The Future of Russian O&G Export

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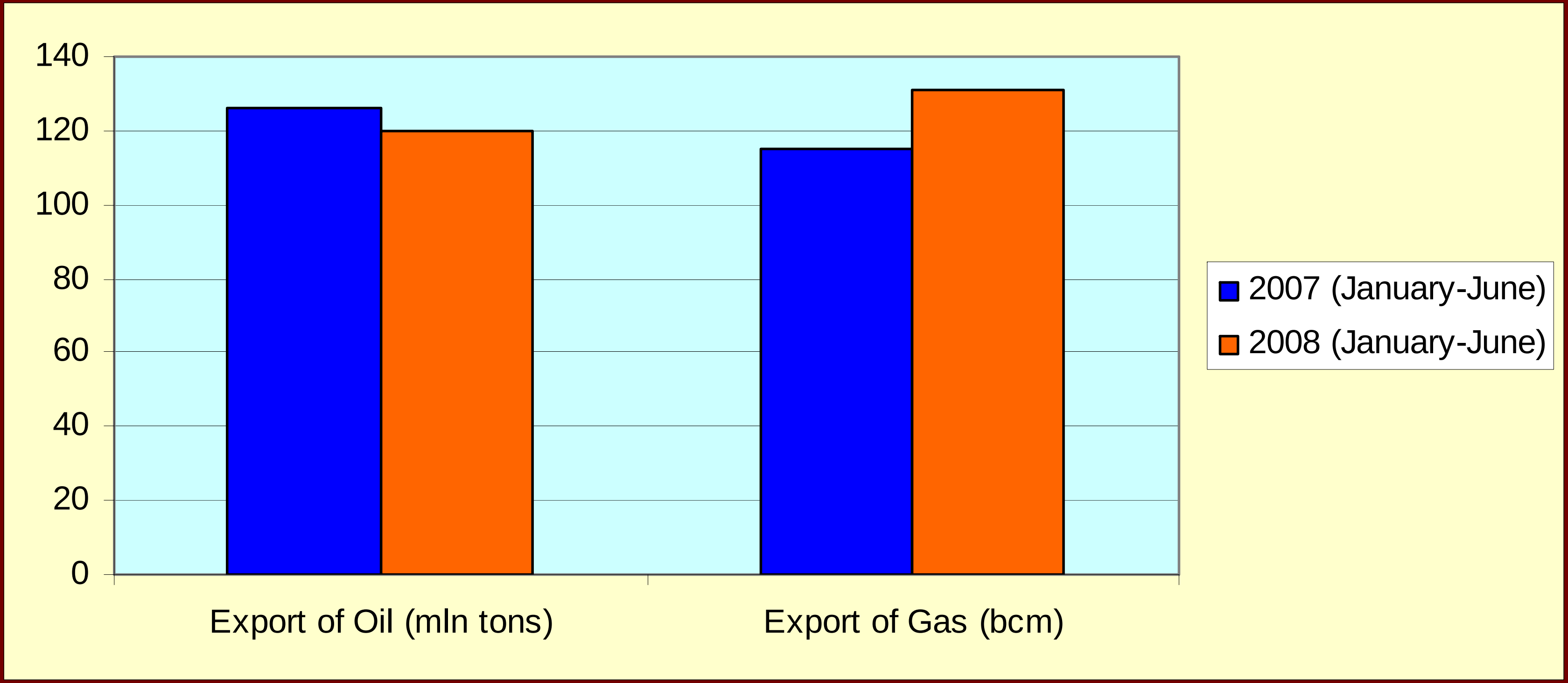
Current Trends: Home Market as an Alternative to Export?

- Decreasing of Russian oil export, increasing of Russian gas export



Source: Ministry of Energy

Different Ways of Oil and Gas Export?

