

## Oil market

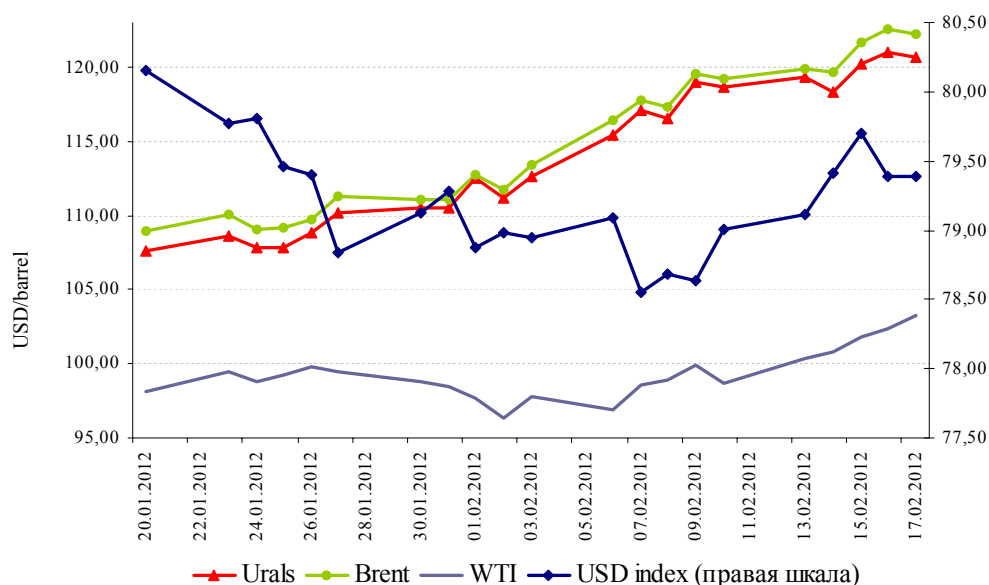
### Current state in the oil market

In the course of the oil market monitoring conducted within the period from 20.01.2012 to 20.02.2012 the price for major oil grades (Urals, Brent, and WTI) was fluctuating within the range from US\$ 93.6 to US\$ 122.2 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
20.12.2011-20.01.2011	109.2	100.8	111.1	102.1	100.3	102.3
20.01.2011-20.02.2012	114.0	104.4	115.0	103.5	99.3	99.0

Source: Reuters



A rapid rise in oil prices began in world commodity markets in February current year. The tense situation in the Middle East, the debt crisis in Greece, as well as increased demand for heating fuel in Europe in light of extreme cold that involved much of the region, have been pushing up oil quotes. As a result, the price of Brent crude oil reached a six-month maximum, and on February 17, 2012 amounted to US\$ 122.2 per barrel (an increase from the beginning of the year is by US\$ 10.0 or 8.9 percent).

On January 23, 2012 representatives of the European Union, as expected, agreed on the issue of imposing the embargo on oil and petroleum products from Iran, which shall enter into force on 1 July current year. It is assumed that the transition period, which will continue until that time, will help countries to adapt to the new regime and to find alternative sources of supply. Immediate ban on new contracts for the import, purchase and transportation of oil from Iran is introduced. In addition, the sanctions are imposed against the Central Bank of Iran in order to impede the financing of nuclear programs. In response, Iranian authorities have developed a draft law for an immediate cessation of oil supplies to the European Union, which, however, it was not adopted. Nevertheless, the draft law was finalized taking into account the additional prohibition of imports of any European goods to Iran.

The situation around Iran worsened after the media reports, according to which in spring of the current year, Israel may inflict rocket-bomb attack on Tehran's nuclear facilities if the economic sanctions of the West do not give the

expected result.

The positive expectations of investors in terms of Greece also contributed to a significant increase in prices. On February 20, 2012 the decision on the allocation of the second loan in the amount of 130 billion euros was taken at the meeting of finance ministers of Euro Region. The first tranche will amount to 13.0 billion euros. The allocation of the next tranche supported the European currency against the U.S. dollar, which led to an increase in oil prices (weakening of U.S. dollar increases the attractiveness of oil as an alternative investment).

## Forecasts for short- and mid-term prospects

### *OPEC, IEA*

According to the Secretary General of the OPEC, the embargo of the European Union on Iran's oil will continue to promote the growth of world prices even in the absence of deficit in the oil market. According to him, in a "normal situation" the price would be fluctuating around US\$ 100 per barrel. This is the very level, as OPEC considers, acceptable to producers and consumers of oil. In the event of termination of oil supplies from Iran to Europe, the IMF forecasts growth in world oil prices by 30 percent or by US\$ 20 to US\$ 30 per barrel.

