

## Oil market

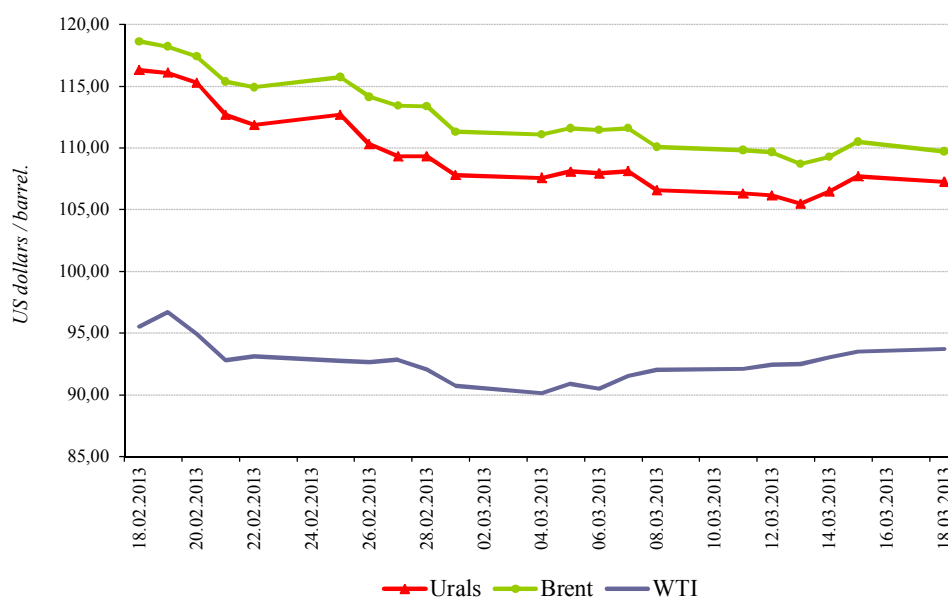
### Current state in the oil market

In the course of the oil market monitoring conducted within the period from February 18, 2013 to March 18, 2013 the price for major oil grades (Urals, Brent, WTI) was fluctuating within the range from 90.1 to 118.6 US dollars per barrel.

Change in the average prices for oil:

On the average of the period	Urals		Brent		WTI	
	prices, USD / barrel	change, % compared to the previous period	prices, USD / barrel	change, % compared to the previous period	prices, USD / barrel	change, % compared to the previous period
18.01.2013-18.02.2013	115,3	104,2	117,0	104,0	96,4	104,7
18.02.2013-18.03.2013	109,5	95,0	112,6	96,6	92,7	96,2

Source: News Agency «Bloomberg»



Average prices of oil quotes in the period from February to March 2013 after an increase in February began to decline.

Since the beginning of the period the dynamics of oil prices was influenced by the following main events:

- Macroeconomics of China. Data on the major macroeconomic indicators of China tended to decline. Business Activity Index (PMI) of manufacturing industry declined during the reviewed period. Decline in the index was due to the government measures of talking the property market down and seasonal factor (New Year celebrations in China).

- Reduction of budget expenditures in the United States. Large-scale budget cuts began in the United States, against which oil prices fell. According to the IMF, the budget cuts in the United States will cost for the largest consumer of oil around 0.5 percent of economic growth, while the effect on the consumption of oil will become evident during the second quarter of 2013. As part of the spending cuts starting from March 2 till October 1 of this year, federal departments and other agencies will be forced to cut their spending by 85 billion U.S. dollars, of which about half (43 billion dollars) will fall on the military, and U.S. dollars 11 billion on health-insurance.

- The situation in Europe. Business Activity Index (PMI) of manufacturing sector in the UK and Italy decreased during the reviewed period, thereby affecting the decline in prices on the world oil market. Oil prices fell

after the announcement of uncertain results following the parliamentary elections in Italy: no group won enough votes to form a majority in the parliament.

- *Saudi Arabia.* The reason for the decline in prices was a statement about the increase in oil production. As noted in the media, Saudi Arabia - the world's largest oil exporter - is planning to increase production in the II quarter of 2013 in order to meet the demand of China's economic recovery and to help other countries.