The first half of the year, 2008:

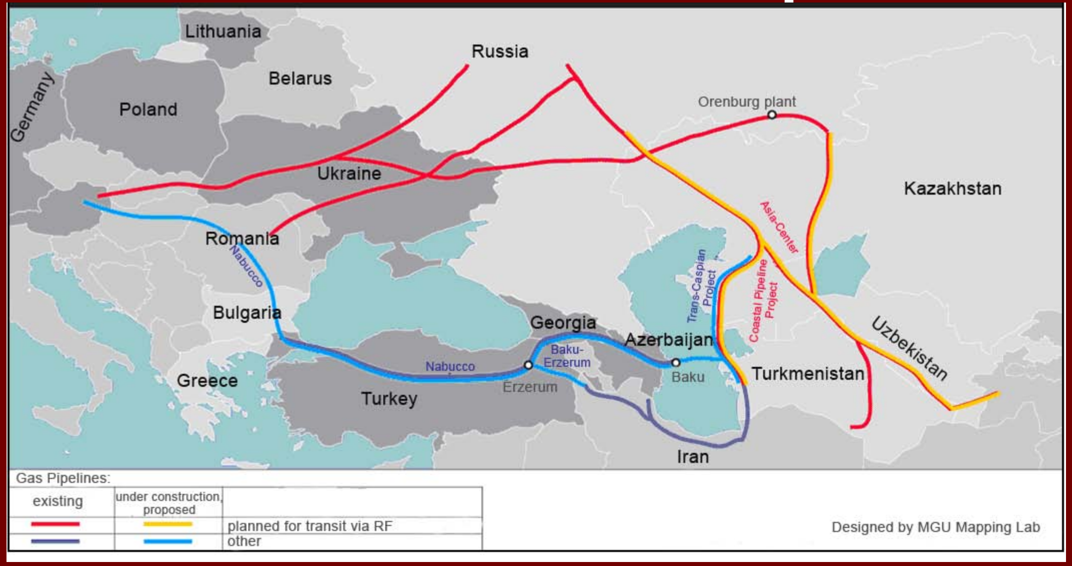
- Export of gas ↑ 13,9%
- Export of gas to West Europe ↑ 22,2%
- Export to CIS and Baltic States ↓ 5,5%
- Export of oil ↓ 5%
- Oil and Gas – two different markets. It’s much more easy to find an alternative supplier of oil
- Czech precedent

Different Ways of Oil and Gas Export?

- "Oil Traders War"
- Possibility of import substitution for EU: "yes" for oil, "no" for gas
- Oil Market in Europe is much more competitive
- Strategy of Upstream cooperation vs. Strategy of searching of alternative supplies

Alternative Supplies after War in Georgia

- Increasing of political risks (Azerbaijan, Georgia, Turkey)
- High probability of military offensive in Iran
- Aggressive pitting of Russia and Europe



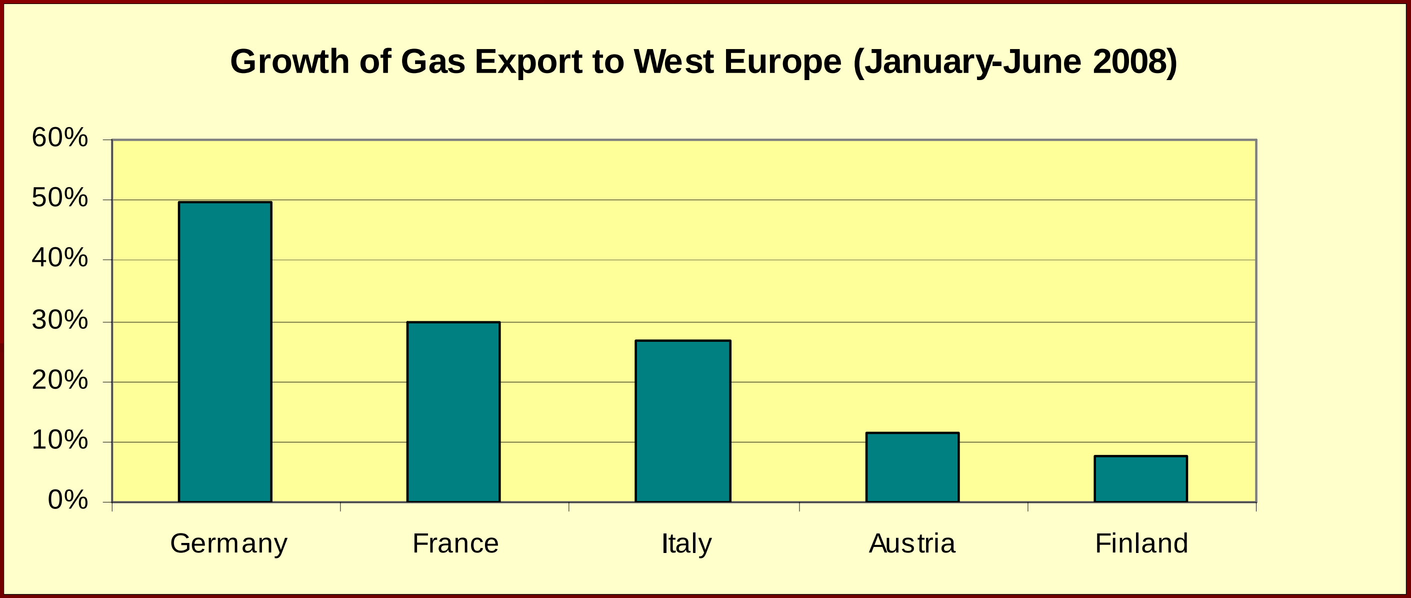
Forecasts of the EU-27 Natural Gas Consumption and Import

