

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

# Growth through Diversification – Gazprom's Asia Strategy

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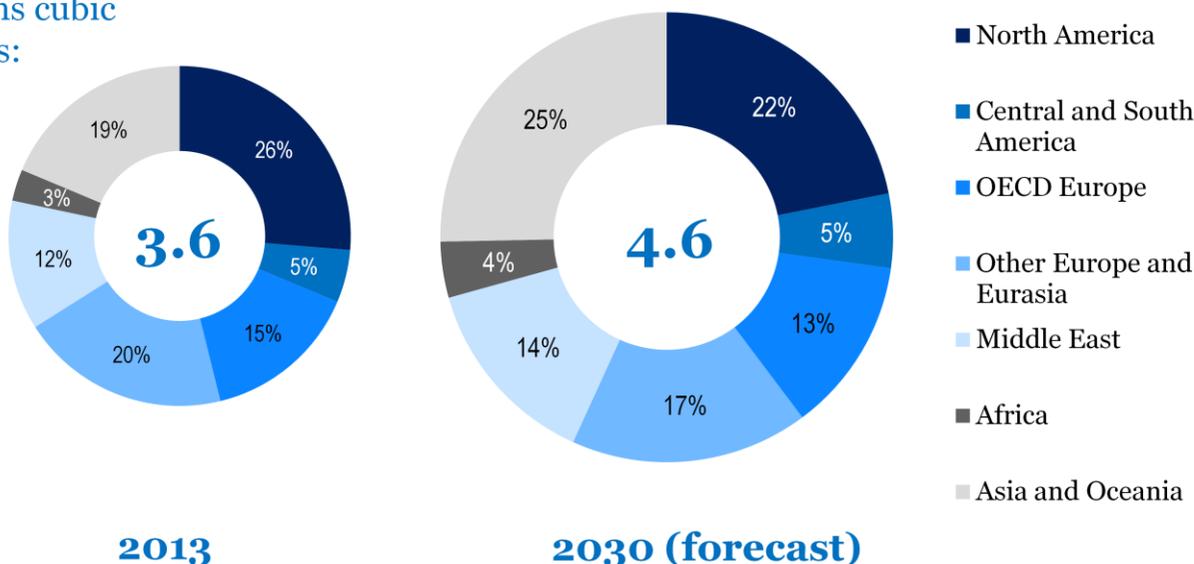
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Ladies and gentlemen,

Thank you for inviting me. It is a real privilege and a great pleasure for me to address this distinguished audience. This is a particularly special occasion for me as this is the first time that I am speaking as the Director General of Gazprom Export here in Singapore.

# Dynamics and structure of global natural gas demand

Calculated in trillions cubic meters:



Sources: Gazprom Export estimates, IEA, BP, Cedigaz

While Europe is and will be Gazprom's top export market, it is here in Asia where we see the potential for the future growth of our company. It is this region that has been and will be the driver of new business opportunities for Gazprom.

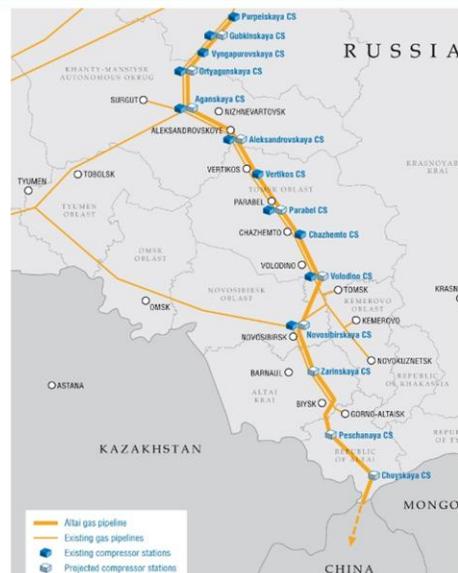
Today, I would like to share with you some more details on where we see these new opportunities for growth and diversification.

The Asia-Pacific region is set to continue driving global demand growth for natural gas. Of course we should take into account the changing economic performance of the regional leaders, but the region's thirst for natural gas is still expected to generate half of the global growth of gas consumption. This demand for natural gas also very clearly reflects the benefits of the fuel for increasing energy efficiency, solving environmental problems that many countries of the region face and underpins the potential that Asian market offers for Gazprom.

# Gazprom's pipeline natural gas supplies to China



In May 2014, Gazprom and CNPC signed a contract to supply pipeline gas from Russia to China via the **Eastern route**.  
Duration of contract : 30 years.  
Annual volume of deliveries : 38 billion cubic meters in the plateau period.  
Start of deliveries : 2018-2020 (depending on the finalization of the construction period).



In November 2014, Gazprom and CNPC signed a framework agreement and in May 2015, the heads of agreement on gas supply from Russia to China via the **Western route**.

A large part of the very tangible reality of our future growth in Asia is a deal that I had the privilege to be personally involved in.

Last year, Gazprom and China National Petroleum Corporation signed a historic thirty-year contract for Russian pipeline gas deliveries to China. Over a trillion cubic meters of gas will be supplied under this long-term agreement through an Eastern route, part of the Power of Siberia gas transmission system.

