

**Address by Anatoly Marinichev,  
Director General of Gazprom Mezhregiongaz**

at the meeting of Gazprom's top executives  
with chief editors of Russian regional mass media

Moscow, December 12, 2011

**Gasification of Russian Regions**

**Dear colleagues!**

**Slide 2**

For the purpose of raising efficiency, in 2011 the work was initiated for the first time on shaping and adopting annual gasification programs for Russian Federation constituents on the basis of systemic approach to selection of construction objects.

This slide shows Gazprom's yearly investments allocated for the Russian regions gasification excluding funds used to build gas laterals and gas distribution stations constituting an integral part of regional gasification.

In early 2005 Gazprom's management resolved to considerably increase the investments in order to accelerate gasification of Russian regions.

**Slide 3**

Over 11 years the Company allocated about RUB 156.0 billion, whereof more than RUB 146.0 billion was invested during the last seven years.

This slide makes obvious that our investments into gasification have actually grown by 15 times in the recent seven years.

It has to be noted that during the entire period regional administrations raised roughly the same amount from regional and municipal budgets, joint citizens' funds and other sources to finance inter-settlement gas networks construction and final consumer preparation for gas supplies.

**Slide 4**

Gazprom's key strategic activities in the regional gasification area are shown in this slide. They include:

- further large-scale gasification of Russian regions aimed at achieving the maximized economically viable gasification level, meeting solvent gas demand, improving living conditions for citizens, particularly in rural areas and growing economic potential of Russian constituents;

- gasification and gas supply to Eastern Siberia and the Far East including construction of gasification facilities required to host the 2012 Summit of the Asia-Pacific Economic Cooperation forum;
- building gasification facilities to arrange the 2014 Winter Olympic Games in Sochi;
- improving the cooperation between Gazprom and administrations of Russian constituents that pursues the synchronized creation of the “gas pipeline-to-consumer” complex and load of ready facilities from the start of commissioning;

Here are brief results of the 2010 gasification program.

### **Slide 5**

Total investments under the 2010 Russian Regions Gasification Program exceeded RUB 25 billion.

Gazprom fully met its obligations on gasification facilities construction.

The total number of gasification facilities built in 2010 was 156 and their total length was around 2.1 thousand kilometers in 52 constituents of the Russian Federation.

Inter-settlement gas pipelines built in 2010 supply gas to 296 population centers, about 47 thousand apartments and households, and 144 boiler houses.

### **Slide 6**

By early 2011, natural gas penetration level was 63.1 per cent throughout Russia including 69.9 per cent in cities and towns and 46.7 per cent in the rural area.

Later on, I will inform you on the gasification program in 2011.

### **Slide 7**

In 2011, more than RUB 29 billion was invested in design and survey, developing and adjusting general schemes for gas supply and gasification of Russian regions as well as in building of gas distribution networks in 65 constituents of the Russian Federation.

The work is underway to provide gasification and develop the gas supply system in Russian regions including the Far East gasification, implementation of purpose-oriented programs for gasification of Olympics venues and 2012 APEC Summit facilities, for achieving the maximum economically viable level of gasification and for meeting natural gas demand.

The 2011 gasification program also includes autonomous gasification: investment rationales are being developed to supply gas to the Republics of Buryatia, Tyva, Khakassia and Altai; projects were launched in the Karagay, Ilyinsky and Sivinsky Districts of the Perm Krai and to build a liquefied natural gas (LNG) plant in Nikolaevsk-on-Amur of the Nikolaevsk District, Khabarovsk Krai.

### **Slide 8**

Completion of the first string in the unique submerged crossing under the navigable Eastern Bosphorus Strait in the Primorsky Krai was one of the most important events in gasification of the Russian Far East in 2011. This ensured gas supply to consumers on the Russky Islands and to CHPP-2 of Vladivostok.

The gas pipeline placement on the seabed didn't create any navigation obstacles or compromised the local ecosystem; the unique drilling technology unparalleled in the former Soviet Union, Russia, and possibly in Europe was used in the construction process. The builders had to deal with a great distance (nearly 3 kilometers) with a considerable level drop (140 meters).

In addition to the Primorye and the Khabarovsk Krai, gasification projects were implemented in the Sakhalin Oblast and the Kamchatka Krai in 2011.

