

Oil market

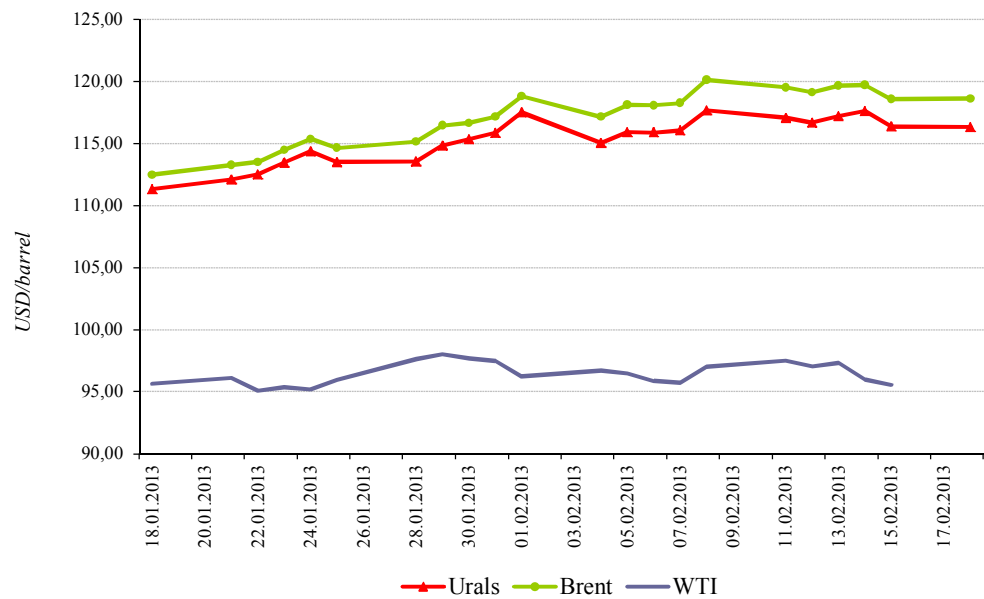
Current state in the oil market

During the monitoring of the oil market from 18.01.2013 to 18.02.2013 prices for basic grades (Urals, Brent, WTI) ranged US dollars 95.1 -120.1 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
18.12.2012-18.01.2013	110.6	101.5	112.5	101.8	92.1	106.2
18.01.2013-18.02.2013	115.3	104.2	117.0	104.0	96.4	104.7

Source : IA «Bloomberg»



Average prices for oil quotes in the period from January to February 2013 retained the tendency towards increase.

The dynamics of oil prices in the reporting period was influenced by the following major events:

- Macrostatistics in China and the United States. Data on the major macroeconomic indicators of China and the United States have identified a trend for growth. Business Indexes (BI) of the manufacturing industry of countries in the reporting period showed an increase due to the growth in economic activity, which subsequently provided support to oil prices.

- The situation with the U.S. national debt. U.S. House of Representatives approved a package of amendments providing an increase in the borrowing limit on the national debt, which allows to carry out further borrowing for the purpose of repaying the deficit.

- The situation in the Middle East. Additional support to the oil market has had a continuing unstable political situation in the region, which caused threats to break oil supplies from the region. Tensions in Syria as well as complex relations with Egypt, Syria and Iran have influenced the overall situation of world oil prices.

Forecasts for short- and mid-term prospects

OPEC

OPEC increased its forecast for growth in global oil consumption in 2013 taking into account the signs of economic recovery. In its monthly report, OPEC estimated the consumption growth in 2013 to 840 thousand barrels of oil per day, by 80 thousand barrels higher than in the previous month. In January, OPEC production fell by 21 thousand barrels of oil per day to 30.32 million at the cartel established limit of 30 million. The largest OPEC exporter, Saudi Arabia, reported to the organization that its average daily production in January 2013 was 9.05 million compared to 9.025 million in December 2012.

IEA

The experts of the International Energy Agency (IEA) revised their own forecast of growth in consumption of oil and oil products in the global economy in 2013. The forecast was reduced from the previous month to 90 thousand barrels of oil per day up to 90.7 million barrels of oil per day.

According to IEA assessments, it was expected that the demand for oil in the world in 2013 compared to 2012 will increase by 840 thousand barrels of oil per day, which should contribute to an overall improvement of the economy of China and the United States. The IEA report highlights that however, the weak macroeconomic indicators will restrain the growth in oil consumption and secondary energy. 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.

It is expected that volume of primary oil refining in the world will be reduced in the first quarter of 2013 mainly due to start of seasonal works related to the changeover of equipment in oil refineries (refinery) in January in the United States. However, since the seasonal regulation in oil refinery starts in China later than in the U.S., the primary oil refining in Asian countries will increase in the first quarter of 2013.

