

Oil market

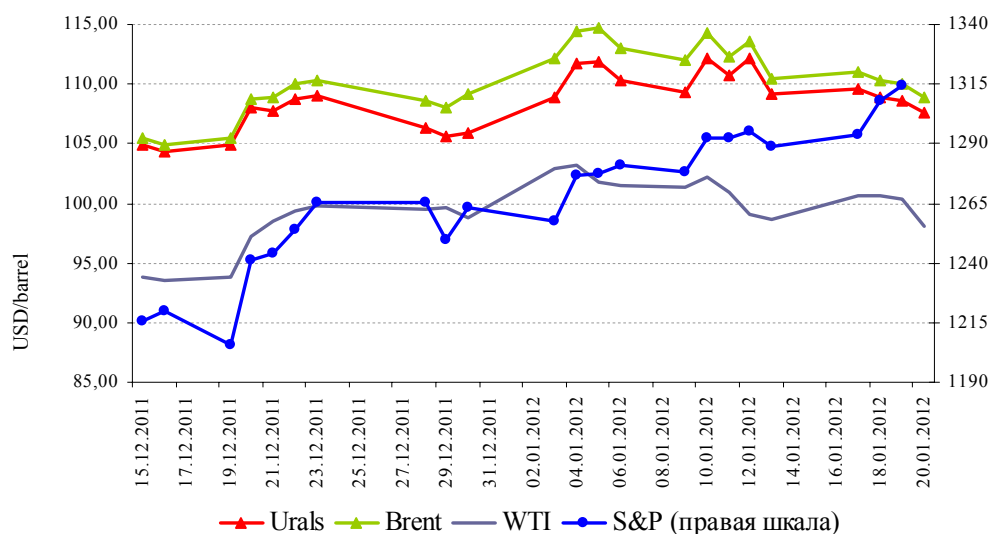
Current state in the oil market

In the course of the oil market monitoring conducted within the period from 15.12.2011 to 20.01.2012 the price for major oil grades (Urals, Brent, and WTI) was fluctuating within the range from US\$ 93.6 to US\$ 114.7 per barrel.

Change in the average prices for oil:

as of the end of 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
20.11.2011-20.12.2011	108.4	97.3	108.8	97.0	98.0	96.6
20.12.2011-20.01.2012	109.2	100.8	111.1	102.1	100.3	102.3

Source: Reuters



The geopolitical situation in the world has had a significant impact on the growth of oil prices in late December 2011. The price increase was mainly due to the tense situation around Iran. In addition, support to the market has been made by the US macroeconomic statistics, the growth of quotations on the stock market, turmoil in Kazakhstan, as well as investors' anxiety in terms of the situation in North Korea, associated with the death of Kim Jong-Il.

On December 31, 2011, the US President signed a law freezing all relations with the agencies collaborating with the Central Bank of Iran, which for most countries, made it impossible to purchase Iranian oil. At the end of 2011 the Iranian authorities carried out naval exercises in international waters in the waters of the Strait of Hormuz, which is strategically important oil export route, and informed of the intention to block the channel for navigation in case of introduction of new sanctions against the country. Meanwhile, according to the news media, representatives of the European Union (EU) have reached basic agreement on imposing embargo on oil imports from Iran. The embargo parameters have also been agreed on, which envisages the right of European companies for getting oil from Iranian companies in discharge of the existing debts. It is envisaged that a ban on imports of oil will be introduced within six months after the adoption of the document, on the petrochemical products - three months later. On January 23, 2012 the meeting of foreign ministers of EU countries is scheduled. It is planned to coordinate details of the agreement, in particular, the date of entry into force of the ban in the course of this meeting.

Goldman Sachs Group Inc. on the background of the situation around

Iran's nuclear program raised its forecast for oil prices of Brent crude in the first quarter of 2012 from US\$117.5 to US\$120.0 per barrel (2.1 percent). According to the experts' estimates, in general, in 2012, in the case of the imposition of international sanctions, the oil price may rise, reaching US \$ 125-200 per barrel, which could lead to a drop in GDP in developed countries by 5-10 percent. As for the Europe, first of all, Greece, Spain and Italy - countries in which the debt crisis has started, will suffer from the imposition of embargo. From the total volume of oil imports in Italy, 13.0 percent (183 thousand barrels per day) falls on Iranian oil, Spain - 13.0 percent (137 thousand barrels per day), Greece - 14.0 percent (20 thousand barrels per day).

