

A large, light blue, stylized flame graphic on the left side of the slide, composed of several curved, overlapping shapes that suggest the movement of fire.

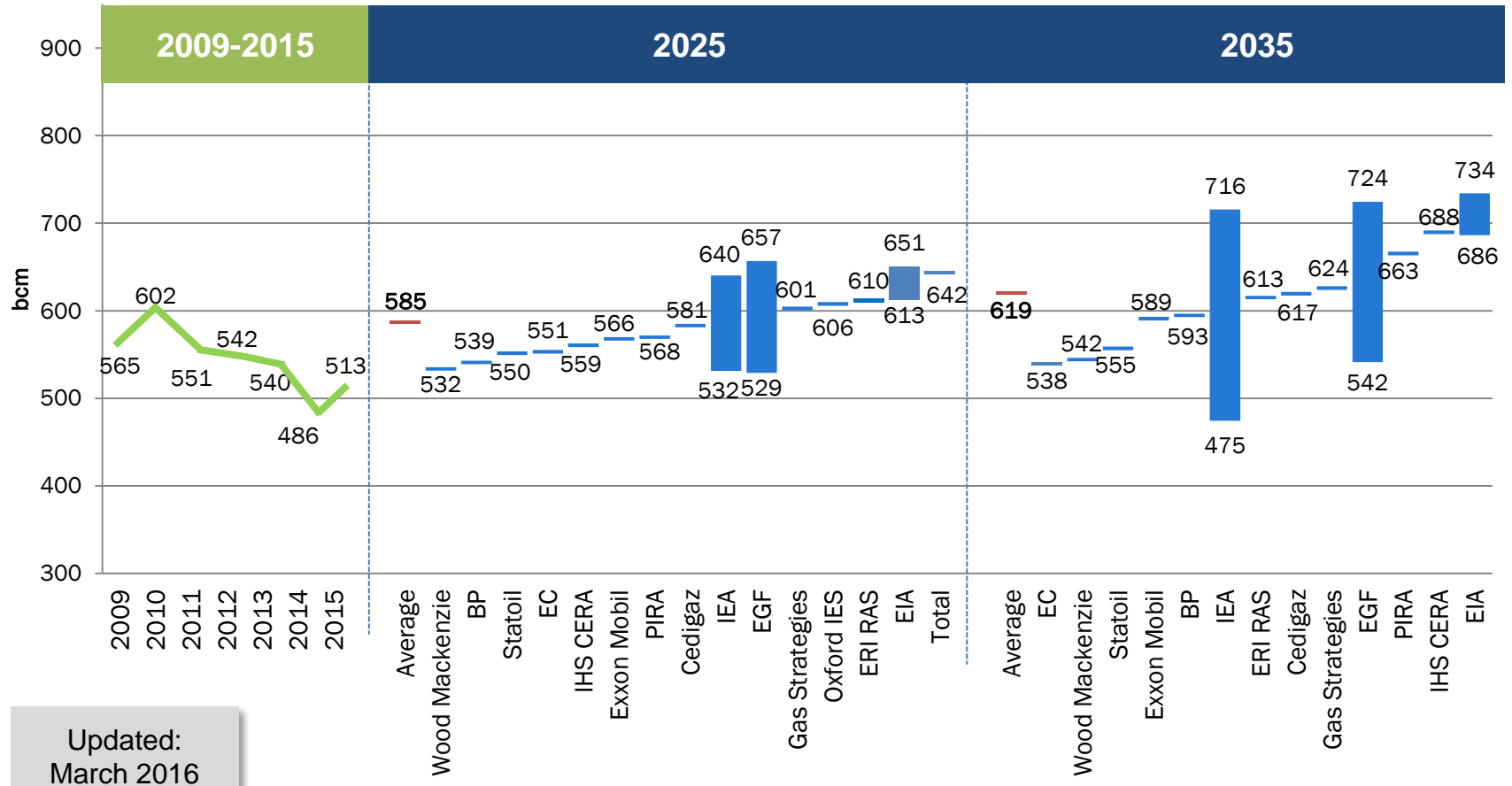
Role of Power Generation as Driver of Gas Consumption