Kazakhstan

According to the news agency “Kazakhstan Today”, Kazakhstan is considering the construction of the oil pipeline on the border with China to increase tolling (processing of foreign raw materials and then exporting of the finished product) fuel supplies from China. It is envisaged that the planned oil pipeline will be in effect until the completion of the reconstruction of three major Kazakh oil refineries. This project will run until 2015, unless Kazakhstan becomes fully self-sustainable. At the same time, it instructed to finalize the negotiations with Russia on mutual supplies of oil and gas before the end of the first half of 2013.

According to the newspaper “Kommersant”, the Ministry of Oil and Gas of the country has prepared two versions of the Government Decree to stop oil imports from Russia. The first says of a total ban on imports of high-octane gasoline and diesel fuel for six months, and the second - to impose “quantitative restrictions” for the same period. Documents suggest consolidation of the operator status on the import of petroleum products from Russia on “KazMunaiGas”. The government also offers that the National Welfare Fund “Samruk-Kazyna” and “KazMunaiGas” take “necessary measures to take into account the possible negative financial result in the execution of this decree”.

It is planned to bring the pipeline “Beineu-Shymkent” to operation in 2012, which will supply gas to the southern regions and reduce import dependence on gas. In addition, the project of gasification of the northern and central regions will start in April 2013.

According to the Minister of Oil and Gas of Kazakhstan,

Kazakhstan acquired a share of the American company “Conoco Phillips” in the unit “N” at 32 million US dollars.

Slight deficiency is observed in the oil market of Kazakhstan in the reporting period due to reconstruction of the largest refineries Pavlodar and Shymkent (work will last until 2016).

Russia

Prices and data on changes in retail prices in Russia for gasoline and diesel fuel as of 11.02.2013, compared with the prices of 28.01.2013.

	28.01.2013	11.02.2013	Change in % (+/-)
	Price, RUB	Price, RUB	To previous registration
1. Petroleum	29.09	29.32	+0.8
<i>Including:</i>			
AI-80	26.70	26.78	+0.3
AI-92	28.26	28.43	+0.6
AI-95 and higher	30.98	31.10	+0.4
2. Diesel fuel	31.40	31.49	+0.3

Source: Federal State Statistics Service of the Russian Federation

According to the Federal State Statistics Service of the Russian Federation as of February 11, 2013, the average consumer prices for petroleum since the end of January 2012 increased by 0.8 percent and diesel fuel by 0.3 percent. Increase in the price of petrol and diesel is explained by a planned increase in the excise taxes from the beginning of the year in Russia, inflation and market conditions. According to analysts, the price of fuel will continue to increase by a few kopecs a week, and, despite the ban on the production of “Euro-2”, shortages in the market are not expected. Also, the price increase continues to have influence from the restrained small wholesale gasoline prices in 2012.

According to the statement of the Federal Antimonopoly Service (FAS), the increase in prices for petrol in Russia in the reporting period is in the range of inflation and controlled by FAS. According to the Service, the agency is discussing the possibility of “more operative use” of fuel reserves. This applies to both stocks of the Russian reserves and the oil companies. The given mechanism will promote, inter alia, to implement interventions in the market.

According to the newspaper “Rossiyskaya Gazeta”, the leaders of the largest oil companies in Russia addressed the government to reduce the current temporary tax on gasoline at a rate of 90 percent and return the previous rate of 66 percent of the duty rate on crude oil. Shortages of petroleum will occur in the country in the long run if this is not implemented as investors do not gain profit from their investments in the development of the new capacities. However, according to the director of the Russian Fuel Union, the rejection of protective duties is only possible with a balanced supply and demand in the market, which is not observed in the Russian market. According to the Head of the Ministry of Energy, fees have to be reduced, but this will not happen before 2015.

According to the news agency “RBC”, the export duty on crude oil could increase by 4.3 percent up to 420.6 US dollars/ton from March 1, 2013 based on the preliminary calculations established by the federal law on customs and tariff regulation.

