

WEC FOREN 2008

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“Evolutions and Challenges in the Oil and Gas Sector -
within the Region and in Europe”

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Evolution of Oil and Gas Prices

Oil and Gas Prices Quarterly Quotations

	Q1 2007	Q1 2008	y/y
Crude Oil, \$/bbl			
Brent	58	97	67%
Urals	54	93	72%
Russian domestic	27	47	74%
BP global	54	92	70%
Shell - global	55	91	65%
Total	88	97	10%
OMV - Europe	52	90	73%
Toreador Turkey	48	89	85%
Petrom Romania	48	85	77%
Natural Gas, \$/1000 cbm			
Gas production			
Henry Hub	244	289	18%
Total	218	240	10%
Shell Europe	277	318	15%
BP UK	258	286	11%
Melrose Bulgaria		185	
Petrom Romania	154	197	28%
Toreador Turkey		197	
Import gas			
Romania	300	370	23%
Croatia	321	372	16%
Ukraine	130	179,5	38%
Bulgaria	265	340	28%

- Global energy scene is dominated by record high oil and gas prices. In the Balkan and Black Sea region the prices increased even more drastically marking a converging tendency with international levels.
- Q1 2008 oil prices y/y: Brent and Urals increased by 70% while in Turkey and Romania - by 80%
- Q1 2008 gas prices y/y: global and W. European gas prices did not exceed 20% increase. In Romania, Bulgaria, Turkey, Ukraine production and import gas prices increased by 16 – 38%

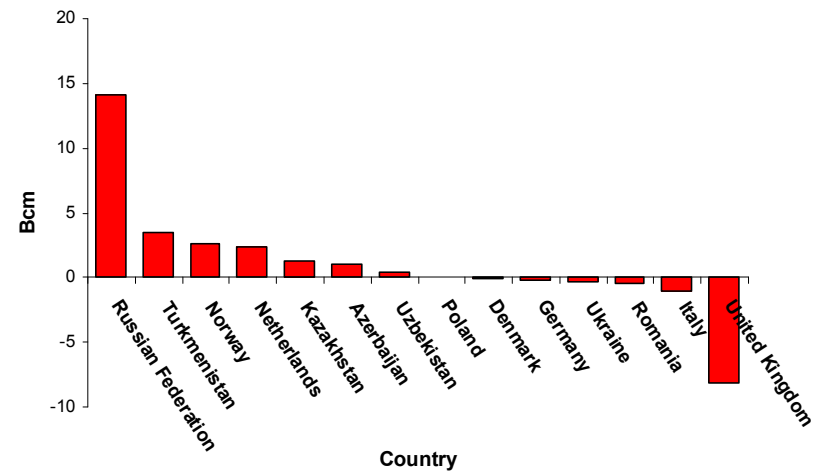
Source: BP, Shell, Petrom, Total, OMV, Toreador, Melrose, Ina

Natural Gas Production

Major European-Caspian Gas Production, Bcm

	2006	2007	Δ
Russian Federatic	598,0	612,1	14,15
Turkmenistan	58,8	62,2	3,45
Norway	85,0	87,6	2,65
Netherlands	62,9	65,3	2,39
Kazakhstan	23,3	24,6	1,31
Azerbaijan	5,3	6,3	0,96
Uzbekistan	55,0	55,4	0,45
Poland	4,3	4,3	0,00
Denmark	10,4	10,4	-0,03
Germany	15,8	15,6	-0,19
Ukraine	19,4	19,1	-0,32
Romania	12,4	11,9	-0,48
Italy	11,1	10,1	-1,00
United Kingdom	88,2	80,0	-8,21

Major European-Caspian Gas Producers 2007 Incremental Production y/y



Source: bp

- Russian contribution in incremental production is the biggest
- Continental Europe and UK production decline
- BBS biggest producers Ukraine and Romania - production decline
- Azerbaijan production – expected growth

