

Oil market

2012 results

World energy prices in 2012 were volatile throughout the year. During the first quarter of 2012 oil prices were increasing. The main factor that maintained the rise of prices of that period was the interruption in oil supplies due to the unstable political situation in the Middle East. By mid-2012 low business activity of the United States, Europe and China has led to a rapid decline in global demand and oil prices. However, on the background of breaks in oil supplies from the North Sea and the continuing conflict in the Middle East, prices on world markets have increased significantly by August. The dynamics of world oil prices were affected by the unstable economic situation in Eurozone, economic growth rates in China, the launch of the third stage of the program of quantitative easing of USA, the hurricane “Sandy”, the issue of fiscal policy. Prices for major brands (Urals, Brent, WTI) in 2012 fluctuated between 77.72 - 129.9 US dollars per barrel, which is higher by 3.1 - 1.8 percent respectively than in 2011. The average price of oil “Brent” in 2012 maintained at US dollars 112.5, which is by 0.3 percent higher than in 2011.

Current state in the oil market

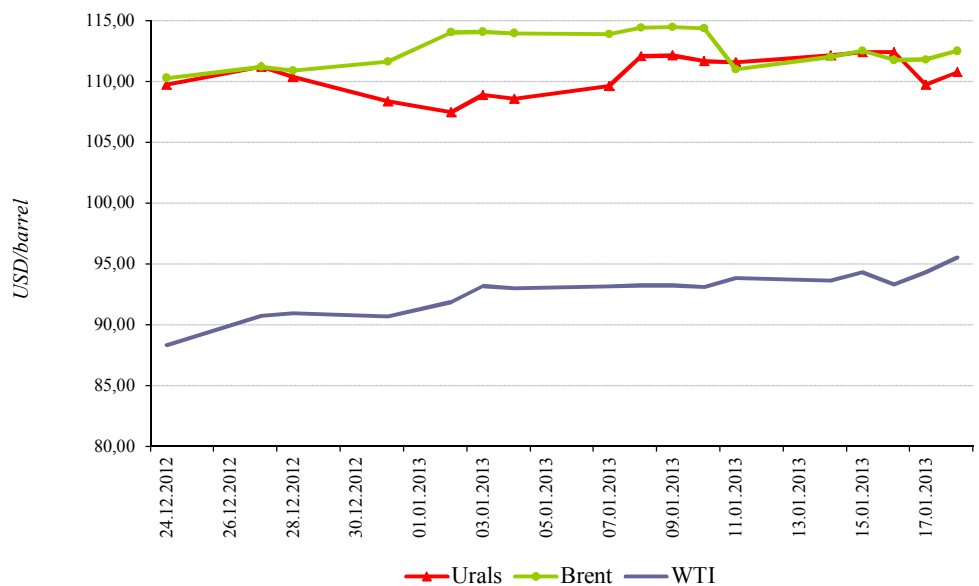
The situation in the market of petroleum products in Kyrgyzstan in 2012 was influenced by the closure of Russian refineries for scheduled maintenance, the seasonal increase in fuel prices in the period associated with the beginning of spring sowing and harvesting.

During the monitoring of the oil market from 20.01.2013 to 20.12.2012 prices for major brands (Urals, Brent, WTI) ranged between 87.5 -114.4 US dollars per barrel.

Change in the average prices for oil :

Average for the 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
20.11.2012-14.12.2012	109.0	100.9	110.5	100.9	86.7	100.6
20.12.2012-20.01.2013	110.6	101.5	112.5	101.8	92.1	106.2

Source : IA « Bloomberg »



Average prices of oil quotes in the period from December 2012 to January 2013 retain a slight tendency towards increase.