Kyrgyzstan

Prices and data on changes in average retail prices of gasoline and diesel fuel in February¹ 2013 compared with prices of January 2013

Cities	AI-95		AI -92		Diesel fuel	
	price, KGS	change, in % (+/-)	price, KGS	change, in % (+/-)	price, KGS	change, in % (+/-)
Bishkek	41.88	-0.68	38.71	-0.96	39.60	0.00
Karakol	41.40	+1.67	37.93	-0.36	39.14	+0.21
Jalal-Abad	43.96	-0.57	40.87	-0.81	41.87	0.00
Naryn	41.60	-0.64	38.67	-0.62	40.00	0.00
Batken	-	-	41.55	-0.40	43.45	-0.28
Osh	42.78	-0.67	40.44	-1.25	41.28	-1.07
Talas	41.40	-0.72	37.40	-0.87	36.72	-0.30
Tokmok	41.40	-0.84	38.40	-0.74	38.84	-0.53
Kara-Balta	-	-	39.01	-0.87	39.1	+0.12
Average on the Republic	41.88	-0.55	39.19	-0.92	40.07	-0.18

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 February 18, 2013 decreased slightly to 36 tyiyn compared with prices in January 2013, having decreased by 81 tyiyn compared with the average price in 2012. The price for diesel fuel for the country slightly decreased compared to the prices of January by 7 tyiyn, compared with prices in 2012 remained virtually unchanged (+4 tyiyns).

According to Mr. J.Akeneev, the President of the Association of Oil Traders in Kyrgyzstan, Kyrgyzstan entered 2013 with a stock of fuel of more than 90.000 tons, accounting for almost half month rate of consumption of petroleum products in the country in the winter period. Sufficient volume of fuel allows to ensure uninterrupted operation of the equipment during the spring field works. To this end, oil traders have signed a memorandum of cooperation with the Ministry of Agriculture.

According to the Ministry of Agriculture of the Kyrgyz Republic, Kyrgyzstan will need 41.2 tons of diesel fuel for spring field works in 2013. During the negotiations with the Association of Oil Traders it was noted that the work on the fields in 2013 will start earlier than usual, i.e. in February (in the Batken region). Their peak will be in March and April, and in May the work will cover the mountainous regions of the country.

According to the Ministry of Economy, oil stocks in seven oil fields account for 11.6 million tons, gas reserves in the three gas fields - 4.9 billion tons. These data were presented at the international conference "Economy of Eurasia".

According to the Ministry of Economy, the anti-monopoly department requests fuel suppliers to reduce prices of diesel fuel for farmers at the time of the spring field works. Earlier, similar work was carried out with the oil traders to ensure that the agricultural producers obtain fuel at wholesale price. If the farmers will buy fuel in small volumes (retail) at the gas station, they will be able to use fuel cards according to signed contracts.

According to the president of the Association of Oil Traders of Kyrgyzstan Mr. J. Akeneev, oil traders will be forced to drastically raise the

¹ Average prices for petroleum as of February 18, 2013

price of fuel due to the changes to the Tax Code of Kyrgyzstan. He said the amendments were made to the Tax Code of the Kyrgyz Republic in October 2012, a law came into force on 1 January 2013. As noted, these changes in the tax code will also negatively affect the service industries and tourism, as well as all those involved in the trade and procurement activities. According to him, the budget of Kyrgyzstan which is experiencing shortage, should be accumulated by other means. He believes that it is necessary to withdraw the shadow economy. Otherwise this kind of actions can lead to destabilization in the receipt of petroleum products in the KR, and this will affect the cost of the product. Many companies can close their filling stations.

Natural gas

Kyrgyzstan

The OJSC “KyrgyzGas” reports that gas suppliers are going to introduce new restrictions on the supply of gas because of high debt. Debts to Kazakhstan account for more than US dollars 5.0 million, to Uzbekistan - 409.0 thousand US dollars.

According to the information of “KyrgyzGas”, Kyrgyzstan agreed with suppliers of natural gas “KazTransGas” and “Uztransgaz” on preserving the previous selling prices as 224 US dollars / ton to the north of the Republic and 290 US dollars/ ton to the south of the Republic until the end of 2013.

Electric energy

Kyrgyzstan

The growth in electricity consumption keeps to take place in the reporting period due to seasonal factors. Power outages are observed in some regions and in Bishkek city.

According to news agency “24.kg”, Member of the Board of Directors of “Severelektro” told at the roundtable on energy safety in Kyrgyzstan that if to incorporate the distribution companies, the loss of electricity can be reduced to 12 percent. Also the incorporation will improve the energy security in the Republic, exclude the unauthorized selection. Interdepartmental Commission should consider the optimization of the system.

According to the Head of the Federal Customs Service of Russia, Projects Kambar-Ata HPP-1 and Verhnenarynsky HPP cascade is at the stage of design and feasibility study works. He noted that in addition to increasing energy facilities in the country, the export capacity of the country and the number of job places will increase.

As of February 18, 2013 water volume in Toktogul reservoir was 12.6 billion cubic meters, having decreased by 15.4 percent compared with 2012.

