

## **Facts about gas auction of Gazprom**

Meeting the challenges of the ever-changing energy market, Gazprom held a gas auction to try out a new mechanism of gas sales in Europe.

The auction lasted from September 7 to 10, 2015 with the total volume of 3.2 billion cubic meters of gas to be supplied during the 2015/2016 winter period to several delivery points in Northwestern Europe, at the choice of the potential customers.

This new trading technique has become an addition, yet not an alternative to the system of long-term contracts which maintain the European energy security.

- **On July 31** Gazprom Export posted an announcement of the forthcoming auction on its website;
- **On August 14** the prequalification stage was completed;
- **On August 31** Gazprom Export notified all the applicants of whether they had passed the prequalification procedure or not as well as of the conditions, under which gas was to be supplied to the auction winners;
- **On September 7, 8, 9 and 10** bidding rounds were held.

42 companies applied for the auction. 39 of them successfully passed the prequalification procedure.

### **Auction results:**

The auction resulted in concluding over 40 deals with 15 counterparties for the aggregate volume exceeding one billion cubic meters of gas, which accounted for more than one-third of the volume put up for the auction.

The auction contract prices turned out to be higher both than Gazprom Export's contract prices for the next winter period (from October 2015 to March 2016) under the oil-pegged contracts in general and those for Central and Northern Europe, including Germany; they also exceeded spot prices as well as forward prices at European gas hubs.

The auction results have once again confirmed that Gazprom was right to place its focus on hybrid pricing based on the combination of oil-pegged and hub-based pricing.

### **Bidding procedure:**

The auction took place from September 7 to 10, with three rounds (9.00 a.m., 11.00 a.m. and 1 p.m. CET) held daily. In each round the bidders received the information about the number of lots available in the current round, and the minimal price. After that, during 30 minutes the bidders were expected to present their bids that included the offer price, the desired volume (number of lots) and the product chosen (A, B or C).

Within the four days the prices and volumes were changing subject to the bidding progress and the gas market environment.

**Product description:**

- **Auction A** — 48 lots of 60 MW/h each at the Greifswald/NEL delivery point with optional Gaspool delivery point for buyers for the supply period from 1 October 2015 to 31 March 2016.
- **Auction B** — 57 lots of 60 MW/h each at the Olbernhau II delivery point with an option for buyers to purchase entry capacity to the Czech gas transmission network from Gazprom Export for the supply period from 1 October 2015 to 31 March 2016.
- **Auction C** — 22 lots of 60 MW/h each at the Greifswald/OPAL delivery point (exempted capacities). The associated OPAL capacities with the exit point at Brandov can be purchased from the network operator for the supply period from 1 October 2015 to 31 March 2016.