The increase in prices was caused by the following world events:

- *Macrostistics in China.* China's high foreign trade indicators in December have maintained the oil prices. Inflation in China has developed above the forecasted, which could also increase the risks and force some investors to maintain the profits in the oil market.
- *Protracted problems in the fiscal policy of the United States.* Negotiations on the budget issue between Republicans and Democrats although were close to completion, but both sides kept defending their interests regarding some points of the document.
- *The situation in the Middle East.* Investors' concerns on oil supplies from the Middle East due to the intensification of fighting in Syria, terrorist attacks on the oil and gas industry. In Amenas in Algeria, Iran's military exercises, strong winds in the Persian Gulf have influenced the rise in prices.

Forecasts for short- and mid-term prospects

According to experts of the Management Company "Alfa Capital", oil prices will have some increase in the first half of 2013 in the case of a successful solution to the problem of fiscal policy in USA, closure of the debt problems in the Eurozone, as well as acceleration of the growth of the Chinese economy. In general, experts expect the establishment of average crude oil prices in the range of 100-110 US dollars/barrel.

OPEC

In December 2012 the average daily production of OPEC was 30.37 million barrels of oil per day under the limit established by the cartel at 30 million. OPEC countries reduced the demand forecast for oil produced in the participating countries to 29.7 million barrels of oil per day in 2013 due to growth of oil recovery in other countries on the basis of the meeting.

The largest OPEC oil producer, Saudi Arabia, announced to the organization on the decrease in average daily oil production in December 2012 to 9.0 million barrels of oil per day from 9.49 million barrels of oil per day in November 2012. Besides, Iran and Iraq reduced the oil production.

IEA

International Energy Agency experts (IEA) revised their own forecast of consumption of oil and oil products by the global economy in 2013. The forecast was increased from the previous month to 240 thousand barrels of oil per day up to 90.8 million barrels of oil per day.

According to the IEA, oil production out of OPEC will increase by 980 thousand barrels of oil per day up to 54.3 million barrels of oil per day.

Kazakhstan

The agreement between the LLP "Atyrau Oil Refinery" (AOR) and a consortium of companies "Sinopec Engineering" (China) and "Marubeni Corporation" (Japan) signed at the end of the 2011 entered into force in December 2012. Construction of Advanced oil processing center (AOPC) is being implemented within the framework of the State Program of Forced Industrial-Innovative Development of Kazakhstan. The center is designed to process 2 million 400 thousand tons per year. AOPC will allow AOR to increase production of high-octane gasoline, aviation and diesel fuel. Not only on the development of the oil refining industry, but the entire oil and gas sector of Kazakhstan will depend from the implementation of the project. Construction of AOPC will increase refining depth to 85 percent and produce motor fuels that meet the Euro-5 requirements. The cost of the project is

1.679 million US\$. Period of implementation is planned for 41 months.

According to the news agency “Kazakhstan Today”, the company “KazTransGaz Aymak” (subsidiary of JSC “KazTransGaz”) completed a project of construction a gas supply pipeline of high pressure “Kordai-Shu” in Zhambyl region. On late December 2012 the high pressure gas supply pipeline “Kordai-Shu” with the capacity of 462 million cubic meters per year and with the cost about 4 bln of own funds of JSC “KazTransGaz Aymak” started to operate.

Russia

Prices and data on changes in retail prices for gasoline and diesel fuel in Russia as of 14.01.2013, compared with the prices of 24.12.2012.

	24.12.2012	14.01.2012	Change in % (+/-)
	Price, RUB	Price, RUB	To previous registration
1. Petroleum	28.80	28.91	+0.4
<i>Including:</i>			
AI-80	26.44	26.61	+0.1
AI-92	27.98	28.08	0.3
AI-95 and higher	30.67	30.78	+0.4
2. Diesel fuel	30.88	31.12	+0.7

Source: Federal State Statistics Service of the Russian Federation

According to the Federal State Statistics Service of the Russian Federation as of January 14, 2013 the average consumer prices for gasoline in December 2012 increased by 0.4 percent and diesel fuel - by 0.7 percent. The acceleration of growth of previously retained prices, increase in the demand for fuel build up the current increase in the price of gasoline in Russia.

