

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

# Russian Pipeline Gas: Problem or Part of the Solution?

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Flame,  
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\*Views expressed in this presentation are the  
author's sole responsibility and do not necessarily  
represent that of Gazprom Export

# Diversification Away From Russia At Any Cost

“The EU should reduce its energy dependency on Russia, but the EU should not back out of the mutual partnership”.

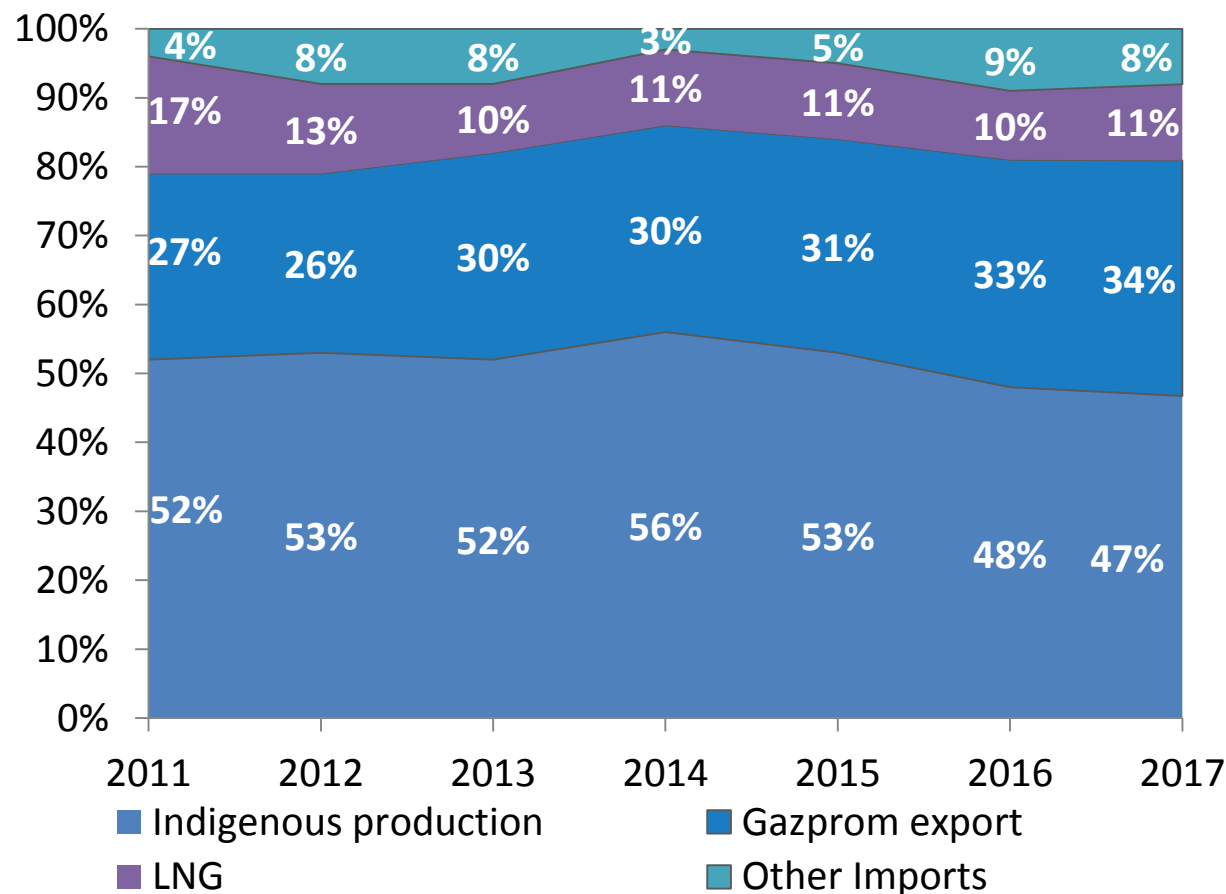
*Günther Oettinger, European Commissioner designate for energy policy, January 14, 2010*

“Time and time again, the clear feeling from Russia is that they are irreplaceable and can do what they want” ...”We can get away from you; We can live without gas from Russia; It will be costly, difficult; it will take 10 years. But we can do it”.

*Vaclav Bartuska, Ambassador -at- large for Energy Security in the Czech foreign ministry, May 26, 2009*