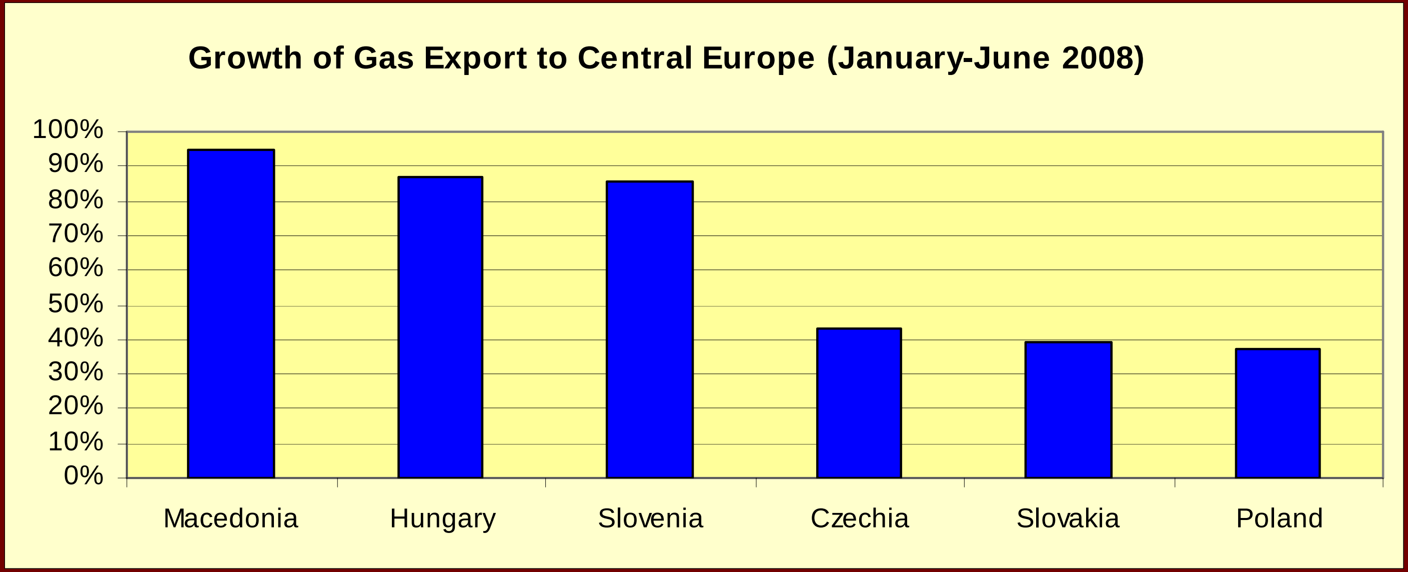
and Russia’s Possible Supplies to the Region, Billion Cubic Metres:

