

Oil market

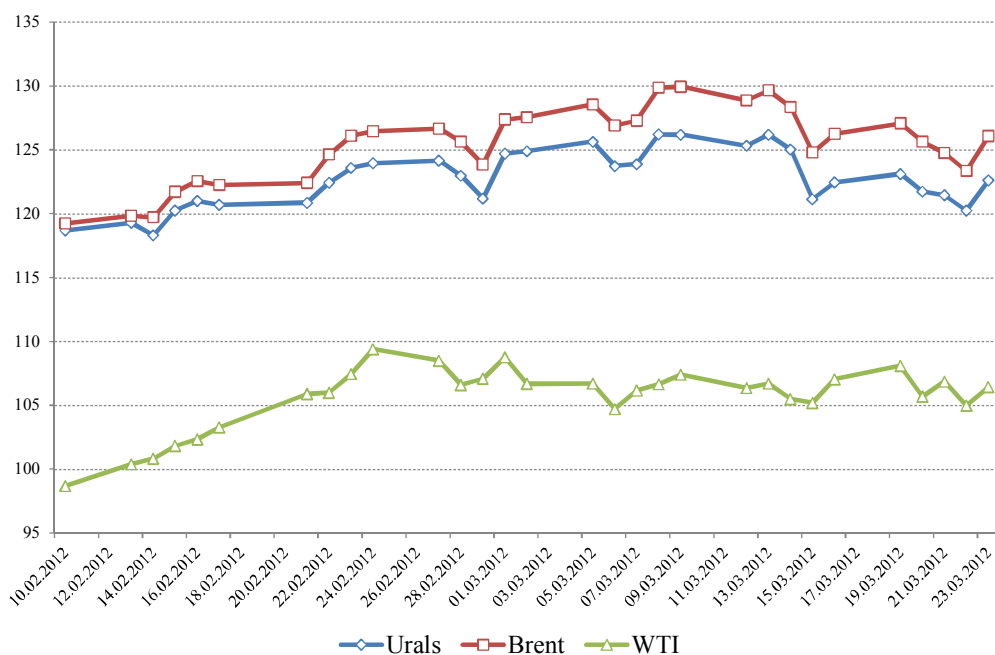
Current state in the oil market

In the course of the oil market, monitoring conducted within the period from 20.02.2012 to 20.03.2012 the price for major oil grades (Urals, Brent, and WTI) was fluctuating within the range from US\$104.7 to US\$ 129.9 per barrel.

Change in the average prices for oil:

as of the end of period	Urals		Brent		WTI	
	prices, USD / barrel	change, % compared to the prev. period	prices, USD / barrel	change, % compared to the prev. period	prices, USD / barrel	change, % compared to the prev. period
20.01.2012-20.02.2012	114.0	104.4	115.0	103.5	99.3	99.0
20.02.2012-20.03.2012	123.5	108.3	126.6	110.1	106.7	107.4

Source: Reuters



In March 2012, the price for Brent crude oil fluctuated in the range of US\$ 121 to US\$ 127 per barrel. From the beginning of the year, its price increased by more than 17.3 percent.

The main factors retaining the prices are disruptions in the supply of oil, and Iran, which has already felt the impact of the embargo by the EU, turned out to be not their single source. Syria and Yemen, overwhelmed with protests and turmoil, Sudan and Southern Sudan disputing on transit charges, and Nigeria subject to periodic attacks on oil infrastructure are facing problems with production.

The coming one or two months shall give an answer to the question: how strong the grown price of oil will affect the economic activity, particularly in the United States. American consumers are traditionally very sensitive to fuel costs. If the increased price of energy will have no significant effect on the dynamics of domestic consumption in the U.S., the current price level can be retained for a long time, and the prospects for further growth will be high.

Forecasts for short- and mid-term prospects

OPEC, IEA

Expensive oil could lead to a recession in the major economies of the world. This opinion was voiced by the IEA, pointing out that high oil prices, from this point of view, are more dangerous than the crisis of sovereign debt, as reported news agency "Vedomosti".

According to the IEA estimates, the largest consumer of oil in 2012 will be the EU – US\$ 502 billion against US\$ 472 billion in 2011, the U.S. will spend US\$ 426 billion instead of US\$ 380 billion, China – US\$ 251 billion against US\$ 215 billion, Japan – US\$ 198 billion from US\$ 178 billion a year earlier. In this case, the current prices are on average higher than in the crisis year in 2008 (that time a record has been set up at US\$ 147 per barrel).

