

**Oil market**

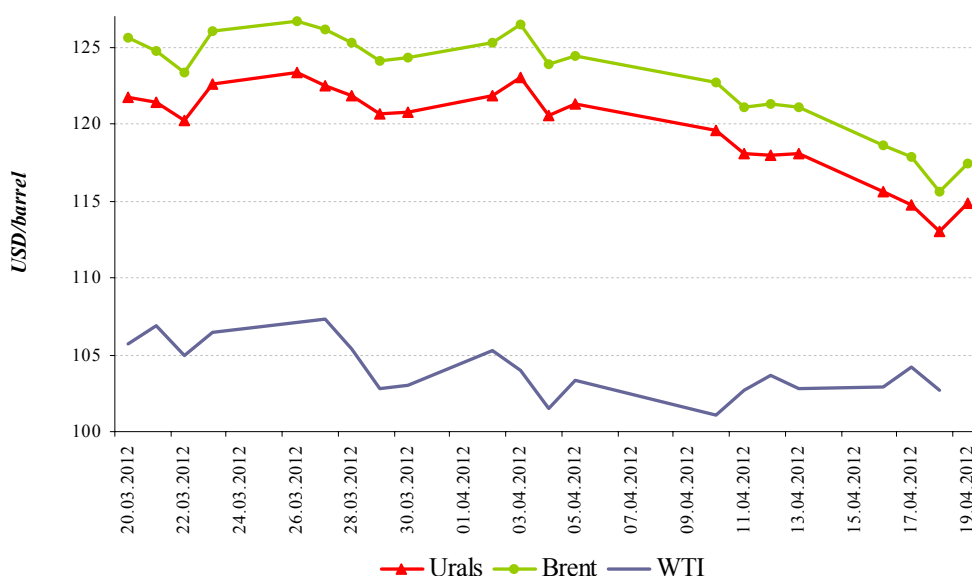
**Current state in the oil market**

In the course of the oil market monitoring conducted within the period from 20.03.2012 to 20.04.2012 the price for major oil grades (Urals, Brent, and WTI) was fluctuating within the range from US\$ 101.1 to US\$ 126.7 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 |
| 20.02.2012-20.03.2012   | 123.5                | 108.3                                  | 126.6                | 110.1                                  | 106.7                | 107.4                                  |
| 20.03.2012-20.04.2012   | 119.5                | 96.76                                  | 122.7                | 96.9                                   | 104.1                | 97.6                                   |

Source: Reuters



Monitoring of world oil prices shows that the oil quotations have recently declined. For example, if the average price of Brent crude oil in March amounted to US\$ 126.7 per barrel, in April it decreased by US\$ 5.7 (-4.5 percent) and was at US\$ 121.0 per barrel.

In mid-April, started talks between Iran and the international mediators (Russia, USA, France, Britain, China and Germany) on the nuclear program. At the talks in Istanbul, Iranian authorities demonstrated readiness for constructive dialogue. According to media reports, the country has introduced a number of new initiatives to resolve the situation surrounding the nuclear program, but expects the same constructive approach on the part of the "six". The next meeting is scheduled for May 23, 2012 to be held in Baghdad. According to analysts the agreement reached at the talks in the short term could lead to a significant drop in the price of the risk premium by around US\$ 5-10 per barrel, and push oil prices to levels near US\$ 115 per barrel, since the probability of war action against Iran will decrease. On the other hand, if the negotiations do not take place, the risk premium will rise above current levels (+ US\$ 10 per barrel or more); as a result the prices will exceed US\$ 130 per barrel, since the risk of military confrontation will increase many times.

Also one of the major factors in reducing the world prices is a statement by U.S. and French authorities on the possible "unsealing" of strategic oil reserves. The initiative belongs to the United States, where in the midst of the election campaign President Barack Obama was faced with grievances against

high fuel prices. Currently, the U.S. government is actively considering this issue. In addition, the United Kingdom belongs to the proponents of the use of reserves. However, at this point all sides are limited to high-profile statements described by analysts as very successful attempts of verbal intervention. Meanwhile, Saudi Arabia has stated that it is unlikely to change oil production compared to current levels, even if the strategic reserves are unsealed, as the use of reserves will have no impact on the market.