IEA, OPEC and the US Energy Information Administration (EIA), the largest organizations predicting world oil consumption - in February current year showed no unanimity in the projections for 2012.

In the monthly report published in early February, OPEC decreased the forecast values of the growth in oil consumption in 2012 to 940.0 thousand barrels per day (-120.0 thousand barrels per day). The reasons for the decrease in the forecasts are debt crisis in Eurozone, high retail prices and concerns for the US economy. IEA also decreased the forecast of world oil consumption growth in 2012 for sixth consecutive times, referring to the weak global economy.

Meanwhile, EIA for the first time since October 2011 increased forecasts for 2012-2013. According to the EIA forecasts for the current year, consumption will grow by 1.32 million barrels per day, and in 2013 - by 1.49 million barrels per day. The growth of world consumption will be met at the expense of stocks as well as due to the growth of oil and other types of fuel oil in the OPEC countries, according to a monthly report of the management.

### *USA*

According to the report of the US Department of Energy, within a week from February 4 to February 10, 2012 reserves and imports of petroleum and petroleum products in the United States were characterized by the following changes:

(mln. barr.)

№		Stocks			Crude oil import (mln. barr./day)
		Crude oil	Gasoline	Heavy distillates (fuel oil, diesel fuel)	
1	<b>Increase(+)</b> <b>Decrease(-)</b>	-0.2	+0.4	-2.9	+1.2
2	<b>Total:</b>	339.1	232.2	143.7	8.8

Source: News Agency "RBC"

### *Kazakhstan*

The Ministry of Oil and Gas of Kazakhstan has identified the ceiling retail prices for fuels and lubricants for February 2012: petroleum AI92/93 - 106.0 KGZ per liter, petroleum AI80 - 86.0 KGZ per liter, diesel fuel - 90.0

KGZ per liter.

According to news agency “Kazakhstan Today”, new export duties on oil products entered into effect in Kazakhstan. According to the changes, rates increased on light petroleum products - from US\$ 143.54 to US\$ 164.97 per ton, on dark petroleum products - from US\$ 95.69 to US\$ 109.98 per ton. The export duties on oil, thus, remained unchanged.

Increasing of export duties on oil products in Kazakhstan will have no impact on the domestic market of Kyrgyzstan, since about 90 percent of the fuel supply in the country is from Russia.

## Russia

Prices and data on the changes in retail prices for petroleum and diesel fuel in Russia for the period of 13.02.2012 against the prices for 23.01.2012.

	23.01.12	13.02.12	Change in % (+/-)
	price, RUB	price, RUB	
<b>1. Petroleum</b>	26.90	26.79	-0.4
<i>Including:</i>			
AI-92 (AI-93 and etc.)	26.22	26.15	-0.3
AI-95 and higher	28.27	28.27	0.0
<b>2. Diesel fuel</b>	27.84	27.97	+0.5

Source: State Statistics Committee of the Russian Federation

Despite the increase in excise rates for petrol and diesel fuel from January 1, 2012 (an increase by 29.0-32.6 per cent), the prices for fuels and lubricants in Russia are decreasing since the beginning of the year. This decrease is explained by the fact that the Government has agreed with the oil companies and market participants to freeze prices for energy products for the next two months. Thus, the oil companies are forced to keep prices not above the level of December 2011. In turn, the Russian government has promised to develop a document providing the algorithm for loss compensation. Work on this document should be completed in April this year.

Most experts believe that the electoral cost containment from the part of the government is “a shot in the eye” for consumers. As analysts predict, the cost of fuel before the mid of the year could grow by 4-5 percent, and will result in the growth by about 15.0 percent under forecasted inflation in 5-6 percent.

## Kyrgyzstan

Prices and data on the changes in retail prices for petroleum and diesel fuel for the period of 17.02.2012 against the period of 17.01.2012.

№	Cities	A-80		AI-92		Diesel fuel	
		price, KGS	change, in % (+/-)	price, KGS	change, in % (+/-)	price, KGS	change, in % (+/-)
1	Bishkek	32.70	-1.5	35.80	-1.4	36.73	-1.2
2	Osh	35.00	-2.8	39.50	-3.7	40.00	0.0
3	Jalalabad	35.75	-3.4	38.75	-3.1	39.00	0.0
4	Karakol	32.78	-1.5	35.84	-1.0	36.60	-0.8
5	Naryn	33.73	0.0	36.77	0.0	37.15	0.0
6	Talas	33.03	+0.8	35.70	-0.4	35.36	-0.3
7	Tokmok	32.60	-0.8	35.75	-0.7	36.40	-0.7
8	Batken	36.23	-5.5	39.95	-3.7	40.60	-1.4
9	Average value in the Republic	33.37	-2.0	36.67	-2.0	37.46	-0.9

Source: National Statistics Committee of the Kyrgyz Republic.