- *The situation with Iran.* The lack of positive results of conducted negotiations on Iran's nuclear program in the format of "Group 5+1" in the city of Alma-Ata, had negative impact on dynamics of prices: quote marks "Brent" dropped below 112 US dollars / barrel.

## Forecasts for short- and mid-term prospects

### *OPEC*

In its monthly report OPEC kept the forecast growth in world oil consumption in 2013 at 840 thousand barrels per day. OPEC lowered the forecast of demand for crude oil produced by its members on 70 thousand barrels per day to 29.71 million. According to OPEC experts the growth in global oil consumption may be lower than expected because of the economic risks in the euro area and the United States.

### *IEA*

Experts of International Energy Agency (IEA) revised their own forecast of oil and oil products consumption growth in the world economy in 2013 given the weak economic growth. In its monthly report, the IEA lowered its growth forecast by 20 thousand barrels per day and totaled 820 thousand. Average daily consumption will amount to 90.6 million barrels that is lower by 60 thousand barrels in comparison with the previous forecast. In February, oil production in OPEC increased by 150 thousand barrels per day and totaled 30.5 million. The agency estimated the average daily demand for OPEC oil this year which equals to 29.7 million barrels.

According to IEA, oil production outside OPEC this year will increase by 1.1 million barrels per day totaled 54.5 million, mainly due to production of shale oil in North America.

According to IEA analysts, for the last month the balance in the oil market has remained without any dramatic changes, although there was a slight decline in expectations for production in Libya and Iraq, as well as the increase in the number of unplanned interruptions in production of countries that are not OPEC members. This indicates a slight skew of the market towards the deficit.

### *Kazakhstan*

According to the Ministry of Oil and Gas of Kazakhstan, Kazakhstan's parliament approved the draft law "On ratification of the Agreement between the Government of the Republic of Kazakhstan and the Government of Russian Federation on trade and economic cooperation in the field of oil and oil products supply to the Republic of Kazakhstan." According to the minister, the agreement was signed in Moscow on December 9, 2010. According to him till January 1, 2014 oil will be supplied free of duty up to 6-7 million tons from Russian Federation to Kazakhstan. Before mentioned date mutual supply of oil between Russia and Kazakhstan will be conducted in the routine of interchange. Kazakhstan and Russia can fully support themselves with oil. Swap operations with oil improve the logistics of oil delivery to refineries.

Prices of retail sales of petroleum products, which are subject to the state regulations on prices, were set in the country. According to the order of

Chairman of the Agency for Regulation of Natural Monopolies on March 6, 2013, petrol price including VAT is defined as following:

- petroleum AI-92 – 110 KGZ/liter;
- petroleum AI-80 – 89 KGZ/liter;
- diesel fuel – 102 KGZ/liter

According to the head of "Kaztransoil", in 2013 Kazakhstan plans to expand oil export pipeline leading to China in order to double the supply of raw materials, bringing them up to 20 million tons per year.

According to news agency "Reuters", Kazakhstan, where 3 percent of world's renewable oil reserves are concentrated, has doubled the extraction of oil in the last decade. With the introduction of new oilfields for the industrial design, the country began to experience a lack of export capacity in the direction to Europe, and does not exclude the possibility of a significant increase in the volume of hydrocarbons transportation to China. Kazakhstan plans to produce 82.0 million tons of oil in 2013, compared with 79.2 million a year earlier.

## Russia

Pricing and data on changes of retail prices in Russia for gasoline and diesel fuel as of March 3, 2013 compared with the prices of February 25, 2013.

