

A large, light blue, stylized flame graphic on the left side of the slide, composed of several curved, overlapping shapes that resemble fire or energy.

Regulatory Threats to European Energy Security

A View from Gazprom Export

Sergei Komlev

Head of Contract Structuring and Price Formation
Gazprom Export

IENE CONFERENCE
THESSALONIKI, MAY 31, 2012

Major Regulatory Threats to European Energy Security

- Termination of the existing long-term supply contracts and/or their displacement with the less secure arrangements;
- Disincentives to invest in the trunk export pipelines creating problems with new deliveries and/or diversion from the insecure routes;
- Vanishing flexibility of deliveries at a time of growing demand volatility;
- Threats to the existence of the core market suppliers - the importers - due to the 'unfair' competition enhancement.

Pricing Model Options for Continental Europe Gas Market or 'Quick Choice, Long Repentance'



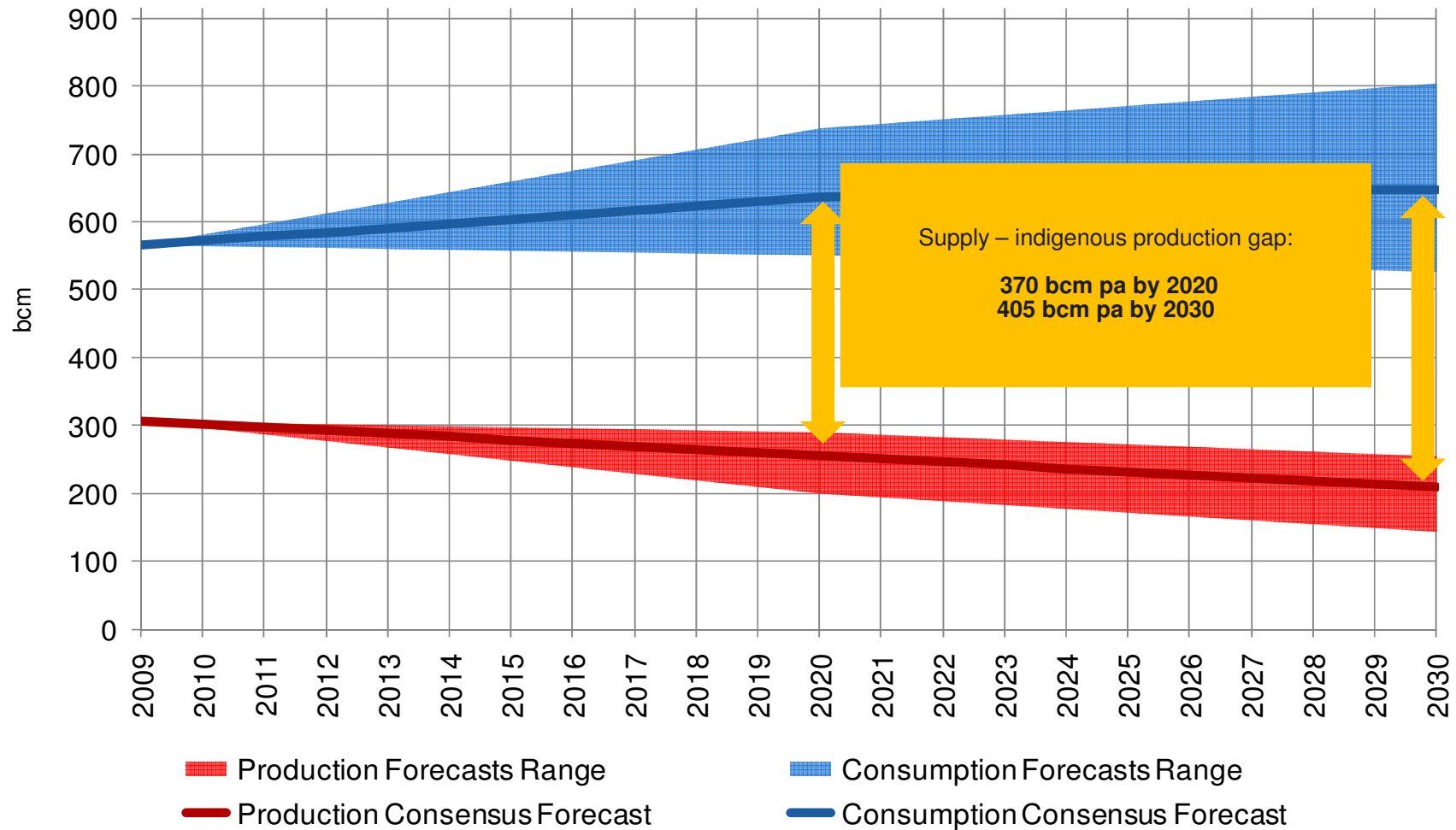
Model	Applicable To	Description	Supplier Acceptance
Oil Indexation	Asia	<ul style="list-style-type: none"> • LT contracts • 100% indexed to oil • No hubs 	Yes
Hybrid	Continental Europe	<ul style="list-style-type: none"> • Primarily, LT oil/oil product indexed contracts • Minimal gas-indexed component in LT contracts • Hub pricing 	Yes
Modified	Continental Europe (?)	<ul style="list-style-type: none"> • LT contracts linked to gas indexes • Hub pricing 	No
Hub	North America	<ul style="list-style-type: none"> • Near absence of LT contracts • Pricing based on supply & demand 	Not the best option for Continental Europe