## **Forecasts for short- and mid-term prospects**

### ***Oil prices in 2012***

The World Bank predicts the oil price at US\$ 98.2 per barrel in 2012 and US\$ 94.7 per barrel in 2015 (average nominal price of oil grades Brent, Dubai, WTI - Ed.), according to a progress report of the organization. It is noted that the forecast assumes the gradual elimination of the current disruption in oil supplies and the lack of large-scale effects of sanctions against Iran.

According to the Ministry of Economic Development of the Russian Federation (MED RF), the average price of oil in 2012 will amount to US\$ 115 per barrel<sup>1</sup>, in 2013 – US\$ 97 per barrel, in 2014 – US\$ 101 per barrel. Earlier the MED RF predicted annual growth of oil prices in the current year amounting to US\$ 100 per barrel.

Bank of America - Merrill Lynch also raised forecasts of oil prices in 2012 to US\$ 118 per barrel for Brent and US\$ 106 per barrel for WTI (against the previous forecast of 110 and 103 U.S. dollars per barrel, respectively).

The analysts of Societe Generale also revised forecasts of oil prices. The bank increased the estimate of Brent this year from 110 to 127 U.S. dollars per barrel. Forecast for WTI in 2012 was raised from 103 to 117 U.S. dollars per barrel. As an excuse to raise the forecasts, the bank analysts noted the shortage of resources, low levels of spare capacity in OPEC and supply disruptions in countries outside of OPEC. "In addition, important factors for the market will be the actual and potential supply disruptions from Iran" - the report says.

Analysts of "VTB Capital" increased the price forecast for Brent crude oil from 100 to 105 U.S. dollars per barrel.

Meanwhile, some experts believe that the decline in oil prices observed in recent years will continue. According to them, in recent months, prices rose on fears of supply disruptions due to the tense situation in the Middle East. The real demand for oil this year will be weak: weak economic growth in China, the recession in Europe. According to news agency "RBC", over the next few months the prices of all commodities will decline as the central banks of Europe and the U.S. will no longer carry out quantitative easing.

### ***OPEC, IEA***

According to news agency "RIA Novosti", the International Energy Agency (IEA) has kept the forecast of global oil demand in 2012 at 89.9 million barrels per day. The growth in world oil demand is forecasted at 800.0 thousand barrels per day. The report notes that consumption in the second quarter of this year will be about 88.6 million barrels per day due to the seasonal decline in demand, high commodity prices and unstable economic growth. Oil supplies by countries outside of OPEC, according to the IEA, decreased in March by 500.0 thousand barrels compared with the previous month - to 52.7 million barrels. Oil supplies by OPEC countries, according to the agency, rose in March to 31.4 million barrels per day, which is the highest in the last 3.5 years.

### ***Kazakhstan***

Agency for Regulation of Natural Monopolies in Kazakhstan increased

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<sup>1</sup> In 2011 the average price for Brent crude oil amounted to USD 112.2 per barrel

the ceiling retail prices for fuels and lubricants in April. Taking into account the adjustments to rates, there were established the ceiling retail prices for petroleum products with fixed state regulation of prices, in the following amounts with VAT: diesel fuel - 95 KZT per liter (+ 5.6 percent), AI80 - 91 KZT per liter (+ 5.8 percent); AI92 - 112 KZT per liter (5.7 percent). According to the report, price increase is primarily related to fluctuations in world oil quotations. In addition, it is assumed that the cause is also the increased excise rates on motor fuels in Russia.

## Russia

Prices and data on the changes in retail prices for petroleum and diesel fuel in Russia for the period of 16.04.2012 against the prices for 26.03.2012.

|                      | 26.03.2012   | 16.04.2012   |                      |
|----------------------|--------------|--------------|----------------------|
|                      | price, RUB   | price, RUB   | Change in %<br>(+/-) |
| <b>1.Petroleum</b>   | <b>26.78</b> | <b>26.88</b> | <b>+0.4</b>          |
| <i>including:</i>    |              |              |                      |
| AI-80                | 24.72        | 24.79        | +0.3                 |
| AI-92                | 26.14        | 26.24        | +0.4                 |
| AI-95 and higher     | 28.26        | 28.36        | +0.4                 |
| <b>2.Diesel fuel</b> | <b>27.82</b> | <b>27.77</b> | <b>-0.2</b>          |

Source: State Statistics Committee of the Russian Federation

Oil companies in anticipation of high demand for fuel continue to increase gasoline inventories, already well above the benchmark of 1.7 million tons designated by Ministry of Energy of RF. The cost of fuel on the stock exchange increases - as opposed to the volume of proposal, reports news agency "RIA Novosti". It becomes more and more difficult to buy petroleum on the curb - according to market players, oil companies are trying to sell fuel only to their own sales offices. Such policies of oilmen have led to certain price increase in the wholesale sector, and promises a new increase in the future that could jeopardize the profitability of independent filling stations.

