Press Conference

Mineral and Raw Material Base Development. Gas Production. Gas Transmission System Development

May 19, 2017

MODERATOR: Good morning, colleagues. We carry on with our series of Press Conferences in the lead-up to the annual General Shareholders Meeting of Gazprom. Today, we will talk about production matters.

Participants:

- Vitaly Markelov, Deputy Chairman of the Management Committee;
- Oleg Aksyutin, Member of the Management Committee, Head of Department;
- Vyacheslav Mikhalenko, Member of the Management Committee, Head of Department;
- Vsevolod Cherepanov, Member of the Management Committee, Head of Department;
- Yury Lebedev, Deputy Head of Department, Head of Directorate.

Since you have the background note and the presentation on the Company's performance in 2016 before you, let us proceed to questions and answers.

QUESTION: Evgenia Sokolova, TASS agency. The latest report contained a revised forecast for gas production in 2017 – up to 442 billion cubic meters. Can we expect this forecast to be revised upward as well?

VITALY MARKELOV: As you know, our decisions are dictated by the market. We meet the demand using our capabilities. The planned gas production for this year is around 430 billion cubic meters. However, due to the increased demand from Europe, we are already above the planned export volumes. Another reason for increasing the Company's production this year is the need to inject more gas into European and Russian UGS facilities, from which large volumes were withdrawn last winter. Therefore, we are going to adjust the export figures. Gazprom's production capacities can cover in full the extra demand we will have this year.

EVGENIA SOKOLOVA: Will you make adjustments based on the Q2 results?

VITALY MARKELOV: We adjust our gas deliveries in real time to reflect demand.

QUESTION: Elena Zabello, Nedra publishing house. When writing an article about Yamal, I was sadly unable to find any information on Gazprom's investments in Yamal's infrastructure. I mean the regional infrastructure, not the Bovanenkovskoye field. I know that you built a unique bridge there. How much have you already invested in the peninsula's infrastructure and how much more are you going to invest?

VITALY MARKELOV: A large scope of work was performed in Yamal and extensive infrastructure was created there, including a 572-kilometer railroad with a unique bridge over the Yuribey River you've mentioned. An airport built by Gazprom was the Company's first major project beyond the Arctic Circle. Staff housing is under construction at the Bovanenkovskoye field. Of course, we are going to extend the construction activities further toward Kharasavey and toward the Tambey group. I am not ready to disclose the exact amount of investments we have made in Yamal, but we have invested a lot over the last decade and we are going to continue investing. We will make Yamal the main gas producing region, so we will develop its infrastructure and its production and transportation capacities.

QUESTION: Vitaly Sokolov, Energy Intelligence portal. My question concerns the Tambey group of fields you have mentioned. What development options are you considering with regard to those fields? In

particular, what are the options for gas processing? Will you build a plant on the site or will you construct a pipeline to pump gas to a new processing plant? Have you estimated the provisional cost of such potential projects? Will you liquefy the locally-produced gas? If so, will you do this jointly with RusGazDobycha or will you engage other partners? Are you in talks with NOVATEK right now? Do you have any provisional data as to when these fields can be brought into production?

VITALY MARKELOV: The Tambey group of fields is really prolific, and there have been additions in gas reserves. Just like Bovanenkovskoye, the Tambey group will serve as the main production area in the medium and long term. Today, we are looking into comprehensive development options, including gas processing. Pursuant to the Memorandum signed with RusGazDobycha, we carry out feasibility studies to estimate the production, transportation, processing and liquefaction options. We will approach it as a whole and, accordingly, choose the best possible option.

VITALY SOKOLOV: Did you negotiate with NOVATEK about jointly developing those fields?

VITALY MARKELOV: No, we are not negotiating this subject with NOVATEK. For now, we are thinking about developing it on our own.

QUESTION: Vitaly Petlevoy, Vedomosti newspaper. A question about the Tambey fields. Why did you sign the relevant agreement with RusGazDobycha? What advantages of this company can be helpful in the joint development?