Sergei Komlev

Head of Contract Structuring and Price Formation Directorate
Gazprom Export

IEA workshop on Eurasian gas markets
Paris, April 15th, 2016

Consensus Forecast Points to Demand Stagnation in Europe

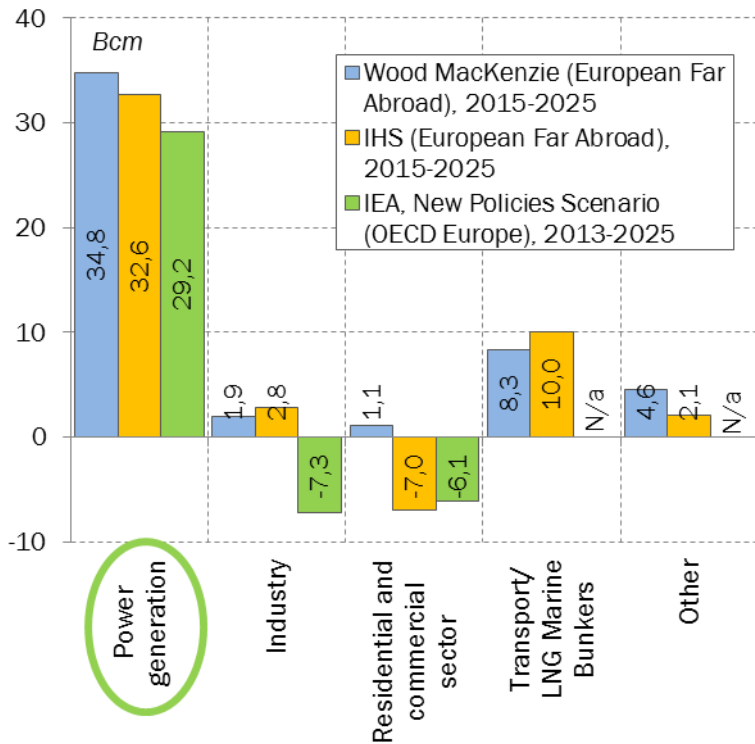


Updated:
March 2016

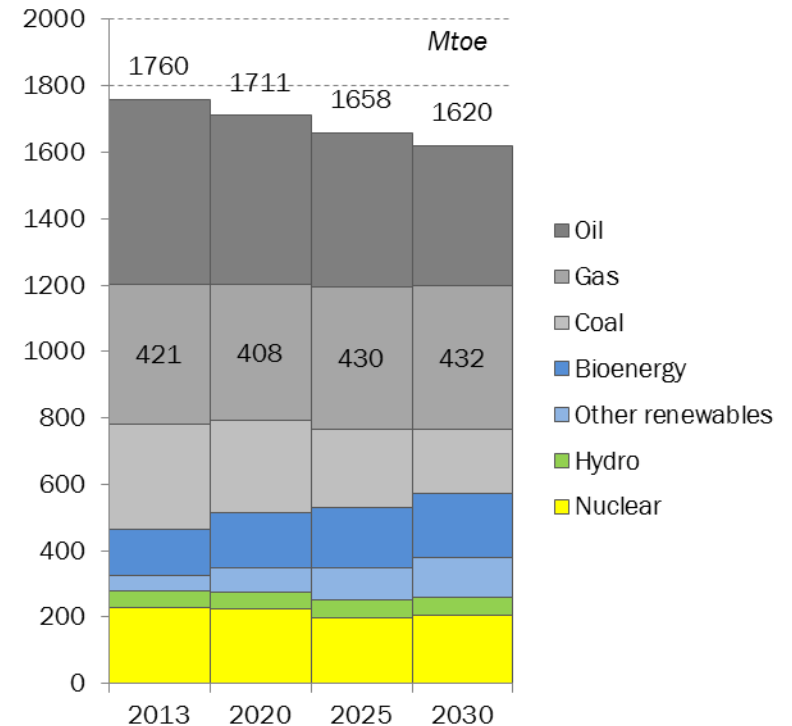
Source: Gazprom Export

Bright Spots for Gas in Europe

Power Generation and Transportation Sectors are Bright Spots for Natural Gas



Gas Demand in OECD Europe (New Policies Scenario by IEA's WEO15)