Further increase in oil prices or retaining at current levels may return the economy into recession. Rising oil quotations will not only target the developed economies, but also trigger the beginning of a global slowdown. The shock of oil prices is blowing on the economy through several channels - through the industry and the consumer sector: oil generates 40-50 percent of industrial energy demand; rising quotations not only inhibit the activity of companies, but also reduce consumer confidence by reducing their disposable income.

Developed countries are discussing all possible options to prevent the further rise in oil prices, including the use of strategic reserves, stated the Energy Minister of France. This possibility was discussed before by the U.S. President and British Prime Minister.

The IEA lowered its forecast on the growth in oil production, in the first quarter of 2012 for countries outside OPEC from 490 to 300 thousand barrels per day. At the same time, presently, lost volumes of production are estimated at about 750 thousand barrels per day.

Kazakhstan

Kazakhstan has adjusted forecast on the volume of oil production in 2012 to 80 million tons against 83 million tons originally planned, said Minister of Economic Development and Trade, as reports the news agency "Novosti-Kazakhstan". Decreasing the forecast of oil production in Kazakhstan in 2012 was due to reduced oil production in some fields, including in the field "Ozenmanaygaz", where there were strikes of oil-industry workers last year.

360 thousand tons of favorable fuel was allocated for carrying out the sowing campaign 2012 in Kazakhstan, said the Minister of Agriculture according to the news agency "Kazinform".

The Ministry of Agriculture in cooperation with the Ministry of Oil and Gas has developed a scheme for delivery of diesel fuel according to the approved schedule with the operators of refineries in areas. A similar scheme was implemented in 2011. Prices for petroleum products for the agriculture are lower than the market prices by 10-12 percent. According to the Ministry of Agriculture, as of March 13, 2012, 32 thousand tons were already paid out of 91 thousand, which was scheduled for March 2012.

Shymkent Refinery capacity can be doubled up to 12 million tons a year, informs the news agency "Kazenergy" with reference to the Minister of Oil and Gas of RK. In the course of the planned reconstruction of Shymkent refinery in the next 3-4 years, the volume of production will grow to 12.0 million tons a year. Today Shymkent refinery provides about 35 percent of the total production of petroleum products in the RK, the products of Shymkent refinery are exported to Kyrgyzstan.

Russia

Prices and data on the changes in retail prices for petroleum and diesel fuel in Russia for the period of 19.03.2012 against the prices for 13.02.2012.

	13.02.2012	19.03.2012	Change in % (+/-)
	price, RUB	price, RUB	
1. Petroleum	26,79	26,77	-0,1
<i>Including:</i>			
AI-80	26,15	26,14	0,0
AI-92	28,27	28,25	-0,1
2. Diesel fuel	27,97	27,83	-0,5

Source: State Statistics Committee of the Russian Federation

International rating agency Standard & Poor's in the event of the stress scenario forecasting the reduction in the average price of Urals oil to US\$ 60 per barrel, may reduce the sovereign long-term rating of the Russian Federation in three rates immediately, reports RIA "Novosti" with reference to the report of the agency "S & P".

At present, Russia has the following ratings by S & P: on foreign currency obligations - long-term "BBB" with stable forecasts and short-term "A-3", for local currency obligations - long-term "BBB +" with a stable forecasts and short-term "A-2".

Increase in oil prices during most of the past decade, as S & P states, has supported an expansionary fiscal policy, while allowing to increase the budget reserves. Nevertheless, fiscal expansion and, not least, large expenditures in the fiscal incentive policy during the recent crisis have led to a significant increase in the share of expenditures in relation to GDP.

Kyrgyzstan

Prices and data on the changes in retail prices for petroleum and diesel fuel for the period of March 2012 against the period of February 2012.

Cities	A-80		AI-92		Diesel fuel	
	price, KGS	change, in % (+/-)	price, KGS	change, in % (+/-)	price, KGS	change, in % (+/-)
Bishkek	32.9	+0.1	36.0	+0.1	37.1	+1.9
Karakol	32.8	-0.4	35.9	-0.2	36.7	+0.9
Jalalabad	34.8	-2.3	38.1	-1.4	38.8	0.0
Naryn	33.0	-1.3	36.1	-1.0	37.2	+0.7
Batken	35.9	-2.6	39.2	-3.2	39.5	-2.2
Osh	35.1	+0.1	38.2	-3.3	39.3	-1.7
Talas	33.1	0.0	35.8	+0.1	35.4	+0.3
Tokmok	32.7	-0.1	35.7	-0.3	36.4	+0.5
Kara-Balta	32.7	-0.7	35.7	-0.8	36.1	-0.7
Average value in the Republic	33.4	-0.3	36.6	-0.7	37.5	+0.8