# Gazprom's Market Share In Europe Is On A Rise Course

## European Gas Supply/Demand Balance



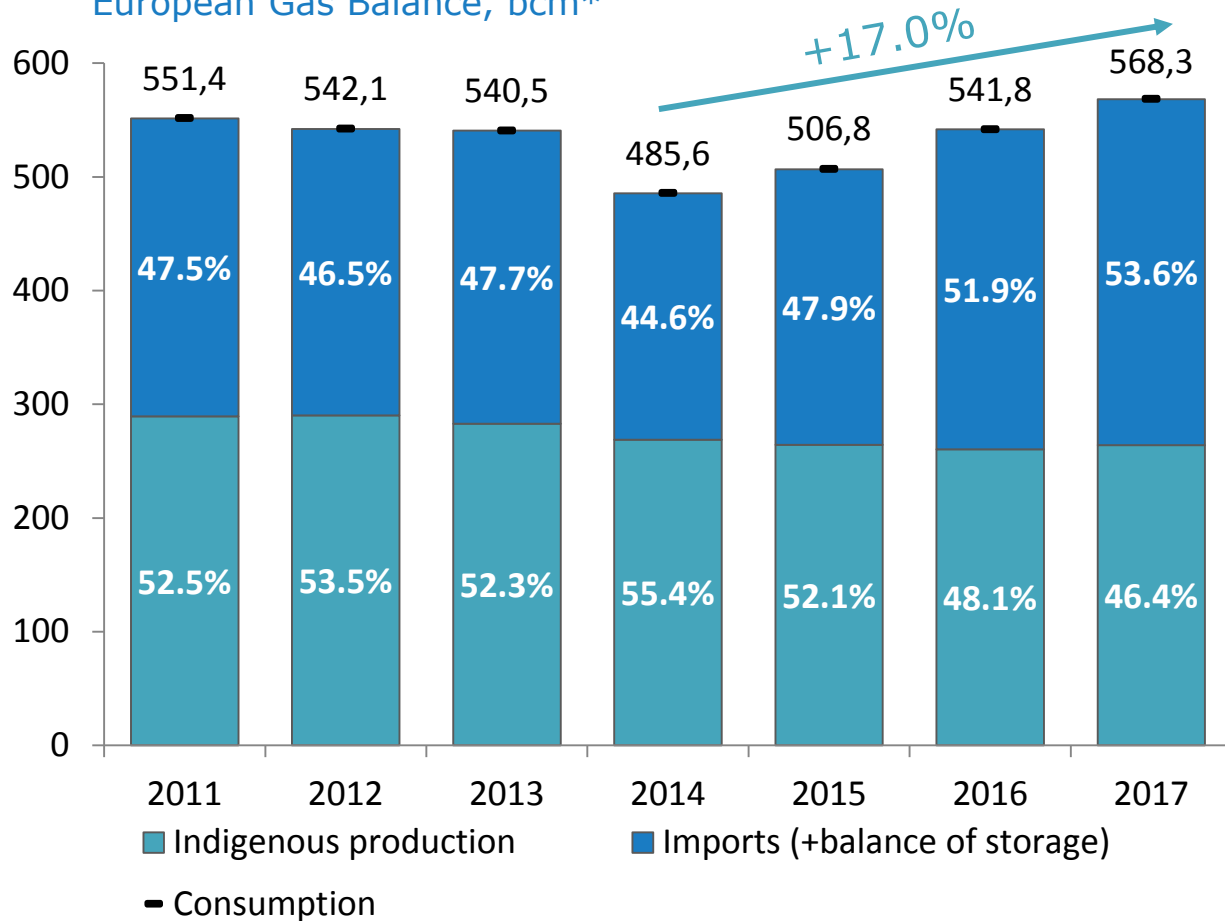
In Europe Gazprom's share in consumption was 34.2% in 2017 versus 27.3% in 2011 or up by 7 percentage points

Pipeline gas is the main source for meeting growing demand for the imported gas

Despite having modestly increased in 2017, LNG supplies to Europe still remain significantly below the 2011 record level

# European Natural Gas Demand Recovery

European Gas Balance, bcm\*



Source: IEA, Eurostat, National Statistics, IHS Markit

\* Hereinafter except as otherwise noted: European countries with Turkey (excluding CIS and Baltics)

GCV = 8,850 kcal/cm, t = 20°C

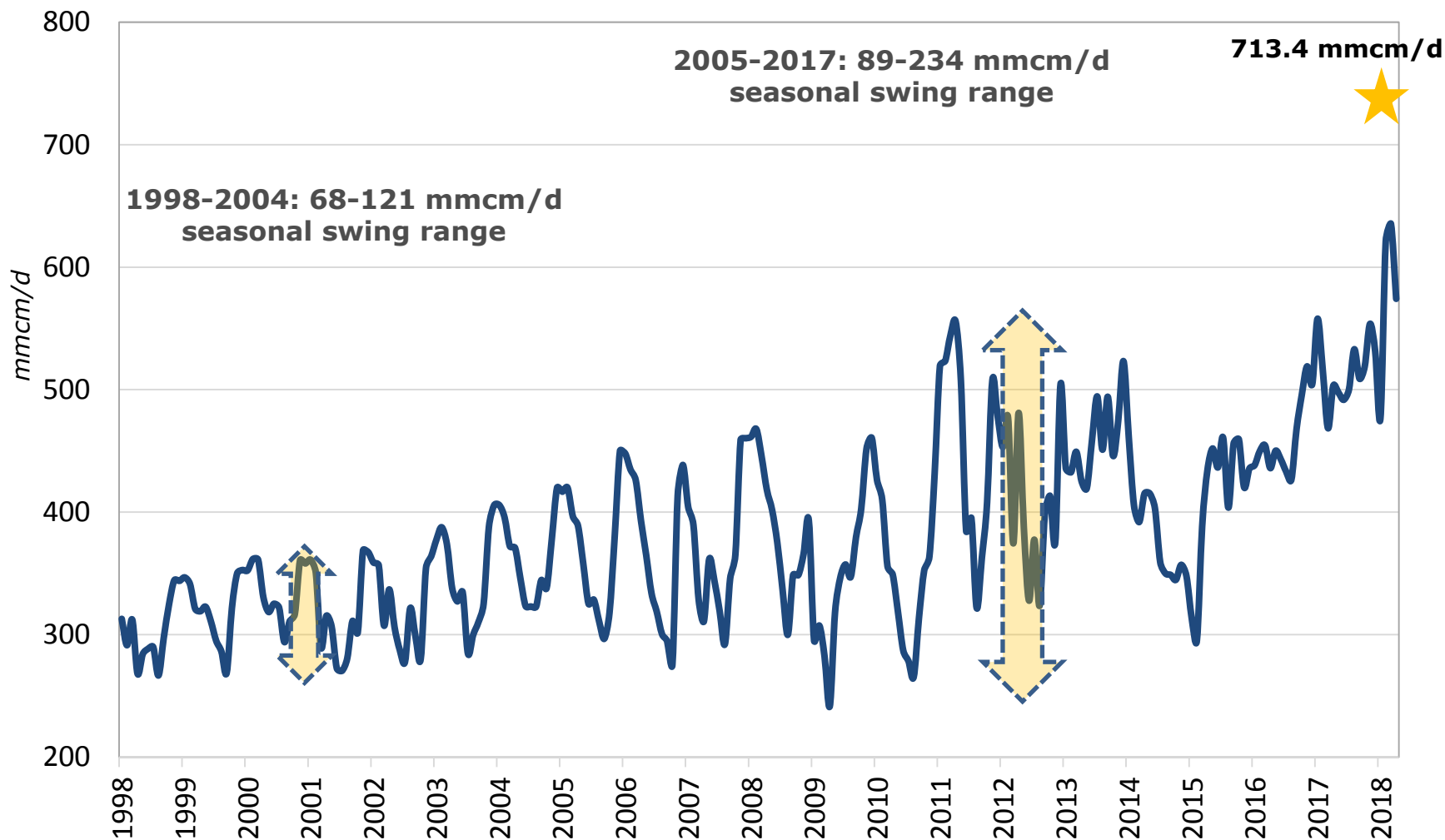
Gas demand recovered above 2011 level due to:

