

Oil market

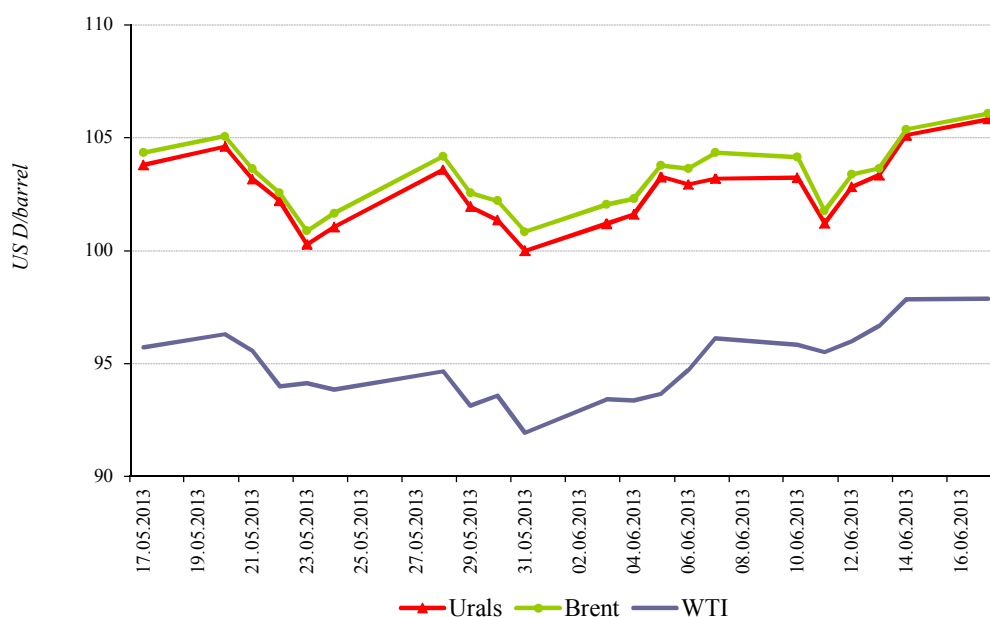
Current state in the oil market

In the course of the oil market monitoring conducted within the period from May 18, 2013 to June 18, 2013 the price for major oil grades (Urals, Brent, WTI) was fluctuating within the range from 91,9 USD to 106,1 USD 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
18.04.2013-18.05.2013	101.7	97.9	102.7	97.0	93.5	100.5
18.05.2013-18.06.2013	102.6	101.0	103.3	100.5	94.7	101.7

Source: News Agency «Reuters»



During the reporting period from May to June 2013 average prices of oil quotes maintained their previous volatility and the dynamics of prices tended to increase. The current state of oil market is mainly under the influence of world's major oil consuming countries macro statistics (China and the U.S.), the U.S. economic stimulus program, the current situation in the Eurozone and the turbulent political situation in the Middle East.

At the beginning of the period under review, oil prices rose against the background of positive macroeconomic data of the U.S., as well as the weakening of the U.S. dollar. The reason for the decline of the U.S. dollar was the news regarding negative expectations of further policy conducted by the U.S. Federal Reserve System. In addition, there is a continuation of the issue regarding the third round of quantitative easing (asset purchase program), which, in turn, stimulates the change in oil prices.

Oil prices again were under the influence of macro-economic data in China and slowed growth in oil demand. In May, the consumer price index CPI fell to its lowest level in three months up to 2.1 percent in annual terms, while the producer price index for the same period fell by 2.9 percent in annual terms.

Other factors that determined the increase in oil prices were unstable geopolitical situation in Syria and Turkey. U.S. intention to provide direct military assistance to the Syrian opposition after it became known that the Syrian

government used chemical weapons brought oil quotes up. Despite the fact that Syria is a key supplier of oil to the world market, investors are concerned that the escalation of the civil war in the country could lead to unrest in the oil producing regions of the Middle East, which produces a third of the total amount of oil in the world, according to news agency "RBK".

Event in Turkey is a serious concern of oil market participants, because pumped oil through the pipeline from northern Iraq - the second-largest oil producer in OPEC is shipped through the export terminal in Ceyhan port. This port also transfers oil from the Caspian Sea oil pipeline from Baku through Georgia. Also, due to unrest in Turkey there may suffer navigation in Bosphorus and Dardanelles.

**Energy
information
administration
(EIA)**

Energy Information Administration in its monthly report on the prospects of the energy market in the short term informs that the world's oil reserves may rise by 11 percent by taking into account the shale oil. According to the calculations of EIA, theoretically recoverable reserves of shale oil in 41 countries are 345 billion barrels.

U.S. Energy Information Administration similar to OPEC lowered its growth forecasts for world oil consumption in 2013 against the background of declining growth in global economy because of a deeper-than-expected recession in Europe and a recession in some emerging markets.