VITALY MARKELOV: With RusGazDobycha, we signed a memorandum on comprehensive development, which includes producing liquid hydrocarbons, C3+ hydrocarbons and heavier hydrocarbons and thus creating an entire value added chain, from production and processing to, potentially, more advanced processing of condensate, propane-butane and ethane. RusGazDobycha draws on all necessary resources and engages our research institutions to explore this issue, acting as a technology partner in this area.

VITALY PETLEVOY: Is it clear yet how the financial resources will be distributed? In other words, who is the direct investor?

VITALY MARKELOV: No, we are busy with a feasibility study that addresses the very questions you are asking now.

QUESTION: Lyudmila Podobedova, RBC. You have the Yuzhno-Kirinskoye field, but whose resource base will it be? Will it supply gas to Sakhalin II, the domestic market, or the Sakhalin – Hokkaido gas pipeline under discussion? And what is the current status of Yuzhno-Kirinskoye? It is under sanctions, after all. Is there any progress with geological exploration? Have any new reserves been confirmed? Do you have any idea of how the resources will be distributed?

VITALY MARKELOV: The Yuzhno-Kirinskoye field of the Sakhalin III project is Gazprom's primary field in the Sea of Okhotsk. We regard this field mainly as the basis for meeting demand in the Far East. You know all the projects being implemented at present. Besides, it is also meant as a resource base for the Sakhalin II expansion. I would like to note that the focus will be on meeting the domestic demand.

As for the gas pipeline running to Hokkaido, we are aware of those proposals, or rather, ideas for building a pipeline to Japan. We haven't considered it yet. Our primary interest is to supply gas to our consumers in the Far East.

QUESTION: Olga Danilenko, Prosperity Capital Management. My first question is about the resource base. What will Gazprom count on in the medium and long term: development of Bovanenkovo and other Yamal fields or further production from the existing fields in the Yamal-Nenets Autonomous Area?

My second question is related to the gas transmission system. As part of the strategy to minimize transit risks and build the Nord Stream 2 and TurkStream gas pipelines – and perhaps some others – what pipelines should be constructed in Russia in the medium term? Do you need them in order to feed gas into Nord Stream 2 or TurkStream?

VITALY MARKELOV: First of all, we need to secure a resource base for consumers connected to Russia's Unified Gas Supply System and then deliver gas abroad under the existing or planned contracts. This involves gas supplies via Nord Stream 2 and TurkStream as well. We are currently exploring the issue of developing the fields that will boost gas supplies via these pipelines. Those are the fields in Yamal and Nadym-Pur-Taz. We are looking into developing fields such as Chayandinskoye and Kovyktinskoye to supply gas to China, as well as to consumers in Russia's Far East, with Sakhalin III fields serving as a resource base. To replenish our resource base, we continue geological exploration in the Barents and Kara Seas, laying the foundation for gas supplies into the Unified Gas Supply System.

As for the pipeline projects, they are currently at various stages of implementation. In January, we put onstream Bovanenkovo – Ukhta 2 and two compressor stations. Today, two compressor stations along Bovanenkovo – Ukhta 2 are under construction to secure gas transmission via the northern corridor. The Ukhta – Torzhok 2 gas pipeline is well underway, and we are going to complete 578 kilometers of the pipeline this year instead of the planned 500 kilometers. The gas pipeline will come onstream in 2019. A great amount of work will be done to expand the transmission corridor from Gryazovets to Volkhov and the Slavyanskaya CS. We are starting operations at this section, with completion slated for 2019.

As far as TurkStream is concerned, the Russia-based capacities are designed to carry 31.5 billion cubic meters – the actual amount of gas supplies via TurkStream. We are currently working offshore.

The Power of Siberia project is progressing ahead of schedule. We are also exploring the ways to expand the scope of construction. We have just discussed this issue in China in terms of possible gas supplies and pipeline construction in parallel with our Chinese partners. By now, we have welded over 1,000 kilometers of the gas trunkline and we are going faster than anticipated. However, we have slowed down a little due to the muddy season in Yakutia. I think we will recover in June.

EVGENIA SOKOLOVA: Did I get it right that the scope of construction for Power of Siberia could be revised upward this year? How much was planned and how much more can be done?