- Broader use of gas in power generation
- Drop in demand for coal
- Economic growth in leading European gas markets

Growing demand and declining indigenous production over the last four years led to increased import requirements

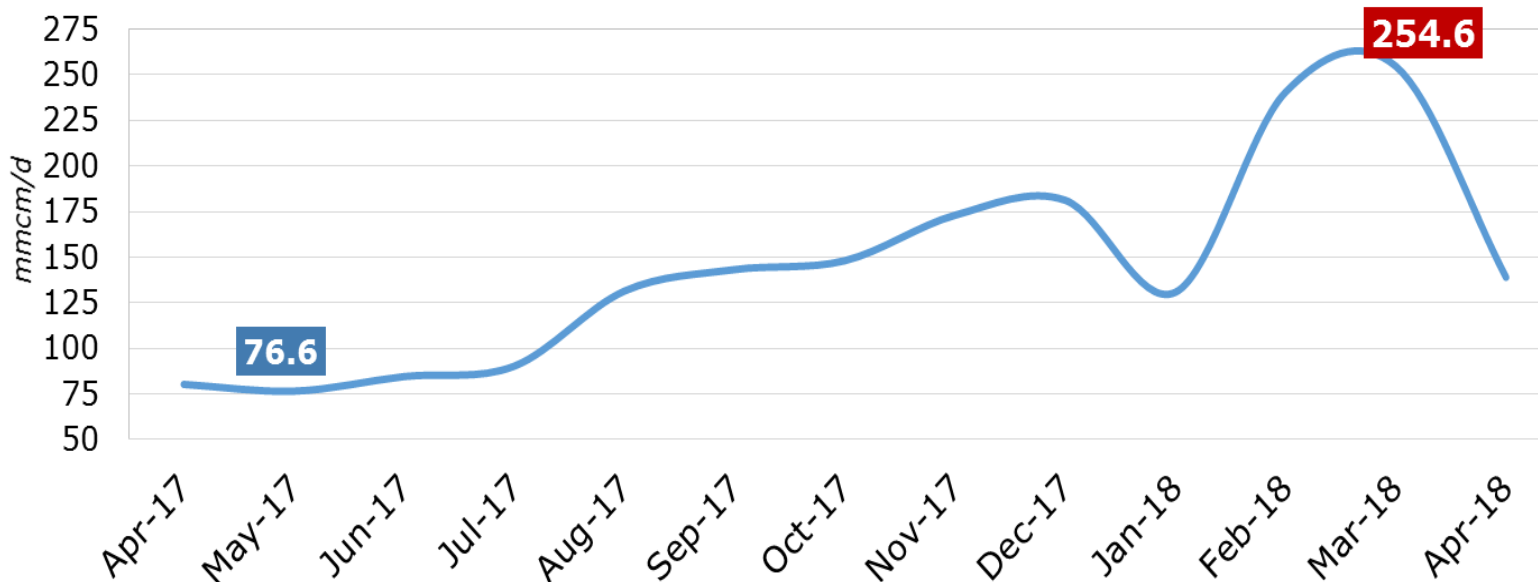
Gazprom met two-thirds of the incremental demand growth in 2017 and proved its ability to fill in any additional supply/demand gap

# Russian Pipeline Gas is the Major Source of Volumetric Flexibility for Europe



Source: IEA, ENTSOG

## Amplification from Minimum Daily Deliveries is up to 255 mmcm/d\*



Gas storage in Europe	2013	2014	2015/16	2016/17
Working volume. bcm	3.6	5.4	5.0	5.0
Daily capacity. mmcm per day	40.3	77.3	61.5	83.3

