

A large, stylized blue flame graphic on the left side of the slide, composed of several curved, overlapping shapes that suggest the movement of fire.

EU-Russian Gas Trade: Too Deep and Comprehensive to Fail

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Gazprom Export

Moscow Energy Charter Forum:

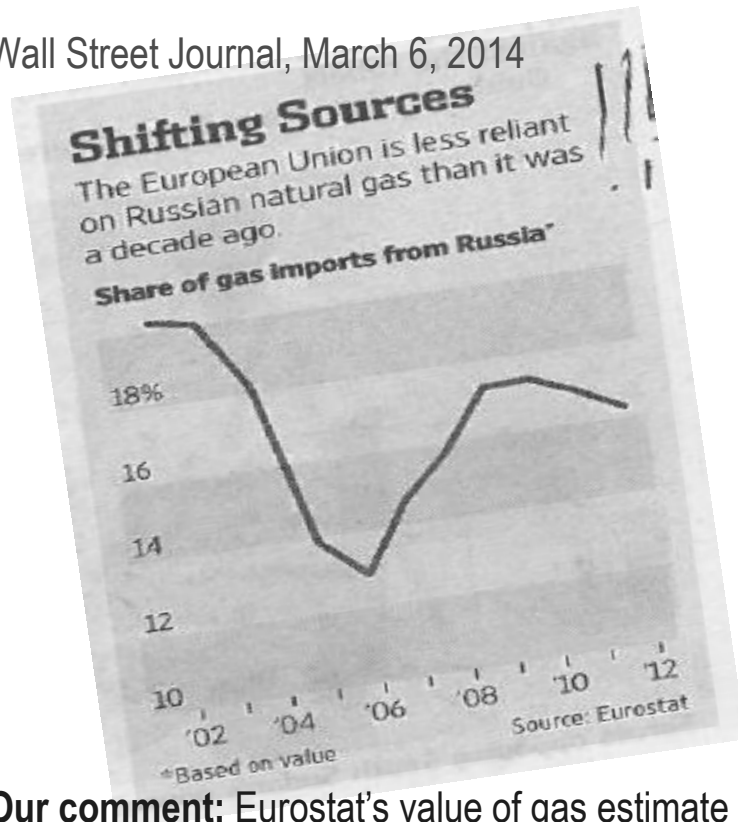
Cross-Border Trade and Investment Flows
as the Backbone of International Energy
Security

April 3, 2014

WSJ and Economist Claim that EU is less Dependent on Russian Gas than Before

Source: Jan Hromadko. Europe Relies Less on Russia Gas Than Before.