VITALY MARKELOV: We haven't achieved all that we aimed for. As soon as we complete the planned scope of work, we will make revisions.

QUESTION: Andrey Zhizhin, Yamal-Region TV channel. Alexey Miller once said that Gazprom used cutting-edge gas production technologies. Can you provide any specific examples? I remember reading that a subsea gas production technology was in use at the Kirinskoye field. Is it true? How efficient has this technology proven to be? Could these technologies eventually be used in the Russian Arctic?

A question about Yamal: what are the most successful projects of Gazprom in the Yamal-Nenets Autonomous Area and could you possibly discuss some of your plans for this region?

VITALY MARKELOV: Indeed, we are deliberating on the possible use of subsea production technologies in offshore projects in the Sea of Okhotsk. We used them at the Kirinskoye field. We have been using them to provide gas to consumers in the Far East since 2014. We will also use subsea production technologies when developing the Yuzhno-Kirinskoye field. It is the cheapest and most effective way of using technologies in offshore projects.

As regards our conventional fields, we once accompanied representatives of Shell, our technology partner, to the Bovanenkovskoye field. They were surprised to find out that Russian technologies were the most advanced in the Yamal conditions. They confirmed this. Our colleagues stayed in the control room

of Bovanenkovskoye for about 40 minutes and no protective alarm went off. At Shell, an emergency occurs every 20 minutes. We were there for some 40 minutes and nothing happened. This clearly proves the reliability of the equipment and control procedures that we use in development operations.

As you know, gas facility No. 1 was put onstream at Bovanenkovskoye along with gas facility No. 2. By now, the facilities have reached their design capacity of 90 billion cubic meters per year and 264 million cubic meters per day. They were in operation the whole winter, with the maximum output of 264 million cubic meters. At the next stage, which will happen soon, gas facility No. 3 will be put in operation. We are then moving on to Kharasavey and the Tambey group.

QUESTION: Maria Gordeeva, RIA Novosti agency. When will you start producing gas from the Tsentralnoye field and what is the planned volume of production? What is the yield limit? How much is Gazprom planning to invest this year, if at all?

VSEVOLOD CHEREPANOV: The Tsentralnoye field in the Caspian Sea is supposed to be developed jointly with Kazakhstan. The license for the field was issued last year. It took so long because various international issues had had to be coordinated with our Kazakh partners first. Today, the field is within the purview of Gazprom Neft, the company responsible for oil production.

It is stated in our license agreements that we should prepare a draft development plan for the field before 2024, i.e. within eight years from obtaining the license. The document is not ready; we are working on it. Another exploratory well needs to be drilled. As you know, the Caspian Sea is an enclosed body of water and there are limits for installing exploration and drilling facilities there. We have reserved drilling capacities at the offshore platforms operating there and we are waiting for our turn. They will be available in about two years. We will then drill an exploratory well. Based on the obtained results and available data, we will draft a development project. In that case, production is most likely to begin after 2024.

QUESTION: Anastasia Goreva, Argus Media agency. What maximum daily output do you expect from Bovanenkovskoye and across Gazprom in the winter of 2017–2018?

VITALY MARKELOV: Before the autumn/winter operating period, Gazprom's production capacities totaled 1.554 billion cubic meters per day counting the commissioned capacities I've already mentioned. We carry on within this range. Our production capacities will remain at the level of around 1.5 billion cubic meters per day.

In addition, work is currently underway to expand the underground gas storage (UGS) facilities. To that end, we are looking at a potential increase in UGS productivity for the autumn/winter period. I've already noted that we have withdrawn significant amounts from UGS facilities this winter. It has been a long winter and it is probably still going – it snowed recently. The consumption rates are rather high, both in Russia and abroad. So we will prepare the necessary production and UGS capacities before the autumn/winter period of 2017–2018.

ANASTASIA GOREVA: Do you mean that the maximum daily productivity of Bovanenkovskoye remains at the same level? Will it be the same next season?

VITALY MARKELOV: Yes, it will remain at 264 million cubic meters per day.

ANASTASIA GOREVA: How large will the UGS increase be in 2017–2018?