Source: ENTSOG, Gazprom

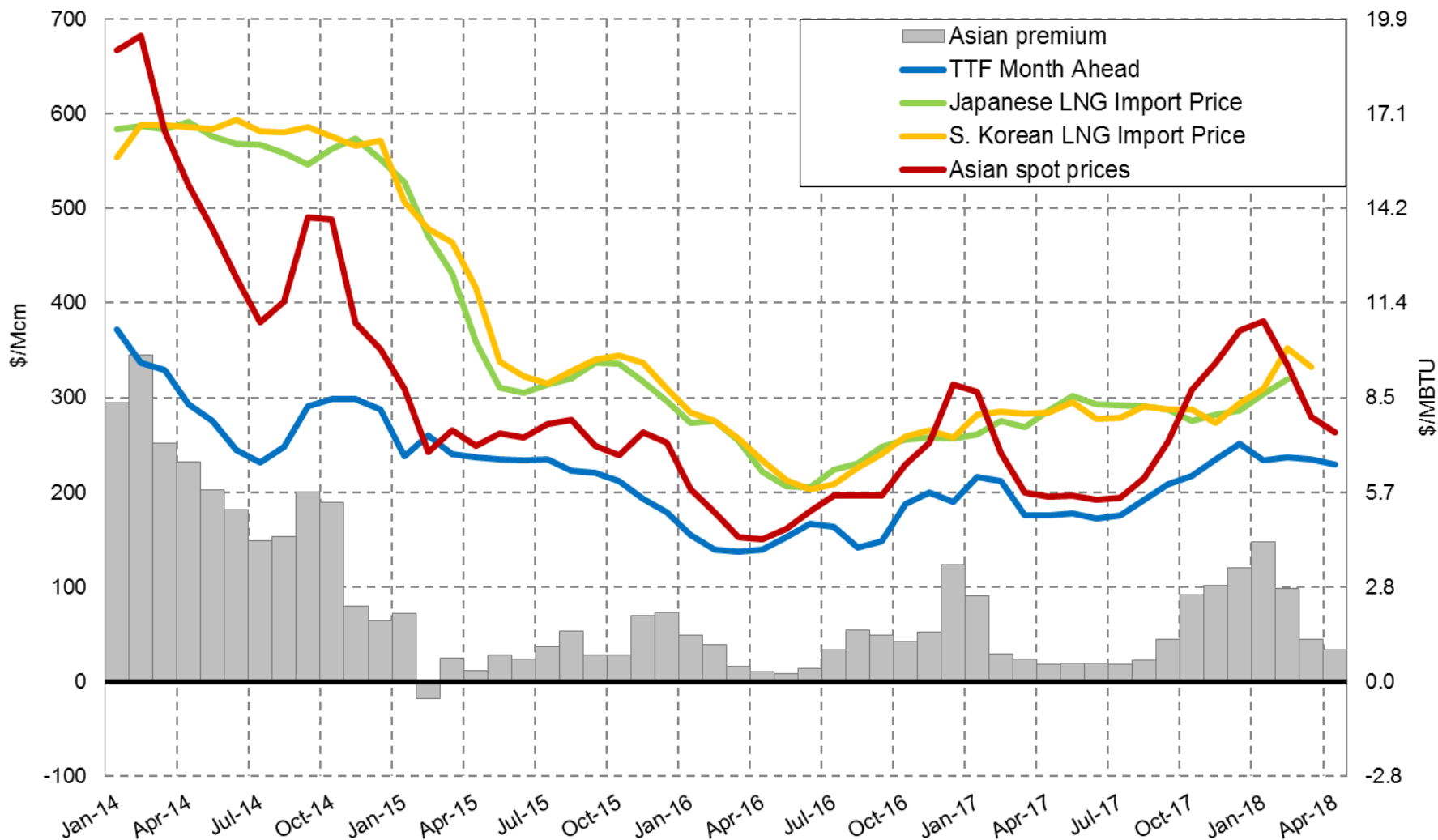
\* Estimated as the difference between the highest daily deliveries in each month and minimum daily deliveries in May 2017

# LNG Deliveries to the European Market in Q1 2018 were Down

	Q1 2017	Q1 2018	change (bcm)	change (%)
Qatar	5.1	4.9	-0.2	-3.9%
Nigeria	3.5	3.7	0.2	5.7%
Algeria	4.0	3.7	-0.3	-7.5%
Russia (Novatek)	0.0	0.8	0.8	
Norway	1.3	0.8	-0.5	-38.5%
Trinidad and Tobago	0.2	0.7	0.5	250.0%
Peru	1.0	0.4	-0.6	-60.0%
USA	0.8	0.4	-0.4	-50.0%
Angola	0.3	0.1	-0.2	-66.7%
Equatorial Guinea	0.2	0.1	-0.1	-50.0%
Dominican Republic	0.1	0.0	-0.1	-100.0%
Lithuania (re-export)	0.0	0.0	0.0	-100.0%
<b>TOTAL</b>	<b>16.4</b>	<b>15.7</b>	<b>-0.7</b>	<b>-4.3%</b>

Despite growing gas demand in 1Q 2018 (+0.9 bcm or +0.5%) LNG deliveries to the European market fell in 1Q 2018, being attracted by other markets with higher margins