	25.02.2013	11.03.2013	Change in % (+/-)
	<i>price, RUB</i>	<i>price, RUB</i>	<i>to the previous registration</i>
<b>1. Automobile gasoline</b>	<b>29,37</b>	<b>29,49</b>	<b>+0,4</b>
<i>including:</i>			
AI-80 grade	<b>26,82</b>	<b>26,93</b>	<b>+0,4</b>
AI-92 grade	<b>28,48</b>	<b>28,56</b>	<b>+0,2</b>
AI-95 and better	<b>31,14</b>	<b>31,26</b>	<b>+0,4</b>
<b>2. Diesel fuel</b>	<b>31,52</b>	<b>31,50</b>	<b>-0,1</b>

*Source: Federal Service of State Statistics of Russia*

According to the Federal State Statistics Service of Russian Federation as of March 11, 2013 the average consumer prices for gasoline since the beginning of 2013 increased by 1.9 percent and for diesel fuel - by 2.2 percent.

Increase in the price of gasoline and diesel fuel is explained by the continuing impact of increasing excise taxes since the beginning of the year in Russia; by increased prices of world quotes in the previous period and by the beginning of repairing season in petroleum refineries (PRs). According to the statement of the Federal Antimonopoly Service of RF (FAS), oil companies artificially raise the price of fuel at the retail market by the help of advertising companies. According to the Minister of the Federal Antimonopoly Service, a prerequisite for price increase can be increase in the world prices as well as decisions relating to tax increases. According to forecasts of the Federal Antimonopoly Service of RF in 2013 there will be a growth of gasoline price on average by 13-14 percent.

According to news agency (NA) "Reuters", the death of the President of Venezuela and a possible change of political course of the country after new election can carry some risks for Russian oil industry. Venezuela ranks 11<sup>th</sup> in the world with regard to export of oil and currently is one of the four leading suppliers of the United States, and is becoming an increasingly

important supplier for China. In 2011, Venezuela became the country with the largest oil reserves in the world, ahead of Saudi Arabia. In Venezuela, the following key Russian projects are implemented: Rosneft, Lukoil, Gazprom, TNC-BP.

According to the newspaper "Vedomosti", Russia and Belarus have agreed on the import of Belarusian oil products in the amount of 3.3 million tons in the year of 2013. According to the Press Secretary of Deputy Prime Minister of Russian Federation, Belarus will supply Russia with high-octane gasoline and diesel in exchange for Russian oil supplies.

According to news agency (NA) "Reuters", the amount of disposal capacity of primary processing at the petroleum refineries (PRs) of RF April 2013 will increase by 1.7 million tons due to seasonal preventive works on a number of large plants that will cause rise in fuel prices in the domestic market. Completion of April repairs in most of the petroleum refineries (PRs) falls on the first half of May, so the peak of spring work at the petroleum refineries (PRs) in April will cause a seasonal increase in demand for oil.

### Kyrgyzstan

Prices and data on average retail price changes of gasoline and diesel fuel in March<sup>1</sup> 2013 compared with the prices in February 2013.

Cities	AI-95		AI-92		Diesel Fuel	
	price, KGS	Change in % (+/-)	price, KGS	Change in % (+/-)	price, KGS	Change in % (+/-)
Bishkek	41, 0	-0,13	38,36	-0,82	39,53	-0,15
Karakol	41,40	-	37,92	-0,01	39,03	-0,17
Jalal-Abad	43,90	-0,08	40,87	-	41,87	-
Naryn	41,60	-	38,67	-	40,00	-
Batken	-	-	41,55	-	43,25	-
Osh	42,70	-0,12	40,27	-0,15	41,27	0,26
Talas	41,40	-	37,33	-0,12	36,72	-
Tokmok	1,40	-	37,60	-1,65	38,80	-0,07
Kara-Balta	-	-	38,23	-1,67	39,59	1,01
Average for the republic	<b>41,82</b>	<b>-0,11</b>	<b>38,90</b>	<b>-0,61</b>	<b>40,03</b>	<b>-0,03</b>

Source: National Statistical Committee of Kyrgyz Republic "-" - lack of goods

The average price for gasoline (AI-92 and AI-95) in Kyrgyzstan as of March 18, 2013 decreased by 24 tyins compared to prices in February 2013, and by 1.1 KGS, compared with the average price in December 2012. The price of diesel fuel in the country shifted to a slight decline compared to price in February, but it did not change compared with the price in December 2012.

