

Press Conference Background:
Gazprom's Power Generation Strategy
June 10, 2009

In April 2007 Gazprom Board of Directors approved the Company's Power Generation Strategy.

The power generation business expansion in Gazprom Group stipulates, in particular, acquisition of stakes in power generation companies, construction of new power generation facilities and development of power distribution and power supply network sectors.

Between 2007 and 2008 in the result of the power industry reform in Russia and participation in the issuance of additional shares by power generation companies Gazprom Group largely achieved its strategic goals of entering into the power generation business.

By now, two years since the Strategy has been approved, Gazprom Group occupies the first place by power generation and supply volume and the second place by heat generation volume.

Gazprom Group owns the following major assets in the national power generation sector: Mosenergo (53.47 per cent), TGC-1 (28.7 per cent), OGK-2 (56.6 per cent) and OGK-6 (60 per cent).

Within the Strategy new generation facilities are being constructed in Kaliningrad, Adler, Astrakhan and Orenburg.

In August 2008 the Board of Directors adopted the decision to consolidate the shares of TGC-1 and Mosenergo by transferring them to Gazoenergeticheskaya kompaniya (Gazprom energoholding since May 2009), Gazprom's wholly owned subsidiary.

Investment Programs Execution

Mosenergo is the world's largest heat power producer.

Installed capacity exceeds 12,000 MW and 34,167 Gcal/hr.

Since 2007 Mosenergo received RUB 55 billion of investments for the construction of new and expansion of the existing capacities as well as for modernization projects.

Mosenergo proved its position of Russian power industry leader by bringing onstream three combined-cycle power generating units (CCPGU) with 1,325 MW in total capacity between 2007 and 2008.

The Mosenergo Investment Program is unprecedented in the contemporary history of Russian power industry as compared to other OGKs and TGCs that commissioned a total of under 500 MW in the past two years:

- in 2009-2010 the construction of a combined-cycle plant (CCP-420) will be accomplished at the combined heat and power plant (CHPP-26);
- Mosenergo has reserved the equipment required to execute stage 4 of the Investment Program, providing for additional capacity of 1,260 MW by 2014.

TGC-1 is a unique power generation company in the North-Western Russia. Installed capacity exceeds 6,278 MW and 15,000 Gcal/hr.

St. Petersburg heat supply network is 405 km long.

50 per cent of electric power is generated by hydropower stations.

The investment program of TGC-1 provides for commissioning over 2,000 MW before 2015:

- amount of finance exceeds RUB 100 billion;
- in 2009 upgraded power generating units were put into operation at the Volkhov Hydropower Plant (HPP) and Svetogorsk HPP, CCP-180 is projected for commissioning at the Pervomaiskaya CHPP-14 as well as turbine units with increased capacity will be commissioned at the Vasileostrovskaya CHPP-7 and Vyborgskaya CHPP-17.

OGC-2 is one of the leading power generating companies in terms of gas domination in the fuel mix.

Installed capacity is about 8,695 MW.

The company owns one of the largest gas-fired power stations in Russia – Surgut State District Power Station (SDPS-1).

OGK-2 investment program provides for commissioning over 1,460 MW before 2015:

- financing volume is estimated at over RUB 80 billion;

- construction of a coal-fired power generating unit at the Troitsk State District Power Station (SDPS), Steam Turbine Unit (STU-660);
- construction of a coal-fired power generating unit at the Stavropol SDPS, CCP-400;
- construction of a combined-cycle power generating unit at the Serov SDPS.

OGK-6 is one of the leading power generating companies in terms of coal domination in the fuel mix.

Installed capacity exceeds 9,052 MW.

OGK-6 investment program provides for commissioning over 1,270 MW before 2015:

- financing volume is estimated at more than RUB 70 billion;
- modernization of SDPS-24 by adding a gas turbine unit (CCP-420);
- Modernization of Kirshi SDPS on the basis of the combined-cycle technology (CCP-800);
- construction of a coal-fired power generating unit at Novochoerkassk SDPS, Circulating Fluidized Bed Boiler (CFBB-330);
- construction of a coal-fired power generating unit at Cherepovets SDPS, STU-330.

New Facilities Construction Projects

2nd power generating unit construction at Kaliningrad CHPP-2:

- capacity: 450MW;

- indicative value: RUB 23 billion;
- commissioning date: 2010.

Adler CHPP Construction:

- capacity: 360 MW;
- indicative value: RUB 22 billion;
- Adler CHPP is the largest power supplier to the Olympic facilities;
- Results of the tender for awarding EPC contract will be summarized on or before July 1, 2009.

Electric Power Station for Astrakhan Gas Processing Plant (GPP):

- capacity: 246 MW;
- estimated cost of stage 1 construction: RUB 10 billion;
- construction period: 2009-2012.

Electric Power Station for Orenburg GPP:

- capacity: 250 MW;
- estimated cost: RUB 10 billion;
- construction period: 2009-2012.

Kaunas CHPP Expansion

Capacity expansion scenarios are being considered due to the forthcoming termination of Ignalina Nuclear Power Plant.

Power Distribution Activities of Gazprom

In late 2006 a power distribution subsidiary was incorporated, Mezhhregionsbyt:

- Russia's largest electric power supplier with the cumulative turnover exceeding RUB 100 billion and cumulative power output – some 85 kWh per annum (including subsidiary companies);
- a wholesale electric power market player operating in 20 constituents of the Russian Federation;
- optimization of the costs incurred by Gazprom subsidiaries in relation to power supplies amounted to RUB 500 million in 2008.

Power Supply Networks

Gazpromenergo is a fully-owned subsidiary of Gazprom – operates low- and medium-voltage power supply networks of Gazprom Group subsidiaries:

- 741 power supply substations;
- over 3.6 thousand km of aerial electric power transmission lines;
- over 4.2 thousand km of cable electric power transmission lines.