On 14 January 2013, the Moscow Oil Refinery started to increase previously retained wholesale prices for gasoline. An increase for gasoline AI-92 constituted 500 per ton.

Moscow Oil Refinery will fully switch to the production of fuel of the ecological class Euro 5 in the second quarter of 2013. Transition to Euro-5 will cause increase in the the cost of the production but at the same time the refinery improves energy efficiency and optimizes many other processes. It is therefore, expected that the increase in the production cost will be offset by decreasing the energy consumption.

From 1 January 2013 the duty on oil exports from Russia has been decreasing to 395.6 US dollars per ton (previously 396.5 US dollars per ton).

OJSC “AK “Transneft”, the world’s largest pipeline company, has put into operation the second stage of the pipeline “Eastern Siberia-Pacific Ocean” (ESPO-2). Power of the ESPO-2 will reach 30 million tons, with further increase to 50 million tons. Russia carried out the oil supply to the Asia-Pacific region and the domestic market through the pipeline system “Eastern Siberia-Pacific Ocean”.

The oil export duty in Russia from February 1, 2013 may increase by 7.7 US dollars per ton to 403.3 US dollars. This amount comes from the average price of the monitoring and the formula for calculating the export duty according to the taxation of the oil industry regulation.

The Ministry of Energy of the Russian Federation will prepare amendments to the law “On the turnover of crude oil and petroleum products in the Russian Federation” by summer 2013 in order to create a transparent system of anti-monopoly regulation of the internal market of oil products. The basic idea is to balance the pressure on members of the Federal Antimonopoly and Tax Services.

Kyrgyzstan

Prices and data on changes in retail prices for gasoline and diesel fuel as of January ¹ 2013 compared to the prices of December 2012.

Cities	AI-95		AI-92		Diesel fuel	
	price, KGS	change, in % (+/-)	price, KGS	change, in % (+/-)	price, KGS	change, in % (+/-)
Bishkek	41.90	-0.52	39.24	-0.78	39.60	0.32
Karakol	40.20	1.77	38.11	-0.15	39.04	-0.05
Jalal-Abad	44.33	-0.96	41.36	-1.16	41.87	-
Naryn	42.05	-0.53	39.07	-0.43	40.00	-
Batken	-	-	41.78	-0.52	43.45	-0.23
Osh	43.14	-0.82	41.06	-1.80	41.76	0.09
Talas	41.83	-0.83	37.81	-0.30	36.90	-0.66
Tokmok	41.90	-0.97	38.84	-0.29	39.05	-
Kara-Balta	-	-	39.39	-0.58	39.05	-0.35
Average on the Republic	42.21	-0.45	39.68	-0.78	40.15	0.31

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

The average price for gasoline (AI-92 and AI-95) in Kyrgyzstan as of January 21, 2013 decreased slightly to 31 tyiyn compared with prices in December 2012, increased by 3.5-4.1 KGS, compared with the average prices in January 2012. The price of diesel fuel in the country has increased compared with prices in December 2012, and increased by 2.7 KGS compared with prices in January 2012.

According to Mr. J.Akeneev, the President of the Association of Oil Traders in Kyrgyzstan, Kyrgyzstan will switch to petrol of EURO-3, EURO-4, EURO-5 standards in 2013-2015. However, these standards are produced in Russia only in 6 out of 16 refineries. Euro-3 roughly corresponds to gasoline A-95 and A-98, Euro-4 can be compared with A-98. In this case, the transition to the given standards of gasoline will not increase prices and they are considered more environmentally friendly.

According to the Association of Oil Traders of Kyrgyzstan, 74 tanks with fuel cannot enter the country over the railway crossing points on the Kyrgyz-Uzbek border due to the closure of railway crossing points unilaterally. According to the president of the Association, railcars stay for several days on the borders. In winter times, for safety reasons, fuel is sent by rail. More than 500 railcars entering the country with building materials, food and other products stay on the borders. Currently the situation with provision of fuel in the Kyrgyz Republic is stable: a month's supply of fuel is available.