USA & Continental Europe Pricing Models

Fundamental Differences

1	USA	Hub price is a function of total demand and supply
	Continental Europe	Hub prices are a function of multiple examples of arbitrage
2	USA	One price at a level determined by Henry Hub
	Continental Europe	Multiplicity of prices Company supply managers determine the price of gas portfolio
3	USA	Majority of gas is sold on hubs Majority of LT export contracts incorporate diversion clause
	Continental Europe	Less than 1/4 of physical trade on hubs represent primary sales The remaining volumes of gas traded come from LT contracts for pipeline gas
4	USA	High churn ratios
	Continental Europe	Churn ratio below 4 (low, but sufficient for balancing market)

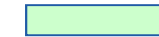
Europe Will Need New Pipelines by 2030




Last update December 2011


Revisions of Daily Nominations Versus Initial

Date	Weekly Nomination	Daily Nomination (before the 6 p.m. D-1)	Revision 1	Revision 2	Revision 2	Revision 4	Last revision	Δ (last revision – daily nomination)
01.07.2009	42050	29034					29034	0
02.07.2009	43998	38390	49390				49390	11000
03.07.2009	43998	46476	45524				45524	-952
04.07.2009	43998	32447	33977	33957	32957		32957	510
05.07.2009	43998	33950	30959				30959	-3000
06.07.2009	42040	45924					45924	0
10.07.2009	42040	44280					44280	0
11.07.2009	42040	44502					44502	0
12.07.2009	42040	44538	43038				43038	-1500
13.07.2009	44580	44522					44522	0
14.07.2009	44580	44380	40380				40380	-4000
15.07.2009	44580	44513	42513				42513	-2000
16.07.2009	44580	42311	40311				40311	-2000
17.07.2009	44580	40580	38580				38580	-2000
18.07.2009	44580	38580					38580	0
19.07.2009	44580	38580					38580	0
20.07.2009	44580	44580					44580	0
21.07.2009	44580	44162	36162	40162			40162	-4000
22.07.2009	44580	40457	44457				44457	4000
23.07.2009	44580	42079					42079	0
24.07.2009	44580	43883	39883	37883	37383		37383	-6500
25.07.2009	44580	39790	36790				36790	-3000
26.07.2009	44580	35792					35792	0
27.07.2009	42040	38107	33107	38107			38107	0
28.07.2009	42040	28662	37662				37662	9000
29.07.2009	42040	37657	35657				35657	-2000
30.07.2009	42040	33528					33528	0
31.07.2009	42040	33381					33381	0
01.08.2009	37502	33910					33910	0
02.08.2009	37492	33897	32897				32897	-1000
03.08.2009	38046	40889	37199				37199	-3600
04.08.2009	38046	36973	39425	36973	38835		38835	1862
05.08.2009	38046	39826					39826	0
06.08.2009	38046	40116					40116	0
07.08.2009	38046	39795					39795	0
08.08.2009	38046	34364	29799				29799	-4365
09.08.2009	38046	32364					32364	0
10.08.2009	38046	39822	41870				41870	2048
11.08.2009	38046	39825					39825	0
12.08.2009	38046	39829	34377	36377			36377	-3452
13.08.2009	38046	39633	36633				36633	-3000
14.08.2009	38046	33834	40124				40124	6290
17.08.2009	40586	41175					41175	0
18.08.2009	40586	43842	40842				40842	-3000
19.08.2009	40586	40629					40629	0
20.08.2009	40586	41672	31672				31672	-10000
21.08.2009	40586	43619	39119	41119			41119	-2500
22.08.2009	40586	33336	36836	34336			34336	1000
23.08.2009	40586	37339	36839	34339	30489		30489	-6850
24.08.2009	40134	35342	40342	38389	40342	37342	37342	2000
25.08.2009	40134	27637	21637				21637	-6000
26.08.2009	40134	28548	31048	26548			26548	-2000
27.08.2009	40134	26628	29628	30628	28628		28628	2000
28.08.2009	40134	23670	29670				29670	6000
29.08.2009	34134	29346	39346				39346	10000
30.08.2009	34134	34351	39851				39851	5500
31.08.2009	27134	33573	39573				39573	5500