VYACHESLAV MIKHALENKO: The efforts to increase the UGS working volume are still in progress. They concern, in particular, the Kaliningradskoye and Volgogradskoye UGS facilities. We are completing operations at the Punginskoye UGS facility, which means an additional 1.2 billion cubic meters of working volume.

Speaking of working gas inventories in the Russian Federation, we will soon reach 72.184 billion cubic meters, and we will meet the peak winter demand with 805.3 million cubic meters per day. This is a very strong point with regard to covering peak demand in Russia.

ANASTASIA GOREVA: Will the total stockpiles in UGS facilities exceed 72 billion cubic meters?

VYACHESLAV MIKHALENKO: Yes, over 72 billion cubic meters of gas. This year, as Mr. Markelov has already said, we have withdrawn 47 billion cubic meters of gas.

VSEVOLOD CHEREPANOV: I will also add about Bovanenkovskoye: in late 2018, i.e. Q4, we expect to reach 318 million cubic meters in daily gas production. When all works are completed, Bovanenkovskoye will come to the design production level of 360 million cubic meters per day.

VITALY MARKELOV: We are taking into account gas facility No. 3 and the entire well stock.

ANASTASIA GOREVA: So that will be after 2019, approximately by 2020?

VSEVOLOD CHEREPANOV: Yes, after 2019.

ANASTASIA GOREVA: Are you planning exploration drilling at the Yuzhno-Kirinskoye field this year? Will you perform follow-up exploration at the Yuzhno-Lunskoye field? If so, when?

When will you submit an application for reserves approval concerning the Tambey group of fields to the State Reserves Commission? Does the announced increase of 4.1 trillion cubic meters belong to the C1 or C2 category, and which field showed the largest increase?

VSEVOLOD CHEREPANOV: This year, we will drill the eastern well at the Yuzhno-Kirinskoye field. The drilling-related costs will be around RUB 10 billion.

As far as the Yuzhno-Lunskoye field is concerned, we expect 48 billion cubic meters of gas there. No additional drilling will be needed, as we have a hidden gas cap there that is easy to explore, so it doesn't require extra work.

We continue to develop the Tambey group: 14 exploratory well have already been drilled. Thanks to drilling, about 300 billion cubic meters has been discovered. As for your question about obtaining approval from the State Reserves Commission, it is scheduled for next year. The inventories have been appraised and substantiated, with comprehensive geological studies completed. The results come from drilling and also from geophysical surveys. We have three fields there – we call them the Tambey cluster – Severo-Tambeyskoye, Zapadno-Tambeyskoye, and Tasiyskoye. According to our data, the lowermost Jurassic layers extend to all three fields, essentially constituting one gigantic gas field. Meanwhile, the Cretaceous sediments are represented by three separate hydrodynamically isolated gas formations. This is the reason for the addition. The area is large, with multiple layers, so the gas reserves are rich.

ANASTASIA GOREVA: Do you plan to drill the fields this year?

VSEVOLOD CHEREPANOV: The drilling continues. We drill one well at each field every year, and the drilled wells undergo testing. We have about two exploratory wells at each field. They are tested and brought onstream simultaneously.

QUESTION: Oksana Kobzeva, Reuters agency. Do you have any specific agreements with Shell concerning Baltic LNG?

VITALY MARKELOV: In 2016, we signed a memorandum with Shell for its possible participation in the project. At the moment, we are holding business meetings and discussions on Shell's entry into the Baltic LNG project. Shell is our technology partner and we continue our cooperation.

OKSANA KOBZEVA: No specific agreements so far?

VITALY MARKELOV: We have a memorandum. That is all for now.

LYUDMILA PODOBEDOVA: Let us get back to Power of Siberia. This project is primarily intended for gas supplies to China, but China has reportedly made a breakthrough in producing gas hydrates, as they announced just a few days ago. Do you think those can compete with natural gas? Or is it too early to start producing them commercially? They said that the experiment had been a success and they were ready to start.