OPEC

In its regular monthly report OPEC lowered its growth forecast for this year to 780 thousand barrels per day from 790 thousand barrels per day which was indicated in the May report. According to OPEC, demand growth will accelerate in the second half of the year to 900 million barrels per day from 700 thousand barrels per day in the first half of the year due to economic growth and seasonal trends. Additionally, OPEC reduced the forecast of demand for crude oil produced by its members up to 29.82 million barrels per day from 29.84 million barrels per day. According to the sources on which the report refers daily production of OPEC increased by 106 thousand barrels per day to 30.57 million. At a meeting that was conducted in late May the organization decided to maintain production quota at the level of 30 million barrels per day.

Kazakhstan

According to reports of news agency "Kazinform", the Parliament of Kazakhstan approved the amendment to the agreement between Kazakhstan and China on the construction of Kazakhstan-China gas pipeline. Amendments have been made to increase the capacity of the first section of the Kazakhstan-China pipeline for possible domestic consumption of the southern regions of Kyrgyzstan. Meanwhile, construction will be funded by Chinese investments without funds from national budget.

According to the director of Kaztransoil News Agency «Reuters», in 2014 the supply of oil to China will increase to 17.0 million tons. The planned increase in production of oil at the large Tengiz field in western Kazakhstan and the launch of the giant Kashagan field in the northern part of the Caspian Sea will enable manufacturers to choose the export routes, while a pipeline to China is one of the major export destinations.

In order to protect internal market government of Kazakhstan introduced in May 24 of this year the Convention's prohibition on the importation of gasoline and fuel oil by rail from Russia, trying to balance the demand and supply of gasoline in the country, as well as reduce the cost of compensation for Russian imports to the Russian budget. Due to similar reasons regarding the excess of Russian oil in the

Kazakh market, the Pavlodar refinery, the largest refinery in Kazakhstan, has reduced this year plans for oil refining to 4.8 million tons from previously planned 5.2 million tons.

Russia

Pricing and data on changes of retail prices in Russia for gasoline and diesel fuel as of June 10, 2013 compared with the prices of May 27, 2013.

	27.05.2013	10.06.2013	Change in % (+/-)
	<i>price, RUB</i>	<i>price, RUB</i>	<i>to the previous registration</i>
1. Automobile gasoline	29.28	29.25	99.9
<i>including:</i>			
AI-80 grade	26.88	26.88	100.0
AI-92 grade	28.38	28.34	99.9
AI-95 and better	31.07	31.04	99.9
2. Diesel fuel	31.03	30.99	99.9

Source: Federal Service of State Statistics of Russia

According to the Federal State Statistics Service of Russian Federation as of June 10, 2013 the average consumer prices for gasoline since the beginning of 2013 increased by 1.2 percent and of diesel fuel by 0.7 per cent, partly due to seasonal factors. As compared with the previous registration date prices did not change.

With the beginning of the agricultural season and holiday in Russia there is an increase in demand for fuel, but the data of Rosstat shows stable unchanging trend in prices. This situation, according to the newspaper "Moskovsky Komsomolets", is influenced by the order of the President of Russian Federation in deterring market prices at the gas station of the country. However, these measures are not market ones, but administrative ones, therefore, it is likely that this fall we can expect a wave of price increases. But at the same time because of the slowdown in appreciation of prices, it can be expect not a smooth increase, but rather a shock rise in prices.

As suggested by the Minister of Finance increasing excise taxes on gasoline, which the Russian government plans to hold at a slightly higher rate than previously thought, should not affect the increase in wholesale gasoline prices. The planned increase in the excise tax on gasoline of "Euro-4" and "Euro-5" brands will go not at a slow rate, but rather at smooth pace. Thus, there will be less strong impact on gasoline prices. The issue of higher rates of increases in excise taxes on gasoline of 4th and 5th grades rose after the earlier decision on the establishment of reduced rates of excise duties on these classes of gasoline that led to falling revenues of road funds.

Occurred transition of TNK-BP to the control of "Rosneft" has led to a shortage of oil in the domestic market and raised prices by 20 per cent compared with the May figures on the Russian spot market by the end of the period. According to experts the reduction of oil supplies by TNK-BP is probably due to the fact that "Rosneft" concentrates free flow of raw materials to the east - to the markets of the Asia-Pacific region, particularly to China. This leads to a price increase by an average of 1 ruble per 1 liter of motor fuel.

Increase in excise taxes, purchase of TNK-BP by Rosneft, possible closing of petroleum refinery (PR) for scheduled seasonal renovation may exert certain pressure on the movement of price toward the direction of increasing price of fuel in the Russian market, which subsequently may affect the change in the direction of increasing selling prices for Kyrgyzstan.