Support for oil quotations has also been made by massive strikes of trade unions in Nigeria, which was the cause of higher prices for petroleum products due to the abolition of government fuel subsidies.

Crude oil production by OPEC*

Country	Volume (mln. barrels per day)
1 Saudi Arabia	9.60
2 Iran	3.55
3 Iraq	3.00
4 Kuwait	2.63
5 UAE	2.51
6 Venezuela	2.36
7 Nigeria	2.08
8 Angola	1.83
9 Algeria	1.24
10 Qatar	0.82
11 Libya	0.57
12 Ecuador	0.49

*Actual data as of December 2011

Source: News Agency "Vesti"

In addition, the volatility of oil prices is explained by decrease in sovereign credit ratings of nine euro zone countries by the international rating agency S & P. Ratings of Italy, Spain, Portugal and Cyprus were downgraded for two rates, and for one rate - France, Austria, Malta, Slovakia and Slovenia. Thus, after downgrading the ratings of France and Austria, only Germany was able to maintain the highest credit rating of AAA.

Forecasts for short- and mid-term prospects

OPEC, IEA

Oil production in OPEC countries in December 2011 exceeded its three-year maximum and reached 30.89 million barrels per day according to the News Agency "RBC" with reference to a published report of the International Energy Agency (IEA). Compared with the previous month, production of oil rose by 240 thousand barrels per day, which was caused by the increase in oil production in Saudi Arabia and the UAE, and the rapid restoration of Libya's oil industry.

At the same time, oil production in countries outside OPEC in December 2011 decreased by 140 thousand barrels per day and totaled 53.2 million barrels. Decrease in the supply of oil from non-OPEC countries was due to the drop in oil production in the former Soviet Union countries, and the increase of oil production on the shelf of the North Sea only partially compensated this loss.

In general, the results of 2011, oil production in the world, according to IEA estimates, increased insignificantly by 45 thousand barrels per day, which was caused by the instability in the Middle East, as well as violations in oil production in other regions. However, the IEA experts predict that in the end of the quarter I, 2012, oil production in the world will increase by 340 thousand barrels per day, and will increase by 1 million barrels in general in 2012. In addition, as the IEA reports, oil production in countries outside the OPEC will reach 53.7 million barrels per day in the coming year.

Meanwhile, experts from the IEA lowered the forecasts for global oil consumption and oil products in 2012 by 200 thousand barrels per day. It is expected that in 2012 global oil consumption will increase relative to 2011 by 1.1 million barrels per day. Accordingly, the expected 2012 level of consumption of oil in the world, according to IEA estimates, may reach 90.1 million barrels per day, instead of 90.3 million barrels, as was forecasted earlier. Forecast has been lowered because of the obvious signs of slowdown in the global economy in late 2011 and the predicted decrease of demand for oil. Thus, in the IV quarter of 2011, global oil consumption has decreased against the same period in 2010 by 300 thousand barrels per day.

USA

According to the report of the US Department of Energy, during the period of one week, since from January 7 to 13, 2012 the volumes of the US oil and oil products reserves and import were characterized by the following changes:

(mln. barr.)

№		Stocks			Crude oil import (mln. barr./day)
		Crude oil	Gasoline	Heavy distillates (fuel oil, diesel fuel)	
1	Increase(+) Decrease(-)	-3.4	+3.7	+0.4	-1.6
2	Total:	331.2	227.5	148.0	8.2

Source: News Agency "RBC"

Kazakhstan

According to the report of the Ministry of Oil and Gas RK, limited retail prices for petroleum in January 2012 were kept similar to the level of December 2011:

- petroleum AI-92/93 ≤ 106.0 KGZ/liter;
- petroleum AI-80 ≤ 86,0 KGZ/liter;
- diesel fuel ≤ 90,0 KGZ/liter.