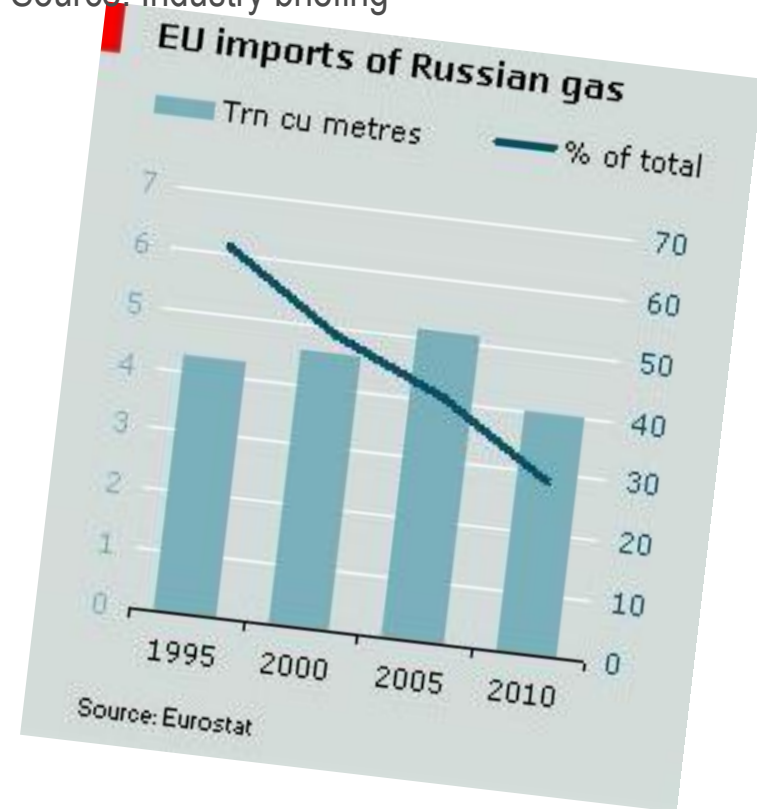
Wall Street Journal, March 6, 2014



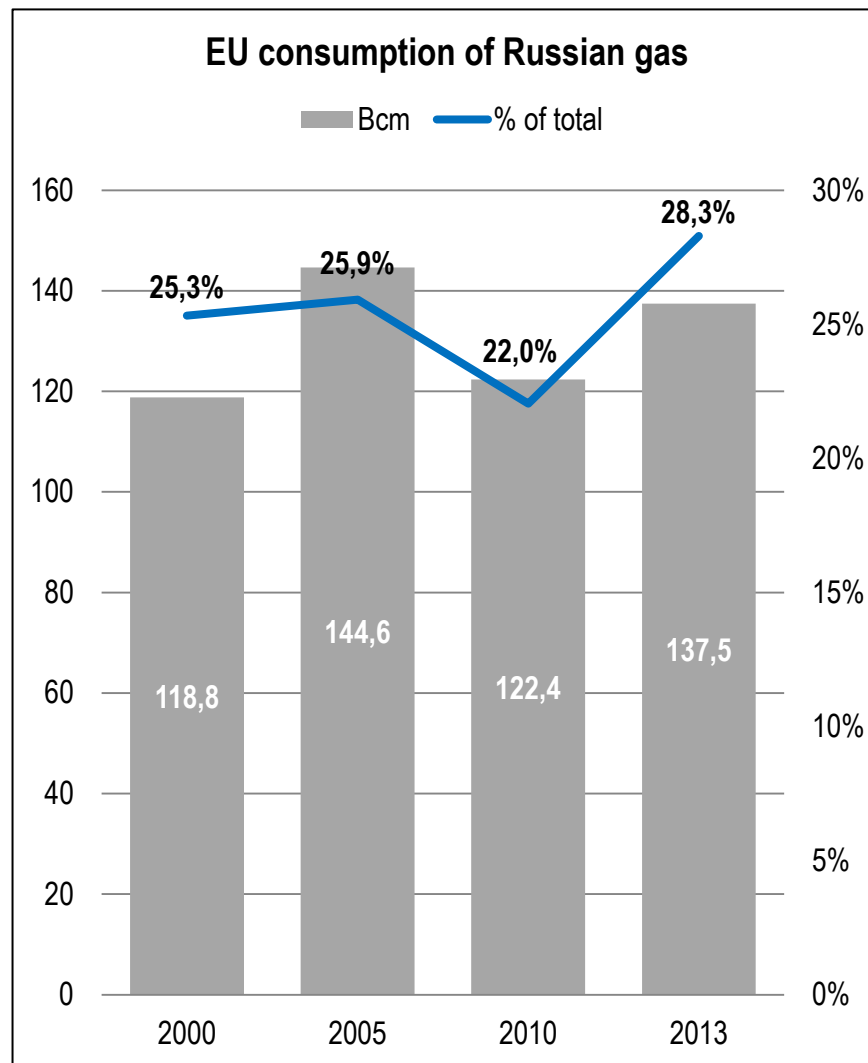
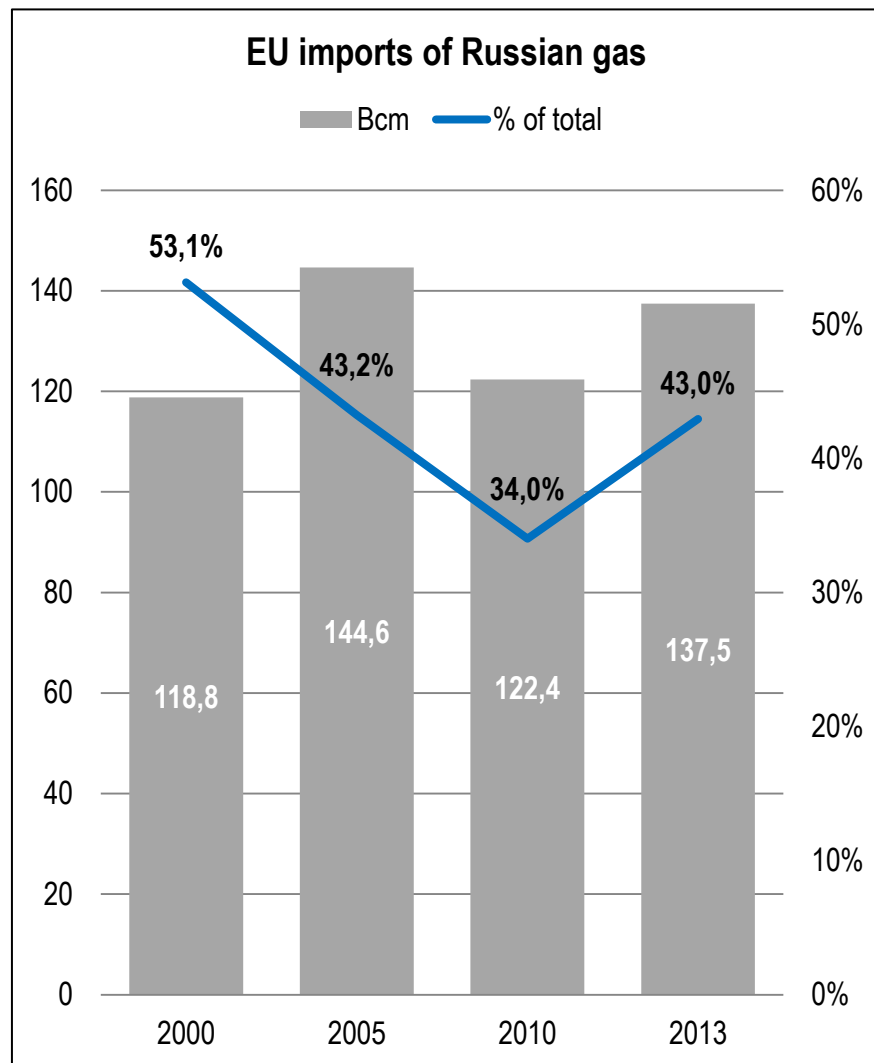
Our comment: Eurostat's value of gas estimate is not representative because it classifies as Russian less than half of its export volumes (less than 60 bcm). The rest falls in the category 'other'

Economist, March 5, 2014: "Russia supplies a far smaller share of Europe's gas supplies than used to be the case... Gazprom's share of EU gas imports has diminished from nearly 50% in 2000 (see chart)"