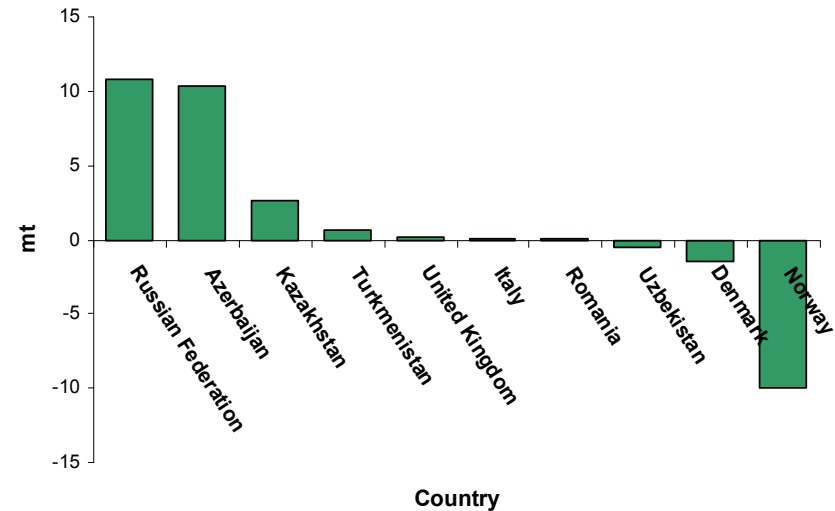
Crude Oil Production

Major European-Caspian Oil Production, mt

	2006	2007	Δ
Russian Federation	480,5	491,3	10,78
Azerbaijan	32,5	42,8	10,28
Kazakhstan	66,1	68,7	2,61
Turkmenistan	9,2	9,8	0,60
United Kingdom	76,6	76,8	0,17
Italy	5,8	5,9	0,09
Romania	5,0	5,0	0,05
Uzbekistan	5,4	4,9	-0,48
Denmark	16,7	15,2	-1,46
Norway	128,7	118,8	-9,92

Source: bp

Major European-Caspian Oil Producers 2007 Incremental Production y/y



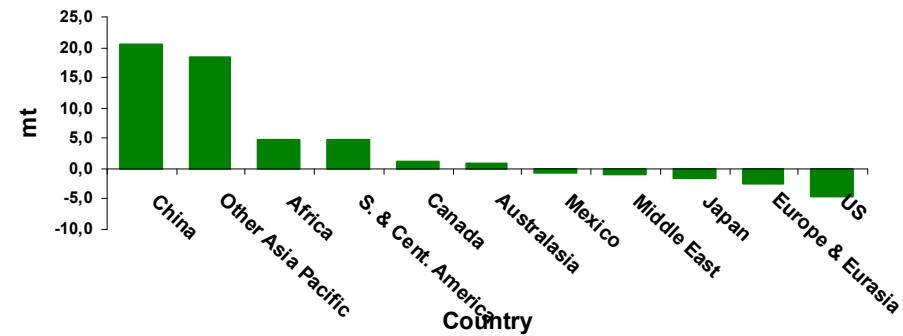
- Decline in North Sea compensated by increase in Russian - Caspian production
- Azerbaijan contribution in incremental supplies equals to Russian contribution
- Kazakhstan production growth lower than potential
- BBS biggest producer Romania stabilized production

Crude Oil Consumption

World Oil Consumption (Throughput), mt

	2006	2007	Δ
China	308	328	20,4
Other Asia Pacific	520	538	18,3
Africa	119	124	4,8
S. & Cent. America	268	272	4,7
Canada	92	93	1,3
Australasia	37	38	0,9
Mexico	70	70	-0,6
Middle East	316	315	-1,0
Japan	201	200	-1,6
Europe & Eurasia	1044	1041	-2,4
US	762	757	-4,7

World Crude Oil 2007 Incremental Consumption y/y



Source: bp

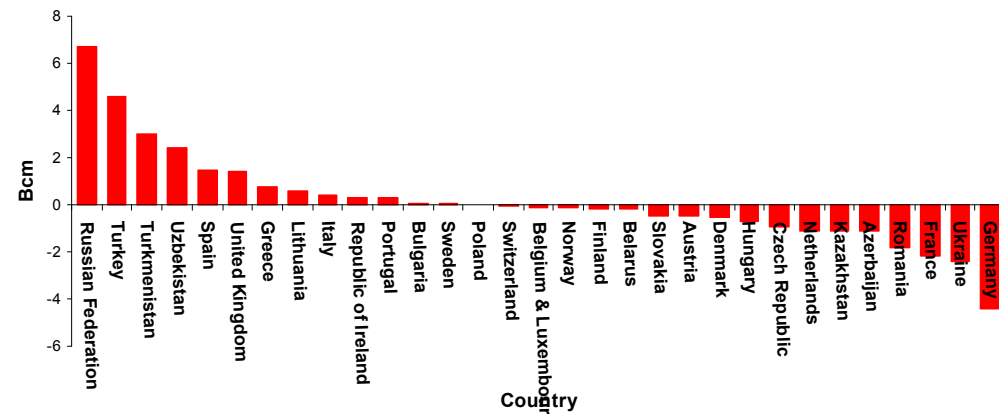
- China and Asia - global oil demand drivers
- Europe and US – declining trend

