

Oil market

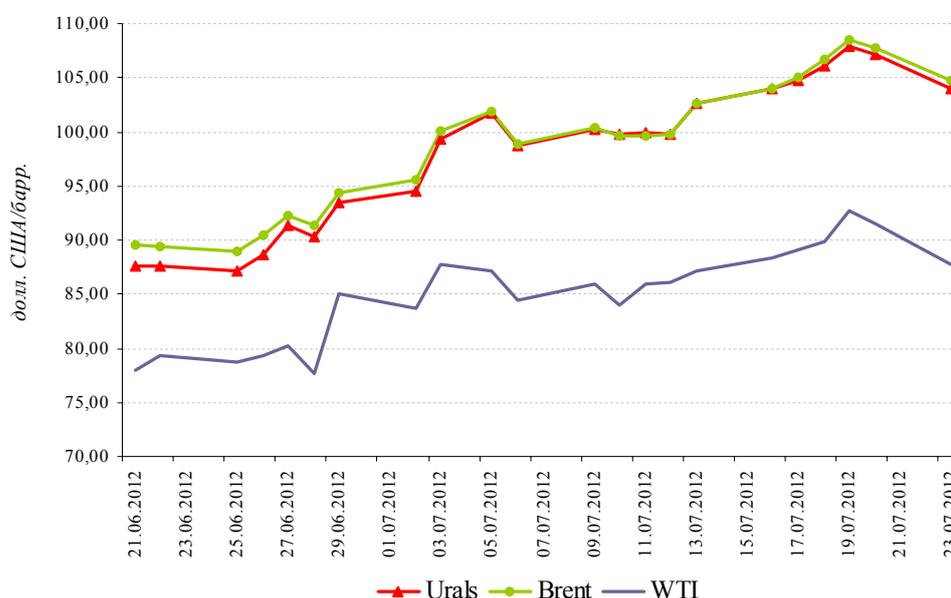
The current state of the oil market

During the monitoring of the oil market from June 26, 2012 to July 23, 2012, the price of the basic grades (Urals, Brent, WTI) ranged from \$77.7 - 108.5 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
May 20, 2012-June 20, 2012	100,0	88,1	100,2	87,2	86,3	86,6
June 20, 2012-July 20, 2012	97,6	97,6	98,3	98,1	84,8	98,3

Source: Bloomberg News Agency



Recent data on the commodity markets reflect continuing high volatility in oil prices this year. If in the previous reviews the rapid decline in prices was mentioned, then currently, the market is characterized by an upward trend. The main factors supporting the market are geopolitical factors, in particular, the continuing tense situation around the Iranian nuclear program, as well as a strike of oil workers in Norway.

The EU embargo on oil imports from Iran came into force on July 1, 2012. In response, the Iranian authorities have tested their missiles and repeated threats to block the Strait of Hormuz, which could disrupt the tankers supply of oil from the Persian Gulf.

In mid-July, U.S. imposed additional sanctions against Iran, which affected companies and individuals that, according to the United States, are involved in the development of the national nuclear program. In addition, the U.S. Treasury Department has expanded the list of companies on which trade sanctions are imposed.

In July, negotiations between Iran and the international mediators continued, during which they discussed ways of “convergence.” However, the Iranian authorities have declared the possibility of raising the level of enrichment of uranium from 20 to 56 percent, if the West and Israel do not cease to increase pressure on the country.

Oil prices also rose following the adoption of a number of measures by European leaders to support the banking sector in the region, as well as easing of monetary policy by the major central banks.

Short- and long-term forecasts

OPEC, IEA

According to the RBC news agency, IEA experts left their own forecast of consumption of oil and oil products by the global economy in 2012 unchanged. It is expected that for the year 2012 as a whole, global oil consumption will amount to 89.9 million barrels a day, which is 0.8 million barrels higher than in 2011, and based on the results of 2013, the consumption will increase by about 1.0 million barrels and will reach the level of 90.9 million barrels per day. At the same time, the growth of oil consumption in developing countries in the next year will outpace the growth of its consumption in the OECD countries.