The Russian government stated that the freezing of the retail price of gasoline at a level not higher than in December 2011, an agreement which was reached earlier this year did not bring damage to oil companies, because such a price level was dictated by market conditions. Ministry of Energy of RF does not see the need to compensate the oil companies' revenues forgone because of the retention of fuel prices in the first quarter of this year.

Ministry of Energy of RF and the Federal Antimonopoly Service of RF have finalized the draft law, which provides for the introduction of floating excise taxes on fuel. The idea to introduce the floating rates of excise duties was announced a year ago. FAS RF proposed to reduce the tax burden for consumers of motor fuel in the growth of world oil prices above US\$ 90 per barrel by reducing the size of the excise rates. The draft federal law requires the binding amount of excise duty to a formula with two variables. First - the price of Urals, which has developed over the monitoring period, converted into rubles at the rate of the Central Bank of Russia. The monitoring period is defined as a month: from the 15<sup>th</sup> day of each month to the 14<sup>th</sup> day of the next month. Second – the target price of Urals (forecast of MED RF), converted into rubles at the average exchange rate of the Central Bank of Russia, which is taken into account when forming the federal budget. If the first value is greater than the second, then for every ruble exceeded the rate of excise duty will be reduced by 70 kopecks for

petroleum and for diesel fuel - by 77 kopecks. If the ratio is reversed, the rates increase by the same values. Ministry of Energy of RF expects that the amendments to the Tax Code will be made until July of this year. Oil companies fully support the introduction of new rules of collecting excise taxes. For example, according to the head of "Gazprom neft", the transition to floating excise taxes will help to keep market prices at the filling stations. However, the Ministry of Finance of RF and the MED RF do not yet support this bill.

### Kyrgyzstan

Prices and data on the changes in retail average prices for petroleum and diesel fuel for April 2012 against the prices for March 2012.

| Cities                        | A-95         |                    | AI-92        |                    | Diesel fuel  |                    |
|-------------------------------|--------------|--------------------|--------------|--------------------|--------------|--------------------|
|                               | price, KGS   | change, in % (+/-) | price, KGS   | change, in % (+/-) | price, KGS   | change, in % (+/-) |
| Bishkek                       | 38.00        | -0.1               | 36.10        | +0.2               | 39.00        | +4.1               |
| Karakul                       | 37.70        | +0.0               | 35.96        | +0.1               | 38.27        | +3.6               |
| Jalalabad                     | 40.54        | +1.0               | 38.29        | +0.4               | 41.27        | +5.2               |
| Naryn                         | 38.00        | +0.2               | 36.23        | +0.3               | 39.37        | +5.4               |
| Batken                        | –            | –                  | 39.87        | +1.5               | 42.01        | +5.9               |
| Osh                           | 39.53        | -1.7               | 38.80        | +1.3               | 40.28        | +2.2               |
| Talas                         | 38.00        | +0.2               | 35.85        | +0.1               | 36.95        | +4.1               |
| Tokmok                        | 38.00        | +0.3               | 35.80        | +0.2               | 38.68        | +5.4               |
| Kara-Balta                    | –            | –                  | 35.76        | +0.2               | 37.30        | +2.6               |
| Average value in the Republic | <b>38.40</b> | <b>-0.2</b>        | <b>36.73</b> | <b>+0.4</b>        | <b>39.33</b> | <b>+4.0</b>        |

Source: National Statistics Committee of the Kyrgyz Republic  
«–» - lack of goods

Prices for diesel fuel in the country for the last month have increased by an average of 4.0 percent. This increase is due to two reasons: first, the beginning of spring field work in the country, and second, the shortage of diesel fuel on the domestic market. According to oral information of Kyrgyz Oil Traders Association, the shortage of diesel fuel has formed due to lower imports of diesel fuel from Russia, since for Russia it is now more profitable to sell petroleum products to European countries.