Besides, in the Far Eastern regions Gazprom Mezhrefiongaz embarked on investment projects for an integral technological complex including a gas lateral, a gas distribution station and inter-settlement gas pipelines under Russian Regions Gasification Programs. The projects aim to accelerate natural gas deliveries to final consumers.

### **Slide 9**

In 2011 according to the Russian Government Decrees under the Program for Construction of Olympic Venues and Development of Sochi as a Mountain Climate Resort, the Company is implementing the following projects represented in this slide:

- The gas pipeline to the Adler CHPS (completely built).
- The second string of the Adler – Krasnaya Polyana – Esto-Sadok gas pipeline (construction and installation to be finished in 2012).
- Gas pipeline to Kudepsta CHPS (to be commissioned in 2013).
- Gasification of villages, settlements and central part of the Adler district as regards high- and medium-pressure gas pipelines (construction and installation to be finished in 2012).

The list of the above mentioned facility includes 26 high- and medium-pressure gas distribution pipelines.

In order to fix the obligations of Gazprom and regional administrations under the Russian Regions Gasification Programs for 2011 the parties continued jointly signing and implementing the synchronization schedules.

### **Slide 10**

Now let me turn to preliminary results of the 2011 Gasification Program. According to the synchronization schedules, the number of gas supply facilities to be ready in 2011 is 221 with the total length of about 2,330 kilometers in 49 constituents of the Russian Federation.

In addition, based on consumer readiness to receive gas, 23 inter-settlement gas pipelines are nearing completion in 8 constituents of the Russian Federation.

As of today, 232 gasification facilities are completely built; other facilities are at the commissioning paperwork stage.

Therefore, the total number of gasification facilities to be completed in 2011 is 244 inter-settlement pipelines with the total length of about 2.5 thousand kilometers in 49 constituents of the Russian Federation.

In 2011, provided that the local authorities fulfill their obligations on consumers preparation, gas will be supplied to more than 390 population centers and about 570 boiler houses, 74 thousand apartments and households will be switched to gas.

### **Slide 11**

The next slide compares the results of 2010 and 2011.

At this stage we can already state that in 2011 the number of completely built gasification facilities will be 88 more than the last year (156 and 244) and, accordingly, the length of inter-settlement gas pipelines is 400 kilometers longer than in 2010.

Compared to 2010, the increase in supplied population centers and boiler houses makes up 94 and 426 respectively, conditions have been created to switch to natural gas 27 thousand apartments more versus the previous year.

### **Slide 12**

In 2011, the preliminary results of fulfilling obligations on preparation of final consumers for gas supplies by local authorities under the synchronization schedules of Russian Regions Gasification Programs are as follows:

In 21 regions shown in this slide the local administrations are preparing final consumers for gas supplies as per synchronization schedules.

### **Slide 13**

In 16 regions, the local authorities are behind the schedules.

### **Slide 14**

And, unfortunately, in 9 regions local governments are seriously behind their respective synchronization schedules – in other words, they failed to perform. Those regions are the Arkhangelsk Oblast, the Kostroma Oblast, the Moscow Oblast, the Pskov Oblast, the Samara Oblast, the Saratov Oblast as well as the Republics of Dagestan, Kalmykia and Karelia.

Actually, the Arkhangelsk Oblast, the Kostroma Oblast, the Republics of Dagestan and Karelia also failed to perform in previous years.

(Thus, by the beginning of 2012 the availability of natural gas is estimated to be 63.2 per cent as national average, with 70.0 per cent in cities and towns and 46.8 per cent in the rural area).

### **Slide 15**

In conclusion let me inform you on our plans for 2012.

In 2012 large-scale gasification of Russian regions will be continued including the projects for gas supply and gasification of Eastern Siberia and the Far East.

Construction of gasification facilities was furthered as part of preparations for the 2014 Winter Olympic Games in Sochi.

Pursuant to the decision made at the Gazprom Board of Directors meeting recently held (November 29, 2011), the Company will take efforts to prepare the updated Russian Regions Gasification Program for the period 2012-2015 and, later on, until 2020 with due consideration for higher rates of natural gas supply to the population, industrial and agricultural sectors.

Gazprom Group will continue the cooperation with Russian Federation administrations to develop, approve and implement synchronization schedules of gasification programs designed to bring natural gas to final consumers as soon as possible.

**Thank you for your attention!**