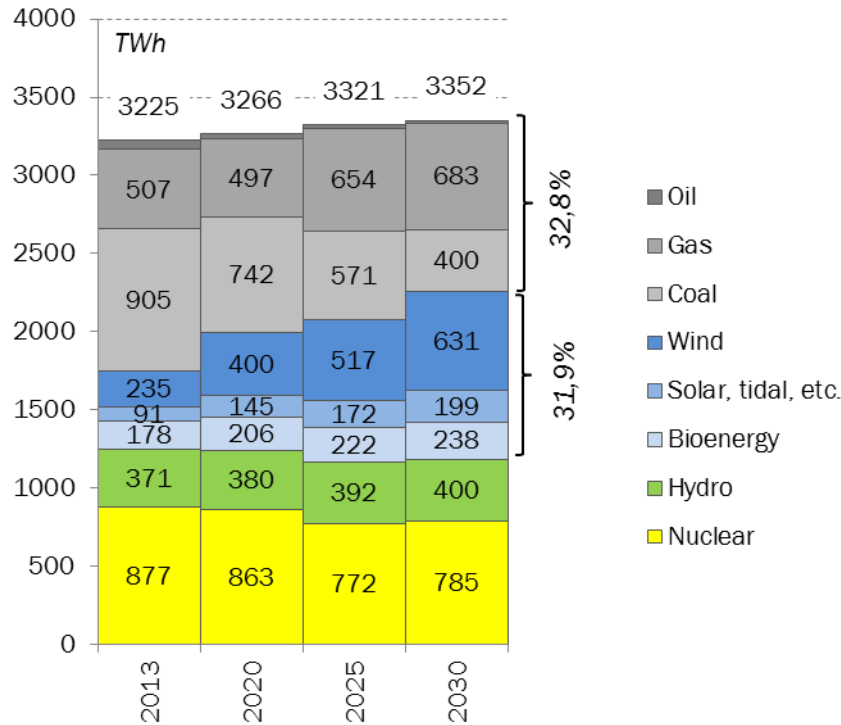


IEA in New Policies Scenario regards gas as the only one fossil fuel with growing share in the energy mix. Power generation and transport sector will be the drives of gas consumption.

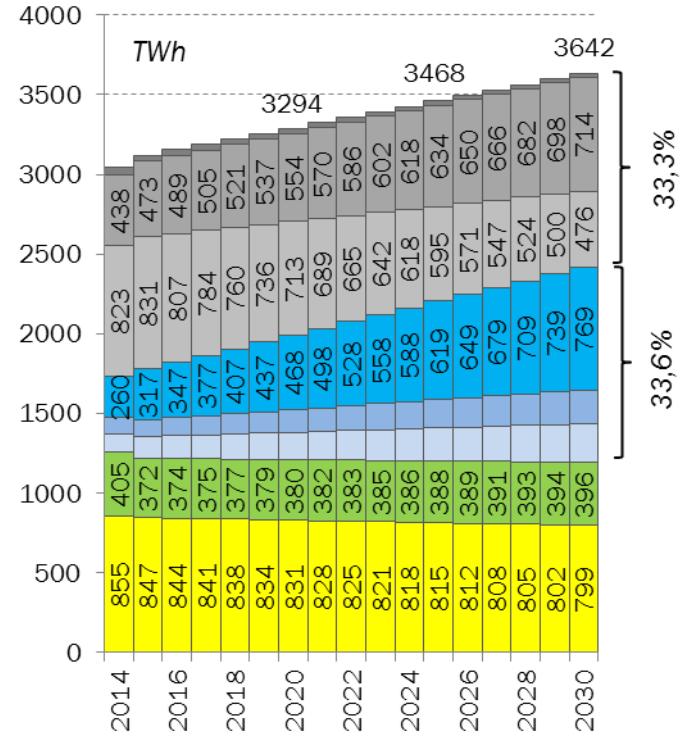
Source: IEA, IHS, Wood MacKenzie

Vision of Gas's Role in Power Generation Mix

Power Generation Mix in EU
(New Policies Scenario by IEA's WEO15)



Power Generation Mix in EU
(Reference Scenario by European Commission)



EU Commission and IEA both agree that natural gas should take over coal in the EU energy mix

Source: ENTSO-E, European Commission, IEA

In 2015 Demand for Gas in Power Generation in Europe Increased Insignificantly, Below Industry Average