Limitation of supplies of Russian oil to Kazakhstan in late 2011 led to a shortage of jet fuel in the country, as Pavlodar refinery processed exclusively Kazakh oil, to produce jet fuel from which is not yet possible for technical reasons. The situation has been aggravated by the decision to increase the production of the most popular gasoline AI-92 by reducing the production of other petroleum products including jet fuel. The representatives of the Kazakh airlines note that, for the year, the price of jet fuel in the country increased by 130 percent. On January 6, 2012, Russia has resumed oil supplies to the Pavlodar oil refinery. Currently, the production of jet fuel has been adjusted and no deficit is observed.

Russia

Prices and data on the changes in retail prices for petroleum and diesel fuel in Russia for 10.01.2012 against the prices for 12.12.2011.

	12.12.11	10.01.12	Change in % (+/-)
	price, RUB	price, RUB	
1. Petroleum	26.44	27.00	+2.1
<i>Including:</i>			
AI-80	24.44	–	–
AI-92 (AI-93etc.)	26.43	26.32	-0.4
AI-95 and higher	28.40	28.35	-0.2
2. Diesel fuel	27.60	27.84	+0.9

Source: State Statistics Committee of the Russian Federation

According to State Statistics Committee of the Russian Federation, oil production, including gas condensate in January-November 2011 amounted to 466.1 million tons, having increased to 0.8 percent compared to January-November 2010. Crude oil exports¹ constituted 222.6 million tons, which is less than January-November 2010 indicators to 1.8 percent.

From January 1, 2012 the excise rates on petrol and diesel fuel in Russia increased by 29.0-32.6 percent. The rate of increase in excise was included in the current Tax Code of Russia. These rates are valid until June 30, 2012, and then the second phase of taxes indexation is expected. Despite this, the Ministry of Energy of the Russian federation does not expect shocking rise in prices at the gas stations.

According to media, Russian Ministry of Energy recommended that the oil companies start saving fuel for the period of repairs at refineries in the spring of 2012.

Kyrgyzstan

Prices and data on changes in retail prices for gasoline and diesel fuel as of 14.01.2012 compared to the prices of 14.12.2011.

№	Cities	A-80		AI-92		Diesel fuel	
		price, KGS	change, in % (+/-)	price, KGS	price, KGS	change, in % (+/-)	price, KGS
1	Bishkek	33.20	0.0	36.30	0.0	36.73	0.0
2	Osh	37.50	+1.4	42.00	-2.3	40.00	0.0
3	Jalalabad	37.00	-1.3	40.00	0.0	39.00	-0.6
4	Karakol	33.28	0.2	36.20	0.0	36.60	-0.3
5	Naryn	33.73	0.0	36.77	0.0	37.15	0.0
6	Talas	32.78	+1.8	35.83	0.0	35.36	-1.1
7	Tokmok	32.85	0.0	36.00	0.0	36.40	0.0
8	Batken	38.25	-3.8	42.00	-1.2	40.85	-4.1
9	Average value in the Republic	34.26	-0.1	37.57	-0.4	37.47	-0.2

Source: The National Statistics Committee of the Kyrgyz Republic.

Kyrgyzstan signed an agreement on duty-free supply of petroleum from Russia in 2012. The contract was signed for the delivery of 1 million tons, while the Association of Oil Traders of Kyrgyzstan applied for 1.2 million tons.

During the meeting of the head of the State Oil Company of Azerbaijan and the Kyrgyz authorities, a number of important issues were discussed. In

¹ According to the data of the Federal Customs Service of the Russian Federation, including the data on the mutual trade with the Republic of Belarus and the Republic of Kazakhstan

particular, the parties agreed to start construction of a refinery in the Kyrgyz Republic with the capacity of up to 2 million tons, which is planned to enter into operation in late 2013. According to the head of the Association of Oil Traders in Kyrgyzstan, despite a significant share of imports of petroleum, petroleum refinery needs for the country since currently the state experts, OJSC “Gazprom” and the other oil traders are conducting exploration works in the territory of Kyrgyzstan. Average oil reserves are estimated at 500 million tons.

