

## Oil Market

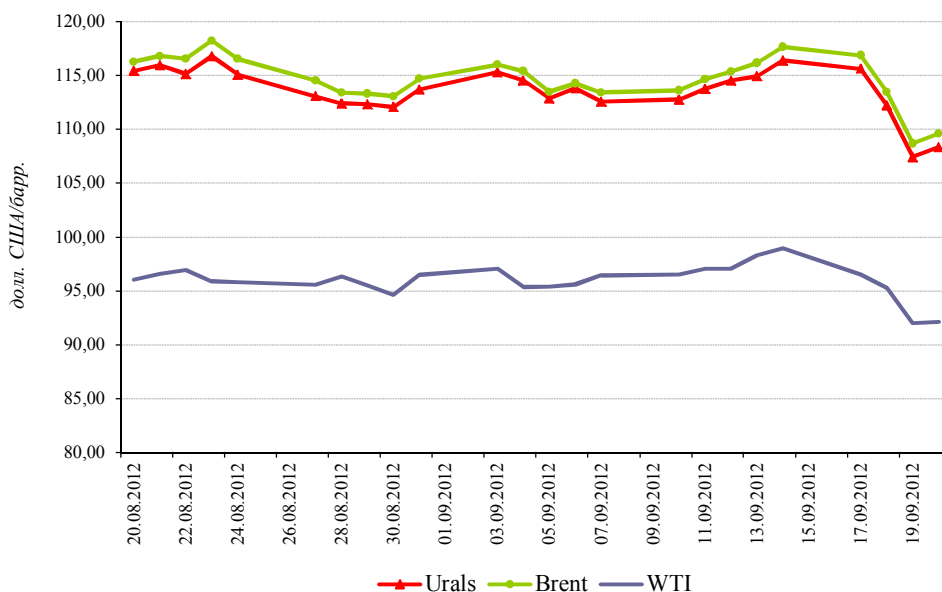
### The current state of the oil market

During the monitoring of the oil market from 20/08/2012 to 20/09/2012, the price of the basic grades (Urals, Brent, WTI) ranged from 92.0-118.2 U.S. dollars per barrel.

Changes in average oil prices:

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
20/08/2012-20/09/2012	110,2	112,9	110,6	112,5	91,6	108,0
20/08/2012-20/09/2012	113,6	103,1	114,6	103,6	96,0	104,8

Source: Reuters



In August-September 2012, there was an increase in world energy prices. The main motivating factors were the suspension of oil production in the Gulf of Mexico shelf because of the Isaac impending tropical storm, the U.S. Federal Reserve announcement about the launch of the third phase of quantitative easing (QE3).

In the second half of September 2012, the price of oil on the stock exchanges fell after the report published by the U.S. Energy Information Administration (EIA) on oil and petroleum products in the United States. According to the organization, the oil reserves in the country rose by 8.5 million barrels to 367.6 million barrels, while analysts had expected growth of just 1 million barrels.

An additional factor of reduction in prices at the end of September was information about the fact that Saudi Arabia was ready to increase oil production.

VTB Capital analysts note that oil prices in early September 2012 keep staying in the August range, while maintaining the high volatility and moving on expectations of the regulator's decisions on monetary policy and macroeconomic developments.

Investors are worried about the increase in fuel prices in China, which hampers economic growth. According to analysts polled by Reuters news agency, the growth will slow in the third quarter and will be below 8 percent for the year, which would be the lowest result since 1999. Higher oil prices pose a

problem for such customers as China. If the state of the Chinese economy continues to deteriorate, Beijing may increase spending to stimulate the economy.

### **Short- and long-term forecasts**

In early September 2012, the U.S. Federal Reserve announced the third phase of quantitative easing based on which the Fed intends to buy the mortgage bonds in the amount of \$40 billion monthly, resulting in additional liquidity inflows to commodity markets and the growth of oil prices. Thus, according to Bloomberg, after the launch QE3, oil prices may rise by 10-15 percent in the coming months. Brent quotes will approach \$130 per barrel and the price of WTI will amount to \$105 per barrel.

In its monthly report, the U.S. International Energy Agency (IEA) reported that the global oil demand will decline in the next 1.5 years. At the same time, the IEA estimated that the demand for OPEC oil in the third quarter of 2012 will increase by 1.3 million barrels per day, and will decrease by 500 thousand barrels per day in the fourth quarter.

