

Press Conference Background
Gazprom in Eastern Russia, Entry into Asia-Pacific Markets
(May 28, 2019)

Gazprom continues to implement projects under the Development Program for an integrated gas production, transportation and supply system in Eastern Siberia and the Far East, taking into account potential gas exports to China and other Asia-Pacific countries.

Resource base and expansion of production capacities

The Gazprom Group's gas reserves in the licensed blocks located in Eastern Siberia and the Far East amount to 5.9 trillion cubic meters, including 4.26 trillion cubic meters in the A+B1+C1 categories and 1.64 trillion cubic meters in the B2+C2 categories.

Yakutia and Irkutsk gas production centers

Extensive work is underway to set up the Yakutia and Irkutsk gas production centers with the purpose of creating a large raw material base for pipeline gas deliveries to Russian consumers in eastern regions and to China. The Chayandinskoye and Kovyktinskoye fields (the bases for the Yakutia and Irkutsk gas production centers, respectively) are unique, as their gas reserves are not only overabundant, but also multi-component, containing valuable fractions (including helium) for gas processing plants.

Chayandinskoye. The field's recoverable reserves in the B1+B2 categories total 1.2 trillion cubic meters of gas and 61.6 million tons of oil and condensate. It is planned to start producing gas from Chayandinskoye in 2019. The field is expected to reach its design output – 25 billion cubic meters of gas per year – in 2024.

A total of 149 gas wells have been drilled at the field. It is planned to complete drilling 59 gas wells over the course of 2019. Pre-development operations are in progress, with gas well pads, gas collection headers and power facilities being built and the core process equipment being assembled. Start-up operations are taking place at a number of facilities.

Kovyktinskoye. The field contains 2.71 trillion cubic meters of gas and 90.6 million tons of gas condensate in the C1+C2 categories.

There are plans to bring the top-priority gas production facilities into operation in late 2022 and to reach the design output of 25 billion cubic meters of gas per year in 2025.

The Company will start drilling production wells at Kovyktinskoye in 2019.

Sakhalin III project

The **Kirinskoye field** is under commercial development. Currently, commercial gas is extracted from two production wells and fed into the Sakhalin – Khabarovsk – Vladivostok gas pipeline, while gas condensate goes into Sakhalin Energy's oil pipeline. Upon reaching its design capacity, the field will produce 5.5 billion cubic meters of gas per year.

In 2018, drilling of production wells commenced at the **Yuzhno-Kirinskoye field**.

Gas transmission capacity development

The **Power of Siberia gas pipeline** will deliver gas from the Yakutia and Irkutsk gas production centers to Russian consumers and to China. The pipeline spanning some 3,000 kilometers will have 9 compressor stations with the aggregate capacity of over 1,200 MW.

In 2018, the bulk of construction and installation work on Power of Siberia's linear part stretching from the Chayandinskoye field to the border with China was completed, including the two-string submerged crossing under the Amur River. In 2019, it is planned to conduct

tests on the gas pipeline, to assemble power, communications and telemetry systems, and to perform start-up operations. The Atamanskaya compressor station adjacent to the border is nearly completed. The station will maintain the required pressure during gas deliveries to China.

The **Sakhalin – Khabarovsk – Vladivostok gas pipeline** is operating successfully, facilitating the development of gas infrastructure, power sector and industries in Russia's Far East. The gas pipeline is more than 1,800 kilometers long. A project is being implemented to expand its capacities.

In order to determine the potential areas for creating underground gas storage facilities in Eastern Siberia and the Far East, geological exploration is being performed in the Blagoveshchenskaya area and the Belogorsky block in the Amur Region, as well as in the Angarskaya area in the Irkutsk Region. Preparations are being made for geological exploration near Khabarovsk.

Hydrocarbon feedstock processing

Gazprom will process multi-component gas from the Chayandinskoye and Kovyktinskoye fields at the Amur Gas Processing Plant (GPP), which will become the biggest such plant in Russia and second-biggest in the world. The GPP will have an annual design capacity of 42 billion cubic meters of gas. It will also include the world's largest helium production facility (up to 60 million cubic meters per year).

The Amur GPP will have six production lines, each producing 7 billion cubic meters per year. Two of those trains will come online in 2021 as part of the first start-up complex. Later, the remaining trains will be put in operation successively.

The project is currently at the main stage of implementation, as key gas processing facilities are being set up. In 2018, the Company started to deliver heavy and large equipment to the Amur GPP and to assemble it onsite. Among those deliveries was the first spiral heat exchanger, which had been produced in Russia for the first time as part of localization with support from Gazprom.

Natural gas, LPG and helium deliveries to Asia-Pacific under Eastern Gas Program

The Asia-Pacific region is the fastest-growing gas market in the world.

The region's growth engine is China. In 2018, gas consumption in China soared to 280 billion cubic meters, showing an 18 per cent (43 billion cubic meters) increase. The heightened demand was mostly met by external supplies: last year, China's gas imports grew by 32 per cent (30 billion cubic meters) to 125.7 billion cubic meters. Based on the 2018 results, China was the world's number one importer of natural gas.

Gazprom is running a project for Russian gas supplies to China via the Power of Siberia gas pipeline (the eastern route). The start of deliveries is scheduled for December 1, 2019.

Asia-Pacific is a key market for the Gazprom Group in the LNG segment: between 2005 and 2018, this region accounted for over three-quarters of all LNG shipments from the Group's trading portfolio. Out of 3.97 million tons of LNG supplied from the Group's trading portfolio in 2018, 2.95 million tons (74 per cent) were delivered to Asia-Pacific.

In 2018, India for the first time became a major LNG supply destination for the Gazprom Group by consuming 0.76 million tons (19 per cent) of LNG from the Group's portfolio.

Gazprom is also implementing its own LNG projects focused on Asia-Pacific markets. It should be noted first of all that LNG sales to the region could be increased through the construction of the third train at the LNG plant of Sakhalin II. In addition, Gazprom is

currently developing an investment rationale for an LNG plant with the capacity of 1.5 million tons near Vladivostok.

Helium from the Amur GPP is expected to be exported both to the East (to Asia-Pacific markets) and to the West. A special helium hub will be built in the Primorye Territory to ensure the reliability of supplies. By now, the bidding procedures have been completed and long-term contracts have been awarded to major companies in the global market of industrial gases.

To explore the possibility of LPG exports, Gazprom has conducted negotiations with all of the largest potential buyers of LPG in Asia-Pacific who are showing interest in acquiring substantial amounts of the Amur GPP's products. The Company is examining options to export LPG using special gas carriers, as well as trains and motor vehicles (for deliveries to China). The possibility of selling LPG in Russia is also being considered.

Sakhalin II project

In 2018, the Sakhalin II project produced 18.2 billion cubic meters of gas and 5.56 million tons of oil and condensate. The output of the LNG plant within the project totaled 11.41 million tons of LNG.

Gazprom and Shell signed the Memorandum to construct the third production train of the LNG plant within the Sakhalin II project.

The project envisages the construction of a new production train similar to the two existing trains (annual capacity of up to 5.4 million tons of LNG), an additional LNG storage facility, and port structures, as well as the expansion of the gas trunkline's compressor capacities.

In 2018, the design documentation (FEED) for the construction of the third production train and the LNG jetty, as well as for the expansion of the gas transmission system, was completed in line with Russian and international standards. All of the required approvals were obtained from the state expert reviews.

Tender documentation is being drafted for future construction contracts.