And a second question: it is clear that our infrastructure projects are being optimized. It was reported that Gazprom was looking into a possible transition to EPC contracts instead of general contracts. When will it happen? What stages will it involve? Are there any EPC contractors with the required expertise besides the ones you are already working with?

VITALY MARKELOV: There was a big forum entitled Belt and Road where we discussed the Power of Siberia project with our Chinese colleagues from CNPC. We reviewed our efforts in Russia and their efforts in China. The project is challenging and complex, but the work is progressing within the contract schedule. And China will offtake gas from Power of Siberia under the contract.

No matter what happens in the South China Sea, the contract was signed. Therefore, China is obliged to offtake gas from the Power of Siberia gas pipeline. Indeed, many announcements are made. But it takes time to move from words to action. We don't know yet how much it all will cost. Let us wait and see whether it will be competitive or not.

As for EPC contracts, Gazprom is already using this scheme. The LNG plant near the Portovaya CS is being built based on this scheme. The same is true for the Amur Gas Processing Plant. The construction contractor for the LNG plant is PETON, and the Amur GPP is being built by NIPIgazpererabotka (an affiliate of SIBUR).

Large-scale, complex and challenging projects require special competencies. We view each project in terms of its importance, significance and complexity and therefore in terms of the viability of its implementation scheme. We carry out our projects under investment contracts, on an agency basis, and using EPC contracts. We use all those methods to build our facilities.

VITALY SOKOLOV: An extra question about the Tambey group of fields: was the reserves addition mostly achieved through exploration activities in the Jurassic deposits?

The Tambey cluster consists of three fields and the adjacent Malyginskoye field. How are you going to develop it? Will you engage any partners? Will there be any petrochemical or gas liquefaction projects? Regarding the latest figure for reserves – over six trillion – which classification did you use?

At what stage is the development of the Chayandinskoye field and what will be done this year?

VITALY MARKELOV: The Chayandinskoye field is the resource base for Power of Siberia. At present, extensive drilling and pre-development is underway at the field. Gazprom Bureniye is doing a good job, it is even a little bit ahead of the drilling schedule. The oil rim is being put into development. We flew over there just last week to see the work in progress. The project is well on track: well clusters, a comprehensive gas treatment unit, an oil treatment unit, roads and connecting pipelines are under construction.

VSEVOLOD CHEREPANOV: This year, we are going to drill one exploratory well at Chayandinskoye using the horizontal sidetracking technology, to conduct tests. Later on, during extensive construction and commissioning at the field, we will drill four or five wells at the edges of the field for exploration purposes in order to gain a better understanding of the development dynamics.

I will clarify the data on Tambey once again: so far, we are planning to book the whole amount of gas reserves – 6.7 trillion cubic meters – in a gradual manner *(Note: out of that amount, only 2.6 trillion cubic meters are already booked)*. This will be done in 2018 and 2019. The point is that in order to pass appraisal and obtain approval by the State Reserves Commission, this data should be confirmed by the expert community first, and that takes time. Therefore, we are going to record our reserves gradually. This refers to the old C1+C2 category.

The Malyginskoye field is actually not that far away. The decision on how to use its reserves will be made following a comprehensive pre-investment study. The ongoing discussions on Tambey relate to the initial stage. And the decision-making on the methods of developing the field, be it for pipeline supplies or liquefaction, will be based on the outcomes of the pre-investment study. It will take about two years.

QUESTION: Maria Vlasova, Interfax agency. My question is about RusGazDobycha. Could you specify what it is supposed to do?

Another question: what do you think about the Company's current relationship with small- and medium-scale businesses? Are they at all capable of performing their work in full? Do they outsource to subcontractors or maybe even major construction companies?

VSEVOLOD CHEREPANOV: You still work based on a signed memorandum. But a memorandum is declarative by nature. It does not specify the scope of work. It sets out the operating principles, potential partners, and the main lines of work. RusGazDobycha is a special-purpose company set up to produce gas and process it at company-owned facilities. We started working with RusGazDobycha quite recently. Together with Gazprom, the company is developing three fields – the Parusovoye fields and the Semakovskoye field – having set a definite production target for guaranteed gas consumption by National Chemical Group.