According to the president of the Association of Oil Traders of Kyrgyzstan J. Akeneev, in case if Kyrgyzstan does not cancel income tax at a rate of 1.0 percent, the price of fuel may increase. He emphasized that an increase in tax revenues will provoke oil traders to increase the cost of fuel, causing the consumers to suffer. Due to the introduction of this change in the tax code, some gas stations around the country began to close and the three oil trader ceased to import petroleum products from Russia. One of the key moments in quick solution of this issue is the upcoming spring field work.

According to the press service of the Ministry of Agriculture of Kyrgyz Republic, oil traders imported to Kyrgyzstan 21.2 thousand tons of

<sup>1</sup> Average gasoline prices as of March 18, 2013

diesel fuel for spring planting, which is 50.1 percent of consumption. Total amount of diesel fuel which will require for spring harvest time is 41.2 tons.

According to the Deputy Minister of the Ministry of Agriculture, the agency revised schemes of supply farmers with fuel. According to him, before the state provided farmers and agricultural with fuel at subsidized prices through State Pecuniary Reserves. However, the fuel often did not reach those who were intended to receive it, so in 2013 the fuel would be distributed according to the lists and direct contracts with aiyl okmotu.

Joint stock company

## Natural gas

### *Kyrgyzstan*

According to the news agency "Tazabek" the MF of KR transferred 14 million KGS to repay the gas debt.

According to the information of joint stock company (JSC) "KyrgyzGas", the process of privatization of "KyrgyzGas" by JSC "Gazprom" is going with accordance to schedule and expected to be completed in April 2013. At the current time there are negotiations on the text of the intergovernmental agreement.

According to the information of JSC "KyrgyzGas", people of Kyrgyzstan will pay 14.81 KGS per cubic meter of gas in March. Moreover, consumers of the southern region will pay in accordance with the tariff 14.8 KGS per cubic meter of fuel. Monthly rates vary depending on the US dollars. In comparison with the last month, the price increased by 7 KGS.

## Electricity

### *Kyrgyzstan*

During the last Defense Board there was discussed current situation in the power sector. Thus, according to the head of the Accounting Chamber, the current position in the power can be described as a lack of control over power distribution and tools for detecting loss. Transmission and distribution of electricity is carried out by numerous actors that allow to raise the question of the need for public-private partnerships.

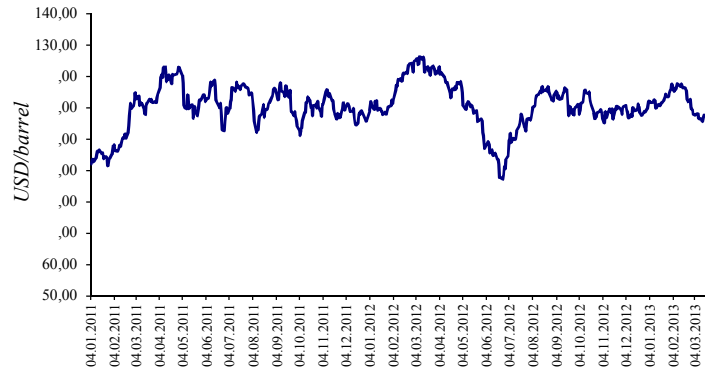
The government continues to consider the question of power companies unification into one.

According to the Ministry of Energy of KR, the largest investment project in the energy sector is the construction of transmission lines Datka Kemin and "Kemin" substation. The project budget is 389.8 million US dollars, the length of 500 kV transmission line is 410 km. The new transmission line will provide consumers with energy within Kyrgyzstan, bypassing the Central Asian energy ring.

