

## Oil market

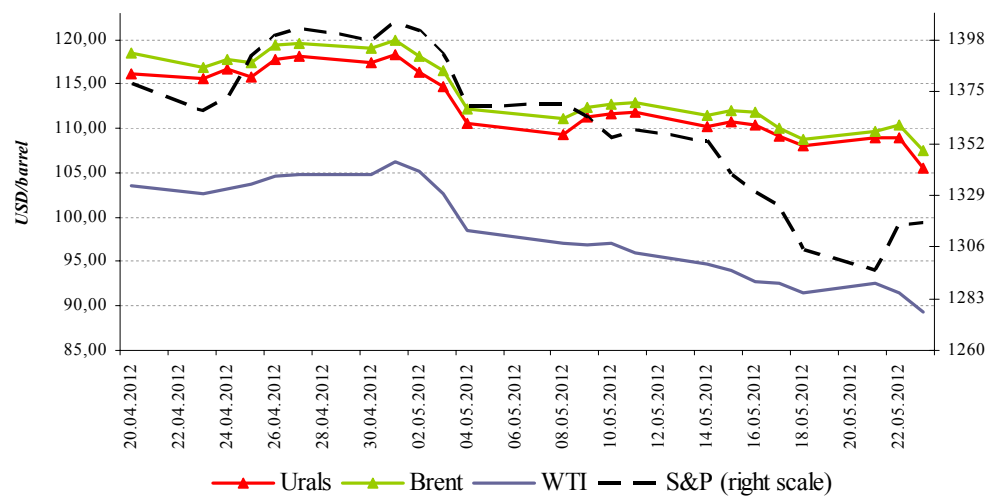
### The current state of the oil market

During the monitoring of the oil market from April 20, 2012 to May 23, 2012 the price for the basic grades (Urals, Brent, WTI) ranged from 89,4 to 120,0 USD per barrel.

Changes in average oil prices:

on average for the period	Urals		Brent		WTI	
	prices, USD / barrel	change, % against previous period	prices, USD / barrel	change, % against previous period	prices, USD / barrel	change, % against previous period
March 20, 2012 – April 20, 2012	119,5	96,7	122,7	96,9	104,1	97,6
April 20, 2012 – May 20, 2012	113,5	95,0	114,9	93,6	99,6	95,7

Source: Reuters



The negative economic data in Europe and China led to a rapid decline in oil prices in the period under review. On May 23, 2012, the price of Brent crude oil reached 107.6 USD per barrel, which is the lowest level since the beginning of the year (a decrease from the beginning of the year was 4.1 percent or 4.6 USD).

Actual data of Eurozone GDP in the first quarter of 2012 were higher than analysts' expectations. However, despite this, the experts are pessimistic about future prospects of the Eurozone economy. The reasons for the negative predictions are as follows:

- PMI in the region fell by 2.4 points from 49.1 to 46.7 points (in the processing industry index fell to its lowest level since 2009, 45.9 points);
- this March, Eurozone industrial production fell by 0.3 percent compared to the previous month;
- increase in unemployment to its highest level in 15 years, 10.9 percent.

In addition, the Standard & Poor's Ratings Services (S&P) international rating agency downgraded the long-term rating of Spain from A to BBB + with a "negative" outlook due to fears of the deterioration of the budgetary situation and the growth of public debt as a result of the recession in the economy and the weakening of the banking sector. Moody's has downgraded the long-term and deposit ratings of 16 Spanish and 26 Italian banks. Fitch downgraded Greece's sovereign credit rating from B- to CCC and short-term credit rating from B to C. Fitch points out the increased risk of Greece's leaving the EU as the reason for

decrease.

As a result, the euro fell against the U.S. dollar to a record low value since July 2010, 1.2545 USD/Euros. Strengthening of the dollar, in turn, affected the oil market, the attraction of which as an alternative to investing in this background has decreased even more.