Source: Industry briefing

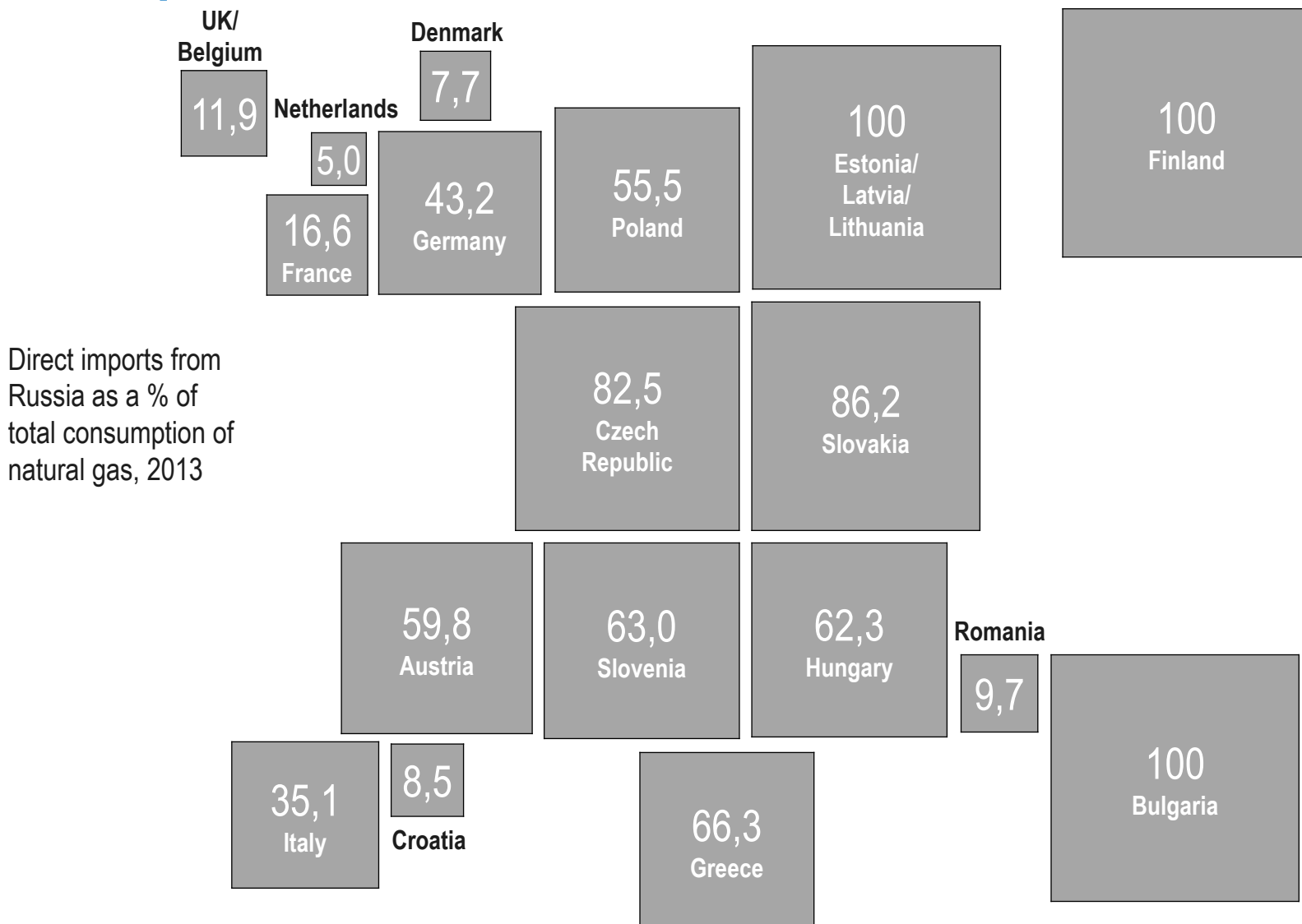


Share of Russian Gas in EU-28 Imports Declined but then Rebounded while its Share in Consumption is on the Rise



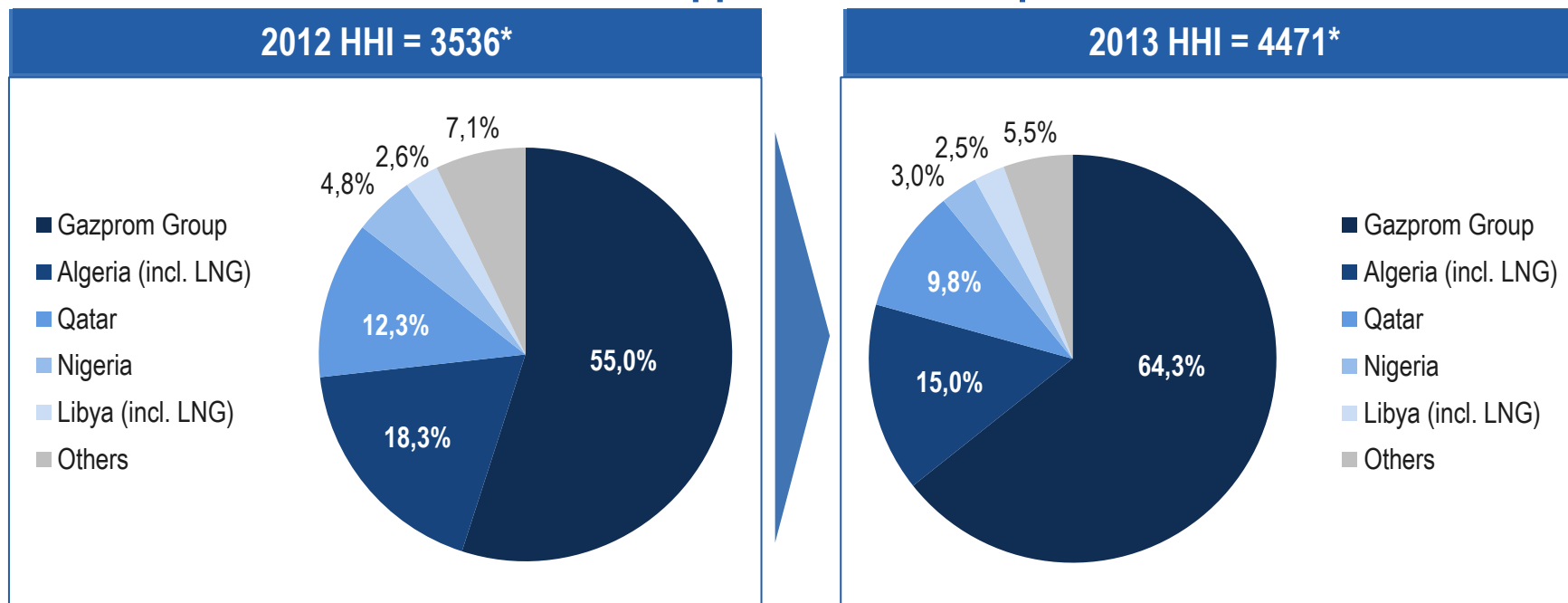
Sources: IEA, Gazprom Export estimates

EU Dependence on Russian Gas in 2013



Efforts to Diversify Supplies Brought no Fruit

Share of suppliers in total imports



HHI points to high dependence of Europe on few suppliers
In 2013 HHI hit 4471** despite efforts to diversify gas supplies