At present, there is 16.5 thousand tons of fuel at customs terminals of temporary storage. According to Kyrgyz Oil Traders Association the judicial proceedings on the issue of payment of 5 percent duty by intermediary oil companies are continuing.

The head of Kyrgyz Oil Traders Association reported that up to 70 percent of the needs of agricultural producers in the fuel could be covered by production and use of bioethanol. According to him, the farmers will be the first buyers of bioethanol, if the octane number of a new type of fuel will meet the standards. Authors of the project on introduction of bioethanol have reported that the support of the Government in the framework of the law on public-private partnership is required for the successful implementation of the project. In Kyrgyzstan, there are all conditions for planting crops, from the feed of which can be produced ethanol. It is noted that bioethanol can be used not only to meet the needs of agriculture, but also to fuel cars. In this case, the fuel cost will be twice lower than the market price of gasoline.

### Natural gas

#### Kyrgyzstan

According to JSC "Kyrgyzgaz", from April 2012 the population of

Kyrgyzstan will pay 14.60 KGS (+0.6 percent or 0.1 KGS) per cubic meter of natural gas, and industrial enterprises - 17.99 KGS (+0.6 percent or 0.1 KGS). The increase in tariffs is associated with a change in the exchange rate of U.S. dollar. Meanwhile, the issue of purchasing 75 percent of the shares of "Kyrgyzgaz" by Russia's Gazprom will be finally resolved in September 2012. According to JSC "Kyrgyzgaz", the parties have agreed on all positions, there are no disagreements between them. In this case, after the transfer of a controlling stake, the state will have 13 percent of shares.

Iran intends to export gas to Tajikistan, Kyrgyzstan and China by a new gas pipeline, according to the news agency "24.kg" citing the press service of the Iranian Embassy in Kyrgyzstan. According to it, in accordance with the agreement reached by the heads of concerned countries, there will be built a new pipeline from Iran through Afghanistan to Tajikistan and further to Kyrgyzstan and China to transport energy material. Project implementation dates are not announced yet.

## **Electric energy**

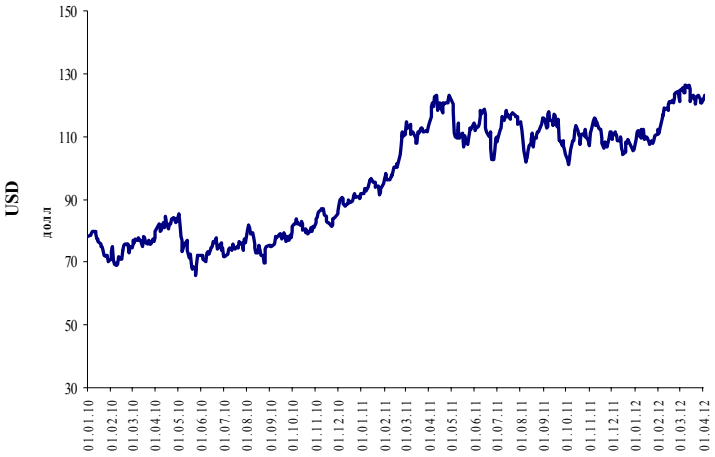
### ***Kyrgyzstan***

In Kyrgyzstan, JSC "Sevelektro" intends to turn off the electricity for budget organizations-debtors. According to the company at the beginning of April, public sector employees owed 168 million KGS, including organizations funded from the state budget - 49 million KGS, organizations funded from the local budget - 119 million KGS.

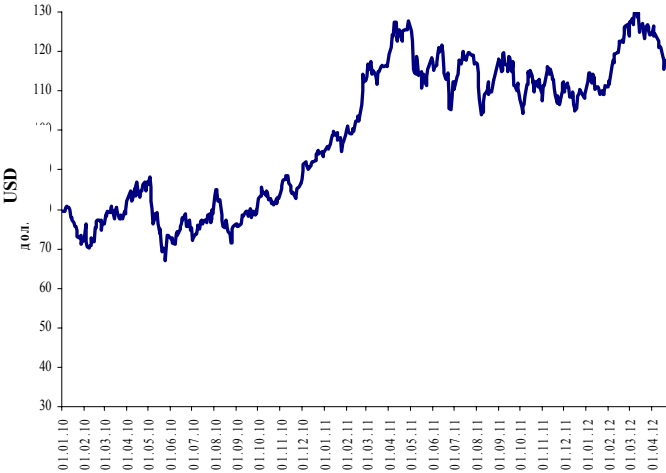
There will be the overhaul of major equipment at Bishkek CHP, informs the news agency "24.kg" referring to the message of OJSC "Electrical Power Plants". Currently, Bishkek CHP is overhauling the turbine and turbine generator, which will last until May. Annual overhaul of heating equipment is scheduled for May-June 2012. At Osh CHP similar work is planned for July-August of this year.