Source: National Statistics Committee of the Kyrgyz Republic

According to the Ministry of Agriculture of Kyrgyz Republic, overall 40 000 tons of fuel is required for conducting spring-field works of the republic. Oil traders in Kyrgyzstan have already submitted the schedule of the fuel provision to the regions. The cost of fuel is expected to reach 39-40 soms per liter. In addition, the stocks in the fund of the state material reserves account for 2.7 tons of fuel.

During the spring sowing campaign, the government will allocate 3.5 thousand tons of diesel fuel. This volume will be distributed among the farmers at a privileged cost.

In the prevailing conditions, the indirect contribution of the growth in fuel prices to the inflation rate may be higher than usual.

Natural gas

Kyrgyzstan

According to the OJSC “Kyrgyzgaz”, as of March 9, 2012 debt of internal consumers of fuel exceeds the debt of “Kyrgyzgaz” before “UzTransGas” (US\$ 1.1 million) and “KazTransGaz” (US\$ 7.4 million). Budget organizations ran into debt before “Kyrgyzgaz” in the amount of 393.1 million soms (about US\$ 8.4 million), the population - 81 million soms (about US\$ 1.7 million).

As noted, OJSC “Kyrgyzgaz”, shall make on a monthly basis an advance payment to suppliers of natural gas, but cannot do so, as the budget in the republic has not approved yet, therefore, the organizations funded by it, cannot get out of debt.

Given the current debt of OJSC “Kyrgyzgaz”, the suppliers may at any time to limit gas supplies to Kyrgyzstan. Kazakhstan’s natural gas suppliers have warned that if a schedule of debt repayment is not developed in the near future, the supply of natural gas will be significantly limited.

Part of the debt to Kazakhstan is planned to be paid at the expense of budget loans in the amount of 100-150 million soms.

Electric energy

Kyrgyzstan

Kyrgyzstan annually pays about US \$ 13 million for the transportation of its own electricity. The implementation of the transmission line project “Datka-Kemin” (500 kW, 410 km long) will allow to avoid the costs of transit and transportation, reports the news agency “Kabar” referring to the statement of the Minister of Energy and Industry of the Kyrgyz Republic.

The contract for the construction of transmission lines “Datka-Kemin” is planned to be concluded with a Chinese company “TBEA”. The project implementation period will be from 2.5 to 3 years, the total project budget will be about US\$ 389 million.

The review was organized based on the data of the News Agency “24.kg”, News Agency “Reuters”, News Agency “RBC”, News Agency “Kazakhstan Today”, News Agency “Tazabek”, News Agency “Central Asia”, News Agency “KyrTag”, News Agency “ITAR-TASS”, News Agency “REGNUM”, publication “Oil and Gas Vertical”.