	1-4Q 2014	1-4Q 2015	Δ. bcm	Δ. %
Total gas consumption	326.5	346.7	20.2	6.2%
Gas consumption in power generation	65.0	66.4	1.4	2.0%
Share of power generation in gas consumption	19.9%	19.1%	-0.8 pp	
Gas consumption in other sectors	261.5	280.3	18.8	7.2%

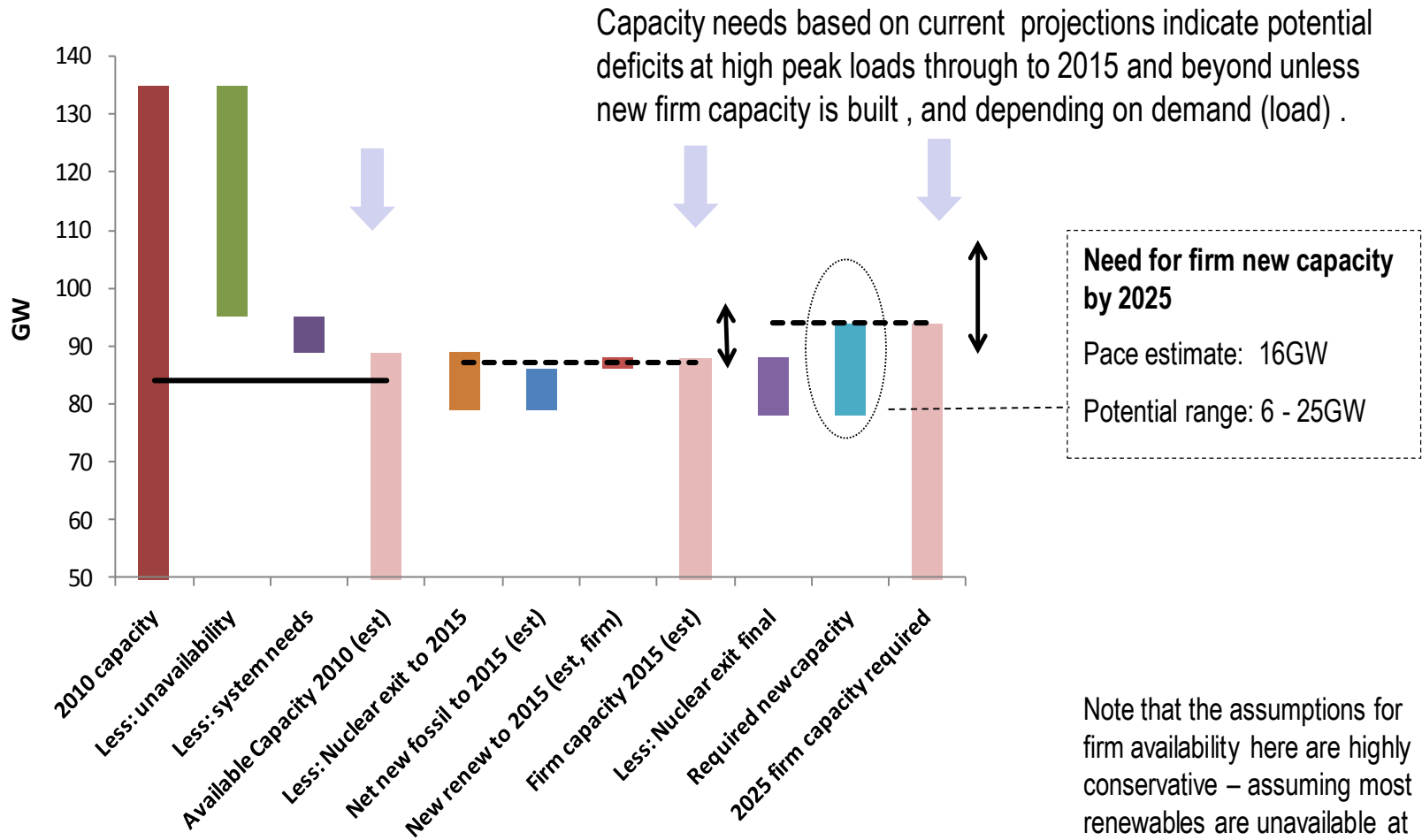
In 1-4Q 2015 demand for gas in power generation in six EU countries was up by 2% against the background of 6.2% total consumption growth comparing to 1-4Q 2014.