***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 "KirTAG", News Agency "ITAR-TASS, News Agency "REGNUM", publication "Oil and Gas Vertical".

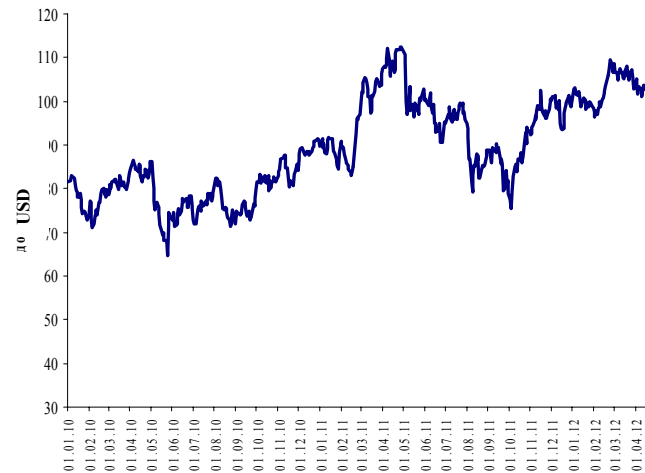
**Chart 1:** Urals from 01.01.2010 to 20.04.2012



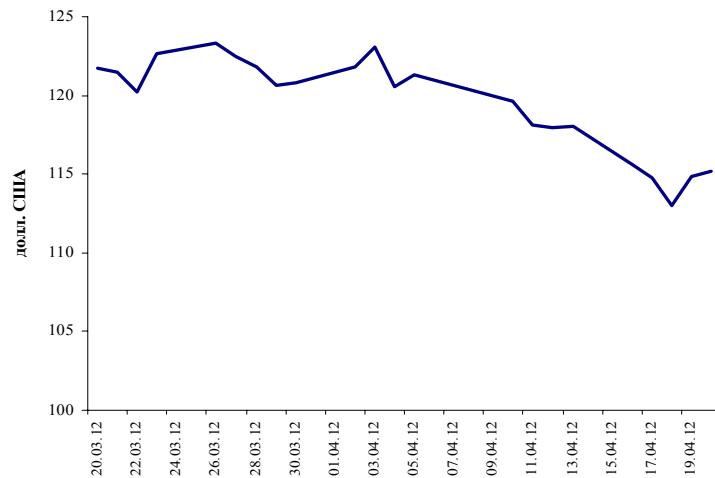
**Chart 2:** Brent from 01.01.2010 to 20.04.2012



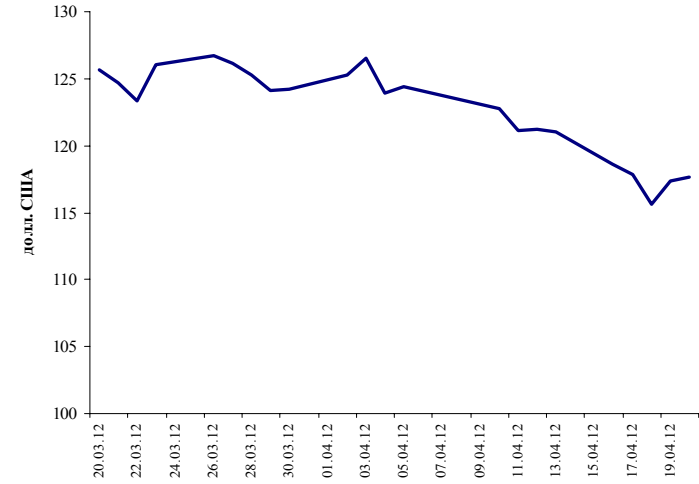
**Chart 3:** WTI from 01.01.2010 to 20.04.2012



**Chart 4:** Urals from 20.03.2012 to 20.04.2012



**Chart 5:** Brent from 20.03.2012 to 20.04.2012



**Chart 6:** WTI from 20.03.2012 to 20.04.2012