# Asian Seasonal Price Premium Serves as the Main Attraction for Spot LNG

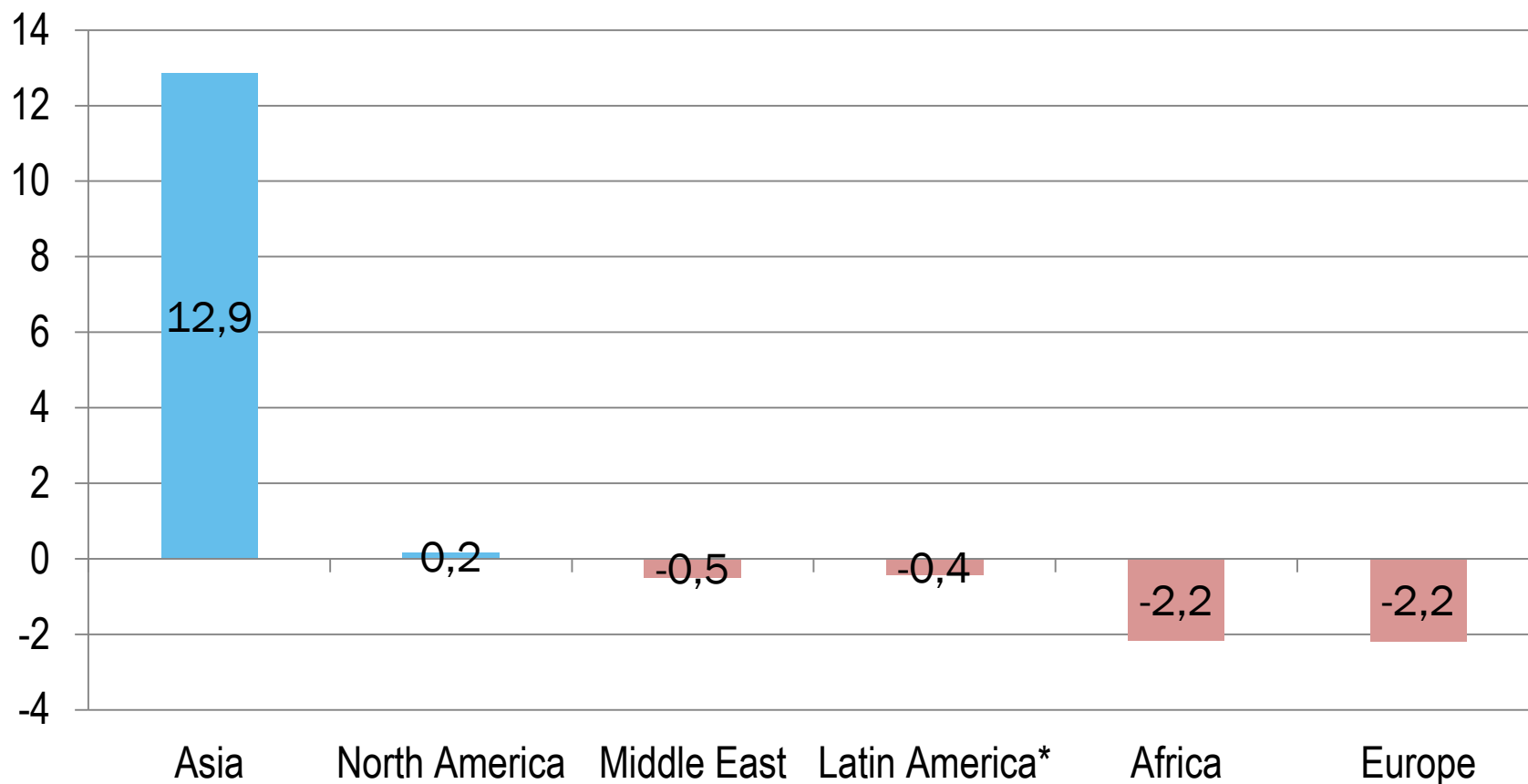


Sources: Bloomberg, Interfax-GGA, Customs Statistics of S. Korea



# Incremental Demand For LNG In Jan.-April. 2018 Came From Asia

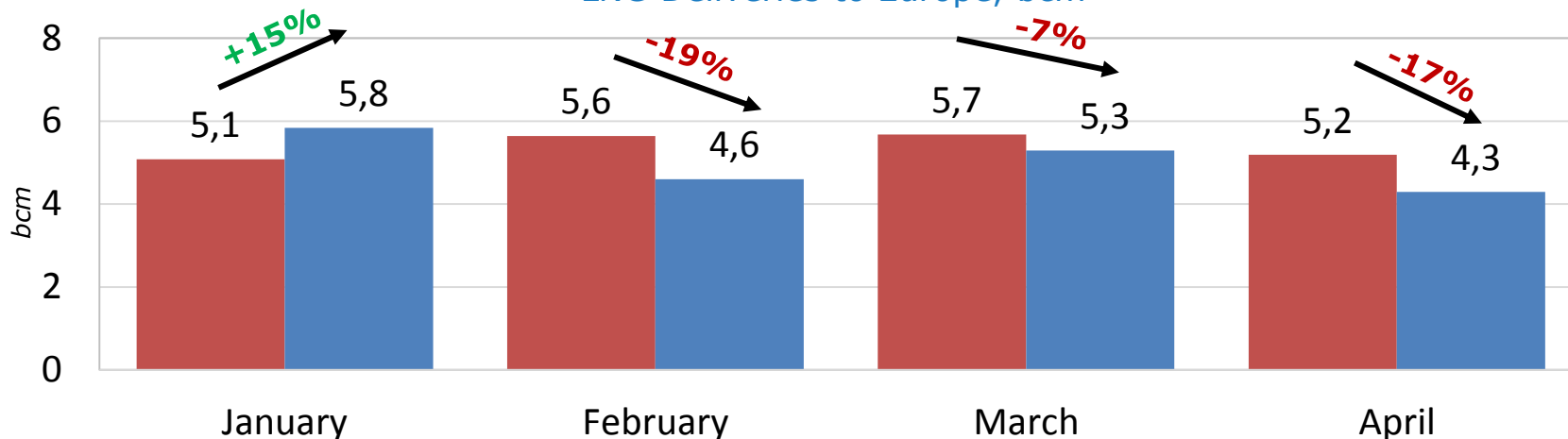
Net LNG Demand Increase in Jan-Apr 2018 vs. Jan-Apr 2017