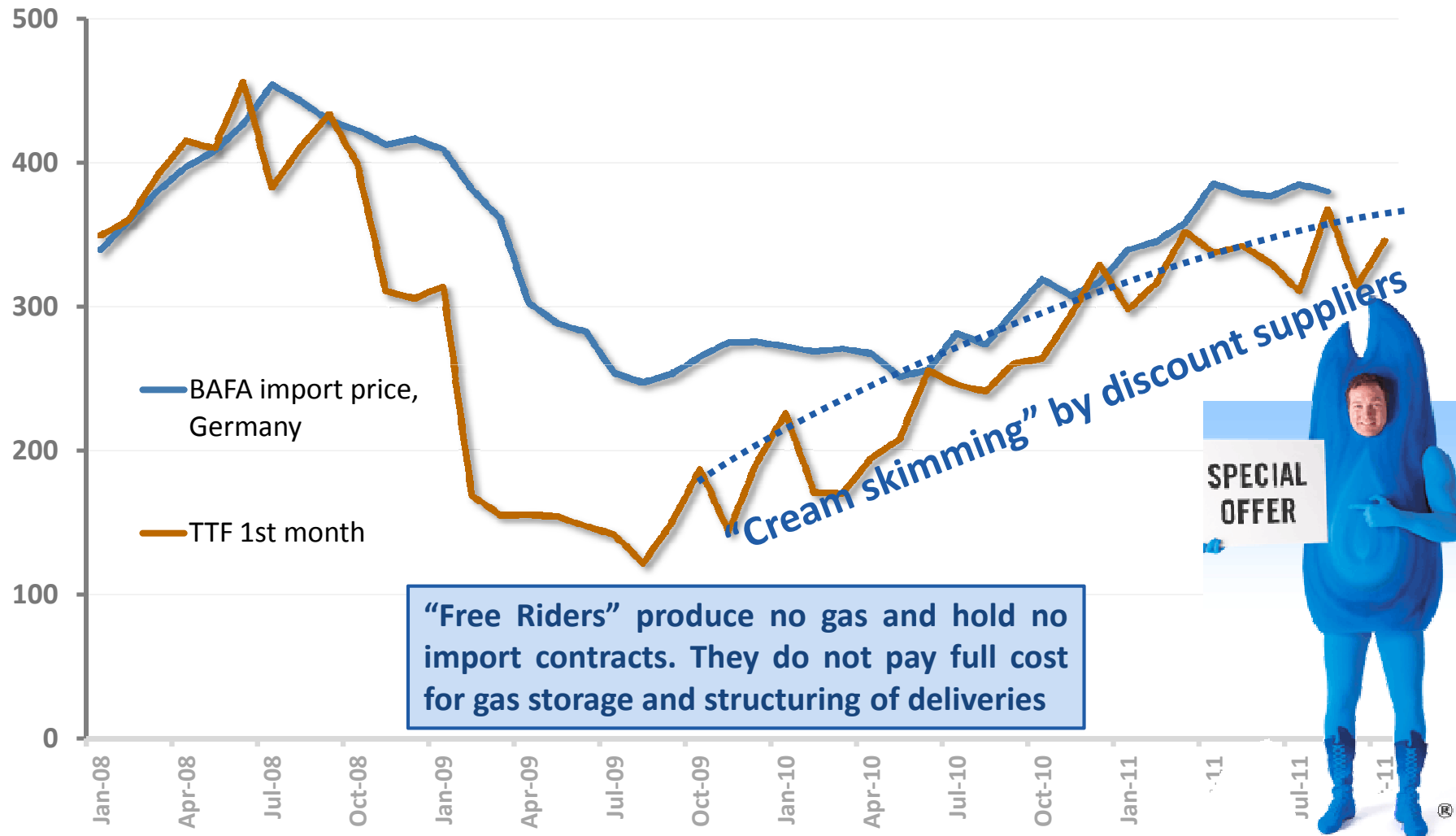
 Last revision before beginning of gas day (before 8:00 a.m.)

 Revisions after beginning of gas day

 Decrease of final Buyers daily nominations vs. initial one

 ... but according to new Congestion management rules Buyer could make a nomination once before gas day

Reforms Sponsor “Cream Skimming” and “Free Riding” – Competition Becomes Unfair



“Free Riders” produce no gas and hold no import contracts. They do not pay full cost for gas storage and structuring of deliveries

SPECIAL OFFER



THANK YOU FOR YOUR ATTENTION!