



Dear Ladies and Gentlemen, Colleagues,
I would like to thank the Nikkei Global Management Forum organizers for the opportunity to address participants and guests here today.

Energy Markets Overview

Demand for energy is rapidly increasing globally as industrializing nations compete with one another and with developed markets for strategic resources, including natural gas.

Simultaneously there has been an erosion of confidence in the safety and sustainability of nuclear energy in the wake of the Fukushima disaster, an increase in the risk of supply disruptions from oil producing states in the Middle East and North Africa due to political instability, and an uptick in overall market volatility due to the risk of another global economic downturn.

These conditions present an extraordinary challenge to world markets, however, they create a tremendous opportunity for the gas industry.



This meeting is particularly timely. Russia and the countries of the Asia-Pacific region face many of the same challenges with respect to energy. The way we choose to meet them now will impact how, and the degree to which, we will prosper in the future. All of us are searching for adequate response to overcome the challenges posed by the global financial crisis and ensuing recession. All of us are witnessing a rapid increase in demand for strategic resources from developed and developing markets alike. All of us are seeking to achieve growth and navigate through increased volatility in global energy markets. In this context, a discussion about how we can cooperate to secure sustainable energy supply is welcome.

Having witnessed Japan's struggle in the wake of the devastating earthquake and tsunamis that crippled the Fukushima nuclear power plant, many countries are re-evaluating and adjusting the role of nuclear power in their energy supply portfolios. Following Fukushima, China, Germany, Switzerland, Israel, Malaysia, Thailand, the United Kingdom, and the Philippines undertook reviews of their nuclear power programs. Of course, for some countries, nuclear power affords energy independence, and therefore the discussion is intertwined with a discussion of energy security.

I would like to point out that in recent years and far preceding the disaster at Fukushima, the issue of energy security has been the focus of debate at the highest levels. Here, today, I hope we can discuss this subject dispassionately and focus on actionable strategies that gas market players are pursuing to achieve increased energy security worldwide and not spend our time addressing out-of-date ideological and political prejudices. A recently-released UN study forecasts that by 2030 the world population will grow by nearly one-fourth – up to 8.3 billion people—and with this growth, according to a U.S. Department of Energy study, global energy use will grow 53% by 2035. The most dramatic increase in per capita energy consumption will be seen in non-OECD nations – specifically China, India, Brazil and Indonesia—due to rapid industrialization and urbanization. All of these markets are competing with each other and with more developed markets for access to energy, including natural gas.

In addition to the erosion of confidence in nuclear power caused by Fukushima, other events have influenced demand and increased uncertainty associated with the global energy outlook. Last year we saw oil prices rise on signs of an economic recovery that never materialized, and this year we've seen prices driven even higher as social and political unrest unfolded in several Middle Eastern and African nations, heightening the risk of regional supply disruptions. Next year promises further uncertainty in energy markets.

All of this creates a set of extraordinary challenges, but, speaking frankly, it also creates a tremendous opportunity for the gas industry.

The Golden Era of Gas

The 21st century will be the golden era of gas in the world energy sector.

Natural gas is abundant. Even with the expected increase in production current conventional gas reserves will be enough until the end of the century. Meanwhile the pace of discovering new fields outpaces our rate of extraction.

Natural gas is environmentally low-impact and economically efficient. For the Asia-Pacific region natural gas will help develop the energy sector under optimum ratio of price, quality and ecological soundness.

Natural gas enjoys a wide variety of applications across various sectors. Its use as motor fuel, industrial fuel and source of energy for indoor heating and cooling make this single source competitive against a range of other fuels.



The International Energy Agency recently asked if the world is entering a "golden age" of gas. I believe it is, and I am not alone. Many believe that abundance of natural gas, coupled with its relatively low environmental impact and its applications across various sectors, means that it will play an increasingly important role in meeting demand around the world for years to come.

Gazprom's Global Strategy

Broadly, Gazprom's is a four-pronged strategy:

- Develop new markets, particularly in Asia
- Diversify our business activities, including investing in power generation outside of Russia
- Develop reserves
- Diversify export routes

In addition to these strategic investments on our part, sustainable development of the gas industry requires that the interests of suppliers and consumers be harmonized.



How is Gazprom preparing to meet that opportunity as a global energy company? Broadly, ours is a four-pronged strategy.

We are developing new markets, in particular in the Asia-Pacific region. We are diversifying our business activities, including investing in power generation outside of Russia. We are securing the reliability of supplies, including developing new reserves, and we are improving transmission systems and diversifying export routes. Examining each of these in turn, Gazprom is particularly focused on development of Asian markets at present. Not only will gaining a foothold in Asia and the Far East enable us to globalize and improve efficiencies in trade, it will expand our export market and trading lines.