Kyrgyzstan

Prices and data on average retail price changes of gasoline and diesel fuel in June¹ 2013 compared with the prices in April 2013:

Cities	AI-95		AI-92		Diesel Fuel	
	price, KGS	change in % (+/-)	price, KGS	change in % (+/-)	price, KGS	change in % (+/-)
Bishkek	40.40	-0.43	36.30	-0.48	39.95	-
Karakol	40.00	-1.38	36.34	-1.00	39.20	-0.10
Jalal-Abad	42.37	-1.35	38.66	-1.01	42.05	-1.23
Naryn	41.40	-	35.83	-1.10	40.05	-
Batken	-	-	38.16	-2.95	43.00	-0.64
Osh	42.30	-0.16	38.45	-0.57	41.43	-
Talas	40.40	-0.43	35.53	-0.63	38.52	0.09
Tokmok	40.40	-0.92	35.45	-1.12	39.05	-
Kara-Balta	-	-	35.53	-1.70	40.10	0.09
Average for the republic	40.86	-0.54	36.80	-0.75	40.37	-0.13

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

In the reporting period, the price of gasoline and diesel fuel showed a decline. The average price for gasoline (AI-92 and AI-95) as of June 18, 2013 decreased by 25 tyiyns compared to prices in May 2013 in Kyrgyzstan, and by 2.4 KGS compared to the average price in December 2012. The price of diesel fuel as of June 18 fell by 5 tyiyn in the republic compared to prices in May 2013, while if to compare to with average price in December, they rose by 34 tyiyns (+0.8 percent). The increase in the cost of diesel fuel from the beginning of the year is due to seasonal demand, which based on the current spring-field works.

According to the president of Oil Traders Association in Kyrgyzstan, starting from July prices for petroleum products will rise due to the decision taken by the Government to increase the excise tax on gasoline by twice (2200 KGS per ton instead of the previous tax level - 1,100 KGS per ton). He noted that the scenario of price increases may not occur if Russian manufacturers lower wholesale prices. However, before the end of spring sowing and before the tourist season the price level will stick to the earlier decreased levels.

According to the web-site «news.tj», for 5 months of this year Kyrgyzstan has become a major importer of petroleum products tp Tajikistan, Turkmenistan and Russia. Of the total volume of oil products 39.2 percent, or 56 thousand 711 tons of fuel are delivered from Kyrgyzstan, which is 52 thousand 172 tons more than in the same period in 2012. This situation is due to the fact that since the beginning of the entry into the Customs Union of Russia, Russia has imposed export duties on oil products.

Natural gas**Kyrgyzstan**

The privatization of JSC "KyrgyzGas" by the Russian JSC "Gazprom" on the way to completion. The government approved the agreement on transportation, distribution and sale of natural gas by Russian "Gazprom". After signing the agreement, "Gazprom" will supply and distribute natural gas on the territory of the Kyrgyz Republic. Besides these, Russia will carry out the construction, reconstruction and maintenance of gas systems and other infrastructure of gas industry. Under the agreement JSC "Gazprom" will invest at least 20 billion RUB over five years. The Russian side is committed to the development and modernization of equipment and gas pipelines, compliance with the tariff policy approved by the Government of the Kyrgyz Republic, as well as all debt

¹ Average gasoline prices as of June 18, 2013

obligations of the enterprise from the transfer of state-owned shares.

Electricity

Kyrgyzstan

In the period under review the question of the upcoming heating season was given special attention. At the end of May there was held 43rd CIS Electric Power Council in Kyrgyzstan. It was attended by power engineering specialists of Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan. The main agenda of the meeting was to preserve the parallel operation of power systems. The projected low water level in the Toktogul reservoir may inevitably lead to poor provision of electricity in the coming period in the region.

Prime ministers of two neighboring states discussed the issue of export of electricity and the supply of Kazakh fuel to Bishkek heat electropower station; there was signed a decree "On the preparation of the economy and population of the Kyrgyz Republic for the autumn-winter period of 2013 - 2014 year".

Signed by Prime Minister Decree "On preparing the economy and population of the Kyrgyz Republic for the autumn-winter period of 2013 - 2014 Year" will be provided a possibility of provision by the Ministry of Finance to JSC "Power Plants" interest-free loans in the amount of 250 million KGS for the procurement of fuel for thermal power plants.

At the last meeting of the Council for Business Development and Investment of the Government of the Kyrgyz Republic, there was discussed the issue of private companies in the energy sector. It was noted that the work of these private companies have an alternative to privatization of major state-owned companies, which in spite of the resistance of the large distribution companies with state participation continue to work.