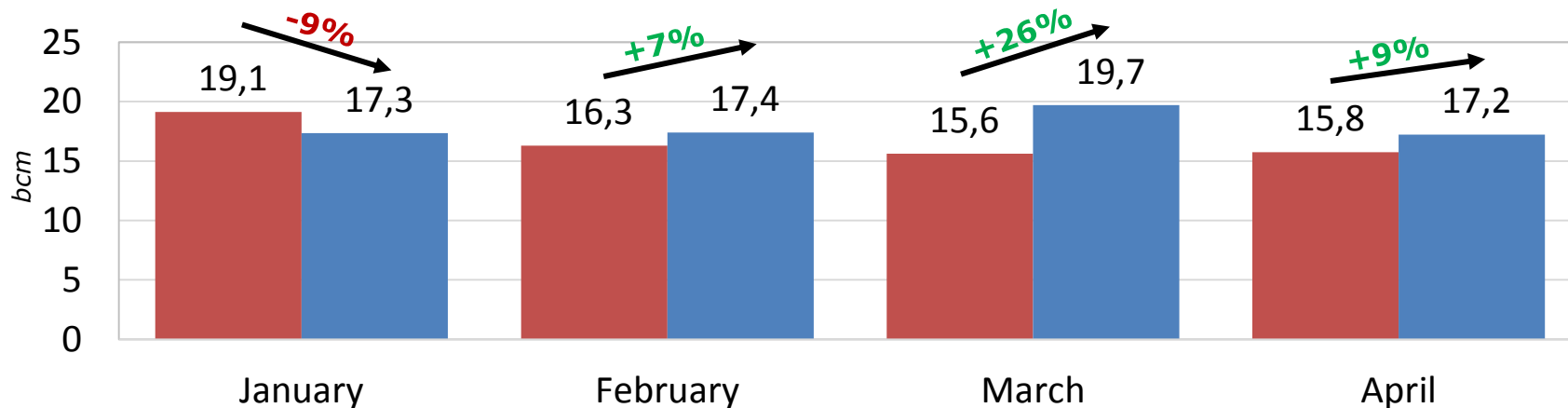
Source: IHS Markit  
\* Excluding Mexico