OPEC analysts, on the contrary, believe that a decline in global demand for oil is expected in 2013. OPEC experts listed the debt problems in Europe, a slowdown in the U.S. economic recovery and slower growth in the economies of developing countries as a basis for such a forecast.

Kazakhstan

Due to changes in the values of Brent crude oil prices, price caps on retail sales of petroleum products, whose prices are regulated by the state, were reduced by the order of the Chairman of the Agency on Regulation of Natural Monopolies of the Republic of Kazakhstan on July 1, 2012. Thus, the price of diesel fuel is set at 90 tenge per liter, RON-80 – 86 tenge per liter, RON-92/93 – 106 tenge per liter.

In January-May 2012, Kazakhstan exported 28.7 million tons of oil and gas condensate, which is 0.1 percent less than the same period in 2011. According to the State Agency for Statistics, in monetary terms, exports of crude oil and condensate in the reporting period amounted to \$24.3 billion, up which is 19.6 percent more than in January-May 2011. Exports of petroleum products in the reporting period amounted to 1.7 million tons (+24.6 percent) for \$1.5 billion (+49.7 percent). Import of oil products amounted to 873.3 thousand tons (+44.7 percent) in the amount of \$623.4 million (-11.3 percent).

Russia

Prices and data on changes in retail prices in Russia for gasoline and diesel fuel as of July 16, 2012, compared to the prices as of June 25, 2012.

	June 25, 2012	July 16, 2012	
	price, ruble	price, ruble	change, % (+/-)
1. Gasoline	27,37	27,36	0,0
<i>including:</i>			
RON-80	25,17	25,20	+0,1
RON -92	26,71	26,69	-0,1
RON -95 and higher	28,92	28,93	0,0
2. Diesel fuel	27,88	27,87	0,0

Source: State Statistics Committee of the Russian Federation

The excise tax on gasoline increased in Russia on 1 July 2012. However, this increase has not yet affected retail prices in the domestic market.

Omsk Oil Refinery in the first half of 2012 increased the amount of oil refining by 3.6 percent compared to the same period last year, to 10.2 million tons. Production of high-octane gasoline has increased by 15.7 percent, to 2 million tons.

The Federal Antimonopoly Service (FAS) of Russian Federation has reduced excise proportionally to export duties. Currently, the magnitude of export duties follows the international prices with a time lag and the government raises or lowers the rate of duty depending on the price situation. But this rule does not apply to excise – its rate is fixed and does not depend on fluctuations in world oil prices.

A whole range of factors (cost, taxes, profit) affects the level of gasoline prices. Seasonal factors and the supply and demand balance influence it to a lesser extent. The price increase is usually caused by the increase in tax burden, inflation processes and the appreciation of oil on world markets.

According to the FAS, the tax regulations in the fuel sector should be more flexible. Otherwise, the price of gasoline in Russia, which is one of the world's leading oil exporters, will continue to be significantly higher than in many oil-producing countries.

Many experts support the proposal of the FAS. According to the President of the Russian Fuel Union, unless the government cuts taxes in the oil sector, the situation will not change. In turn, the oil companies should invest more in the modernization of production and try harder in the saturation of the domestic market with gasoline and oil of high quality.

Kyrgyzstan

Prices and data on changes in retail average prices for gasoline and diesel fuel in July¹ 2012 compared to the prices in June 2012.

Cities	RON-95		RON -92		Diesel Fuel	
	price, KGS	change, % (+/-)	price, KGS	change, % (+/-)	price, KGS	change, % (+/-)
Bishkek	39,24	+3,2	35,60	-0,4	39,00	-1,1
Karakul	38,68	+2,1	35,75	-0,3	38□50	-0,7
Djalal Abad	40,81	+0,9	37,77	-0,6	41,44	-0,2
Naryn	39,08	+2,8	35,47	-0,8	38,85	-1,8
Batken	-	-	39,58	-0,4	43,67	-0,2
Osh	39,80	0□0	37,63	-1,2	40,92	+2,9
Talas	39,12	+2,9	35,13	-1,3	36,69	-2,0
Tokmok	38,00	0,0	35,55	-0,3	38,00	-1,9
Kara-Balta		-	35,39	-0,7	38,59	+0,7
The average for the country	39,35	+2,3	36,17	-0,5	39,50	-0,4