* Herfindahl-Hirschman index

** 1800 < HHI < 10000 – high concentration
1000 < HHI < 1800 – moderate concentration
HHI < 1000 – low concentration

Gazprom is the Most Reliable Supplier to Europe

Supply by the largest gas exporters, bcm

	2012	2013	Changes	Changes, %
Gazprom	139.9	162.7	22.8	16.3%
Algeria (incl. LNG)	46.5	37.9	-8.6	-18.5%
Libya (incl. LNG)	6.7	6.2	-0.4	-6.5%
Qatar	31.3	24.8	-6.5	-20.7%
Nigeria	12.1	7.5	-4.6	-38.0%

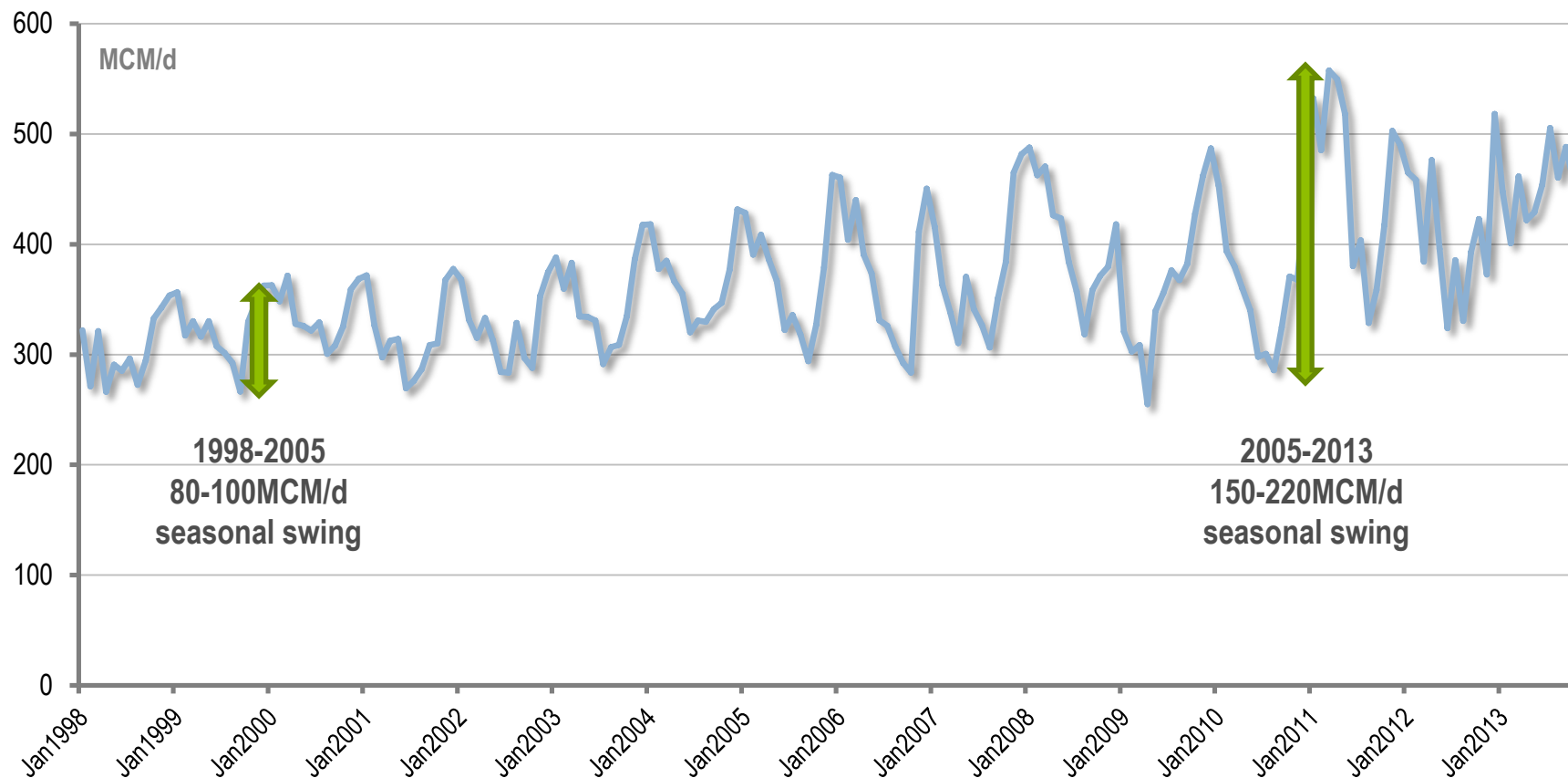
Supply by the largest European producers, bcm

	2012	2013	Changes	Changes, %
Norway*	121.4	115.4	-6.0	-4.9%
UK	43.8	40.9	-2.9	-6.5%
Netherlands	72.6	81.5	8.9	12.2%