### ***OPEC, IEA***

OPEC experts raised their own forecast of oil consumption in the world in 2012, according to which consumption will constitute 88.74 million barrels per day. A month earlier, this figure was projected at 88.72 million barrels per day. Experts also believe that in the III and IV quarters of 2012 the demand for oil in the world will be much higher than it was in the first half of this year and could reach 89.7 and 89.8 million barrels per day, respectively.

According to experts of the IEA, in general, in 2012, global oil consumption will constitute 89.9 million barrels per day, which is 100 thousand barrels above the previously announced forecast. Forecast for 2012 has been raised because of the revision of the final rate of oil consumption in the world economy in 2011, and because of the increased use of fuel oil in Japan for power production instead of nuclear reactors.

By the end of August 2012, oil production in the world decreased by 100 thousand barrels and constituted 90.8 million barrels a day, IEA reports. Decline of world oil production was caused by a forced reduction in oil production outside OPEC countries.

### ***Kazakhstan***

According to the Statistics Agency of the Republic of Kazakhstan, in January-August 2012, the country had produced 1.9 million tons of gasoline, which is 9.3 percent more than the same period in 2011 (in January-August 2011, production of gasoline constituted 1.7 million tons).

According to the press release of the Ministry of Oil and Gas of the Republic of Kazakhstan, in Pavlodar, following the IX Forum of Interregional Cooperation of the Republic of Kazakhstan and the Russian Federation, a Protocol amending the Agreement between the Government of the Russian Federation and the Government of the Republic of Kazakhstan on trade and economic cooperation in supply of crude oil and petroleum products to the Republic of Kazakhstan. The Protocol creates the conditions for the supply of crude oil and petroleum products from the Russian Federation to the Republic of Kazakhstan in order to meet the domestic needs of the republic in volume, according to the approved indicative balance sheets of crude oil and petroleum products in the territories of the two states. Under the Protocol, Kazakhstan performs an oncoming supply of oil to the Russian market to compensate for the revenues of the Russian budget lost from the delivery of engine fuel to Kazakhstan.

In Kazakhstan, the construction of Deep Oil Refining Complex has

started at the Atyrau Refinery. The main construction works will begin in March 2013, and the complex will start operating in 2015. Due to the commissioning of the project, the deficit of high-octane gasoline and jet fuel in the domestic market will be eliminated.

### Russia

Prices and data on changes in retail prices in Russia for gasoline and diesel fuel as at 17/09/2012, compared to the prices as at 20/08/2012.

	20/08/2012	17/09/2012	change, % (+/-)
	price, ruble	price, ruble	
<b>1. Gasoline</b>	<b>27,42</b>	<b>27,88</b>	<b>+1,7</b>
<i>including:</i>			
RON-80	25,26	25,54	+1,1
RON -92	26,74	27,17	+1,6
RON -95 and higher	29,00	29,54	+1,9
<b>2. Diesel fuel</b>	<b>27,90</b>	<b>28,47</b>	<b>+2,0</b>

Source: State Statistics Committee of the Russian Federation.

Prices for engine fuel in Russia, changed to a slight increase in July by 0.2 percent, began to show the rise of 1.7 percent, which is 1.5 percentage points higher than in July 2012. According to Federal State Statistics Service, the prices on gas stations in Russia are growing for four weeks, whereas in the previous seven weeks, they remained unchanged. One of the reasons is considered to be reducing production.

The increase of prices of gasoline and diesel fuel, which started in August, continued at the beginning of September 2012 after the announcement of the price increase of the country's largest private oil company, Lukoil. Price increase, according to experts, is related to the closure of the Moscow Refinery for scheduled maintenance.

According to analysts, a growing trend in the oil market, the growth in demand and increase in excise tax on fuel will have an impact on the price increase in the coming months at 5-7 percent. The decrease in prices is expected in winter.

### Kyrgyzstan

Prices and data on changes in retail average price for gasoline and diesel fuel in September<sup>1</sup> 2012 compared with prices in July 2012.