Source: National Statistical Committee of the Kyrgyz Republic.
 “-“ - lack of goods

In Kyrgyzstan, there is an increase in prices for RON-95 gasoline by 2.3 percent. As of July 23, 2012 the average price in the country for this grade of gasoline was 39.35 soms per liter. The greatest increase in prices is recorded in the northern part of the country. The reason for the price increase is repair works on the Gazprom Neft Moscow Oil Refinery as a result of the accident at the refinery: a catalytic cracking unit went out of order. In this regard, Gazprom

¹The average price of gasoline as of July 23, 2012

Neft virtually ceased distribution of RON-92 and RON-95 gasoline, which led to a lack of gasoline of these grades.

According to the K-News news agency, Russia and Kyrgyzstan signed an indicative plan and agreed to increase the supply of POL from Russia up to 1.5 million tons, which is 30 percent higher than the original planned amount for the supply of POL in 2012. According to the head of the Oil Traders Association of Kyrgyzstan, about 500 tons of fuel has already been delivered as of July 15.

On July 10, 2012, the Resolution of the Government of the Kyrgyz Republic was adopted, which repealed the application to the Resolution No. 274 dated 10 May 2012 “On some measures to regulate the movement of heavy vehicles on the roads in the country.” Thus, the Government allowed fuel trucks and fuel tankers to pass through the roads of Kyrgyzstan, which allowed resuming interrupted POL supplies to the south. Restrictions remain only for transport with a mass greater than 44 tons.

Natural Gas

Kyrgyzstan

Kyrgyzstan owes Kazakhstan \$1.9 million for natural gas, the 24.kg News Agency reports with reference to the Kyrgyzgaz OJSC press service. 143.9 million cubic meters of gas for \$32.2 million has been received from the KazTransGas JSC since the beginning of the year. 38 million cubic meters of gas for \$11 million has been received from the UzTransGaz. The debt of the Kyrgyzgaz OJSC to Uzbek supplier is \$300 thousand. In addition, the company owes 29.4 million soms to the Kyrgyz neftegaz.

According to the General Director of KazTransGas JSC, Kazakhstan and Kyrgyzstan agreed to supply 400 million cubic meters of natural gas. The cost of natural gas is reduced from the \$280 per thousand cubic meters originally proposed by the KazTransGas, but it is not finally determined.

