

Press Conference Background

GAS EXPORT AND ENHANCING RELIABILITY OF GAS SUPPLY TO EUROPE

(May 31, 2016)

GAS SALES

In 2015, Gazprom Group sold 184.4 billion cubic meters of gas, including LNG, outside the former Soviet Union (under the contracts of Gazprom Export and other companies of the Group) for a total of RUB 2,165.5 billion. Western Europe accounts for some 80 per cent of the Russian exports, Central and Eastern Europe for 20 per cent.

Most of the natural gas exports go to the Western European market and Turkey. In 2015, Gazprom Group sold 152.7 billion cubic meters of gas there. The largest consumers include Germany (47.4 billion cubic meters), Turkey (27 billion cubic meters), Italy (24.4 billion cubic meters), the UK (22.5 billion cubic meters), and France (10.5 billion cubic meters).

Natural gas sales by Gazprom Group in Western Europe and Turkey in 2015, billion cubic meters			
Country	Gazprom Export	Other companies of Gazprom Group	Total
Germany	45.3	2.1	47.4
Italy	24.4	0	24.4
UK	11.1	11.4	22.5
France	9.7	0.8	10.5
Austria	4.4	0.6	5
Finland	2.8	0	2.8
Greece	2	0	2
Netherlands	2.4	6	8.4
Denmark	0.7	0	0.7
Switzerland	0.3	0	0.3
Turkey	27	0	27
Belgium	0	1.5	1.5
Ireland	0	0.2	0.2
Total	130.1**	22.6	152.7

Rounded off to one decimal place.

The largest importers of natural gas in Central and Eastern Europe are Poland (8.9 billion cubic meters), Hungary (6 billion cubic meters), and Slovakia (3.8 billion cubic meters). Those countries purchase some 80 per cent of the natural gas marketed by the Group in that part of Europe.

Natural gas sales by Gazprom Group in Central and Eastern Europe in 2015, billion cubic meters			
Country	Gazprom Export	Other companies of Gazprom Group	Total
Poland	8.9	0	8.9

Hungary	5.9	0.1	6
Slovakia	3.8	0	3.8
Bulgaria	3.1	0	3.1
Serbia	1.7	0.2	1.9
Czech Republic	4.2	-3.3*	0.9
Romania	0.2	0.1	0.3
Croatia	0	0.6	0.6
Slovenia	0.5	0	0.5
Bosnia and Herzegovina	0.2	0	0.2
Macedonia	0.1	0	0.1
Total	28.6**		26.3

Rounded off to one decimal place.

** Amounts supplied under the swap deal between Gazprom Export and RWE Supply & Trading CZ.*

*** Exports beyond the former Soviet Union under Gazprom Export's contracts amounted to 158.6 billion cubic meters in 2015.*

Gazprom's exports beyond the former Soviet Union in 2015 – a total of 159.4 billion cubic meters – include deliveries by Gazprom Export and Gazprom Schweiz AG.

Gazprom Group sold 40.3 billion cubic meters of gas in the former Soviet Union in 2015. The largest importer is Belarus with 18.4 billion cubic meters.

Natural gas sales in the former Soviet Union in 2015, billion cubic meters	
Belarus	18.4
Ukraine	7.8
Kazakhstan	4.7
Moldova	2.9
Lithuania	2.2
Armenia	1.8
Latvia	1.3
Estonia	0.5
Georgia	0.3
Kyrgyzstan	0.3
Azerbaijan	0.1
Total	40.3

GAS TRANSMISSION

Gazprom supplies natural gas to its European customers via the following transmission routes: the Uzhgorod and Balkan corridors, the Yamal – Europe, Blue Stream, and Nord

Stream gas pipelines, across ten European countries (Austria, Belgium, Bulgaria, Czech Republic, Germany, Hungary, Netherlands, Poland, Romania, and Slovakia). It should be noted that the Uzhgorod corridor and the Yamal – Europe and Nord Stream gas pipelines are the main routes for Russian gas exports.

The 1,224-kilometer Nord Stream gas pipeline provides a direct connection between Russia's largest gas fields and European gas buyers across the Baltic Sea. The first pipeline string with an annual capacity of 27.5 billion cubic meters came onstream in 2011. The second string commissioned in 2012 boosted Nord Stream's annual capacity to 55 billion cubic meters.

In June 2015, Gazprom and its European partners signed a number of Memorandums of Understanding on cooperation in the Nord Stream 2 construction. The new gas pipeline will run from the Russian coast to Germany's Greifswald across the Baltic Sea. Nord Stream 2 will have an annual capacity of 55 billion cubic meters.