	2007	2015					2020					2030			
		EC	ENI		IEA	E.ON	EC	ENI		IEA	E.ON	EC	ENI		IEA
Consump-tion	477	487	686	641	-	610	505	761	692	609	643	516	852	750	726
Produc-tion	186	129	125	180	-	134	115	100	170	120	116	85	85	90	85
Import	292	358	561	461	-	476	390	661	439	489	527	437	767	660	641
Difference in import from 2007	-	67	270	169	-	184	98	369	147	197	235	145	475	368	349
Import from Russia (25%*)	138	122	172	160	-	152	126	190	173	152	160	129	213	187	182
Difference from 2007	0	-16	34	22	-	15	-12	52	35	14	23	-9	75	50	44
Import from Russia (30%**)	138	146	206	192	-	183	152	228	208	183	193	155	256	225	218
Difference from 2007	0	8	68	54	-	45	14	90	70	45	55	17	118	87	80

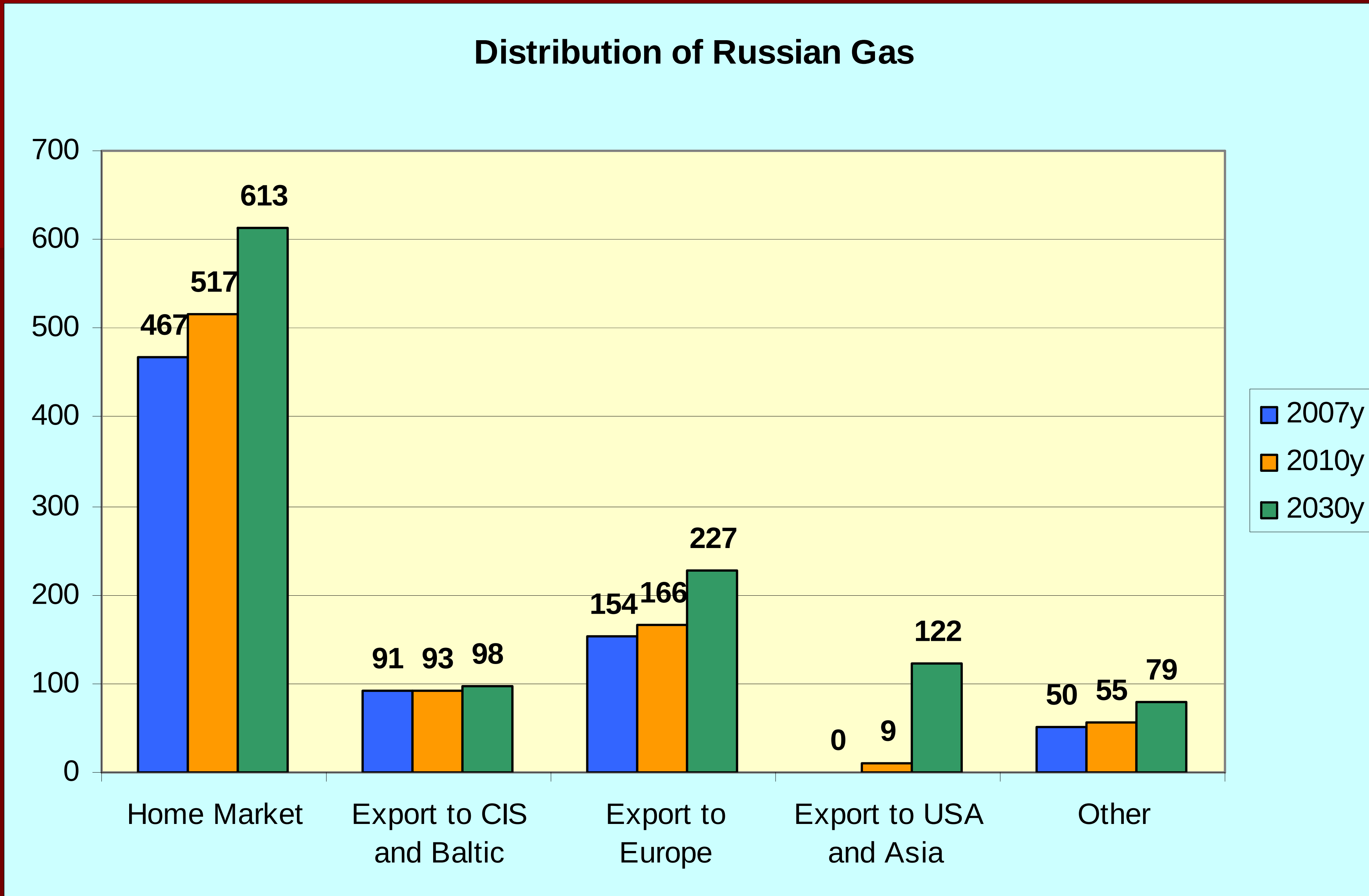
*The estimation proceeds from the assumption that the ratio of Russian gas in total consumption will not exceed 25%