Chart 1: Urals from 01.01.2010 to 26.03.2012

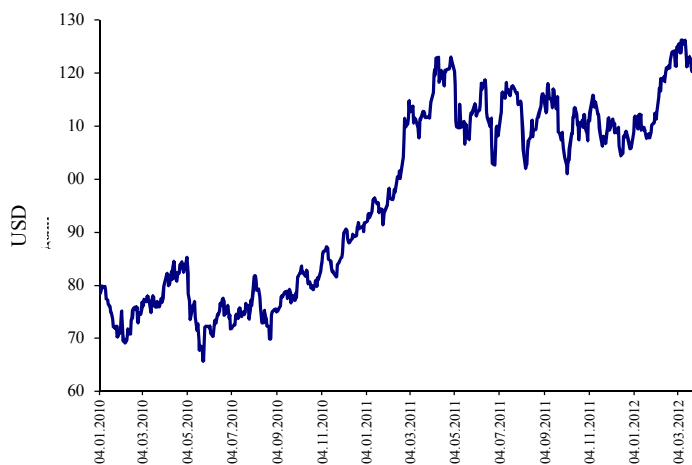


Chart 2: Brent from 01.01.2010 to 26.03.2012

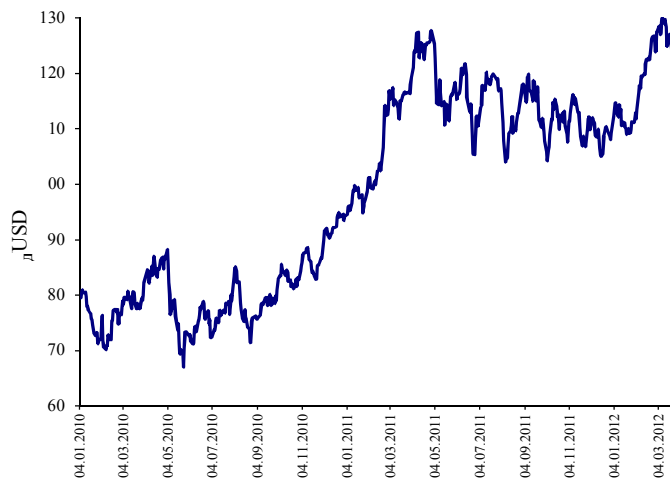


Chart 3: WTI from 01.01.2010 to 26.03.2012

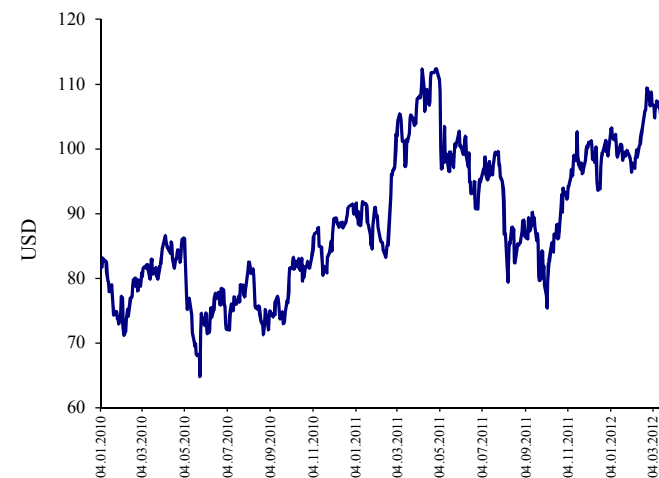


Chart 4: Urals from 22.02.2012 to 26.03.2012

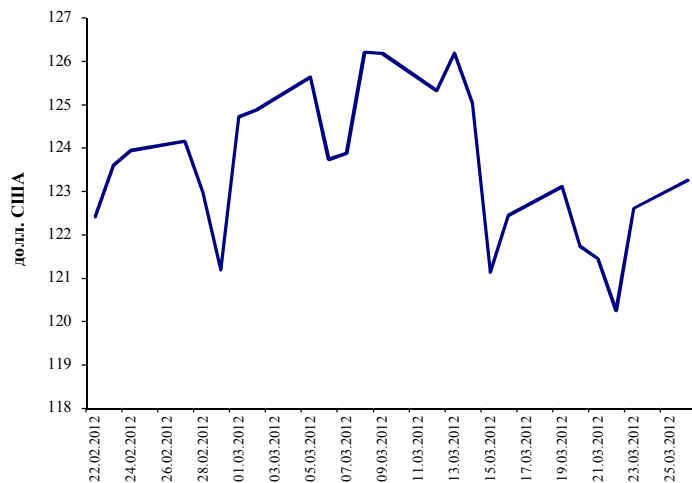


Chart 5: Brent from 22.02.2012 to 26.03.2012

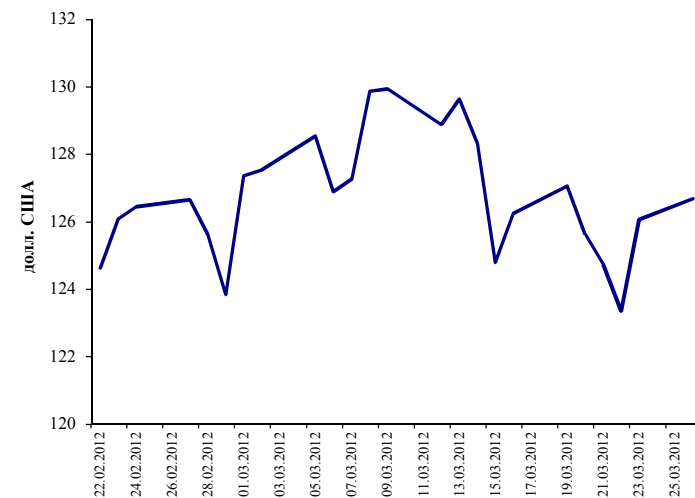


Chart 6: WTI from 22.02.2012 to 26.03.2012