Natural gas

Kyrgyzstan

¹ Average prices for petroleum as of January 21, 2013

According to the OJSC “KyrgyzGas”, the price of gas for the population of the north of Kyrgyzstan in January 2013 increased by 3 tyins and reached 14.76 KGS per cubic meter. In December 2012, the rate was 14.73 KGS per cubic meter. This increase is associated with a slight increase in the U.S. dollar rate.

According to the information office of OJSC “Gazprom”, the issue of purchase of 100 percents shares of “KyrgyzGas” instead of the 75 percents by the Russian “Gazprom” has not yet been resolved. The company valued at US dollar 1 taking into account the need to pay the debt of US dollars 38 million.

In the first quarter of 2013, Kazakhstan will export natural gas to Kyrgyzstan at the price of 224 US dollars per 1 thousand cubic meters, the same price of 2012 with the possibility to extend the agreements for the following quarters of the year. The agreement was reached during the meeting of ambassadors of the two countries. However, a significant reason of delays in the supply of natural gas to Kyrgyzstan is Kyrgyzstan’s debt to suppliers of Kazakhstan and Uzbekistan in the amount of 4,854 thousand US dollars as of January 21, 2013.

Electric energy

Kyrgyzstan

Growth in electricity consumption keeps to take place due to seasonal factors in the reporting period.

According to the press-service of JSC “National Electric Network of Kyrgyzstan” as of January 12, 201, the reliability scheme of the United Energy System of Central Asia has been weakened due to emergency outage in Kazakhstan’s energy system. The Kazakh power engineers are working to identify the reasons of the emergency outage of the line of 500 kilovolts in Zhambyl-Shymkent, which is part of the Central Asian ring.

According to the Ministry of Energy and Industry of the Kyrgyz Republic, a draft resolution in the field of licensing of the energy industry will be submitted for public comments. The document is designed to improve the transparency of activities in the energy sector. According to the Government, it is necessary to amend the regulations for licensing the energy sector aimed at creating healthy competition in the energy sector and the exclusion of parties which do not have their own equipment (transformer stations and / or power transmission line) operating in the electricity market, which, in turn will allow the owners of the equipment to determine their ability to participate comprehensively in the energy supply of the consumers by attracting investment, expanding networks and increasing capacity.

Within the framework of the implementation of the development strategy in Kyrgyzstan for 5 years, it is planned to introduce projects to strengthen the reliability of energy supplies and increasing the export capacity. In particular, it is planned to finalize the development of the project feasibility study and construction of Kambaratinskaya HPP-1, continue construction of Kambar-Ata HPP-2, introduction of the first and second aggregates, construction of the Verhnenarynsky cascade of hydroelectric station.

As of January 21, 2013, the water volume in Toktogulsky reservoir constituted 13.9 billion cubic meters, having decreased by 14.8 percent against the similar indicator in 2011.

