ГАЗПРОМ
ОТКРЫТОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО

South Stream – Guarantee of Europe's Future Energy Security

Examples of successful international cooperation within infrastructure projects:

Nord Stream

The joint project of the largest European companies: Gazprom, Wintershall, E.ON Ruhrgas, Gasunie, GDF SUEZ.

The project's offshore section construction was launched in April 2010. Traversing the Baltic Sea from the Portovaya Bay (near Vyborg) to the German coast (near Greifswald) the gas pipeline will stretch for around 1,200 kilometers.

Blue Stream

One of the deepest gas pipelines in the world (depths down to 2.2 kilometers), special technologies for the pipeline operation in the aggressive hydrosulfuric environment.

European Project Intrinsically and Spiritually

Objectives:

- Meeting growing **demand for natural gas** in Europe
- Ensuring supply **flexibility** and **security**
- Ensuring **revenues** for participating companies
- Stimulating economic **progress** and creating new **jobs** in participating countries
- Availability of natural gas – **environmentally safe** energy resource

Economically Viable Commercial Project

Parameters:

- Four strings, throughput capacity up to 63 billion cubic meters
- Length of offshore section running from Russia to Bulgaria under the Black Sea will be 900 kilometers (depths in excess of 2,000 meters)
- Feasibility study completion – early 2011
- Startup – late 2015
- Onshore pipeline routes from Bulgaria to Central Europe and South Italy
- Studying the possibility of laying a transit gas pipeline across Romania
- Environmental Impact Assessment (EIA) will completed in full compliance with the Espoo Convention

South Stream Project Presentation

Joint Activities and Teamwork

- Intergovernmental agreements signed with **Austria, Bulgaria, Hungary, Greece, Serbia, Slovenia and Croatia**
- Joint project companies (JPC) set up in Serbia, Hungary, Greece for the offshore section. Negotiations are underway with other participants
- **Offshore survey finalized** for the Russian, Bulgarian and Turkish sections
- Offshore section will be jointly built by Gazprom and its partners **Eni** and **EDF**
- Gazprom cooperates with prominent national energy companies when constructing onshore sections

The EU's Demand for Natural Gas Grows

- Forecasts by leading agencies convincingly show that **the upward gas demand trend** will continue over the long term despite the current economic crisis.
- After 2020 annual gas consumption by European states is expected to exceed 700 billion cubic meters.

The EU Will Have to Boost Natural Gas Imports

Two global trends prevailing in the EU's gas market:

1. Steady gas demand growth over the nearest decades
2. Significant reduction of indigenous gas production, with an up to 50 per cent fall by 2020

- Natural gas **"import deficit"** emerges
- Europe needs to guarantee extra volumes of gas imports and to secure a new energy infrastructure for gaining access to gas resources in neighboring states and providing their transportation

Enhancing Energy Security

- Gas transit crisis in Ukraine proved **the need to diversify transit routes** over the long term
- Gazprom increased deliveries by the Yamal – Europe and Blue Stream gas pipelines, but was unable to offset transit capacity losses in Ukraine
- South Stream and Nord Stream will solve this task, enhance **the flexibility and reliability** of supplies and reduce industrial, technical and natural transit risks.
- Consumers in Southeast and Central Europe wouldn't have faced the supply deficit in 2009 if South Stream had been in operation during the Ukrainian transit crisis.

Resource Base

- The pipeline project efficiency depends largely on the resource base availability.
- Gazprom holds the world's largest gas reserves and the Company's resource base continues to increase. Between 2006 and 2009 Gazprom steadily maintained the **reserve replacement ratio of 1+.**
- The Company's resource portfolio and export capabilities are underpinned by the long-standing track record of fruitful cooperation with gas producing companies from Middle Asia and the Caspian region.
- Gazprom is **capable of producing a substantial amount of gas.** During the 2010 winter period daily production hit a record high – nearly 1.7 billion cubic meters per day.

Finance and Technology

- Despite the current economic conditions Gazprom is and **will remain a profitable company.** Gazprom enjoys a strong reputation of a reliable borrower and doesn't have any problems with raising funds in the domestic and international markets.
- The South Stream project represents a joint venture. **Participation of large European energy companies** with stable growth statistics and favorable credit history facilitates the task of shaping the investment portfolio at the most advantageous terms.
- Within the project Gazprom **cooperates** with first-class European companies – **gas business leaders** with substantial experience in the construction and operation of onshore and offshore pipelines.

Equal Conditions in the EU

- For the purpose of guaranteeing returns on investments in the EU's energy security the South Stream international consortium partners will **endeavor to achieve the same conditions** as those applied to **other trunklines**, namely:
- Political support from the European Union in general and from the EU member countries in particular
- **The European top-priority project** status pursuant to the Trans-European Energy Networks (TEN-E) Directive
- The opportunity to **enjoy exemptions** under the EU's competition and internal gas market laws (in particular, regarding third party access).

How Will the Participating Countries Benefit from the Project?

South Stream – benefits and windows of opportunities:

- **guaranteed supplies** of extra gas volumes
- considerable **growth of gas transit**
- the opportunity to develop national gas transmission networks
- **economic benefit**, in particular, income from gas transit
- participation of local companies in designing, constructing and operating South Stream
- **transit risk reduction**
- conversion of participants into **gas hubs**

South Stream Project Substantiation

- South Stream guarantees extra security of cheap and eco-friendly fuel deliveries to Europe.
- The project is economically viable as it uses a potent resource base for meeting growing demand in European markets.
- The project is technically feasible as the participating companies have a substantial track record of pipeline engineering, construction and operation.

THANK YOU FOR YOUR ATTENTION!