As regards Tambey, RusGazDobycha is among our possible partners. We have entered into a memorandum for pre-investment. They incur costs on surveys and some of the paperwork. Thankfully, RusGazDobycha is responsible for financing at that stage. By the moment of making the main investment decision, the binding documents will have different weight. For now, we are talking about intentions.

YURY LEBEDEV: Gazprom engages small- and medium-scale businesses in its investment projects. That includes linear and site facilities. The use of this practice in accordance with the Russian legislation has shown that facilities are built on time and that small- and medium-scale businesses can handle the task. For instance, we are building a major linear facility, a condensate trunkline, in the Nadym-Pur-Taz region. Four small and medium-scale companies are among the contractors. We have no complaints.

VITALY PETLEVOY: Have you set the date for bringing the Chayandinskoye field into production and when will the relevant decision be made?

VITALY MARKELOV: In May, we started negotiations with our Chinese partners to determine the timelines for commissioning. Pursuant to the contract, we are to jointly determine the year of commissioning. It is a subject of mutual concern as it affects the Russian and Chinese parties equally. So we should synchronize the launching of the whole infrastructure, both in Russia and in China. The first negotiations were held in China between the companies' CEOs.

VITALY PETLEVOY: Is Gazprom interested in competing for the Gydanskoye gas field, and if so, has it applied for the tender?

VSEVOLOD CHEREPANOV: If you read the terms of tender carefully, you will know that it is limited to the companies operating in Yamal and Gydan. There is another condition that those companies must possess gas liquefaction capacities built in Yamal. Essentially, only one company in the world can meet those requirements. You know which one.

MARIA GORDEEVA: As the terms of tender for Gydanskoye actually restrict competition, is Gazprom going to apply to the Federal Antimonopoly Service on this matter?

Could you specify the total investments in geological exploration this year?

VSEVOLOD CHEREPANOV: We are not going to apply to the FAS.

We have earmarked RUB 79 billion for geological exploration this year.

ANDREY ZHIZHIN: I would like to bring up environmental issues in the context of oil and gas field development. Are there items like "ecology" or "environmental actions" in Gazprom's development budget? How much is the Company currently spending to avoid environmental risks? According to the Press Conference materials, the beneficial use of associated gas reaches 98 per cent. What does this mean from the ecological viewpoint?

VITALY MARKELOV: All the projects undergo an environmental impact assessment (EIA). Before we start operations, we pass an EIA to assure the Government that all regulatory requirements for environmental protection will be met. By using high-end production and transportation technologies, Gazprom retains its leadership in environmental management across Russia.

OLEG AKSYUTIN: Environmental issues should be dealt with in connection with energy efficiency. This makes the answer to the question about associated gas obvious, I think. What I mean here is that the efforts to utilize associated gas initiated by Gazprom more than a decade ago are nearing completion. It is our goal to utilize associated petroleum gas to the fullest.

The second point. As Mr. Markelov has rightly noted, all the projects we are running today undergo, among other things, an internal EIA to ensure compliance not only with the Russian legislation, but also with Gazprom's internal requirements. I may say that in most cases our requirements are even tougher.

Moreover, we have established an environmental management system that extends to all business activities, including construction, day-to-day operation, production and transportation. This environmental management system is certified in accordance with the ISO 14001 standard. We have internal and external audits for compliance with these standards. The main goal of this system is to ensure that not just managers but all levels of the vertically integrated company are involved in environmental decision-making.

We have the only environmental inspectorate in the country – the one in Gazprom Gaznadzor. No other company has anything like it. It is focused on monitoring compliance with environmental requirements in construction and operation, and on formulating appropriate recommendations.

Speaking of the amount spent on environmental activities every year, it is upward of RUB 30 billion.

VITALY MARKELOV: However, that is not a separate item but the total amount.

OLEG AKSYUTIN: Yes, it is the total amount. Because environmental measures, as I said in the beginning, are closely interlinked with energy efficiency and operational issues.