Statistics of China which occupies the second place in the list of the largest consumers of oil indicate a slowdown in economic growth. Industrial production in the country, which is traditionally the most reliable indicator of GDP and demonstrating a high correlation with the development of the economy, in April, sharply slowed an increase from 11.9 percent to 9.3 percent on an annualized basis, which is the lowest level since May 2009. Data of foreign trade turnover were also below analysts' expectations. Thus, in April, imports in the country increased by 0.3 percent against an increase of 5.3 percent in March this year, exports increased by 4.9 percent (in March, an increase constituted 8.9 percent).

Analysts also note the U.S. economic slowdown. According to the U.S. Department of Commerce, the real GDP growth in the first quarter of 2012 was 2.2 percent compared to the same index for the previous quarter. Thus, the actual data were below analysts' forecasts who were expecting GDP growth of 2.5 percent.

An additional factor of the reduction in world oil prices is Iran's process of negotiations on the nuclear program. According to media reports, an agreement on the admission of international inspectors to Iranian nuclear facilities was reached during talks in Tehran between the International Atomic Energy Agency and the Superior Council of National Security of Iran. On May 23, 2012, Iranian authorities met with the international mediators in Baghdad, the negotiations with who were detailed, but no specific agreements were reached. The next meeting which will be held in Moscow is scheduled for June 18-19, 2012.

## Short- and long-term forecasts

### Oil Prices

#### Price forecast for Brent and WTI crude oil for 2012-2015

(USD/barrel)

	Actual		Forecast						
	2011	2012	2012				2013	2014	2015
			I quart.	II quart.	III quart.	IV quart.			
<b>Brent</b>	112	120	115	116	115	115	113	115	
<b>WTI</b>	95	103	105	106	106	110	111	115	

Source: Bloomberg News Agency

According to Bloomberg News Agency, in general, in the second quarter of 2012, the price of Brent and WTI crude oil are expected at about current prices. According to the consensus forecast of 31 analyst, the price of Brent crude oil is expected to reach 115.0 USD per barrel and WTI - 105,0 USD per barrel.

### OPEC, IEA

According to OPEC's forecast, the total world oil consumption in 2012 will amount to 88.7 million barrels per day, which is 1.0 percent or 900 thousand barrels per day higher than in 2011, RBK IA states. As analysts note, the supply of oil outside OPEC this year will increase by 0.6 million barrels per day. At the same time, OPEC revises the previous target levels upward.

IEA experts raised their own forecast of growth in oil consumption and oil the world economy in 2012 by approximately 100 thousand barrels per day. It is expected that in general this year, global oil consumption will reach 90 million barrels per day, which exceeds the demand of the previous year by 0.9 percent or 800 thousand barrels per day.

## Kazakhstan

According to RBK IA, Kazakhstan and Russia still have not signed the methodology of calculation of export duties on supplied oil within the Customs Union. As a result, Russia has reduced pumping of oil to the Pavlodar Oil Refinery (POR), which is the largest Russian oil consumer in Kazakhstan, by half; supply reaches up to 500 thousand tons per month. However, in May, according to the export schedule, 275 thousand tons of oil will be sent to the Refinery.

According to the Minister of Oil and Gas, Kazakhstan recognizes the existence of “different approaches” to the method of calculation of export duties on oil and petroleum products within the Customs Union with Russia and hopes to resolve the disputed issues after the appointments in the Russian government.

If the parties fail to agree and Russian oil companies gradually stop the supply of hydrocarbons to Kazakhstan, it will be easy for them to find new customers and earn comparable money, but Kazakhstan in this case will be seriously hurt, analysts say.

However, the situation on the domestic market of Kazakhstan is stable so far, and according to the Minister of Oil and Gas of the country, the lack of Russian oil is replaced by domestic and import supplies of finished petroleum products.

## Russia

Prices and data on changes in retail prices in Russia for gasoline and diesel fuel as of May 21, 2012, compared to the prices as of April 28, 2012.