# LNG Ignored Demand Hikes in Europe in January-April 2018, While Dedicated Pipeline Gas Did Not

LNG Deliveries to Europe, bcm



Gazprom Export Deliveries to Europe, bcm

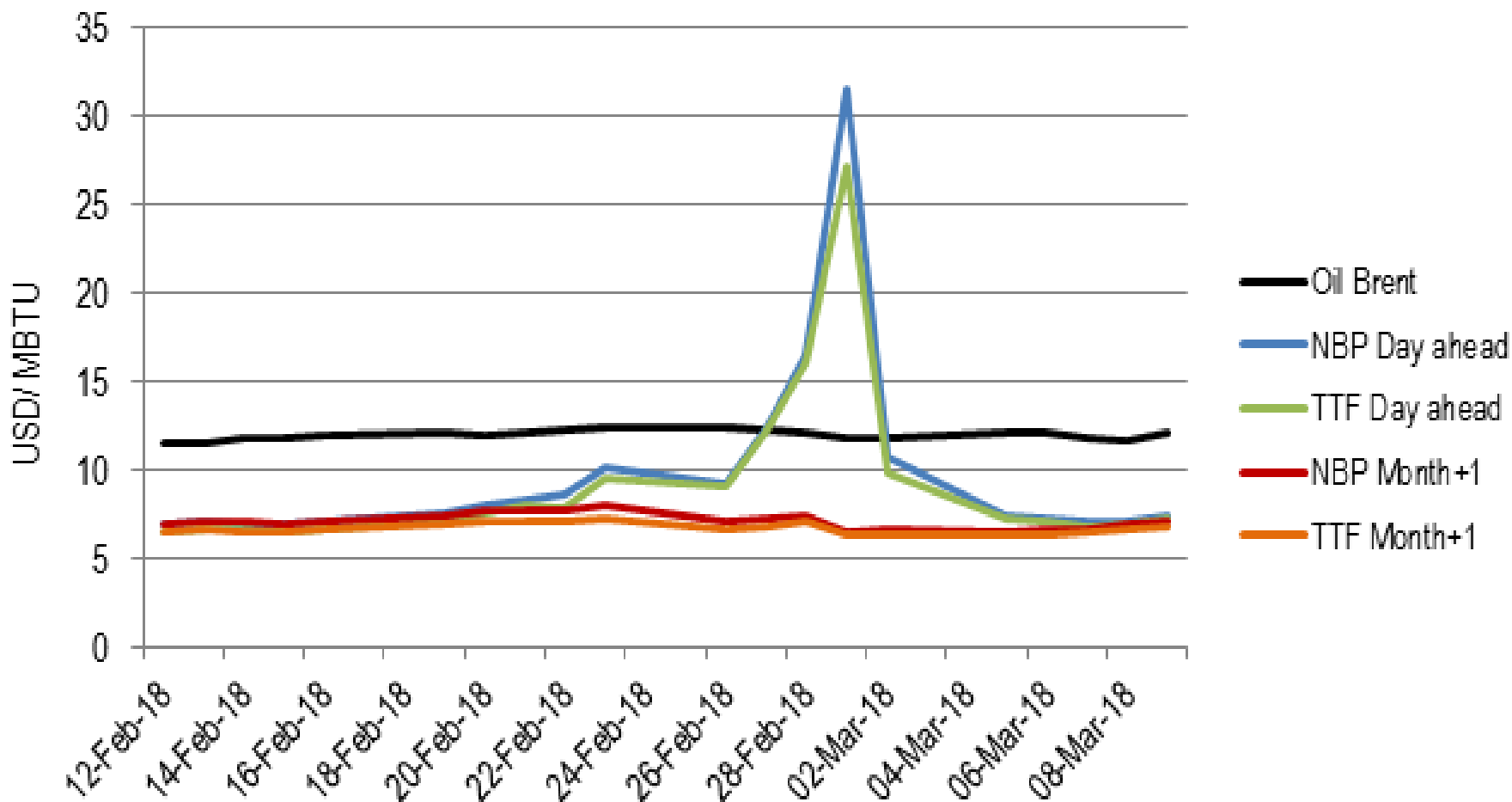


■ 2017 ■ 2018

Source: IEA, ENTSOG

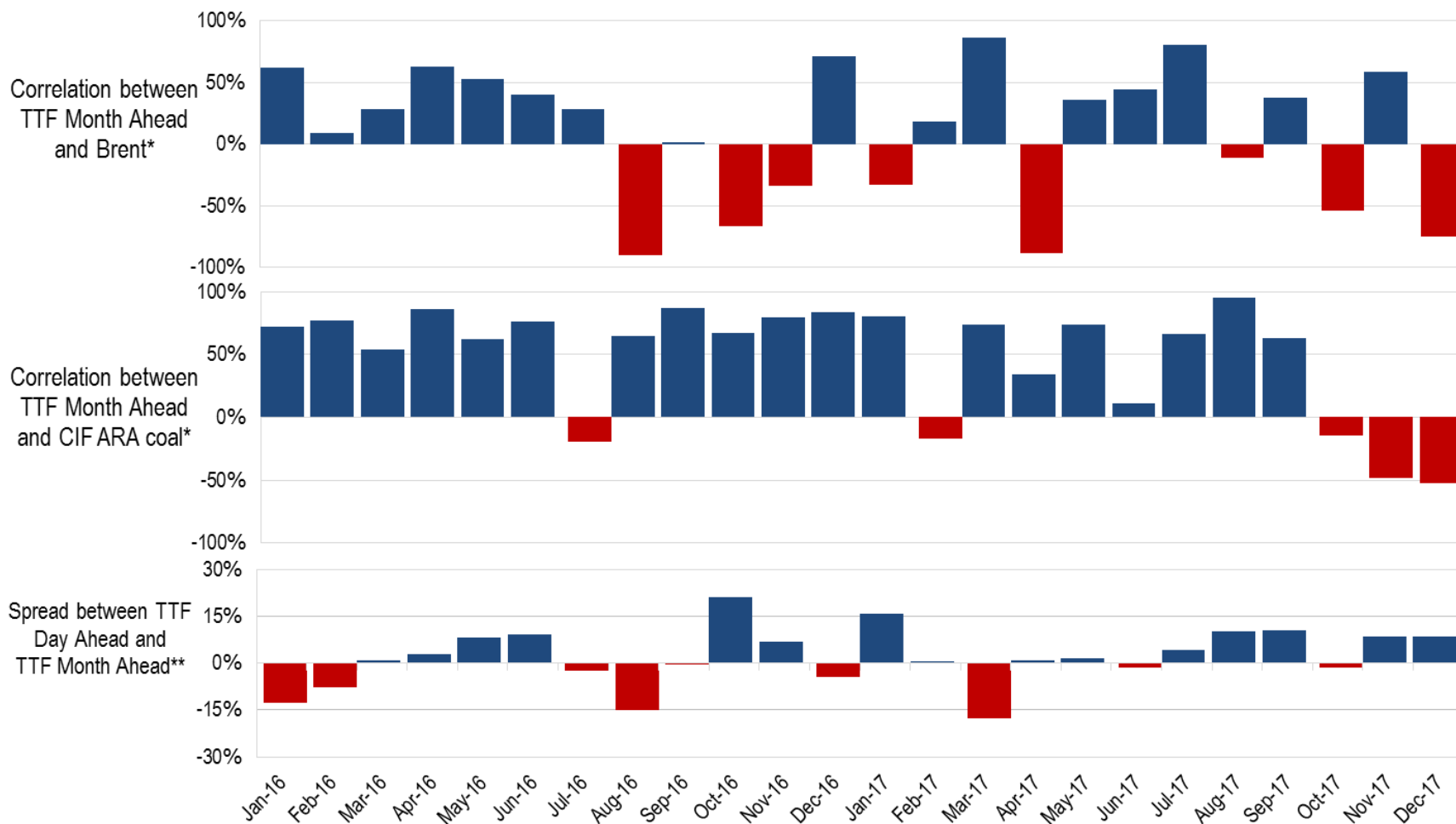
# Another Advantage Of LTCs Over Spot Deliveries: Linkages To Longer Term Forward Contracts Provide With Price Stability