Natural gas

Kyrgyzstan

According to the head of the Department on control of the fuel and energy complex of the Ministry of Energy and Industry of the Kyrgyz Republic, from 2012 Kyrgyzstan buys gas from Kazakhstan and Uzbekistan at the new prices, which currently make up US\$ 224 and US\$ 290 per thousand cubic meters, respectively. In this regard, natural gas tariffs were revised with the upward trend: for the population - KGS 1.47 per cubic meter, while for industrial consumers and budget consumers of the country - KGS 0.92. Thus, from January 1, 2012 the price of natural gas for the population constituted KGS 14.50 (+11.3 percent), for industrial and budget consumers of the country - KGS 17.88 (+5.9 percent).

The average tariff dynamics for natural gas

Years	<i>(KGS per cubic meter)</i>			
	Industrial Consumers		Population	
	North	South	North	South
2007	5.58	5.23	5.49	5.13
2008	7.40	6.99	7.60	7.12
2009	13.32	12.73	13.35	12.71
2010	15.37	14.75	14.12	13.67
2011	15.87	15.55	14.04	13.74
2012*	17.88		14.50	

*tariffs are effective from January 1, 2012, according to the mass media data

Meanwhile, according to the JSC “Kyrgyzgaz”, Kyrgyzstan is indebted to Kazakhstan US\$ 5.0 million for natural gas, and Uzbekistan – US\$ 1.0 million U. The total indebtedness of consumers JSC “Kyrgyzgaz” is about US\$ 10.0 million, of which US\$ 3.5 million is indebted by the population of the republic. According to the head of JSC “Kyrgyzgaz”, in case of default on debt, there may be breaks in the supply of fuel in February.

Electric energy

Kyrgyzstan

According to the Deputy Minister of Energy of the Kyrgyz Republic, the average energy losses were kept at 21.1 percent. Accounts receivable from customers for 11 months of 2011 amounted to KGS 1.3 billion, having increased by 14.0 percent against the same indicator of 2010. Last year, Kyrgyzstan produced 12.9 billion kilowatt-hours of electricity, of which 2.4 billion kilowatt-hours was exported to Kazakhstan, 139 million kilowatt-hours to Uzbekistan. Overall in 2011 revenues from electricity exports constituted US\$ 66.0 million.

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 9: Urals from 01.01.2009 to 20.01.2012