OLGA DANILENKO: I recall reading that technologies used by the Bovanenkovo – Ukhta pipeline make it possible to pump up to 60 billion cubic meters of gas through one string each year. The annual

capacity of Power of Siberia is 38 billion cubic meters. But in theory, once an agreement to expand gas supplies is signed, will it be enough just to add pump stations or will you need a new string for that?

A question about the Baltic LNG project: When will it be completed? Let me rephrase it: is it necessary to build pipelines across Russia or are there adequate capacities for the Baltic LNG at the entry point already?

VITALY MARKELOV: Bovanenkovo – Ukhta is currently the most advanced gas pipeline in the world. It is made of 1,420-millimeter pipes and can resist the pressure of 120 atm, which allows it to convey greater amounts of gas compared to pipelines for 75 or 100 atm, let alone 55 atm. It is not only the pipeline that is worth mentioning but also compressor stations with a greater output and greater pressure, as well as the shut-off valves. All of that is designed for greater volumes and greater pressure.

As for Power of Siberia, the gas pipeline will function at 100 atm. At the final segment, the pressure will increase to 120 atm, as there is quite a long distance between the plant and the Chinese border, so we ensure productivity by increasing pressure.

In terms of expanding the capacities of Power of Siberia, it is planned to gradually bring compressor stations into operation and construct loops. If extra gas supplies are needed via the Power of Siberia gas pipeline, we will construct loops and expand compressor stations.

Regarding Baltic LNG: we are currently making efforts to secure gas for Nord Stream 2 and planning capacities accordingly. In case of increasing gas supplies for Baltic LNG, we will ramp up our capacities through compressor stations. In areas with shortages, we will build loops.

ANASTASIA GOREVA: You have stated that you plan to increase the working gas inventories and maximum withdrawal rates in UGS facilities. Are there any specific plans for 2020?

VITALY MARKELOV: We have a UGS development program. Mr. Mikhalenko has already told you which UGS facilities are under development or construction at the moment. We see that by 2020, we will reach the potential maximum daily deliverability of 841 million cubic meters at the start of the withdrawal season.

ANASTASIA GOREVA: What about the working gas inventories?

VITALY MARKELOV: They are counted differently, as we will have the Kaliningradskoye and Volgogradskoye UGS facilities with small inventories but high peak withdrawal rates.

ANASTASIA GOREVA: That is, you are expanding the Kaliningradskoye UGS facility and putting onstream the Volgogradskoye UGS facility by 2020?

VITALY MARKELOV: Yes.

ELENA ZABELLO: It has become fashionable to use various gadgets and new technologies for the purposes of facilities protection. Rosneft has reportedly launched drones at its production sites. Transneft also patrols its system with drones. Does Gazprom intend to use similar equipment to protect its gas transmission system?

VITALY MARKELOV: We have advanced much further. Pursuant to the previous rules for operating gas trunklines, we should monitor their condition by helicopters. We have updated our documents using a more holistic approach. We are using drones, as you've said, to monitor our linear facilities. The work is not so simple and we are performing it in several stages at our subsidiaries. But most importantly, we have adopted the SMOTR aerospace system to perform remote sensing of our facilities from outer space. Spacecraft together with drones create a whole system for supervising our facilities.

These technologies allow us to better protect our fields. We watch the spatial changes happening, the impact of development operations, search for possible failures. This is why we can promptly respond to everything.

We also provide communications services to our facilities. By now, we have connected all our northern facilities to space satellites. Our vessels also operate using space communications, as do our fields. When in Yamal, you may use both cellular and satellite phones.

Concerning linear facilities, our space technologies allow us to detect violations of protected areas. It helps us in disputes over illegal construction near the pipeline. We can promptly respond to violations of protected areas and ensure safety of those who build infrastructure and of the companies that operate gas trunklines. This is why we widely use space technologies. And we continue to develop our space group – two more satellites will be launched before 2020.

ELENA ZABELLO: You mean they will supervise all your facilities including those located abroad?

VITALY MARKELOV: Yes, we are broadening our capacities to improve our communications and facilities supervision. We will have an optical satellite capable of confirming disruptions at our facilities through photos. And you are talking about drones... They are just a part of our system.

MODERATOR: Thank you, the Press Conference is over.