Furthermore, in November 2014, Gazprom and CNPC also signed a Framework Agreement on additional volumes of gas supply to China via a Western route, the Altai project. On May 8, 2015 the Heads of Agreement for pipeline gas supply from Russia to China via the western route were inked in the presence of Russian President Vladimir Putin and Chinese President Xi Jinping. The document outlines the main technical and commercial parameters of the future supplies. Negotiations for a Purchase and Sale Agreement for Russian gas supply via a Western route are in progress and, of course, it will require some time which is a matter of course when the details of such a big contract are being agreed upon.

But these deals are only one part of the natural continuation of Gazprom's geographic expansion and diversification strategy - a strategy that has been in place for a number of years and is driven by the very principle of supply and demand. The expansion of our business in the Asia-Pacific region has been a long-term policy and is by no means a short-term reaction to a drastically changed environment.

# Gazprom's LNG projects



\* Operated by Sakhalin Energy – Gazprom associated company

Through our Eastern Gas Program we are establishing an integrated gas production, transportation and supply system in Eastern Siberia and Russia's Far East that is focused on expanding deliveries to our Asia-Pacific clients, be it via pipeline or in form of LNG cargoes.

The construction of the Power of Siberia gas transmission system which will bring Russian natural gas to China and the development of the Chayandinskoye gas field in Yakutia which at the first stage will become main production base for these supplies have already started and are going to be finished within the planned period.

Complementing our pipeline projects, Gazprom is also planning to significantly enhance our LNG production and trading operations. Our LNG projects in the Far East of Russia, the Vladivostok LNG project as well as the construction of a third train of the Sakhalin-2 LNG plant, are targeting our traditional customers in North East Asia as well as those in newly emerging South East Asian markets. The progress of the projects' implementation will be closely linked to the developments of the Asian LNG market which has changed dramatically during the last year.

Already today we supply liquefied natural gas to the Asia-Pacific region. It is Singapore in particular that has been one of the main pillars of Gazprom's ambitions and its success for the Asian market. Our subsidiary Gazprom Marketing & Trading Singapore has grown significantly since it opened in December 2009, focusing particularly on marketing and trading of LNG. In 2014 alone, Gazprom Marketing & Trading delivered 52 LNG cargoes, primarily to Asian customers.

Also, Gazprom has recently agreed a twenty-year contract with Yamal LNG which provides for the annual supply of 2.9 million tons of LNG that will be delivered to the Asia-Pacific markets, primarily to India.

# Our Own Tanker Fleet – a Huge Advantage in the LNG Market



*LNG transfer from Pskov gas carrier to Yenisei LNG tanker*

The company's tanker fleet comprises six chartered gas carriers (including Amur River tanker, which is expected to be delivered in July, 2015).

Gazprom's LNG carriers strengthened hulls fit Ice Class requirements to allow them to operate in harsh climatic conditions and sub-zero temperatures.



*Velikiy Novgorod LNG carrier*

While there is a growing demand for spot, uncontracted LNG, long-term supply contracts remain the cornerstone of energy security in Asia. The long-term contracts with oil-indexation are essential to the gas industry, as they make the market predictable, gas supplies and trade reliable, benefitting both sides of the equation. We don't expect a fundamental erosion of the existing pricing paradigm in the Asian LNG market, but a smooth transformation to a hybrid pricing model, where oil-indexed long-term contracts set the baseline trend for hub prices while supply and demand only modulates their behavior.

The global LNG market also very much depends on the availability of shipping capacity, that is why our own tanker fleet gives a huge advantage to Gazprom in the LNG market. In 2014, we had two newly built LNG carriers added to our fleet – the Velikiy Novgorod and the Pskov. These state of the art vessels join a small group of LNG Carriers with Ice Class strengthened hulls and winterization equipment to allow them to operate in harsh climatic conditions and sub-zero temperatures all year round. This makes them capable of transporting LNG from any existing LNG terminal, as well as the ability to transit the Northern Sea Route if required.

Our diversification is not only one of regional nature, but also one that sits across the value chain, with liquids proving to be an extremely solid source of growth. Gas condensate production has doubled in a very short space of time and oil production continues to add to a robust revenue stream, also in Asia Pacific.

Meanwhile, the use of natural gas in transport industry is another emerging bright spot for demand growth. Asia is already leading in the global consumption of gas in transport and will do so in the long-term thanks to the environmental and economic benefits of natural gas.

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## THANK YOU FOR YOUR ATTENTION!

In this demand driven environment, our vast resource base as well as our experience and expertise in transmission and delivery infrastructure clearly translate into crucial security of supply for all of Gazprom's customers.

With more than four decades experience as a stable, yet flexible long-term supplier of pipeline gas to Europe, as a pioneer in Russian LNG exports and thanks to the simple geographic proximity we have an exclusive competitive advantage to be the supplier of choice in a region, where premium prices lure suppliers from across the globe.

Following its Eurasian nature Russia never has its eyes only for the West. The holds true for Gazprom – as a global company we always strive for regional diversification. And Asia always was, is and will be an essential part of our primary business interests.