Press Conference Background

MINERAL AND RAW MATERIAL BASE DEVELOPMENT. GAS PRODUCTION. GAS TRANSMISSION SYSTEM DEVELOPMENT
(May 19, 2017)

MINERAL AND RAW MATERIAL BASE DEVELOPMENT

As of December 31, 2016, the explored A+B1+C1 (under the Russian classification) natural gas reserves of Gazprom amounted to 36.4 trillion cubic meters, which equated to 72 and around 17 per cent of the Russian and global reserves, respectively.

In 2016, Gazprom added 457.4 billion cubic meters of gas to its reserves thanks to geological exploration conducted in Russia. The reserve replacement ratio stood at 1.1. Thus, Gazprom has ensured that its gas reserve addition rates surpass its production rates for 12 consecutive years. Last year, most of the gas was added by the Yuzhno-Kirinskoye (187.9 billion cubic meters), Kovyktinskoye (138.2 billion cubic meters) and Chayandinskoye (86.6 billion cubic meters) fields.

Over the course of 2016, Gazprom conducted 3D and 2D seismic surveys in Russia covering 20,600 square kilometers and 1,100 linear kilometers, respectively. The Company drilled through 111,600 meters of rock formations and constructed 40 prospecting and exploratory wells, with two fields and 15 deposits discovered as a result. The exploration spending totaled RUB 79 billion.

Gazprom also continues to implement exploration projects outside Russia, namely in Algeria, Vietnam, Iraq (Kurdistan), Kyrgyzstan, Serbia, and the North Sea. The investments in exploration projects abroad totaled RUB 12.7 billion.

Gazprom annually makes independent assessments of its reserves under international standards. In 2016, DeGolyer and MacNaughton performed a PRMS-based reserves audit covering 95.4 per cent of gas, 93.5 per cent of gas condensate, and 93.3 per cent of oil in A+B1+C1 categories. The Gazprom Group's proven and probable reserves of hydrocarbons were estimated at 23.9 trillion cubic meters of gas, 1,018.9 million tons of condensate, and 1,378.7 million tons of oil.

GAS PRODUCTION

In 2016, the Gazprom Group extracted 419.1* billion cubic meters of gas, which was 0.6 billion cubic meters more than in 2015.

Gazprom continued to ramp up its gas production from Bovanenkovskoye, the largest field in the Yamal Peninsula. In 2016, the field produced 67.4 billion cubic meters of gas, an increase of 5.5 billion cubic meters versus 2015.

** Here and below, the Gazprom Group's hydrocarbon production data do not include the Group's share in the production by the companies investments wherein are classified as joint operations.*

The beneficial utilization rate of associated petroleum gas across Gazprom's fields stood at 98.1 per cent.

Liquid hydrocarbon production rose by 3.9 million tons in 2016 against 2015 to 55.2 million tons, including 15.9 million tons of gas condensate (0.6 million tons more than in 2015). The Group's oil production reached a record high last year at 39.3 million tons, exceeding the 2015 level by 3.3 million tons.

GAS TRANSMISSION SYSTEM DEVELOPMENT

The overall length of Gazprom's gas transmission system in Russia reached 171,400 kilometers.

In 2016, Gazprom actively worked to develop the system. Specifically, the Group continued the expansion of the northern gas transmission corridor, increasingly essential to ensuring gas supplies throughout European Russia and integral to the new, shortest and the most reliable and efficient export channel to Europe, from Yamal to Germany across the Baltic Sea.

In January 2017, Gazprom brought into operation the Bovanenkovo – Ukhta 2 gas trunkline, with a linear section running around 1,260 kilometers and new shops (total capacity of 192 MW) built at the Baidaratskaya and Intinskaya compressor stations. The construction of the Ukhta – Torzhok 2 gas pipeline stretching about 970 kilometers was underway. In 2016, 450 kilometers of its linear section were built. Efforts were also made within the ongoing project for the expansion of gas transmission capacities in northwestern Russia within the area between Gryazovets and the Gulf of Finland.

In order to improve the flexibility of the gas transmission system and ensure an optimal load distribution, especially during peak loads in the autumn/winter period, Gazprom takes efforts to enhance its underground gas storage (UGS) system. At the beginning of the withdrawal season of 2016–2017, the potential maximum daily deliverability of UGS facilities based in Russia hit a record of 801.3 million cubic meters of gas, which was 11.4 million cubic meters higher than that of the 2015–2016 season.

At present, Gazprom continues to build the Volgogradskoye UGS facility and to develop the Kaliningradskoye UGS facility. The Company is about to make decisions on the construction of UGS facilities in a number of suitable geological formations (Arbuzovskoye in the Republic of Tatarstan and Shatrovskoye in the Kurgan Region). The Novomoskovskoye UGS facility (Tula Region) is at the design stage.