* Volume of pipeline gas and LNG delivered to the European market

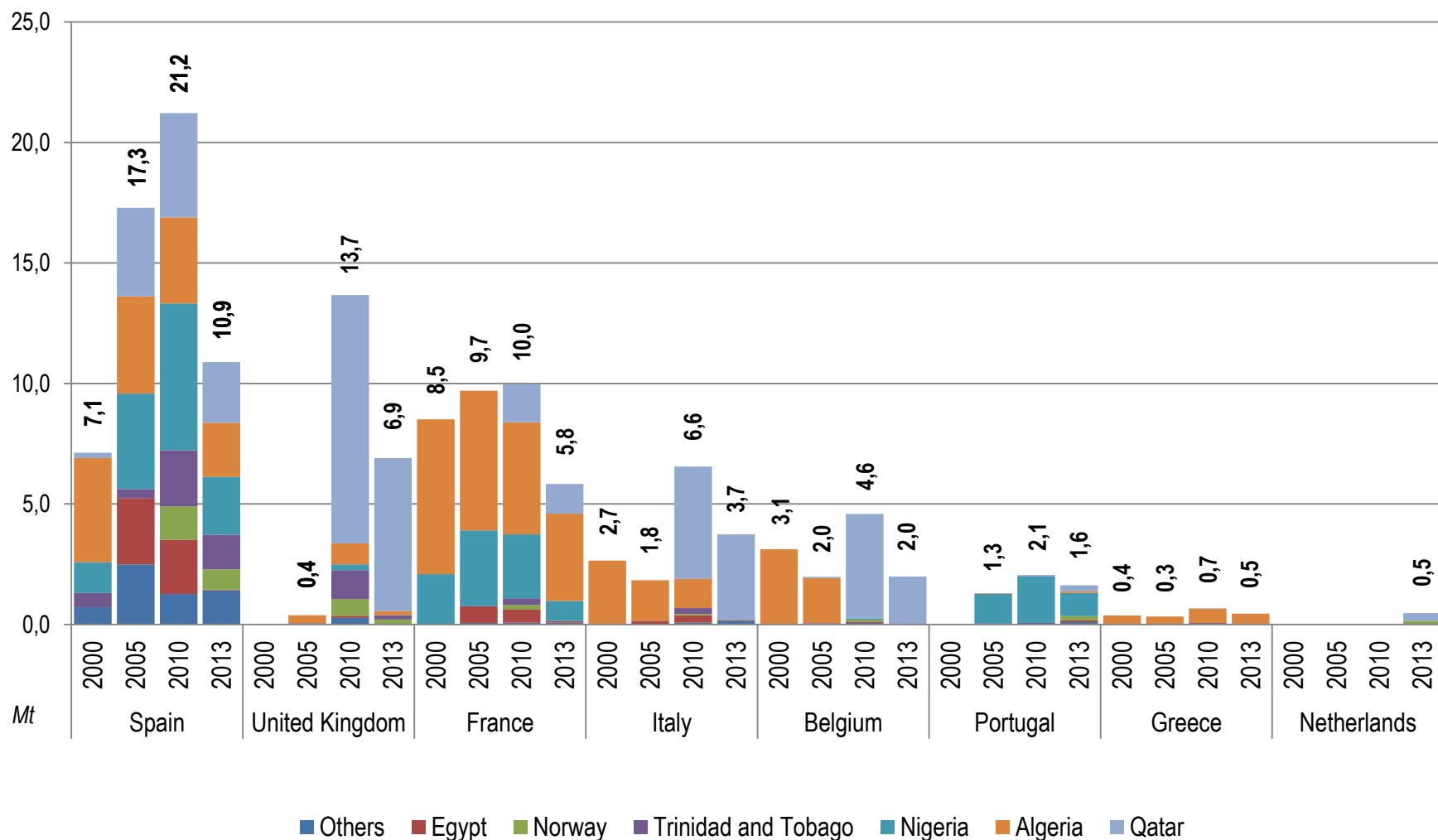
Sources: IEA, Eurostat, National Statistical Offices, Wood Mackenzie, Lloyd's, Gazprom Export estimation as of January 2014

Removal of Midstream Flexibility Threatens Energy Security



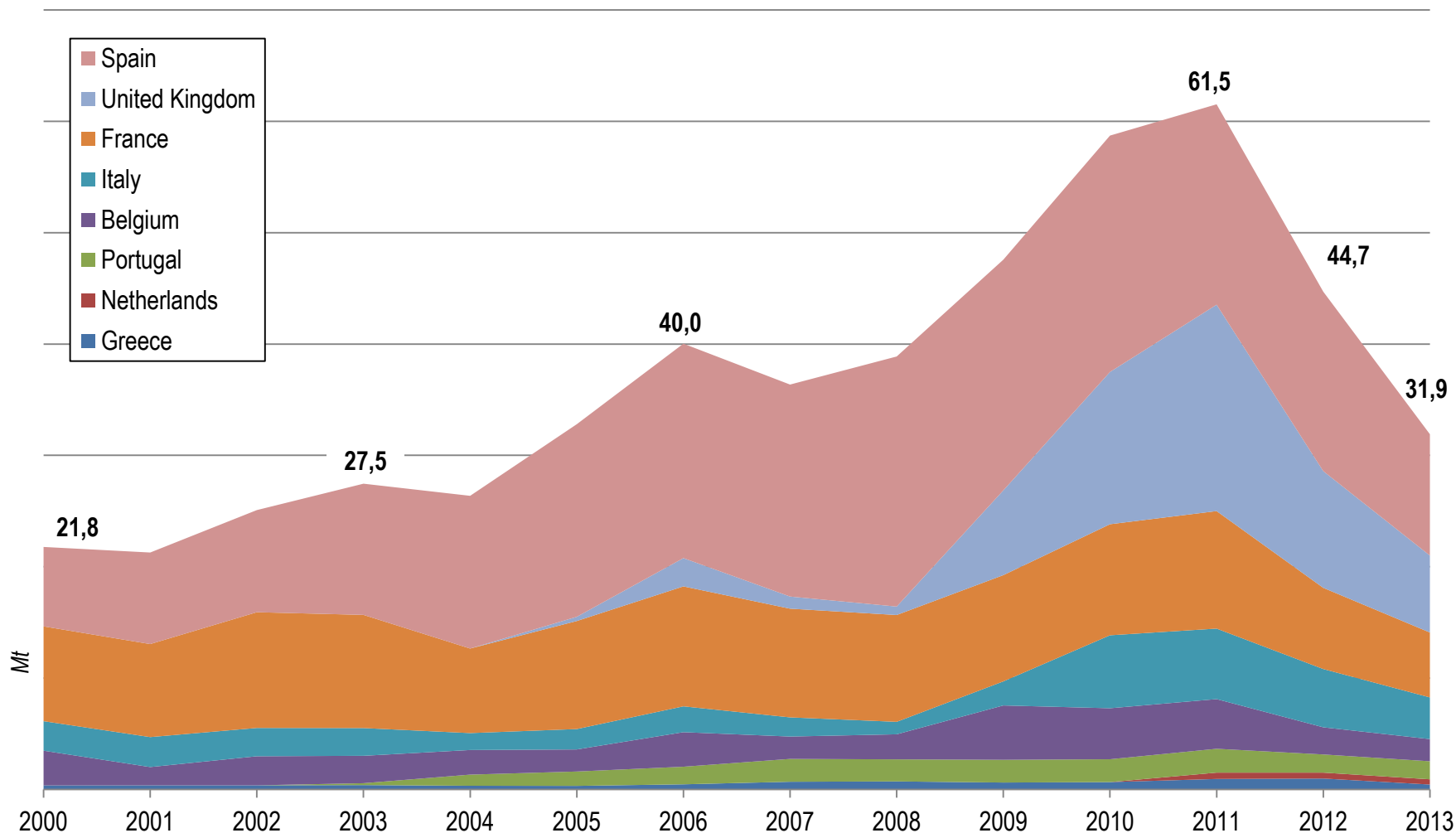
Gazprom is the major provider of supply flexibility to Europe as seasonal swing in Russian gas daily deliveries doubled