Power generation sector share decreased from 19.9% of the demand in 1-4Q 2014 to 19.1% in 1-4Q 2015.

*EU Countries: Germany, Italy, United Kingdom, Netherlands, France, Spain

Source: PIRA, Gazprom Export

Prospective Development of Capacity Needs in Germany to 2020

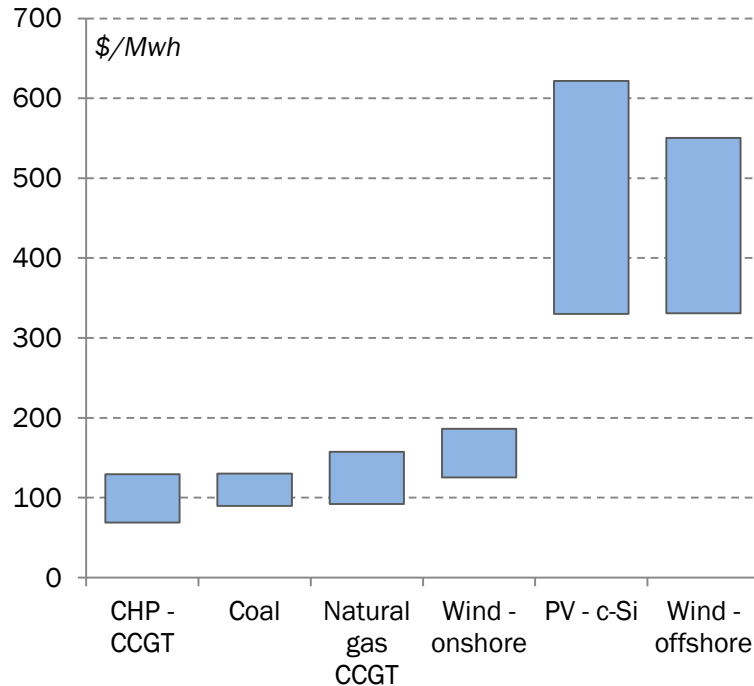


Preliminary projections by Pace Global

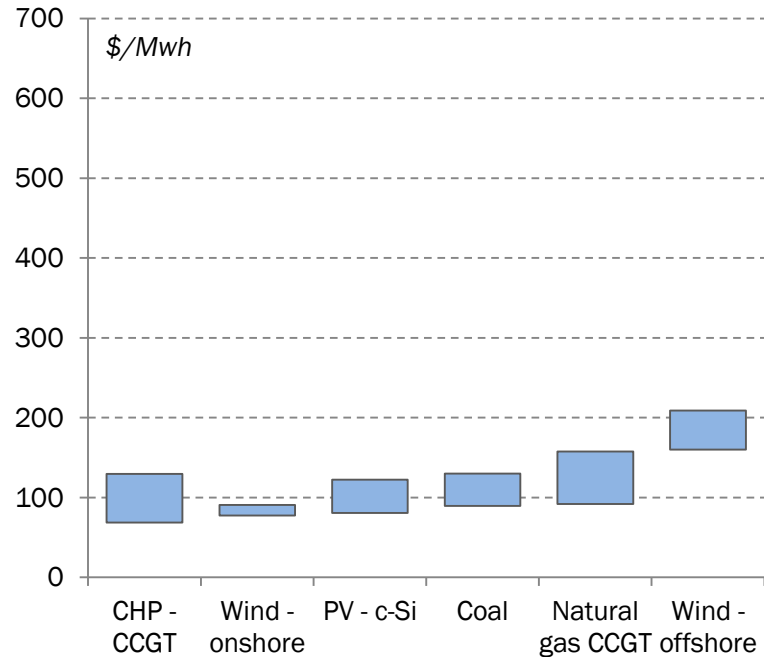
Note that the assumptions for firm availability here are highly conservative – assuming most renewables are unavailable at peak, for example.