	April 28, 2012	May 25, 2012	change, % (+/-)
	price, ruble	price, ruble	
<b>1. Gasoline</b>	<b>27,02</b>	<b>27,30</b>	<b>+1,0</b>
<i>including:</i>			
RON-80	24,83	25,05	+0,9
RON -92	26,37	26,65	+1,1
RON -95 and higher	28,54	28,84	+1,1
<b>2. Diesel fuel</b>	<b>27,77</b>	<b>27,88</b>	<b>+0,4</b>

Source: State Statistics Committee of the Russian Federation

According to the deputy head of the Ministry of Economic Development (MED) of Russian Federation, the average price for Urals oil in 2012 could be below 115 USD per barrel, while in 2013-2014 it might amount to about 110 USD per barrel. Previously the MED published price forecast for Urals oil in 2012 at the level of 115 USD per barrel, 97 USD per barrel in 2013, and 101 USD per barrel in 2014.

Monitoring of average prices for gasoline in Russia shows the upward trend of retail fuel cost. According to a survey of consumer markets by Russian MED, this trend will continue, and in the coming months, prices will increase like an avalanche, because the oil companies will seek to compensate for the loss caused by “freezing.” Even the most optimistic expectations prepare consumers to a growth by 5-7 percent. Meanwhile, according to the rating of the RIA-Analysis Center for Economic Research, Russia is one of the three European countries with the cheapest gasoline. The rating was made at the beginning of April 2012 on prices for gasoline with an octane number 95 (in Russia with 95 octane or higher).

According to preliminary formula calculations, set by law on customs tariff regulation, from June 1, 2012 the export duty on Russian oil could fall from 448.6 to 419.8 USD per ton (decline will constitute 6.4 percent).

## Kyrgyzstan

Prices and data on changes in retail average prices for gasoline and diesel fuel in May<sup>1</sup> 2012 compared with prices in April 2012.

Cities	RON-95		RON -92		Diesel Fuel	
	price, KGS	change, % (+/-)	price, KGS	change, % (+/-)	price, KGS	change, % (+/-)
Bishkek	38,00	0,0	36,10	0,0	39,50	+1,2
Karakul	37,70	0,0	35,96	0,0	38,59	+0,6
Djalal Abad	40,63	+0,2	38,27	0,0	41,67	+0,9
Naryn	38,00	0,0	36,23	0,0	39,75	+0,9
Batken	-	-	40,23	+0,7	43,03	+2,0
Osh	39,80	+0,5	38,83	+0,2	41,10	+1,7
Talas	38,00	0,0	35,85	0,0	37,60	+1,3
Tokmok	38,00	0,0	35,80	0,0	39,00	+0,8
Kara-Balta	-	-	35,95	+0,5	39,50	+4,6
The average for the country	<b>38,45</b>	<b>+0,1</b>	<b>36,75</b>	<b>+0,1</b>	<b>39,92</b>	<b>+1,3</b>

*Source: National Statistical Committee of the Kyrgyz Republic.*

«-» - lack of goods

During the meeting of delegations of Russia and Kyrgyzstan held in the unscheduled summit of the CIS countries an agreement was reached to increase the volume of petroleum products imported into Kyrgyzstan. According to the Oil Traders Association of Kyrgyzstan, the quota for duty-free supply of petroleum products, set in 2011, will be increased by 30 percent, and around 1.1 million tons of petroleum products in total will be imported into Kyrgyzstan this year. As noted, the increase in the required amount of petroleum products is first of all caused by the planned construction of Kyrgyz-Russian hydropower plant sites on the Naryn River.

The Chinese oil company which is one of the four major oil companies in China plans to produce 260 thousand tons of oil in the Batken region of Kyrgyzstan, 24.kg IA reports. In 2011, this company bought the bankrupt Batkennftegaz OJSC and has conducted exploration of four wells in the Batken region from July 2011 to April 2012. Reportedly, the well depth is 4.6 thousand meters, and drilled reservoirs of oil and gas show that there are prospects for their further development.

