

Press Conference Background
STRATEGIC DEVELOPMENT. INVESTMENT PROJECTS IN RUSSIA
(May 18, 2021)

Last year posed a severe challenge to the global economy and the global energy sector. Among other things, the pandemic caused a downturn in economic activity and lower demand for energy carriers, as well as a slowdown in the development of natural gas markets. Nevertheless, Gazprom managed to ensure high stability and reliability of its gas supplies in these circumstances. By early 2021, the Company's key performance metrics went back to their pre-crisis levels. Thus, Gazprom got through this challenging period all the while adhering to its strategic goal and the Company's development priorities.

LONG-TERM FORECASTS FOR GLOBAL GAS CONSUMPTION

The long-term forecasts for global gas consumption remain largely unchanged: gas demand is poised to keep growing. According to recent estimates, the next two decades will see natural gas rise to the top in terms of absolute contribution to meeting the increasing demand for energy carriers, leaving even renewable energy sources (RES) behind. This facilitates a favorable market environment for further development of the Company in the long term.

RESOURCE BASE AND DEVELOPMENT OF PRODUCTION CAPACITIES

Gazprom vastly outstrips its competitors on the following: proven reserves of natural gas, volumes of gas production, and gas exports. It should be noted that the Company is expanding its resource base via conventional fields that have economic and environmental advantages over non-conventional sources.

In the long run, most of the growth in gas production in the areas covered by Russia's Unified Gas Supply System will come from the expansion of the new gas production center in the Yamal Peninsula. Currently, exploration of the Cenomanian-Aptian deposits of the **Bovanenkovskoye field** (design output: 115 billion cubic meters of gas per year) continues in Yamal. Gas from the Yamal Peninsula is fed into the Bovanenkovo – Ukhta and Bovanenkovo – Ukhta 2 gas trunklines. In 2019, Gazprom commenced the full-scale development of another unique field in Yamal, **Kharasaveyskoye** (design output: 32 billion cubic meters of gas per year).

At the same time, the Company will carry on with enhancing its production capacities in the areas of the Ob and Taz Bays, as well as in the Nadym-Pur-Taz region.

The gas needs in the east of the country and in eastern export markets will be met by the fields of Eastern Siberia and Russia's Far East.

The **Chayandinskoye** field (design output: 25 billion cubic meters of gas per year), which has been producing gas since 2019, serves as the foundation for the **Yakutia gas production center** and resource base for the Power of Siberia gas pipeline (in operation since December 2019).

The foundation for the **Irkutsk gas production center** is the **Kovyktinskoye** gas and condensate field (design output: 27 billion cubic meters of gas per year). The field is being prepared for full-scale development, and the linear part of the Power of Siberia gas pipeline at

the Kovykta – Chayanda section is now under construction.

One of the crucial stages in the implementation of the Eastern Gas Program is the creation of the **Sakhalin gas production center**, which includes the development of the **Kirinskoye** (design output: 5.5 billion cubic meters) and **Yuzhno-Kirinskoye** (design output: 21 billion cubic meters of gas per year) fields. As production volumes grow, it is planned to increase the throughput of the Sakhalin – Khabarovsk – Vladivostok gas trunkline. To that end, the gas pipeline section between Komsomolsk-on-Amur and Khabarovsk is being built.

GAS PROCESSING AND LIQUEFIED NATURAL GAS PRODUCTION

A number of fields in the Nadym-Pur-Taz region, as well as the Kovyktinskoye and Chayandinskoye fields in eastern Russia, contain multi-component gas. The production of gas rich in valuable components will allow the Company to extend the value-added chain and diversify its product portfolio via new projects in the processing segment.

By creating two major gas processing clusters – the Amur Gas Processing Plant (GPP) in the East and the complex for processing ethane-containing gas and liquefied natural gas (LNG) production near Ust-Luga in the West – Gazprom will be able to efficiently monetize multi-component gas.

In addition, construction of the **LNG production complex near the Portovaya CS** with the annual capacity of 1.5 million tons is nearing completion.

DEVELOPMENT OF GAS TRANSMISSION CAPACITIES

Efforts to expand the northern gas transmission corridor are underway, including the construction of compressor facilities at the **Ukhta – Torzhok 2** gas pipeline and the development of gas transmission capacities within the section from Gryazovets to the Slavyanskaya CS.

In parallel with the construction of the complex near Ust-Luga, Gazprom is running projects to expand and renovate the system for gathering and transporting ethane-containing gas.

DOMESTIC GAS SUPPLIES

In the gas sales segment, the Company primarily focuses on the Russian market. The share of natural gas in Russia's energy mix is about 54 per cent, and the Gazprom Group supplies over 60 per cent of the total amount of gas domestically consumed. The Company ensures reliable supplies in the autumn/winter periods, and is the guarantor of energy security in the Russian Federation. Gas supply and gas infrastructure expansion plans for Russian regions envisage, inter alia, the conversion of coal-fired power-generating capacities to gas. In terms of carbon footprint reduction, the transition from coal to gas is far more effective than the replacement of gas with RES. Therefore, the Company's gas infrastructure expansion efforts make a significant contribution to the low-carbon development of Russia's economy.

EXPORT GAS SUPPLIES

Gazprom also facilitates the reduction of greenhouse gas emissions in foreign markets by supplying the cleanest of the fossil fuels – natural gas from conventional fields – via the most eco-friendly and effective method, i.e. state-of-the-art pipelines. Calculations show that

pipeline gas supplies from Russia to Europe via the Company's new gas pipelines are not only highly competitive, but also have a minimal carbon footprint as compared to Europe's LNG imports. At the same time, pipeline exports bring a stable inflow of export duties into the federal budget of the Company's principal shareholder – the Russian Federation – thus ensuring further sustainable development of the national economy.

The competitive advantages of pipeline transport create a substantial potential for the strengthening of Gazprom's positions in both the traditional European market and the new Chinese market, where the Company is actively building up its presence through gas supplies via the Power of Siberia pipeline.

The Company uses LNG primarily to diversify its gas supply routes and reach the markets in which pipeline gas exports are impossible or economically unsound. Russia's first-ever LNG production plant created as part of the Sakhalin II project is working above its design capacity. The plant's gas supplies are flowing to the Asia-Pacific region only, which is why they have a minimal transportation leg, low carbon footprint, and high degree of competitiveness.

PROSPECTS FOR PRODUCING HYDROGEN FROM NATURAL GAS

In the long term, the use of gas for hydrogen production can be expected to increase, all the more so that there are technologies to minimize and even completely prevent CO₂ emissions during the production of hydrogen from methane. Importantly, at the current level of technology, the cost price of low-carbon hydrogen production from natural gas is significantly lower than that of hydrogen production from RES. This creates a considerable potential for the use of natural gas in hydrogen energy and ensures high demand for natural gas within not just the next decades, but for a much longer period.

Gazprom's development strategy is aimed at efficiently employing the competitive advantages of natural gas, developing the unique resource base in order to provide both domestic and foreign supplies, expanding gas supply infrastructure in a rational manner, and implementing projects for the processing of multi-component gas to achieve its monetization in the most efficient way possible. There is a stable demand for Gazprom's supplies among the consumers in Russia, Europe, and the Asia-Pacific region, and there is considerable potential for a wider use of natural gas for the purposes of low-carbon development; owing to this, the Company can further reinforce its status as a leader among global energy companies and face the future with confidence.