Abnormally cold weather in February-March 2018 caused day-ahead price hikes



Source: Source: Gazprom export based on Bloomberg data

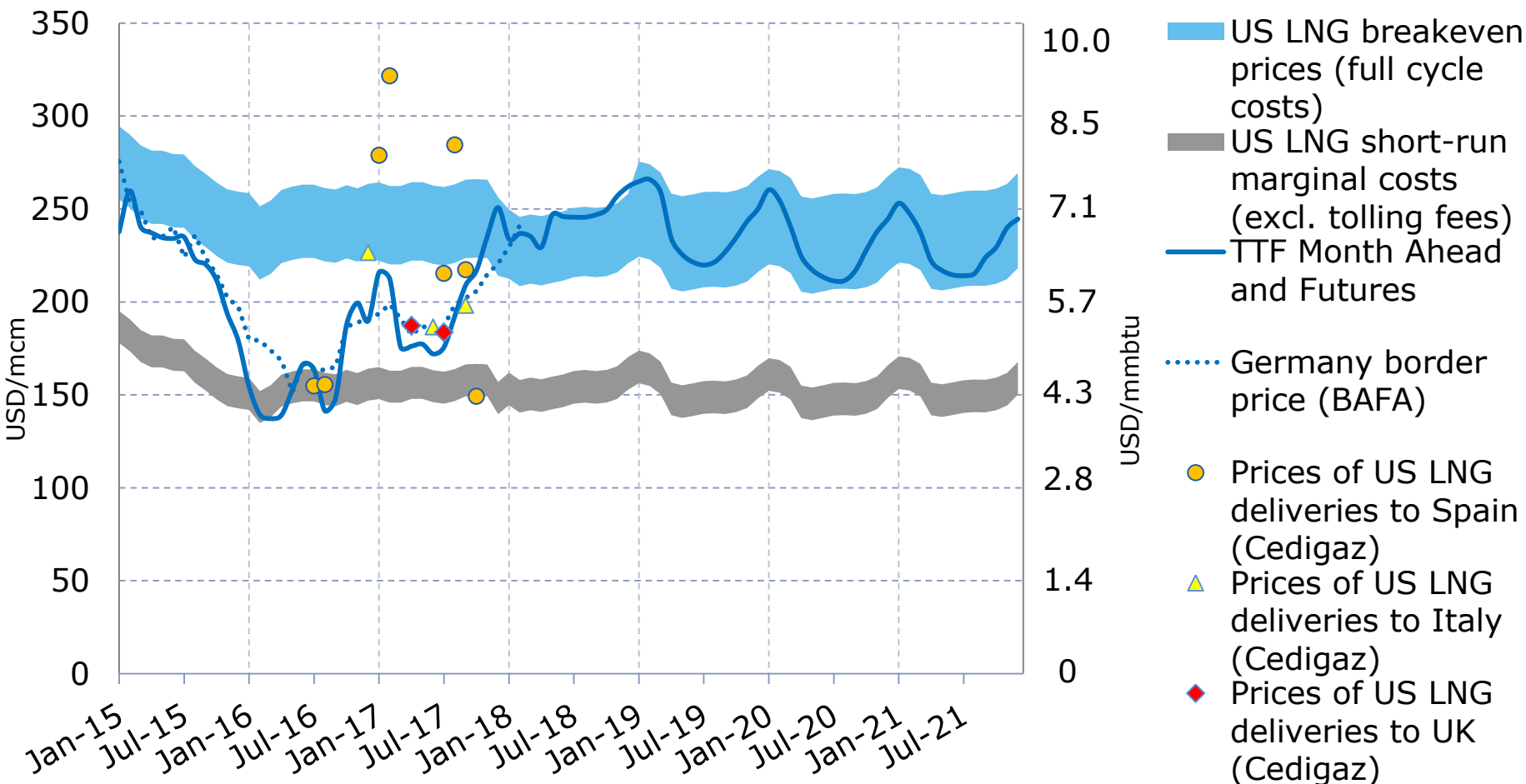
# Although Correlation of Gas Prices with Coal Price Increased Positive Price Spreads Between DA and MA Prices Point to Emerging Gas Deficit



\* At the basis of daily quotes \*\* Quotes with delivery in the same month are used

Source: Gazprom Export

# Gazprom's Market Share Is not a Threat to Competition in the EU due to Real and Virtual Competition with the American LNG



Source: Bloomberg, Cedigaz, IHS

Calculated on the basis of Henry Hub Futures prices,  $P = HH * 115\% + X$   
 where X - costs of liquefaction, shipping to Europe, regasification



THANK YOU FOR YOUR ATTENTION!