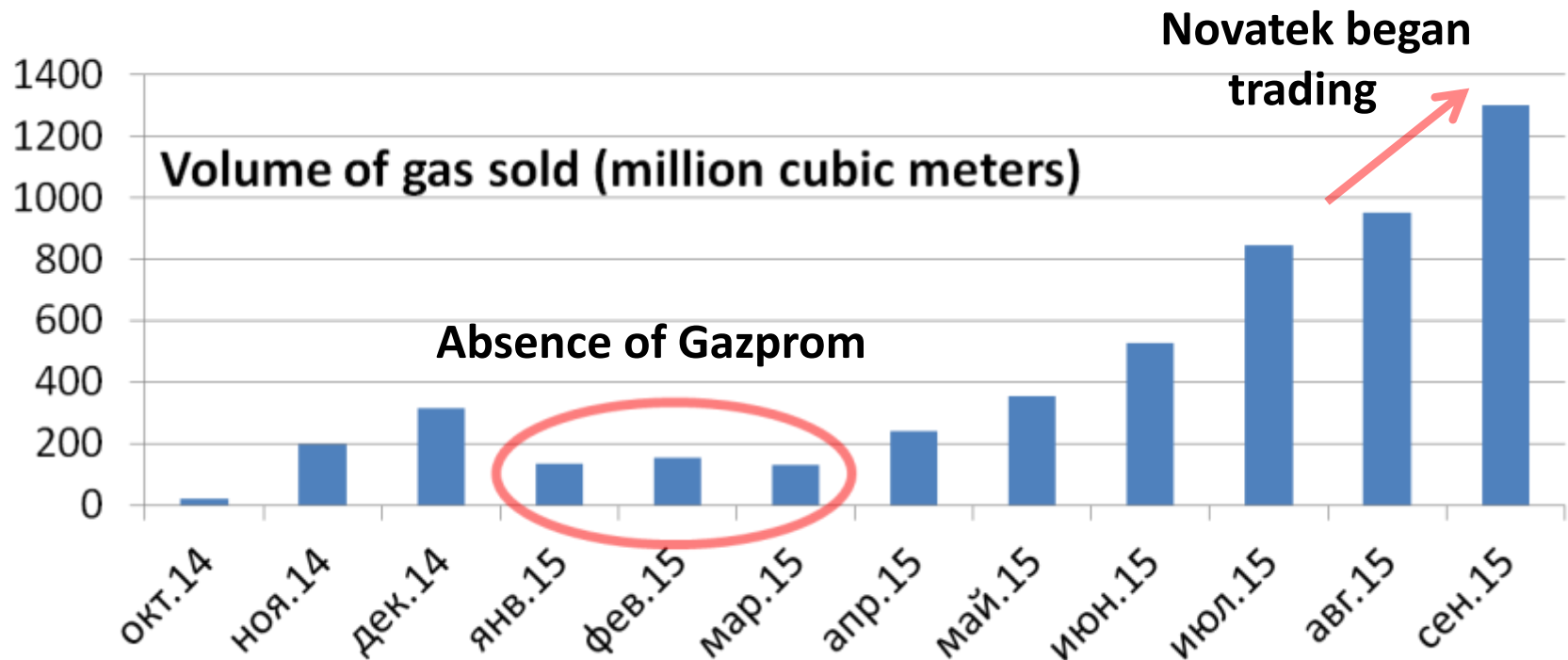
- Why domestic price of gas should follow prices in Europe?
- What prices will be acceptable to industry and households?
- The government is about to begin studying these questions

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