Competitiveness of Natural Gas in Power Generation

Range of Levelised Costs for Power Generation, incl. Renewables Subsidies



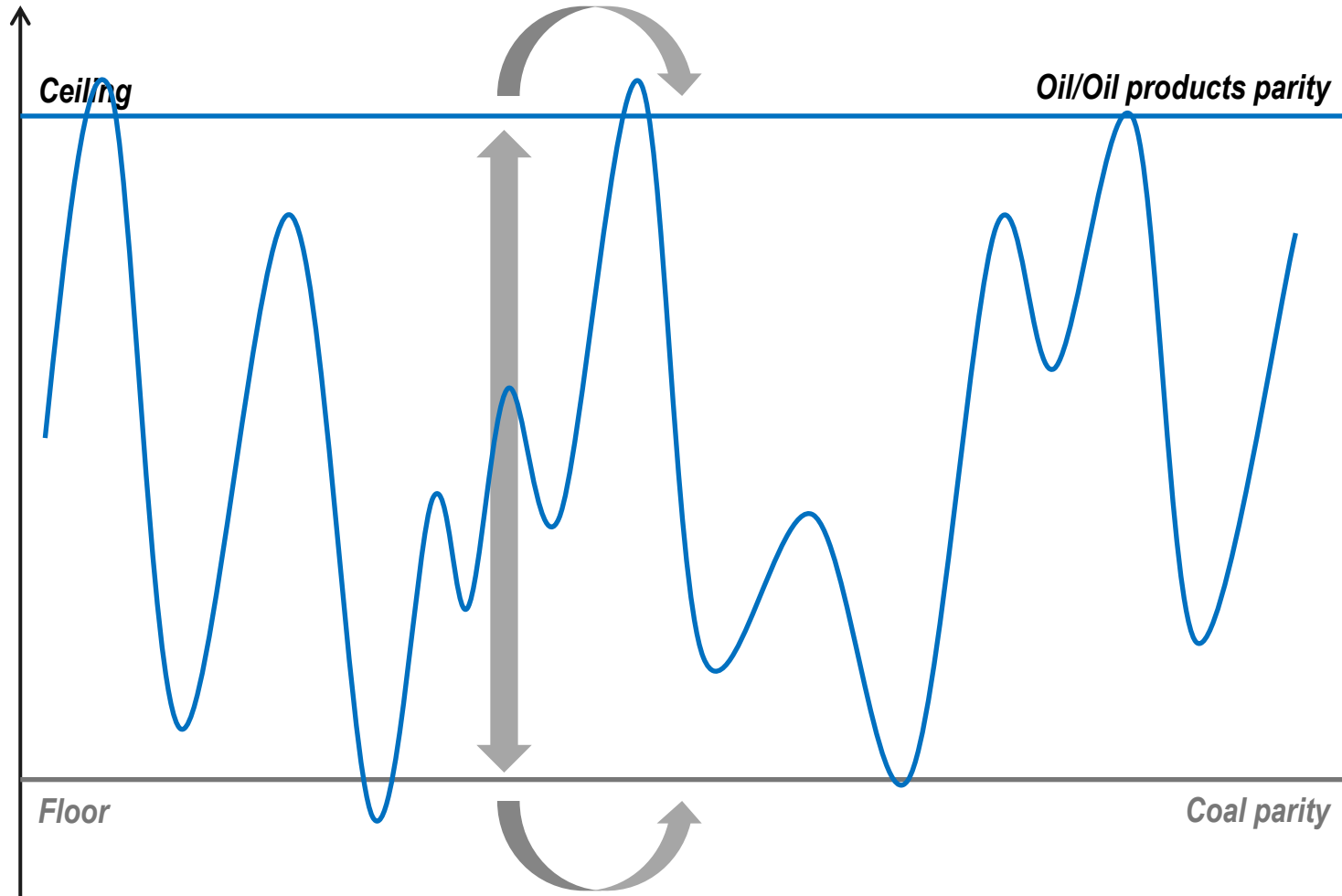
Range of Levelised Costs for Power Generation, excl. Renewables Subsidies



Current EU policy makes a combination of renewables (with subsidies) and coal more attractive than gas

Source: BNEF

Price Corridor for Natural Gas is Set by Inter-Fuel Competition



Coal parity price (with CO₂) does not represent a firm floor. Coal adapts to lower gas prices by dropping further down. On an energy market distorted by subsidies gas will not make a comeback unless it receives a consistent support by the European governments.



THANK YOU FOR YOUR ATTENTION!