Natural Gas Consumption

European-Caspian Gas Consumption, Bcm

	2006	2007	Δ	y/y,%
Russian Federation	432,1	438,8	6,72	1,6%
Turkey	30,5	35,1	4,57	15,0%
Turkmenistan	18,9	21,9	2,99	15,8%
Uzbekistan	43,2	45,6	2,43	5,6%
Spain	33,7	35,1	1,45	4,3%
United Kingdom	90,0	91,4	1,39	1,5%
Greece	3,2	4,0	0,79	24,3%
Lithuania	3,2	3,8	0,56	17,3%
Italy	77,4	77,8	0,39	0,5%
Republic of Ireland	4,5	4,8	0,30	6,8%
Portugal	4,1	4,3	0,27	6,6%
Bulgaria	3,0	3,1	0,06	2,0%
Sweden	1,0	1,0	0,04	3,5%
Poland	13,7	13,7	-0,01	-0,1%
Switzerland	3,0	2,9	-0,07	-2,4%
Belgium & Luxembourg	17,0	16,9	-0,10	-0,6%
Norway	4,4	4,3	-0,13	-2,9%
Finland	4,2	4,1	-0,17	-4,0%
Belarus	19,6	19,4	-0,19	-1,0%
Slovakia	6,4	5,9	-0,49	-7,8%
Austria	9,4	8,9	-0,50	-5,3%
Denmark	5,1	4,6	-0,53	-10,5%
Hungary	12,5	11,8	-0,72	-5,8%
Czech Republic	9,8	8,9	-0,95	-9,7%
Netherlands	38,3	37,2	-1,11	-2,9%
Kazakhstan	20,9	19,8	-1,12	-5,4%
Azerbaijan	9,4	8,3	-1,12	-12,0%
Romania	18,2	16,4	-1,80	-9,9%
France	44,1	41,9	-2,18	-5,0%
Ukraine	67,1	64,6	-2,43	-3,6%
Germany	87,2	82,7	-4,43	-5,1%

European-Caspian Gas Consumers
2007 Incremental Consumption y/y



- Half of the countries decreased consumption
- Biggest markets: Germany and Ukraine decreased consumption; Italy and UK - with insignificant growth
- Greatest growth for countries with low gas prices (Russia and Turkmenistan) or newly switched to competitive gas supplies (Turkey and Greece)

Companies Performance

- Integrated companies turned to upstream investments to increase production internationally or domestically;
- Energy companies continued merging to be more competitive in the large European market and Russia. Countries in the Balkans started integrating energy assets to create national energy conglomerates;
- Big energy companies resisted ownership unbundling proposed in the third energy package of EC;
- Oil and gas companies turned to gas fired power generation for further businesses integration;
- Refineries shifted to white products upgrades;
- Big investments by oil companies in alternative fuels;

Oil Pipeline Projects Evolution



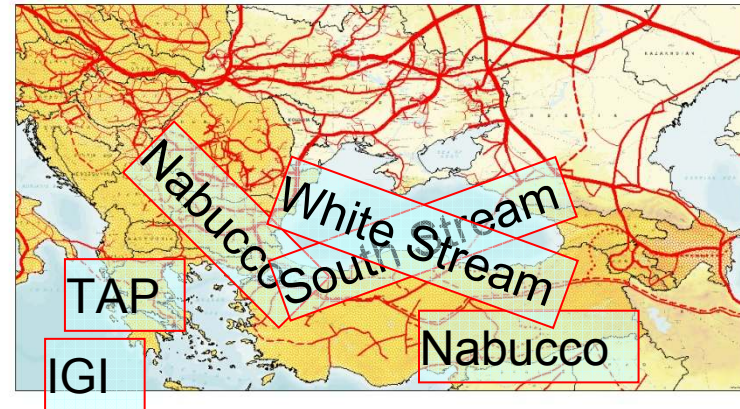
Five by-pass projects available – unclear prospects with CPC expansion plans to start in 2013 and delays in Kashagan field development

Gas Pipelines Projects Evolution

- Turkey-Greece Interconnector – the start of gas-to-gas competition in the Balkans;

- **Projects on the agenda:**

- More or less advanced;
- More or less politically favored;
- Bring diversity and competition or confirm monopolized supplies;
- Towards or away from competitive dynamics;
- Avoid or rely on transit countries;
- Develop markets or constrain markets;
- Different approaches – regional or country-by-country;
- Various ownership structures proposed



Complimentary or competitive projects?

-On the consumers side, gas pipeline projects in the BBS region are rather competitive than complimentary because of the stagnation of the gas demand triggered by high oil and gas prices and unclear future of using gas for electricity generation

On the supply side - Gazprom expanding portfolio; alternatives from Shah Deniz, Iran, Arab Gas Pipeline.

Balkan and Black Sea Petroleum Association (BBSPA)

www.bbspetroleum.com

BBSPA brings together oil and gas and energy companies in the region and provides a forum for exchange of information and views and facilitates discussion and debate on the issues of the energy sector in the region.

BBSPA observes development and follow up of existing and project oil and gas supply options, which have and would have impact on the oil and gas supply pattern, supply diversification and regional energy market.

15th Annual BBSPA Conference, 2-3 April 2009

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- Infrastructure and Markets
- Legal and Regulatory Regime

Thank you for the attention

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