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 18.02.2013

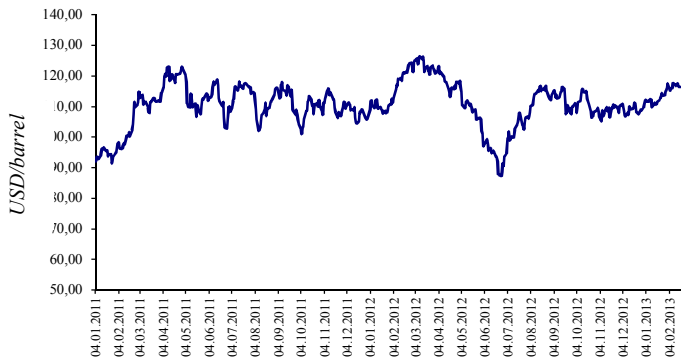


Chart 2: Brent from 01.01.2010 to 18.02.2013

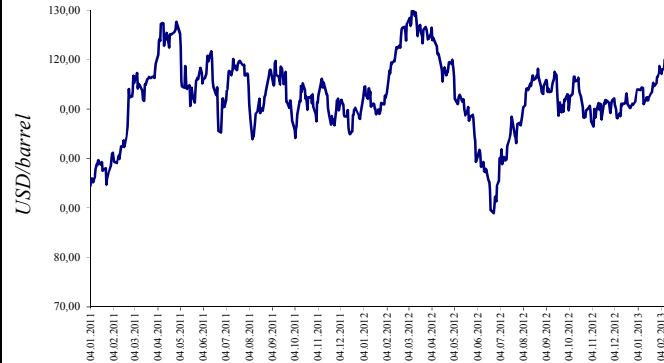


Chart 3: WTI from 01.01.2010 to 18.02.2013

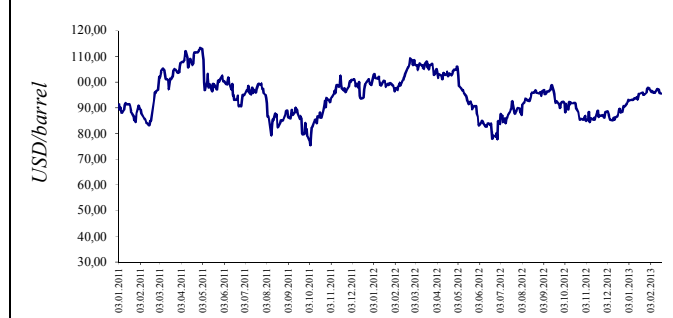


Chart 4: Urals from 18.01.2013 to 18.02.2013

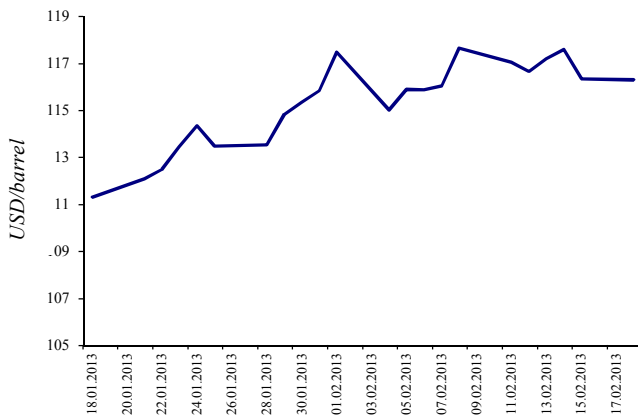


Chart 5: Brent from 18.01.2013 to 18.02.2013

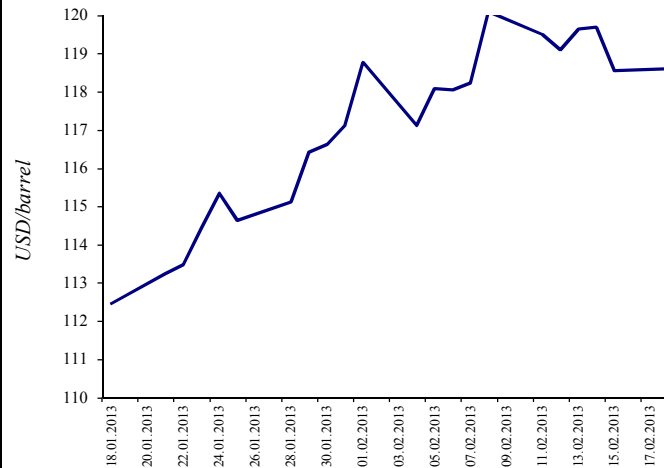


Chart 6: WTI from 18.01.2013 to 18.02.2013