We are also diversifying our business activities by getting involved in hydrocarbon exploration, production, transmission and marketing projects in third countries through participation in both bidding procedures and asset swap deals. We currently are pursuing this strategy in more than ten markets.

With respect to developing reserves, Gazprom's approach to investment sufficiency is well known. We invest enough to fulfill our long-term obligations and help close gaps between supply and short-term demand where we are able. Those who have signed long-term contracts may be confident even in crisis about the sufficiency of investments for securing deliveries in the next economic cycle.

At the same time, we are improving our existing gas transmission system and developing new export routes. As Winston Churchill famously said nearly a hundred years ago in reference to his country's dependence on oil, "on no one route and on no one field must we be dependent." This is very true for Gazprom today.

In addition to investments on our part, sustainable development of the gas industry requires that the interests of suppliers and consumers be harmonized. This is the very goal Gazprom is pursuing by advocating for international joint projects and the creation of transnational production chains linking upstream and downstream operations to create a full cycle. To help make natural gas supplies secure, suppliers and consumers can share in activities across the entire value chain in the gas industry.

Looking East, Gazprom in Asia



New markets in Asia and the Far East will enable us to globalize trade and improve efficiencies, as well as expand our export market and trading lines.

Cooperation in the gas field between Russia and Japan has huge potential and fits well into the global practices, especially in regard of large-scale projects. The growing economies of Singapore, Thailand, Pakistan, Vietnam, for example, offer great potential as new markets for LNG. In China, we are working on a pipeline project that could transport a volume of up to 68 billion cubic meters.



I believe that our partnerships in the Asia-Pacific region can exemplify this type of cooperation — our developing relationships with markets such as Japan, Singapore, Korea and China can help drive a mutually beneficial regional common energy space.

Looking at Japan, I wish to stress that Russia took the misfortunes of the Japanese people in the wake of the March disasters very close to heart. Immediately after the tragedy, I was present at the meeting of the Japanese Ambassador in Moscow Masaharu Kono and Russian Deputy Prime Minister Igor Sechin focused on how Russia could help Japan, both in the short and long term.

Gazprom quickly sent five LNG carriers to Japan in addition to its contractual obligations, and we continue to meet short-term natural gas demands together with other suppliers. All in all, Gazprom has supplied Japan with extra 325 thousand tons of liquefied natural gas since the tragic tsunami.

This example is just one of many that should correct misperceptions about the risks of dependence on Russian natural gas. Gazprom frequently offered help when energy supply interruptions occurred during market disruptions of 2010 and 2011: Gazprom consistently fulfilled Turkey's requests for extra gas during the stoppage of gas supply from Iran; and this year's halt in gas supply from Libya to Italy was almost fully offset by the Russian gas.

Cooperation in the gas field between Russia and Japan has a huge potential and fits well into the global practices, especially in regard of large-scale projects. Direct gas supply from Russia serves as a safeguard of energy security for all of our clients. There are other potential projects in the Asia sphere which are of great interest to Gazprom. For example, the growing economies of Singapore, Thailand, Pakistan, Vietnam offer tremendous potential as new markets for LNG export. In China, we are working on a pipeline project that could transport a volume of up to 68 billion cubic meters.

The approach of Gazprom Group regarding direct involvement of foreign companies in projects in the sphere of production is no secret. We are open to the participation of foreign partners, in particular, as licensees for hydrocarbon production, but at the same time we expect to receive from our partners proposals for collaboration in their projects outside the Russian Federation.

In fact, we are able to implement large-scale projects on our own. However, like other majors, in order to minimize risks, attract the most advanced technologies, and optimize financing we realize the contribution our foreign partners can make. Therefore, while proceeding with the preparations for exploration of blocks within Sakhalin-3 project we are engaged in consultations and negotiations with our prime partners on possible forms of cooperation.

Thank You!

Gazprom is evolving to ensure that clean, plentiful and affordable natural gas remains a viable energy source, and as a reliable bridge fuel for new and emerging energy technology into the future. As Gazprom transforms itself into a fully integrated energy company – with the upstream, downstream and generating assets critical to meeting the demands of its customers – the company remains committed to meeting the expectations of shareholders, customers and communities alike.

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Ladies and gentlemen, we are entering a remarkable era. A time of uncertainty, to be sure, but also a time of boundless opportunity. People have already labeled the 21st century both the “Asian century” and the “century of natural gas.” I believe that both terms will prove to be correct and that we must all continue to seek new avenues of cooperation. As we do, I am confident that we can meet these unprecedented challenges and thrive through a spirit of mutual cooperation and coordination.

The background of the slide is a dark blue-tinted photograph of an industrial construction site at night. Silhouettes of workers are visible on a complex network of scaffolding and metal structures. In the foreground, there are large, curved pipes or ducts. The overall scene is dimly lit, with some light reflecting off the surfaces of the machinery.

Gazprom in Asia

Strategic Priorities

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