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 20.01.2013

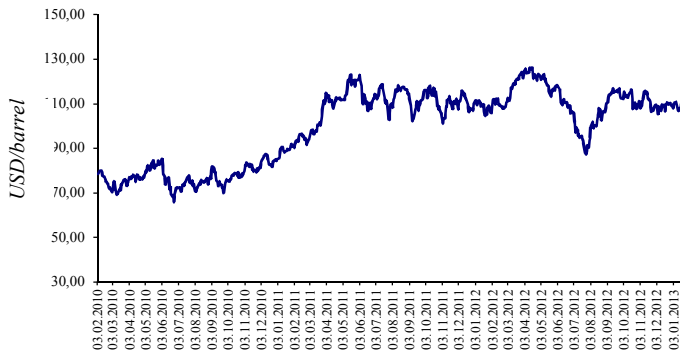


Chart 2: Brent from 01.01.2010 to 20.01.2013

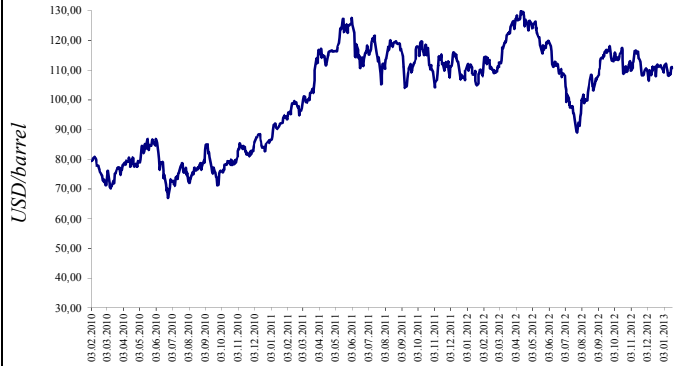


Chart 3: WTI from 01.01.2010 to 20.01.2013

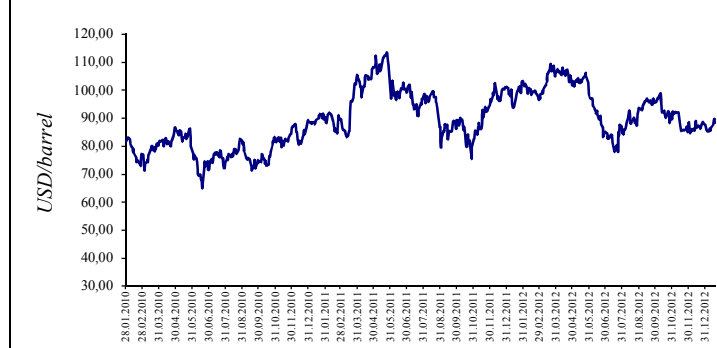


Chart 4: Urals from 20.12.2012 to 20.01.2013

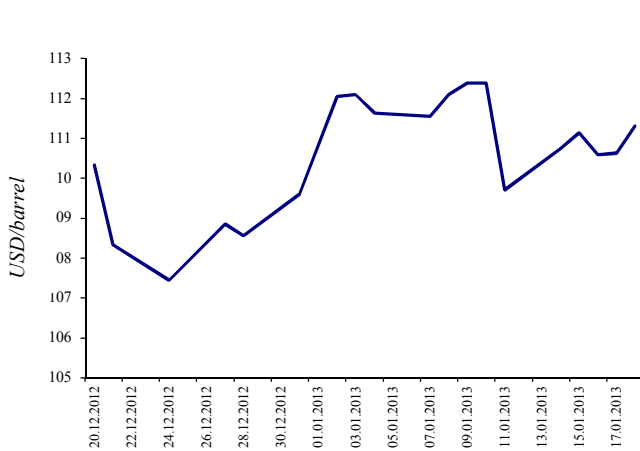


Chart 5: Brent from 20.12.2012 to 20.01.2013

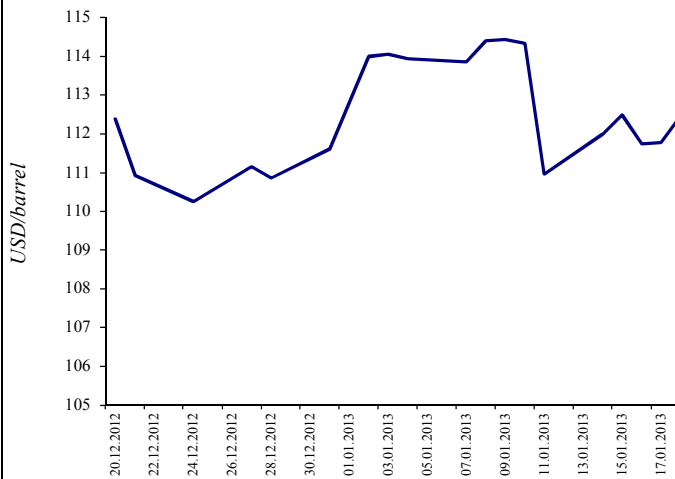


Chart 6: WTI from 20.12.2012 to 20.01.2013