LNG Deliveries to EU are not Secure



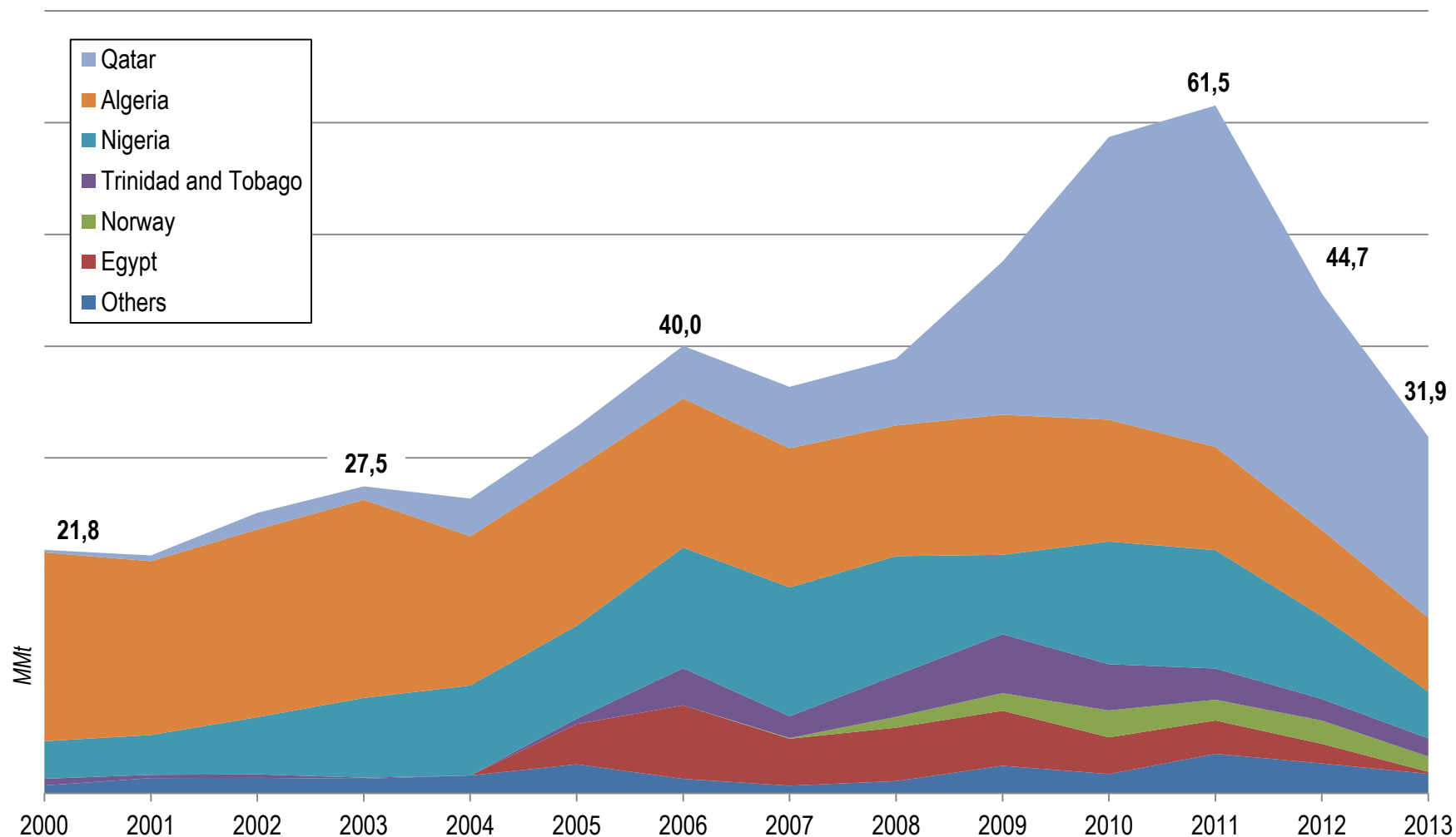
Sources: Wood McKenzie, Gazprom Export estimates

