

**Press Conference Background:**  
**Gas Supply to Domestic Market. Electronic Trading Platform  
Operation. Executing Russian Regions Gasification Program**  
**June 6, 2009**

**Gas Supply to Domestic Market**

Gazprom Group sells over 50 per cent of its commercial gas in the domestic market.

In 2008 Gazprom Group supplied Russian consumers with 287 billion cubic meters of natural gas.

Mezhregiongaz Group sold 305.8 billion cubic meters of gas domestically including:

- 15.9 billion cubic meters – at prices set in the Russian Government Directive No. 333;
- 3.1 billion cubic meters – via the Mezhregiongaz Electronic Trading Platform;

In 2008 Gazprom Group sales (net of excise tax and VAT) in the domestic market increased 18.7 per cent up to RUB 474.3 billion as compared to 2007. The average domestic price (net of excise tax and VAT) increased in 2008 by 27 per cent up to RUB 1,652.8 per 1,000 cubic meters versus 2007.

**Electronic Trading Platform Operation**

In 2008 a total of 6.09 billion cubic meters of natural gas was sold via the Electronic Trading Platform (ETP) including 3.11 billion cubic meters (51

per cent) by Gazprom Group and 2.99 billion cubic meters (49 per cent) by independent sellers (independent producers and traders).

The price indicators related to ETP gas sales surpassed the regulated wholesale prices by an average 38 per cent over the reported period. The bulk of the gas (86 per cent) was purchased by electric power companies.

The results of experimental gas sales via ETP in 2008 have once again demonstrated Russian industry's readiness and ability to purchase gas at free market prices. Gazprom has fully met its obligations within the Russian Government Directive No. 851 "On Continuing the Experimental Gas Sales via the Electronic Trading Platform in 2008", dated December 10, 2007 and expired on December 31, 2008.

In 2008 the issues were addressed regarding the arrangement of exchange gas trading in the domestic market.

Organization of a Natural Gas Exchange (NGE) and further ETP development on a permanent basis should be considered as two market tools supplementing each other. ETP pursues the primary objective of selling physical volumes of gas, while the NGE sells future contracts and options, with physical volumes of gas delivered as per the participant's decision made upon the startup of the contract maturity period. ETP stipulates for one-day, ten-day and one-month contracts, while the NGE deals with one-month and 1 to 36-month contracts. ETP records spot prices in order to balance the contracted gas volumes and the volumes in the gas transportation system. The NGE offers price forecasts for a period

up to 36 months and price indicators for clearing payments a month ahead under long-term contracts. Thus, one-month-ahead indicators of gas price will be registered by both structures. This is a standard competitive practice for gas markets in the USA and Great Britain.

Price indication will enable to unify gas trading terms & conditions under mid-term and long-term contracts entered into at the “over-the-counter” market, to define an optimal number of balancing points and convert the clearing payments of market players into standard contracts. In addition, the NGE will be an efficient tool of damage insurance for both the purchaser and the seller in case of a sharp price reversal in a spot market. Coordinated operations of the NGE and ETP makes it possible to engage a “last-resort supplier” into the trading process that will resolve on commercial terms the compensation issues regarding gas supply/withdrawal disruptions by individual trading participants (one of the leading Russian gas suppliers may act as a “last-resort supplier”).

### **Executing 2008 Russian Regions Gasification Program**

The Gasification of the Russian Federation regions is a prioritized business activity of Gazprom. In 2008 Gazprom invested RUB 24.18 billion in the regional gasification. This allowed completing 153 gas pipelines with the total length of 2.7 thousand km in 47 Russian Federation constituents.

Over 2008 a total of 64 Russian regions participated in the Program, with six new regions included in 2008 (Krasnoyarsk Krai, Republic of Sakha (Yakutia), Sakhalin Oblast, Khabarovsk Krai, Khanty-Mansiysk Autonomous Okrug, Republic of North Ossetia – Alania).

Gazprom fully met its obligations relevant to gasification facility construction in 2008. 2.5 thousand kilometers of street distribution networks were connected to the existing inter-settlement gas pipelines, thus enabling to supply gas to some 60 thousand households and some 300 boiler houses.

In 2009 Gazprom is going to invest RUB 18.5 billion in the gasification of Russian regions. The Program will spread to the Chechen Republic, Primorsky Krai, Kamchatka Krai and the Jewish Autonomous District. In addition, Gazprom will allocate funds to gasify the Republic of Ingushetia outside the Program; therefore, the total number of gasified regions has amounted to 69.