As of June 17, 2013 the volume of water in reservoir was 12.9 billion cubic meters, that decreased by 17.3 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 18.06.2013

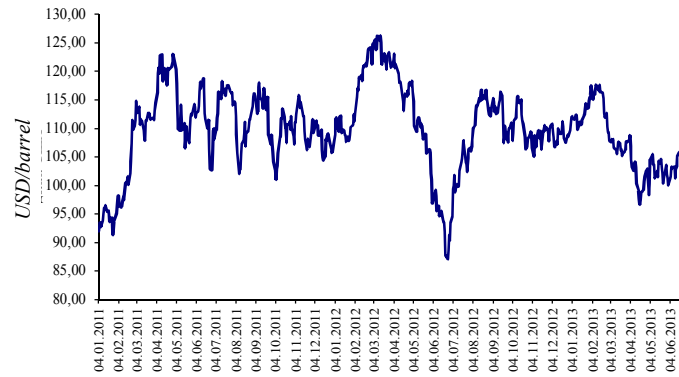


Chart 2: Brent from 01.01.2011 to 18.06.2013

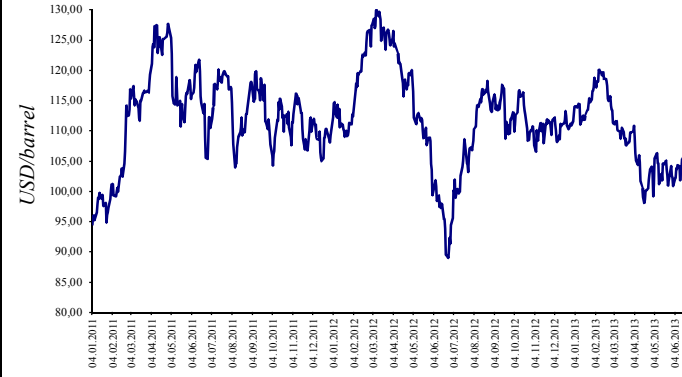


Chart 3: WTI from 01.01.2011 to 18.06.2013

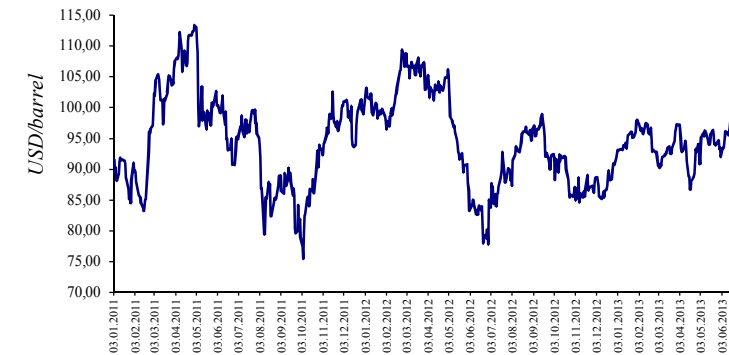


Chart 4: Urals from 18.05.2013 to 18.06.2013

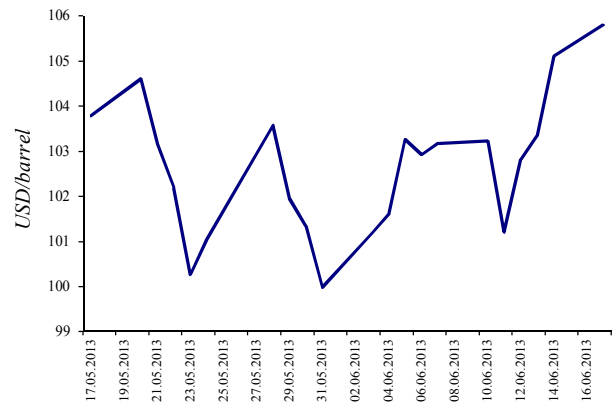


Chart 5: Brent from 18.05.2013 to 18.06.2013

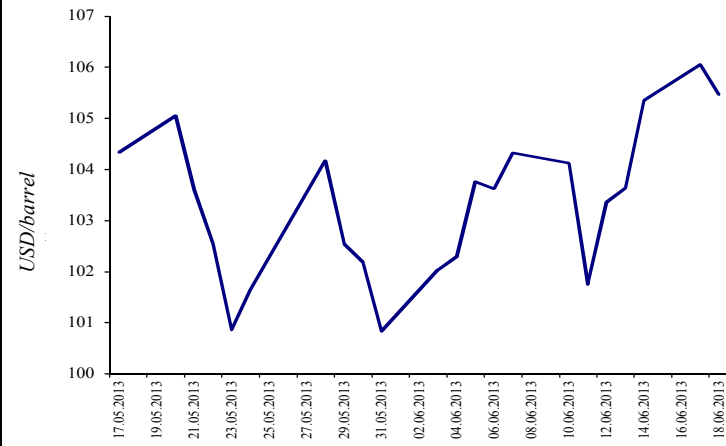


Chart 6: WTI from 18.05.2013 to 18.06.2013