EU-28 LNG Imports Dropped by 30 mt over the Last Two Years



Sources: Wood McKenzie, Gazprom Export estimates

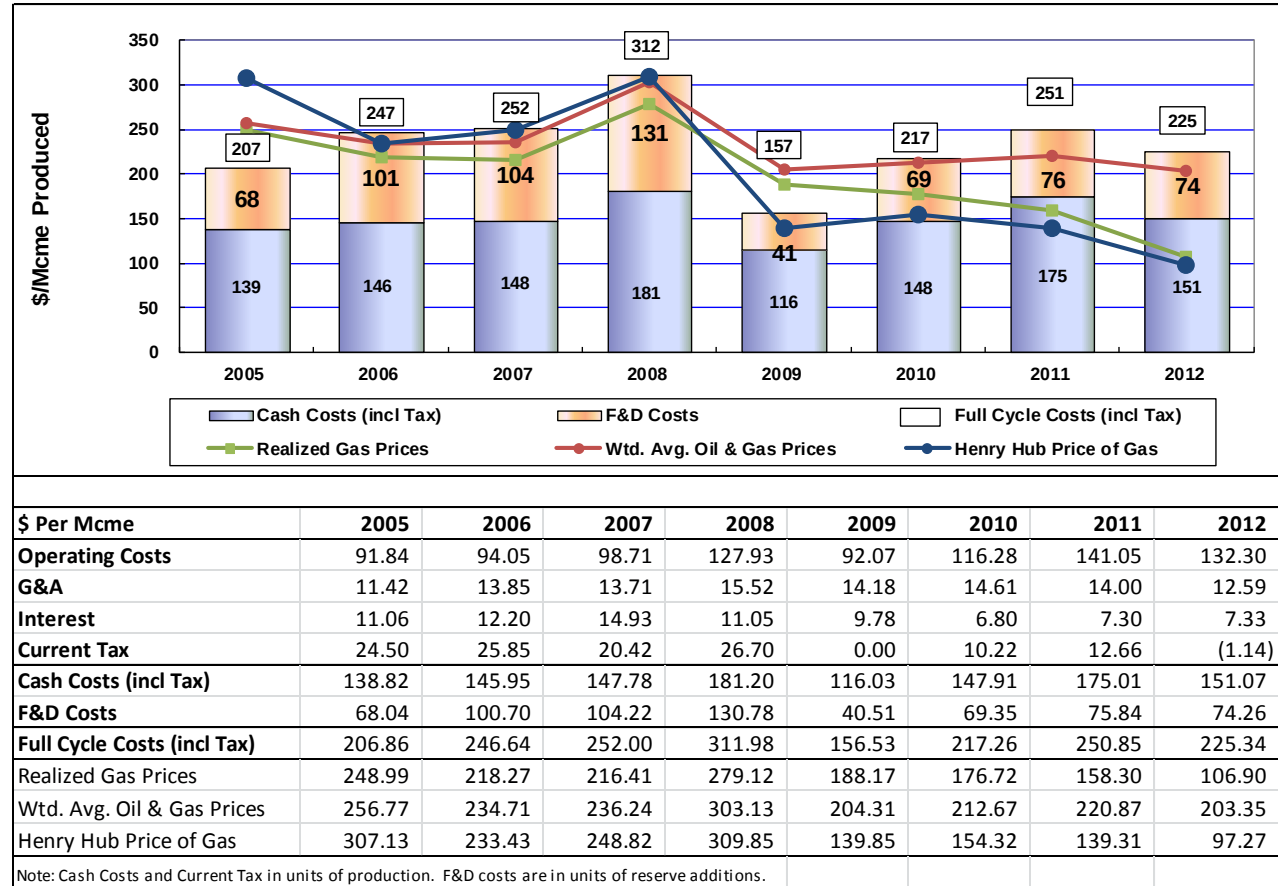
Major LNG Suppliers Diverted their Volumes away from EU



Sources: Wood McKenzie, Gazprom Export estimates

US Companies' Costs Exceeded Revenues on a Unit Basis

- Weighted average all-in costs for the group in 2012 were \$225 per thousand cubic meter equivalent (Mcme), representing a 10.2 percent year-over-year decrease from 2011.
- The main drivers of the declining all-in costs were year-over-year decreases in operating, general and administrative (G&A). Finding and development (F&D) costs and interest expenses were relatively flat year over year.
- Companies still have an urgency to increase oil reserves and produce existing oil and liquids reserves, which increases all-in costs.