## Natural Gas

### Kyrgyzstan

Kyrgyzgaz OJSC repaid current debts for natural gas in the amount of 2.5 million USD to KazTransGas OJSC, Tazabek IA reports with reference to the message of the Deputy General Director of the Kyrgyzgaz OJSC. According to him, the Kyrgyz side closed current debt for natural gas supplied from Kazakhstan, and negotiations are currently held on the acquisition of additional volumes of gas. According to the company, currently there is an agreement to supply natural gas until September 2012 amounting to 300 million cubic meters. Then the sides will have to determine the price of fuel for the next heating season.

## Electric Power

### Kyrgyzstan

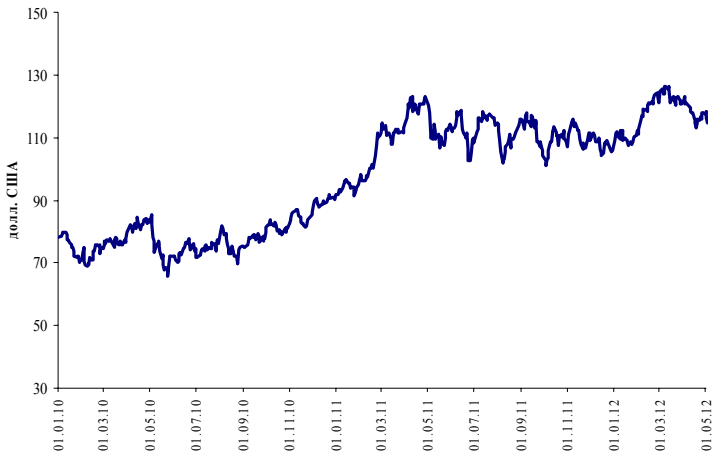
<sup>1</sup> Average gasoline prices as of May 21, 2012

The Kyrgyz President has signed the law previously adopted by the deputies providing for mandatory consent of the Parliament to change the electricity rates, the [ITAR-TASS](#) IA reports with reference to the press service of the President. The importance of economic and social consequences of changes in electricity rates is thus taken into account, and the role of parliament in their establishment strengthens.

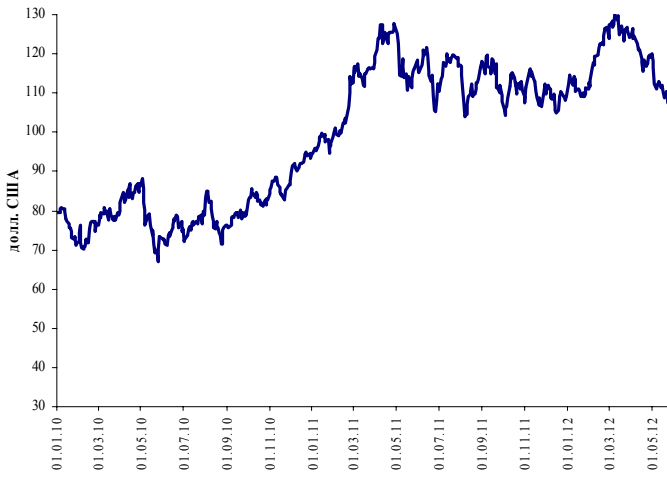
An agreement on the resumption of electricity exports to the neighboring country was reached during the President's visit to Kazakhstan. In 2012, Kyrgyzstan will export 2.5 billion kW/h of electricity to Kazakhstan. However, the price of the exported product is not yet determined.

***The review was prepared according to:*** 24.kg IA, Reuters IA, RBK IA, Kazakhstan Segodnia IA, Tazabek IA, CentrAsia IA, KirTAG IA, ITAR-TASS IA, REGNUM IA, Neftegazovaya Vertical Publication.