In September 2015, Gazprom, BASF/Wintershall, ENGIE, OMV, Shell, and Uniper inked the Shareholders Agreement to implement the Nord Stream 2 project. The project is executed by the joint project company Nord Stream 2 AG. Once the share acquisition deals are completed with foreign shareholders, the joint project company's ownership structure will be as follows: Gazprom – 50 per cent; BASF, ENGIE, OMV, Shell, and Uniper – 10 per cent each.

The 1,213-kilometer Blue Stream gas pipeline with an annual capacity of 16 billion cubic meters was commissioned in 2002 to provide direct gas supplies to Turkey across the Black Sea. Blue Stream supplemented the existing Trans-Balkan gas transmission corridor running from Russia to Turkey via Ukraine, Moldova, Romania, and Bulgaria. In 2015, a total of 15.58 billion cubic meters of gas was delivered via Blue Stream. Since 2002 through May 2016, the overall gas supplies via Blue Stream exceeded 131 billion cubic meters.

Thanks to a variety of routes and an interconnected gas pipeline system in the Czech Republic and Germany, Gazprom can redistribute gas flows between the Uzhgorod corridor and the Yamal – Europe and Nord Stream pipelines, which is particularly important during peak demand periods and repair works at individual sections of the gas transmission system in Russia and abroad.

GAS STORAGE

The use of UGS (underground gas storage) capacities located near consumer markets is an efficient way of securing uninterrupted, reliable, and flexible natural gas supplies.

Taking into account the growth in Russian gas exports and the creation of new gas supply routes from Russia to Europe, the Gazprom Management Committee resolved in 2011 to continue expanding the Group's UGS facilities abroad in order to bring the aggregate working gas capacity to at least 5 per cent of the total annual exports.

From 2006 through 2015, Gazprom Group's UGS capacities in Europe surged from 1.4 to 4.96 billion cubic meters, with the daily deliverability soaring from 18.20 to 61.5 million cubic meters.

In Germany, Gazprom Export in association with WINGAS operates Rehden, one of Europe's largest UGS facilities. Its storage capacity exceeds 4 billion cubic meters.

Gazprom Export, WINGAS, and RAG jointly operate the Haidach UGS facility in Austria. Its working gas capacity reached 2.83 billion cubic meters after its second train had been brought onstream. Haidach ensures the reliability of natural gas supplies in the direction of Baumgarten, as well as to consumers in Slovenia, Croatia, Hungary, Austria, Germany, Slovakia, and Italy.

Gazprom Group and VNG are jointly constructing the Katharina UGS facility in Germany. Four caverns with a total working volume of over 210 million cubic meters are currently operational at the facility. Katharina will expand to seven caverns in 2017. Its aggregate storage volume will surpass 600 million cubic meters, with a daily withdrawal capacity of 26 million cubic meters. The facility provides dependable gas supplies to Western Europe through Mallnow, Waidhaus, and the GASPOOL and NCG hubs, as well as via the Nord Stream gas pipeline.

In Serbia, Gazprom Group constructed the Banatski Dvor UGS facility with a working gas capacity of 450 million cubic meters. The Group has a 51 per cent stake in the project. The facility guarantees a steady flow of natural gas exports to Hungary, Serbia, and Bosnia and Herzegovina.

In the Netherlands, Gazprom Group holds a lease for 40 per cent of capacities at the Bergermeer UGS facility. The Group received a 1.9 billion cubic meter share in the facility's active capacities in exchange for 4.7 billion cubic meters of buffer gas deliveries. Established in a strategic location, Bergermeer is meant to ensure uninterrupted gas supplies and the stable operation of Nord Stream.

In the Czech Republic, the construction project for the Damborice UGS facility, which has a working gas capacity of 456 million cubic meters, is nearing completion. The commissioning is planned for 2016.

USE OF GAS AS VEHICLE FUEL

Reducing harmful vehicle emissions is a global challenge that can be addressed by, among other things, using eco-friendly fuels. One way of efficiently cutting down harmful emissions is through the conversion to natural gas – the greenest and least expensive fossil fuel as compared to conventional petroleum products.

CO₂ emissions from natural gas-fired vehicles are a quarter lower than those from gasoline-fired vehicles. Methane-driven engines emit much less carbon oxide than diesel ones, while particulate emissions from natural gas-fired engines are nearly zero.

Gazprom Group is committed to further developing the NGV market, especially in Europe.

As of the end of 2015, Gazprom Germania owned 35 CNG filling stations in Germany and 10 CNG stations in the Czech Republic. Vemex, its associated company, had another 5 CNG stations in the Czech Republic. In Poland, Gazprom Group operated 2 cryogenic filling stations for refueling buses with LNG.