It was reported in the media, with reference to the speech of the head of the Association of Oil Traders of Kyrgyzstan, that the Law “On amending the Customs Code of the Kyrgyz Republic” entered into force from February 1, 2012, according to which, the procedure for customs clearance of fuels and lubricants was amended. According to published information, this amendment may lead to the increase in prices for fuel and lubricants by about 30 percent (KGS 10-15), which may ultimately have a significant impact on price movements in the country.

Later, the chairman of the Customs Service under the Government of the Kyrgyz Republic explained that the supply of petroleum products into the Republic is conducted by direct and intermediary suppliers. The survey of the situation with the supply of bitumen in the country revealed that intermediary companies often increase prices. In this regard, the customs duty is charged not from the direct supplier of petroleum products, but from a mediator. According to him, the amendment in the Customs Code of KR will not affect the retail prices of petroleum products.

According to the Association of Oil Traders of Kyrgyzstan, the structure of retail prices for petrol and diesel fuel is as follows:

- selling price of Russian oil refinery - 62-66 percent;
- transport costs - 14.0 percent;
- taxes - 14.0 percent;
- overhead costs - 5-7 percent;
- margin of oil companies - 2-4 percent.

## **Natural gas**

### ***Kyrgyzstan***

In 2011, the republic received 323.1 million cubic meters of natural gas, which is by 35.7 million cubic meters more than in 2010, the News Agency “24.kg” reports with reference to the Minister of Energy and Industry of the Kyrgyz Republic. According to the Minister, the loss of natural gas amounted to 56.43 million cubic meters, or 17.4 percent, which is by 2.2 percent less than in 2010.

## **Electric energy**

### ***Kyrgyzstan***

Kazakhstan intends to withdraw from the Central Asian energy ring, reported the news agency “K-news”. At present, Uzbekistan consumes about 3-3.5 million kilowatt-hours of electricity per day. Part of the electricity consumed by the Uzbek side is taken unsanctioned. According to the report, this fact is the main reason for Kazakhstan to raise the issue of withdrawal from the United Energy System. According to the Deputy Director of the State Inspection on Energy and Gas under the Ministry of Energy of the Kyrgyz Republic, in the event of withdrawal of Kazakhstan, Kyrgyzstan will have to set limits on the consumption of electricity in the Chui region up to 40 percent. However, later in the tripartite talks, it was decided to preserve the energy ring in Central Asia.

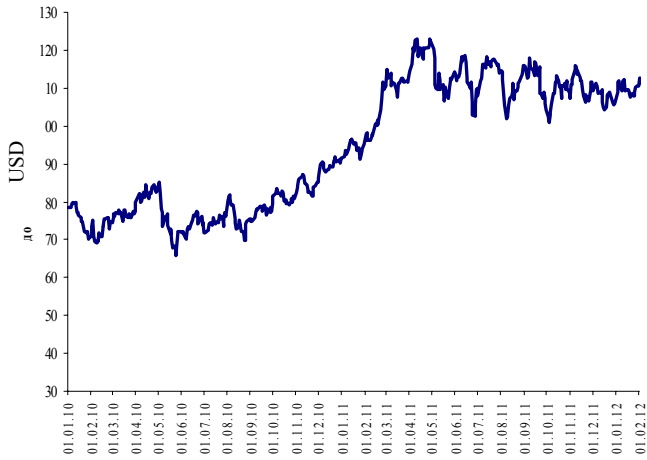
According to the report, this issue was raised several times and still risks a power outage in the Chui region twice a day. The solution of this issue may be the construction of power transmission lines “Datka-Kemin”, which will allow the north of Kyrgyzstan to gain independence from Kazakhstan and Central Asian energy ring as a whole.