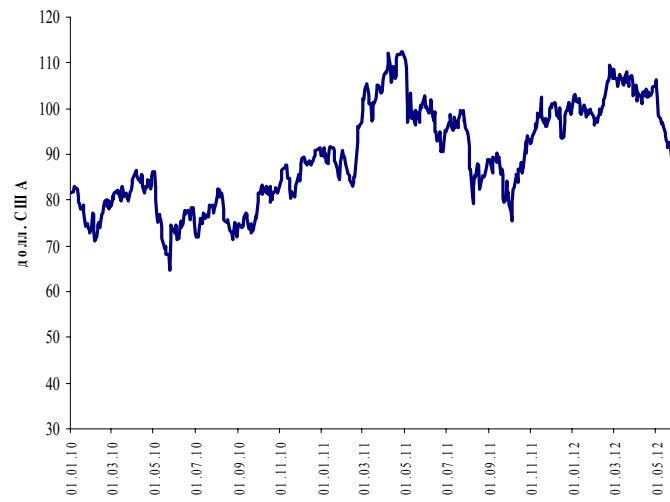
**Graph 1:** Urals from January 1, 2010 to May 23,2012



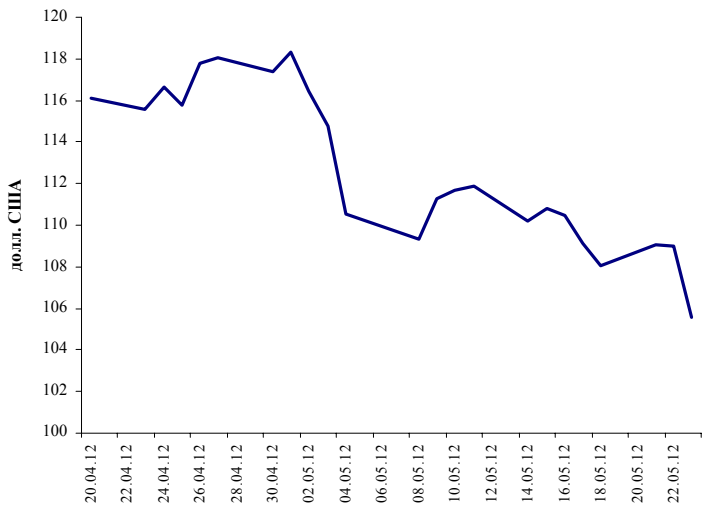
**Graph 2:** Brent from January 1, 2010 to May 23,2012



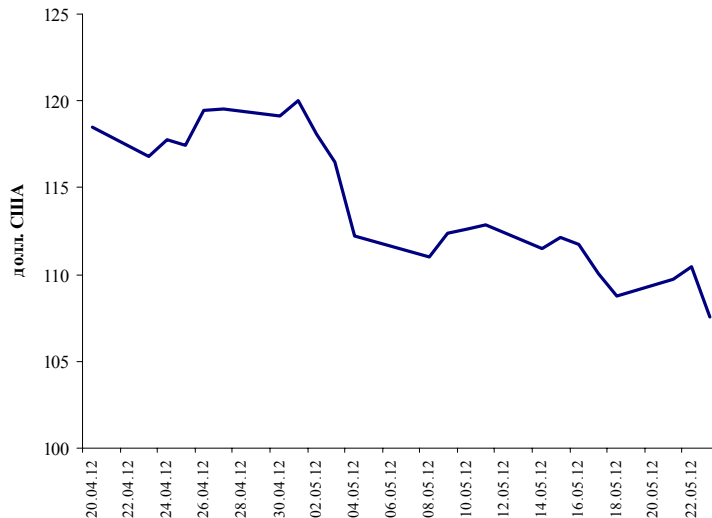
**Graph 3:** WTI from January 1, 2010 to May 23,2012



**Graph 4:** Urals from April 20, 2012 to May 23,2012



**Graph 5:** Brent from April 20, 2012 to May 23,2012



**Graph 6:** WTI from April 20, 2012 to May 23,2012