Cities	RON-95		RON -92		Diesel Fuel	
	price, KGS	change, % (+/-)	price, KGS	change, % (+/-)	price, KGS	change, % (+/-)
Bishkek	39,52	0,4	36,82	1,5	38,79	0,1
Karakul	39,00	-0,3	36,21	0,7	38,58	0,4
Djalal Abad	42,17	2,2	39,20	2,0	41,40	0,3
Naryn	39,63	0,6	36,95	2,8	39,09	0,5
Batken	0,00	-	39,69	0,2	43,59	0,0
Osh	4,10	1,8	39,05	2,1	41,21	0,2
Talas	39,69	0,7	35,90	2,3	36,64	2,1
Tokmok	39,64	4,0	36,53	1,9	38,33	1,1
Kara-Balta	0,00	-	36,82	2,2	38,92	0,0
The average for the country	<b>39,93</b>	<b>+0,9</b>	<b>37,35</b>	<b>+1,6</b>	<b>39,43</b>	<b>+0,2</b>

Source: National Statistical Committee of the Kyrgyz Republic.

"-" - lack of goods

<sup>1</sup> Средние цены на бензин по состоянию на 20 сентября 2012 года

The monitoring of the prices of gasoline and diesel in the domestic market of Kyrgyzstan suggests maintaining the trend of increasing prices of RON-92 and RON-95 gasoline, as well as an increase in the price of diesel fuel. Analysts attribute the increase in petrol prices in Kyrgyzstan to the lack of the proposal of beginning planned renovations at the Moscow Refinery (one of the powers of Gazprom Neft). In connection with the renovations, Gazprom Neft virtually ceased distribution of RON-92 and RON-95 gasoline, which led to a shortage.

According to the Association of Oil Traders in Kyrgyzstan, POL prices are expected to increase in October 2012. In Russia, for the moment, there are new seasonal prices of POL. In the republic, the stocks of POL purchased at the old prices are approximately for one month. Next POL supply will be made at the new prices. By prior agreement, Russia is to supply about 1.0 million tons of POL to Kyrgyzstan in 2012, 700 thousand tons of which have been already received. The remaining 300 thousand tons will be delivered before the end of the year.

According to the head of the Association of Oil Traders, available reserves will be enough to complete the autumn agriculture works. The new prices will take effect only after a month.

## **Natural gas**

### ***Kyrgyzstan***

According to Kyrgyzgaz, negotiations regarding an additional supply of 100 million cubic meters to the country are completed. According to oral information of Kyrgyzgaz, currently, the parties are determining the price of the planned delivery.

## **Electric Power**

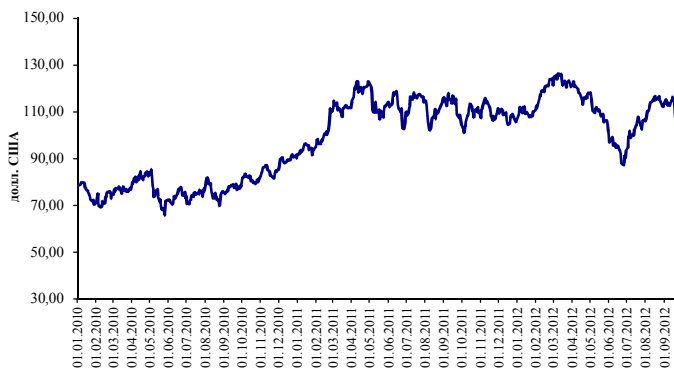
### ***Kyrgyzstan***

In Kyrgyzstan, in the summer of this year, compared with last year, consumption increased by 2 million kW/h of electricity per day, Kabar news agency reports with reference to the Minister of Energy and Industry of the Kyrgyz Republic. According to him, electricity consumption could grow to 5-6 million kW/h a day in winter at such pace, and, therefore, there could also be power cuts in winter. It is also reported that since the beginning of the year, the Kyrgyz Republic has twice reduced the export of electricity to neighboring countries, amounting to 877.0 million kW/h. In particular, 645.0 million kW/h has been sold to Kazakhstan, 231.5 million kW/h to Uzbekistan, and 0.4 million kW/h to China.