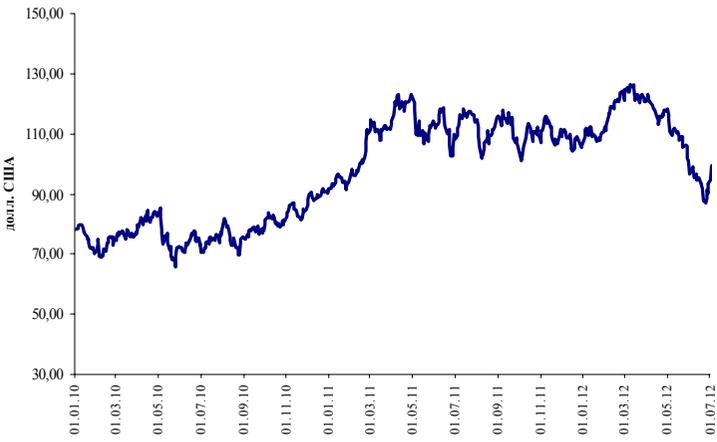
Electric Power

Kyrgyzstan

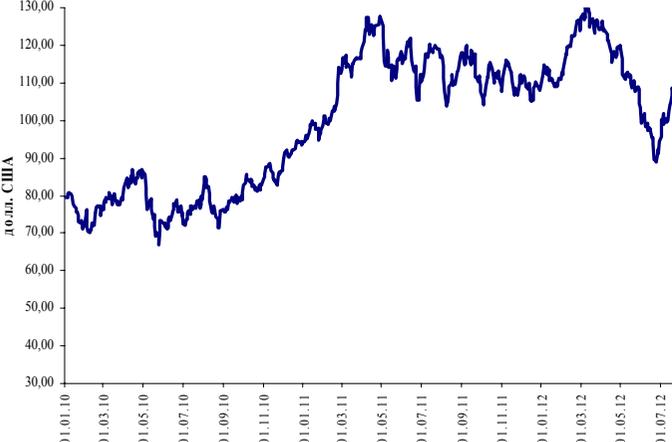
According to the National Statistical Committee of the Kyrgyz Republic, 8.3 billion kW/h was produced in the first half of 2012, which is 5.5 percent more than in January-June 2011. 972.4 kW/h of electricity was produced in June, which is 1.5 percent less than in June last year.

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

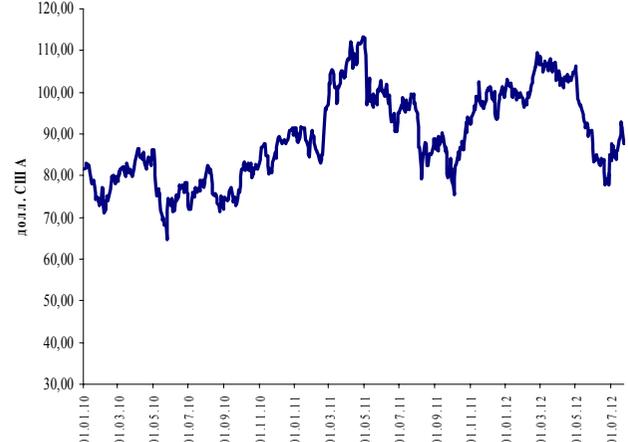
Graph 1: Urals from January 1, 2010 to July 23, 2012



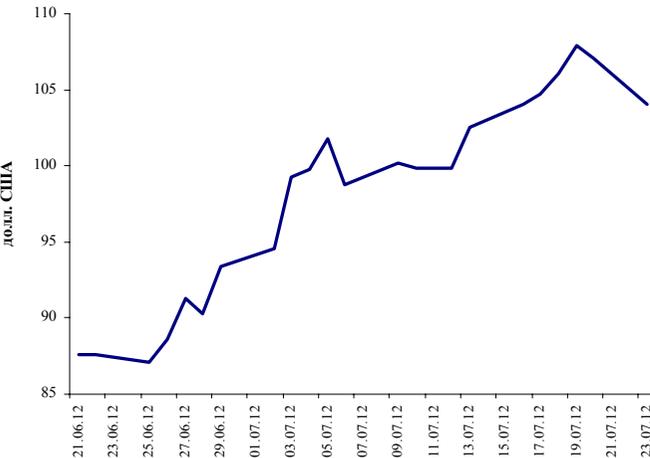
Graph2: Brent from January 1, 2010 to July 23, 2012



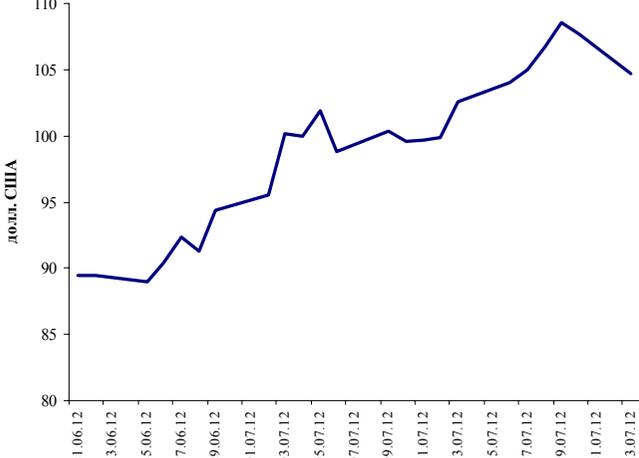
Graph3: WTI from January 1, 2010 to July 23, 2012



Graph4: Urals from June 21, 2012 to July 23, 2012



Graph5: Brent from June 21, 2012 to July 23, 2012



Graph6: WTI from June 21, 2012 to July 23, 2012