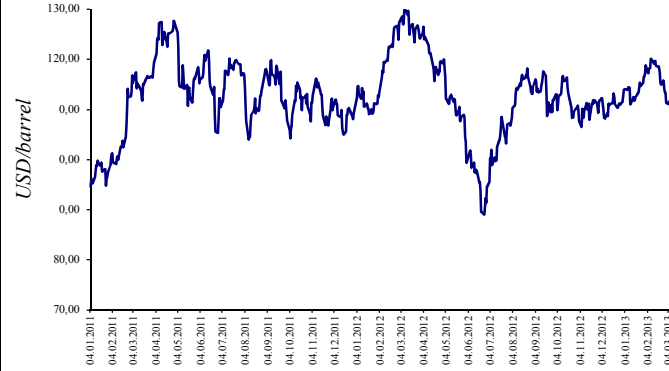
As of March 18, 2013 the volume of the Toktogul water reservoir was 11.5 billion cubic meters, that decreased by 16.1 percent compared to the same period in 2012.

***The review was organized based on the data:*** New Agency «24.kg», New Agency «Reuters», New Agency «RBK», New Agency «Kazakhstan Today», New Agency «Tazabek», New Agency «CentrAsia», New Agency «KirTag», New Agency «ITAR-TASS», New Agency «REGNUM»

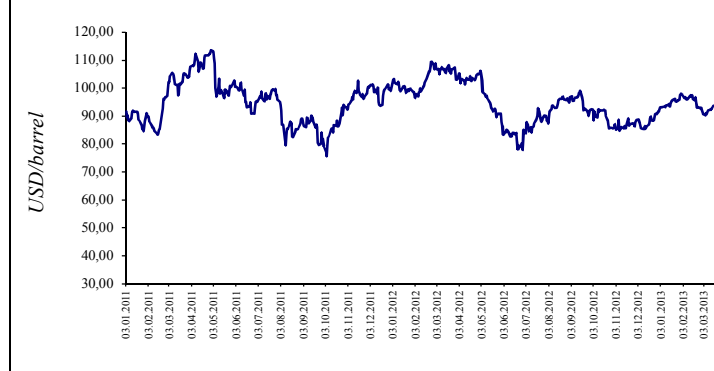
**Chart 1: Urals from 01.01.2011 to 18.03.2013**



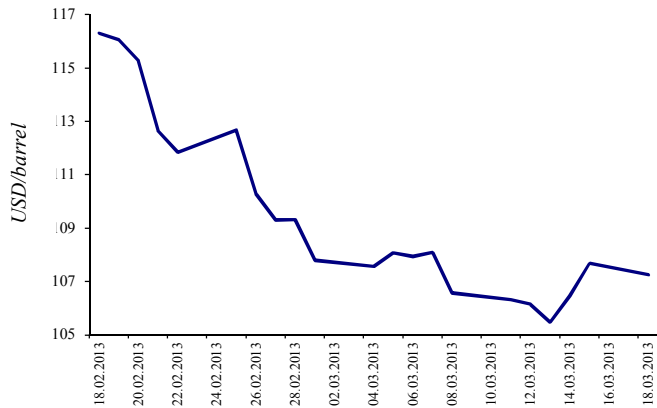
**Chart 2: Brent from 01.01.2011 to 18.03.2013**



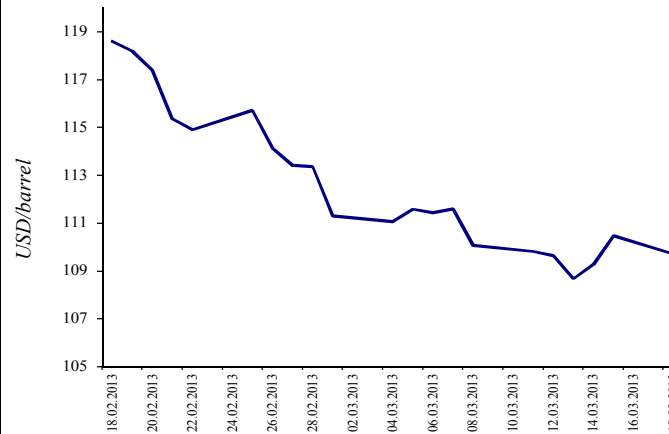
**Chart 3: WTI from 01.01.2011 to 18.03.2013**



**Chart 4: Urals from 18.02.2013 to 18.03.2013**



**Chart 5: Brent from 18.02.2013 to 18.03.2013**



**Chart 6: WTI from 18.02.2013 to 18.03.2013**