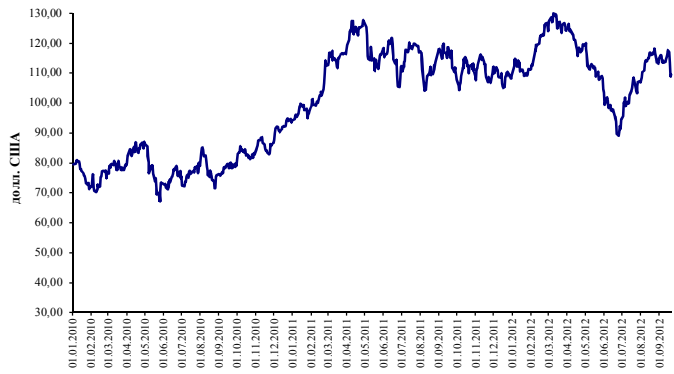
The volume of water in the Toktogul reservoir as of August 23, 2012 amounted to 17.2 billion cubic meters, which is about 10 percent lower than in August last year. In this regard, and given the decline in exports of electricity, the head of the Department of the Fuel and Energy Complex of the Ministry of Energy and Industry of the Kyrgyz Republic assumes a possible increase in tariffs for heat energy.

***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.

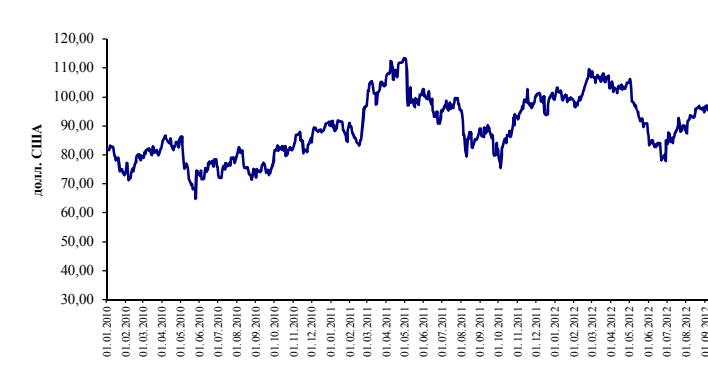
**Graph 1:** Urals from 01/01/2010 to 20/09/2012



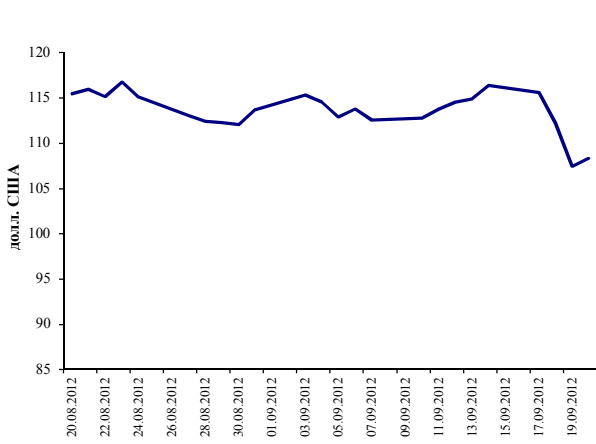
**Graph2:** Brent from 01/01/2010 to 20/09/2012



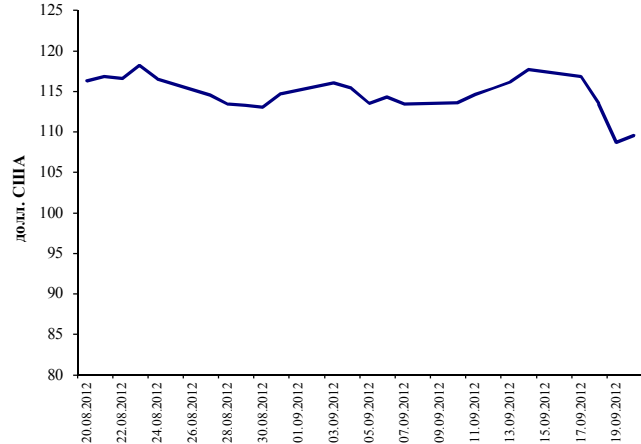
**Graph3:** WTI from 01/01/2010 to 20/09/2012



**Graph4:** Urals from 20/08/2012 to 20/09/2012



**Graph5:** Brent from 20/08/2012 to 20/09/2012



**Graph6:** WTI from 20/08/2012 to 20/09/2012