****** The estimation proceeds from the assumption that the ratio of Russian gas in total consumption will not exceed 30%



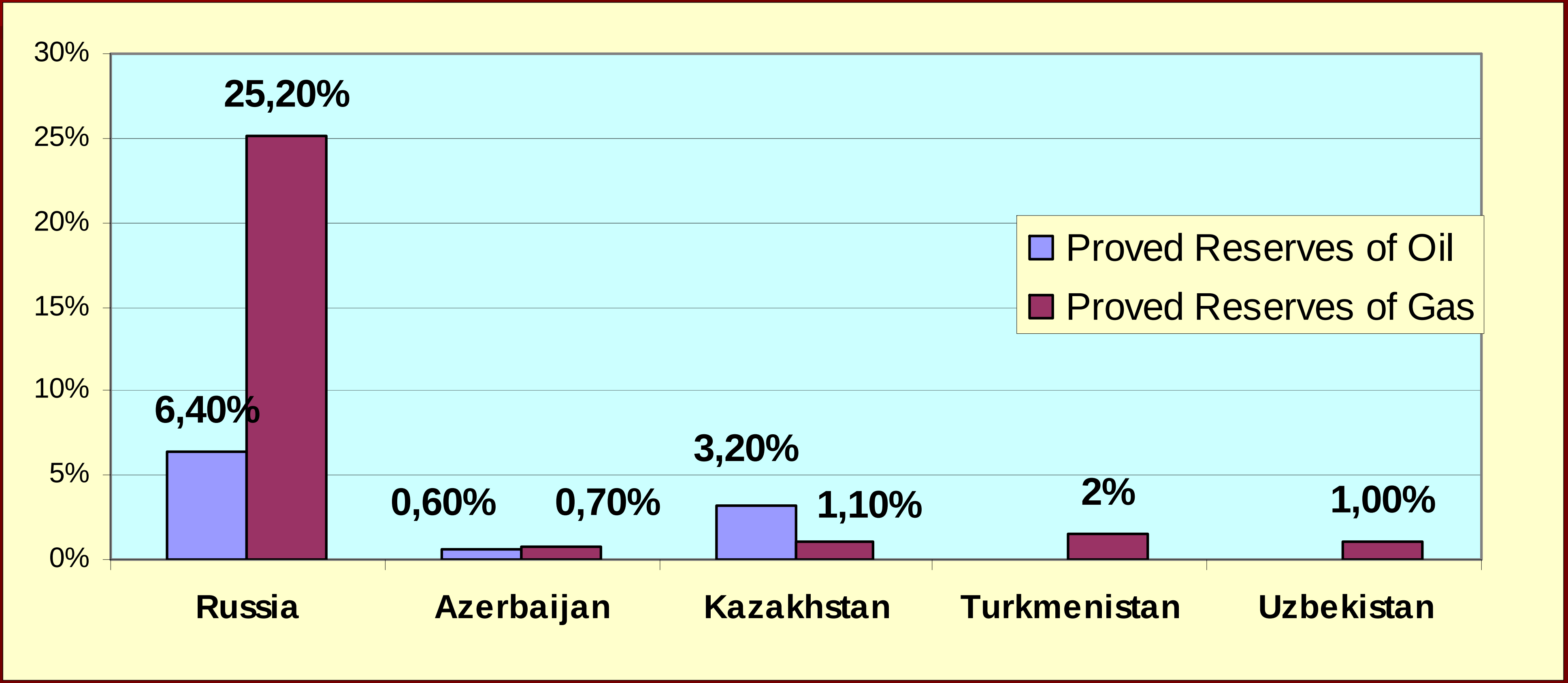


Source: Neftegazovaya Vertikal



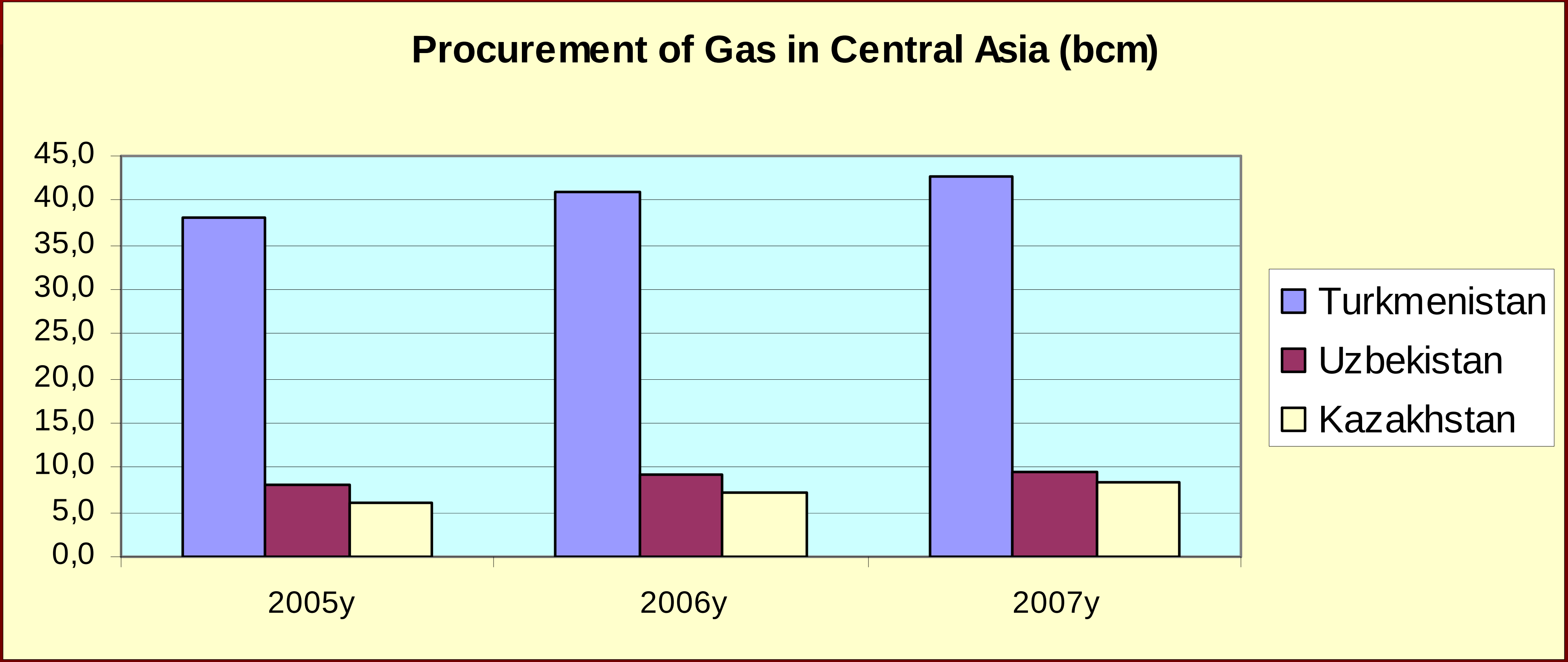
Source: Gazprom

No Alternative in Central Asia

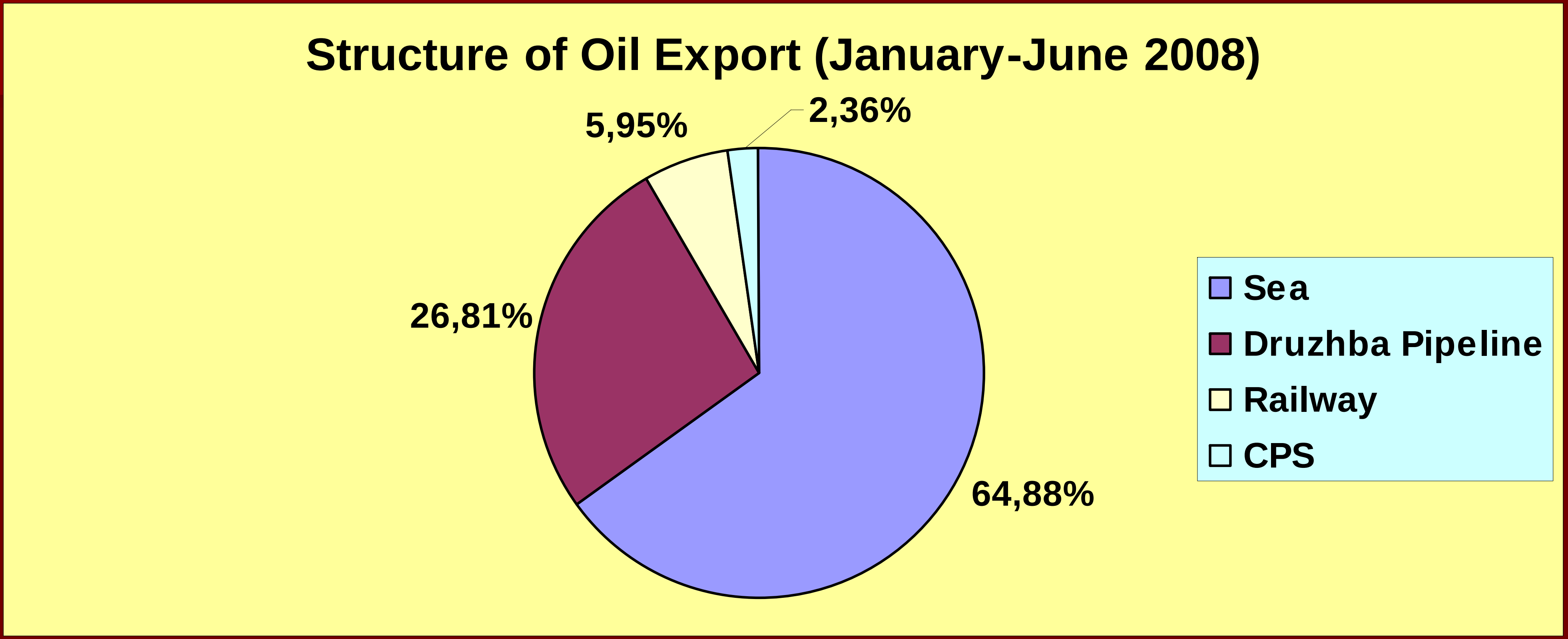