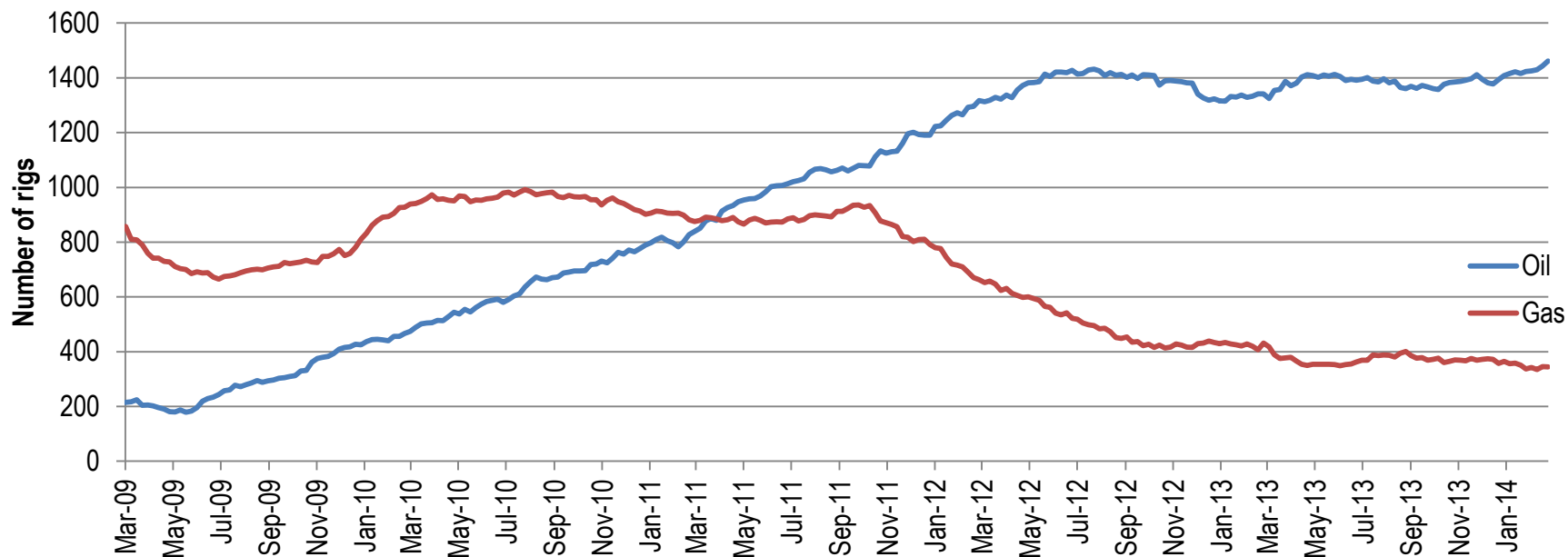


Source: Company 10-Ks

Notes: "Full cycle" or "All in" costs are defined herein as the sum of operating costs (on a unit of production basis) plus the cost of acquiring, exploring for, and developing new reserves (on the basis of an equal unit of new reserves identified). The annual presentation of costs incurred in property acquisition, exploration and development activities (collectively referred to as "costs incurred") is an SEC requirement for publicly listed oil and gas companies. Such an accounting, however, is not required, and is typically not reported, on a quarterly basis. Thus, this interim update will not discuss 2012 YTD all-in costs.

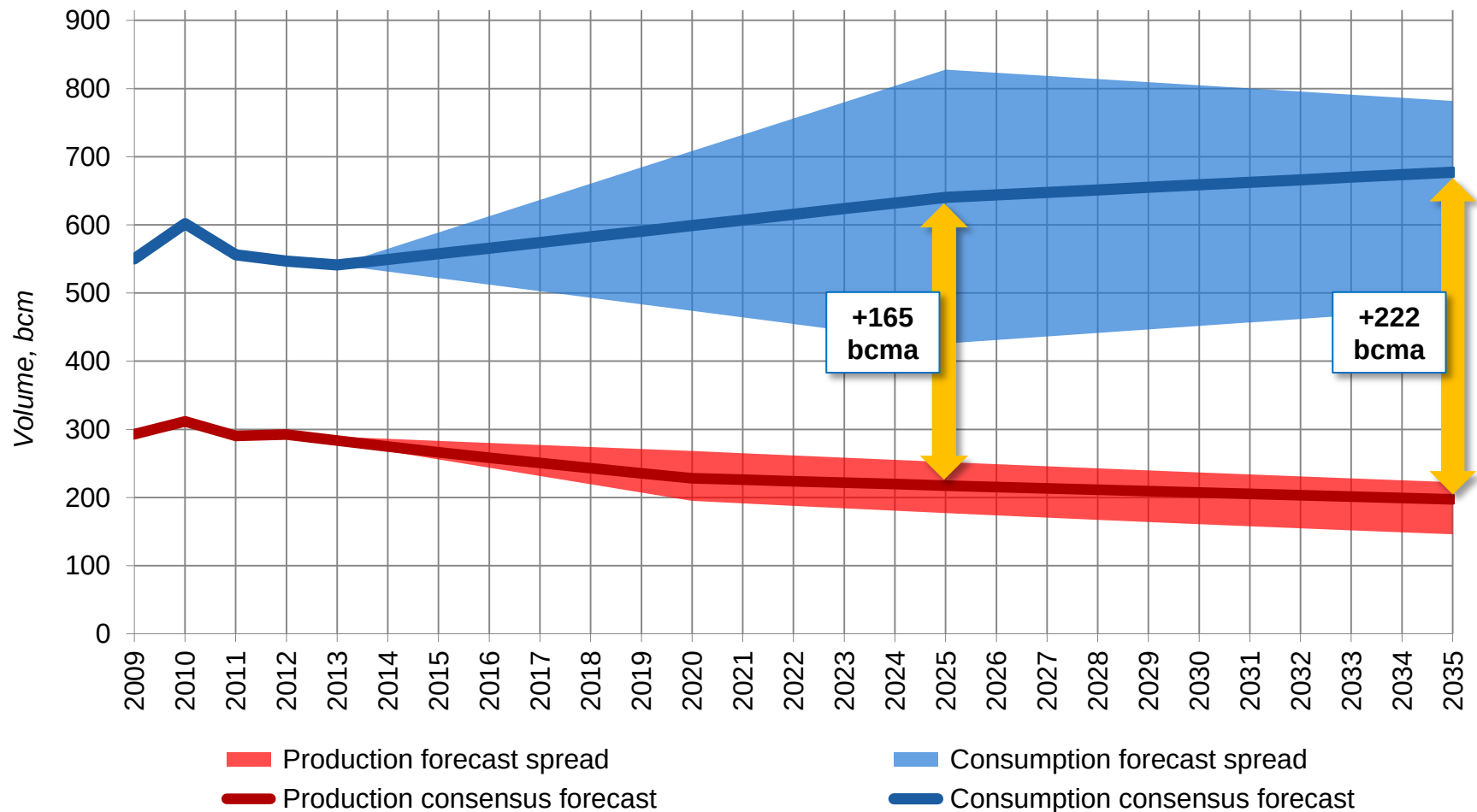
American Dry Gas Industry is the State of Coma

Indicating that Shale Gas Price Anomaly will not last for Long



Henry Hub price does not cover dry gas production costs estimated to be USD 6 per MMBTU on average for more than five years. Production of dry gas because of the depressed prices is possible only as by-product of gas liquids of shale oil. This situation is not sustainable and will eventually lead to the Henry Hub price rise above the USD 6 MMBTU levels. There are already no major increases in shale gas output from September 2011 there are predictions that dry gas output may fall unless price adjustments takes place. HH-linked tolling contracts are structured in a way that risk of such price adjustments fully stays with the buyer. Price adjustments will make deliveries of American LNG to Europe loss-making.

Gap is Widening Between European Indigenous Production and Consumption



Source: Consensus projections derived from consultants, companies and governmental bodies



THANK YOU FOR YOUR ATTENTION!