

Press Conference Background

Gas Supply to Domestic Market. Executing Russian Regions Gasification Program

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Gas supply to domestic market

In 2009 under the supply contracts with Russian consumers Gazprom delivered 262.6 billion cubic meters of natural gas.

Gazprom Group's proceeds from gas sales on the domestic market (net of excise duty and VAT) increased 4.3 per cent up to RUB 494.9 billion as compared to 2008.

The average domestic gas sales price increased in 2009 by 14 per cent up to RUB 1,885 per 1,000 cubic meters versus 2008 (net of excise duty and VAT).

In 2009 Mezhhregiongaz sold 287.7 billion cubic meters of gas domestically using the resources of Gazprom and other suppliers, which is 5 per cent lower compared to 2008.

Some 94 billion cubic meters of gas were supplied to the socially significant consumer groups in 2009 – population, public sector and utility companies – 33 per cent of the total amount of gas supplied by Mezhhregiongaz. Gas deliveries to these consumer groups grew by 1.7 billion cubic meters as compared to 2008.

In the first quarter of 2010 Mezhhregiongaz supplied 107.5 billion cubic meters of gas, which is 7.5 per cent more versus the same period of 2009. Population, utility companies, as well as metallurgical and power generation industries were the main contributors to the gas consumption growth. 8 billion cubic meters of gas were sold on the conditions set forth in the Russian Government Directive No.333 providing for a 5.5 billion cubic meter increase as compared to the same period of the previous year.

The socially significant consumer groups managed to maintain a rather high level of payments in 2009 – 92 per cent. Meanwhile, the same parameter featured by the utility companies decreased 3.9 per cent versus 2008 down to 88.1 per cent leading to a RUB 5.9 billion increase over 2009 in the total debt, which equaled RUB 13.7 billion as of January 1, 2010.

Natural gas exchange and electronic trading development

In 2009 Gazprom and Mezhrefiongaz carried on developing natural gas exchange and electronic trading. A variety of measures were taken to implement the projects for the Natural Gas Exchange startup and the Electronic Trading Platform restart.

The unprecedented simulation trading was carried out by Mezhrefiongaz in April 2010 to test the software systems of the Natural Gas Exchange and the Clearing company (a subsidiary of Gazprombank – Settlement and Depository company). 28 organizations took part in this trading: major gas suppliers and producers, traders, financial companies and regional gas companies. The trading participants carried out a complete range of operations starting from the purchase of a futures contract to the distribution of physical gas volumes among end consumers with the electronic execution of the appropriate documents for gas transportation and delivery.

Executing 2009 Russian Regions Gasification Program

When implementing the Russian Regions Gasification Program Gazprom aims to reach the maximum feasible gasification level in regions, meet the gas demand and improve the population's living conditions.

In 2009 Gazprom invested RUB 19.3 billion in the gasification facilities construction. 69 Russian regions participated in the Program. Seven start-up complexes and 189 inter-settlement gas pipelines with the total length of 3,200 kilometers were completed, which allowed supplying gas to 447 population centers in 47 regions.

An updated version of the Concept for Gazprom's participation in Russian regions gasification was approved last year. The Concept regulates the procedure of the Company's interaction with regional administrations, identifies a differentiated approach to gasification depending on the local gas reserves availability and the existing fields development level, as well as on the use of fuel alternatives (LNG, CNG and liquefied petroleum gas). Execution of the document will contribute to enhancing the efficiency of investment in the regions gasification.

The 2010 Russian Regions Gasification Program envisages RUB 25 billion financing. The Karachayev-Cherkessian republic has been included in the Program for the first time ever, thus increasing the total number of the gasified Russian regions to 65 in 2010.