Source: BP

No Alternative in Central Asia



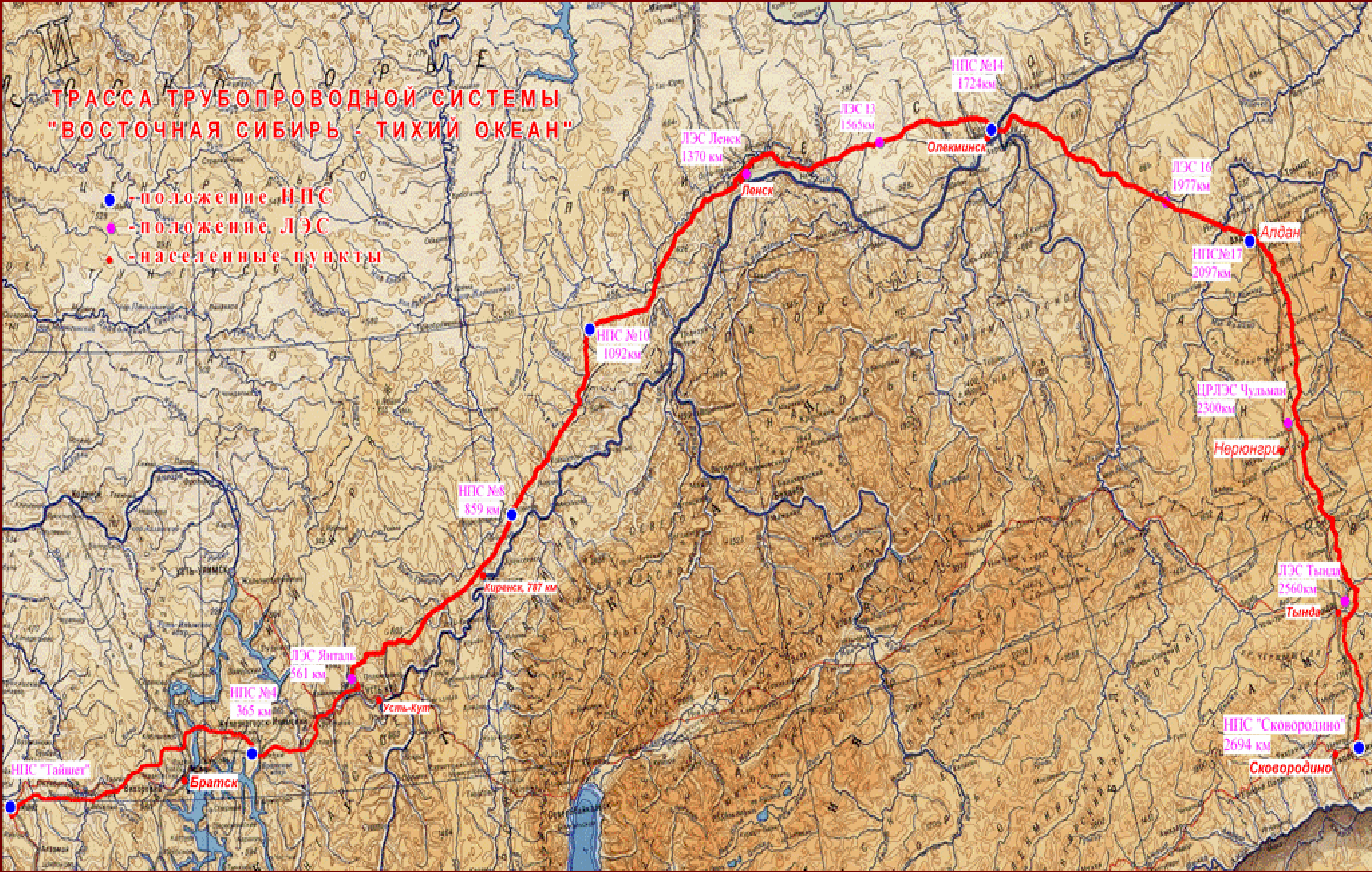
Source: Gazprom



Source: Neftegazovaya Vertikal

ESPO and BPS Comparison

	Length	Maximum Forecast Capacity	Capacity in 2006- 2007	Estimated Cost
BPS	950 km	76,5 million tons	66 million tons, 74 million tons	$2,5 billion
BPS-2	1300 km	50 million tons	-	$3,8 billion
First Stage of ESPO (the end of 2009) Taishet – Ust-Kut – Tynda – Skovorodino	2757 km	30 million tons by 2010, 50 million tons by 2016	-	$12,48 billion
Second Stage First line: Skovorodino – Kozmino, second line: Skovorodino – Daitsin	To Kozmino: southern route - 1963 km, northern route - 1903 km (Total length from Taishet to Kozmino – 4720 km or 4660 km)	Total capacity – 80 million tons	-	Approximately $29 billion



On 22 September Transneft completely filled up all the 1,102 kilometres of the first stage of ESPO in <u>reverse mode</u>, with 800,000 tonnes of oil

Thank you!

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