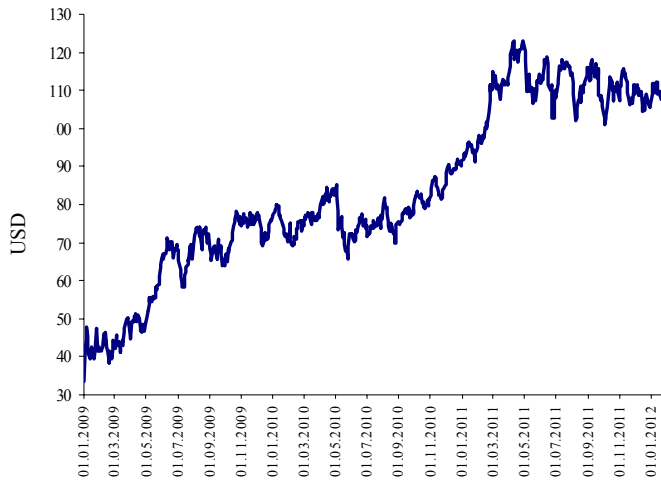


Chart 10: Urals from 15.12.2011 to 20.01.2012

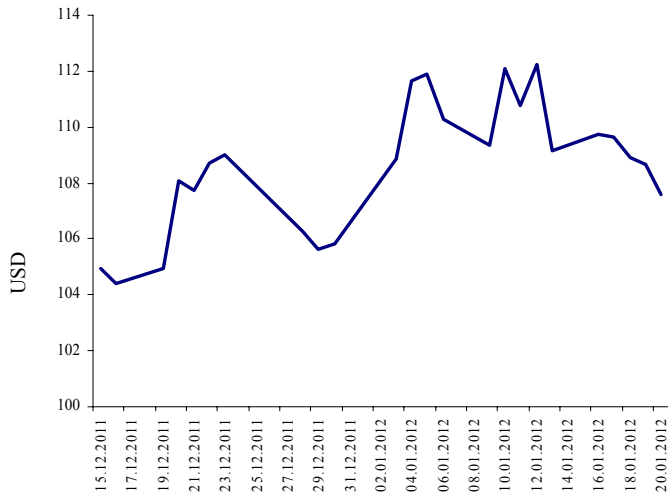


Chart 11: Brent from 01.01.2009 to 20.01.2012

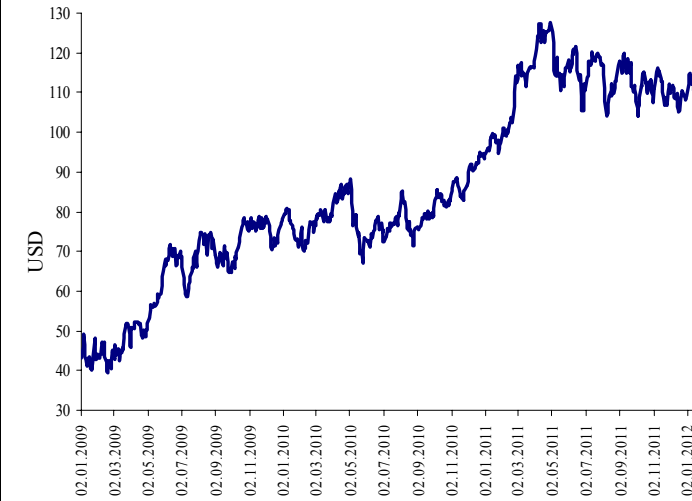


Chart 12: Brent from 15.12.2011 to 20.01.2012

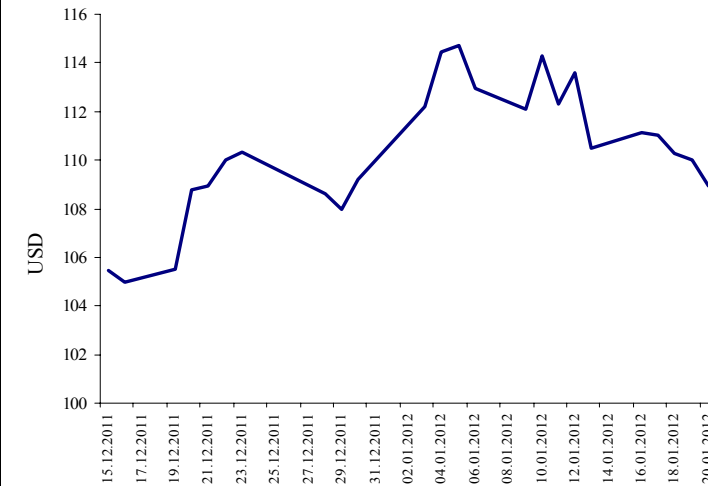


Chart 13: WTI from 01.01.2009 to 20.01.2012

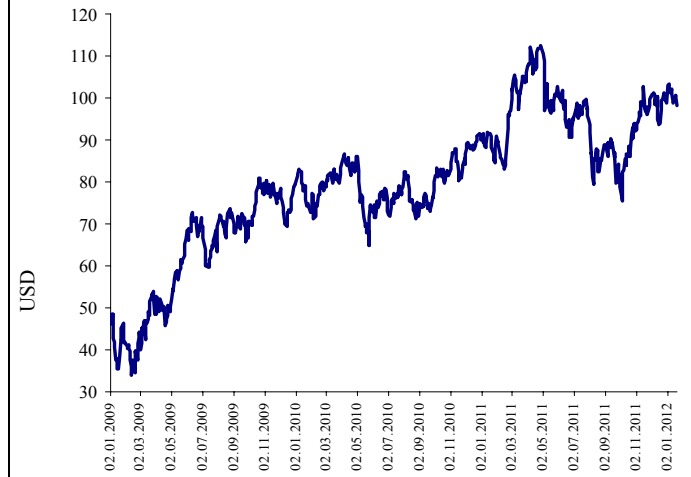


Chart 14: WTI from 15.12.2011 to 20.01.2012