In the near future repair works will start in the Toktogul chain of power plants as was reported by the news agency “24.kg”. Tender is announced for the implementation of major repairs in the third hydraulic aggregate of Toktogul hydro-electric power station, in the second and fourth Kurpsai hydraulic

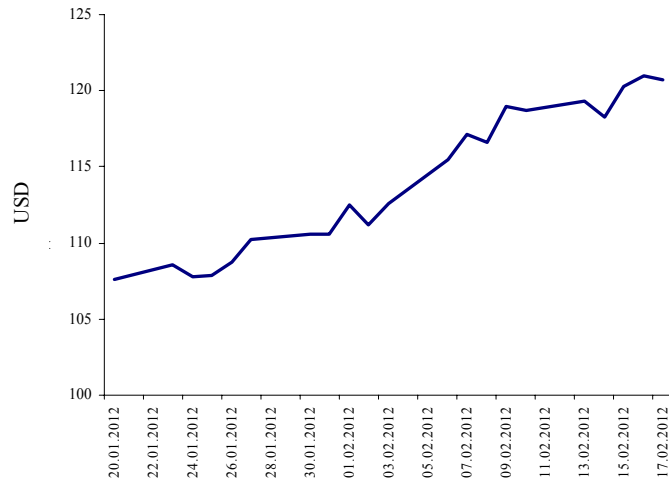
aggregates. As noted, it is planned to repair Tash Kumyr and At-Bashy first turbine, conduct major repair of Shamaldy-Say third aggregate, second aggregate of Uch-Kurgan and fourth aggregate of At-Bashy constructing hydro-electric power stations.

***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”.

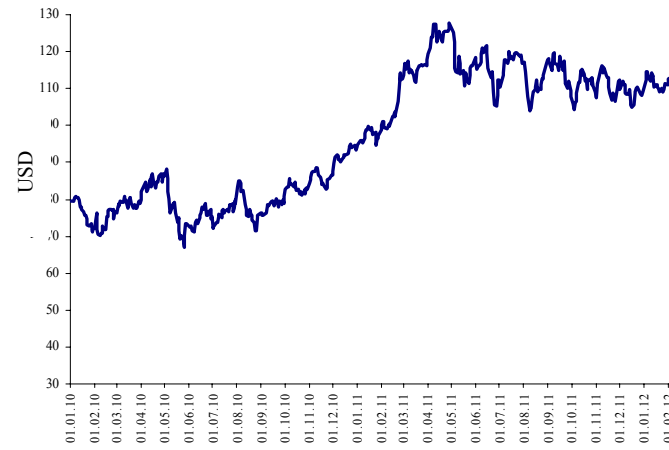
**Chart 9:** Urals from 01.01.2009 to 20.02.2012



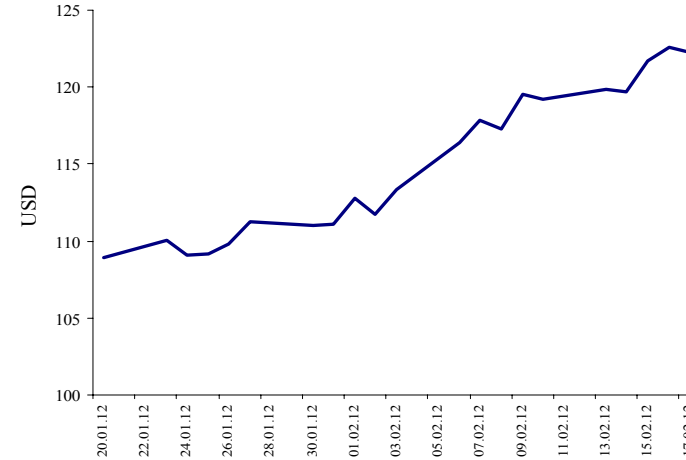
**Chart 10:** Urals from 20.01.2012 to 20.02.2012



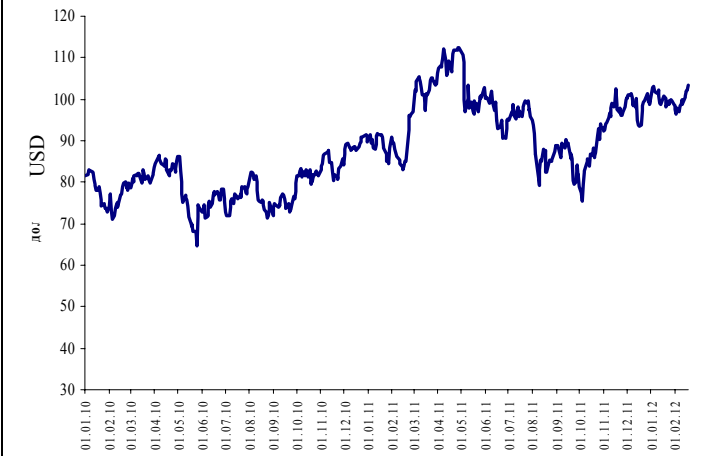
**Chart 11:** Brent from 01.01.2009 to 20.02.2012



**Chart 12:** Brent from 20.01.2012 to 20.02.2012



**Chart 13:** WTI from 01.01.2009 to 20.02.2012



**Chart 14:** WTI from 20.01.2012 to 20.02.2012

