International Conference
Oil and Gas Industry of Ukraine as a Component of the European Energy Security

November 5, 2008. Conference-center "President hotel"

Cooperation in the Oil and Gas Sector for Raising the Potential of the Countries in the Black Sea Region

Valentin Kunev

Executive Director

Balkan and Black Sea Petroleum Association

Cooperation in achieving industry consensus for

- competition and competitive environment;

- transparency for equal start and opportunities;

- predictability and stability for market players ;

-stable and fair legal frameworks;

-clear rules and sanctity of contracts

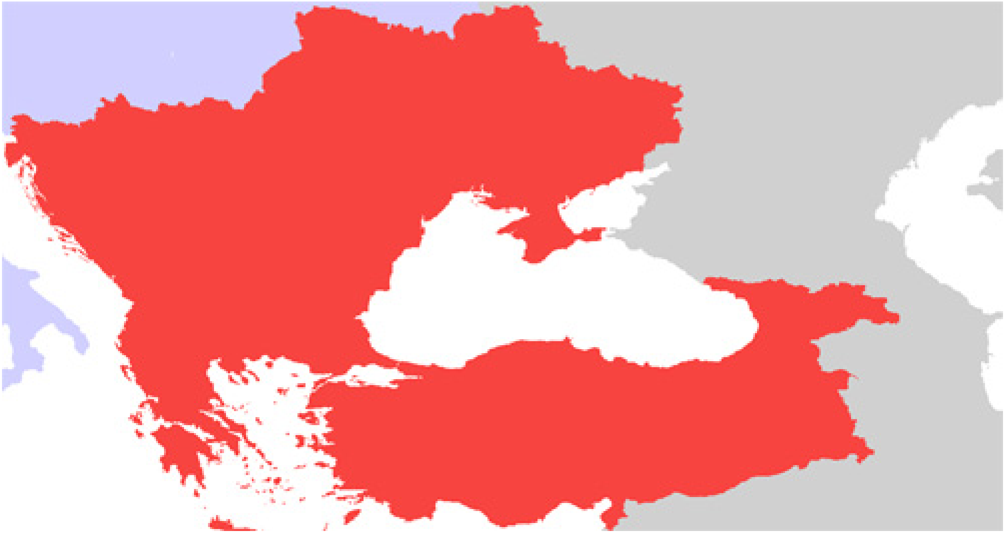
Oil and gas potential

- hydrocarbon potential from geological point of view;

- market potential in terms of revenues and profit;

- oil and gas transit potential

Balkan and Black Sea Region



oil and gas importing countries

Oil Production/Consumption Profiles

•Steady increase in Ukraine;

•Romania: Considerable investments by Petrom/ OMV for new discoveries and recovery enhancement

•Decline in Turkey as well as in Croatia, Hungary, Serbia;

•Insignificant production in other countries;

•Albania – considerable increase because of investments by Bankers Petroleum

•Within the current performances BBS countries have demonstrated limited production potential, which does not allow to cover domestic needs;

•Favorable investment climate will bring more partnership and technology to broaden horizons

Gas Production/Consumption Profiles

•Steady increase on Ukraine

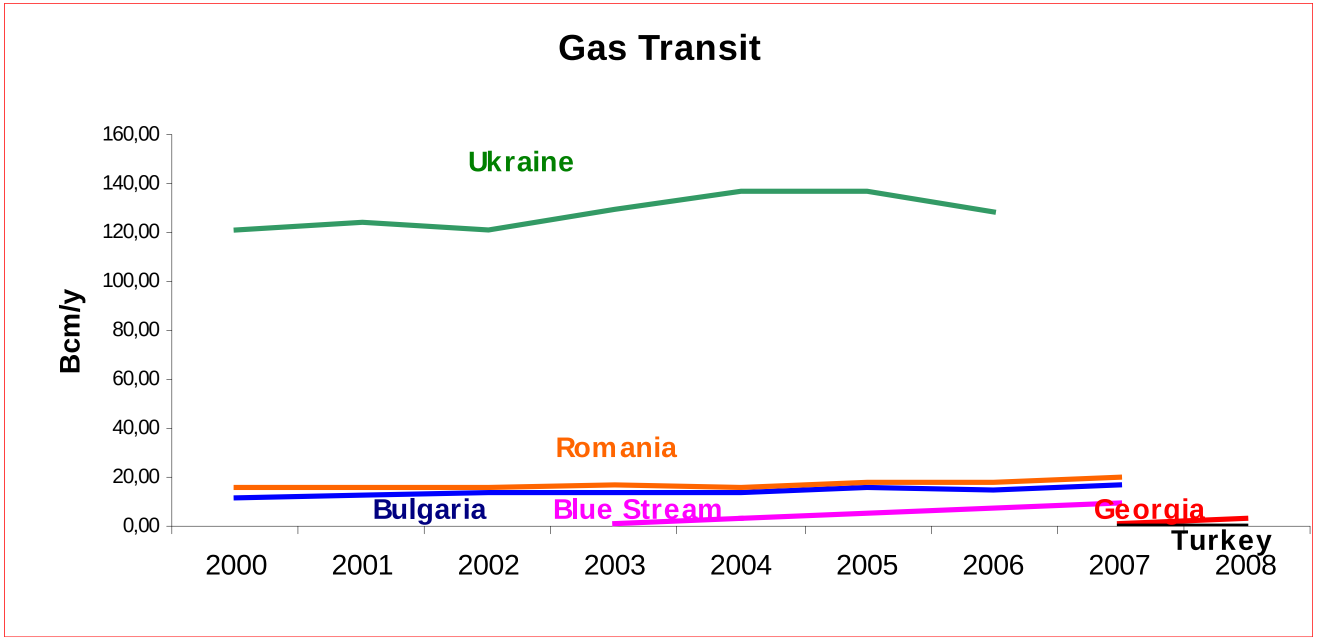
•Decline in Hungary and Romania (sustained)

•Increase in Croatia with investments by INA/Eni joint venture

•Small increase and fluctuations in Turkey with investments by TPAO/Toreador and in Bulgaria

•Gas production is much less than demand

Gas Transit



- Ukraine – freed capacities by Blue Stream
- Romania and Bulgaria – trans-Balkan transit increased
- Georgia (SCP) and Turkey (TGI) – 4th gas corridor

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;

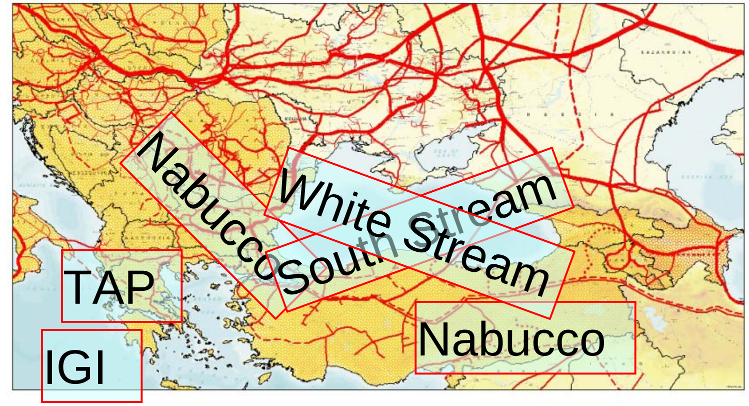
-Towards or away from competitive dynamics;

-Avoid or rely on transit countries;

-Develop markets or constrain markets;

-Different approaches – regional or country-by-country;

-Various ownership structures proposed

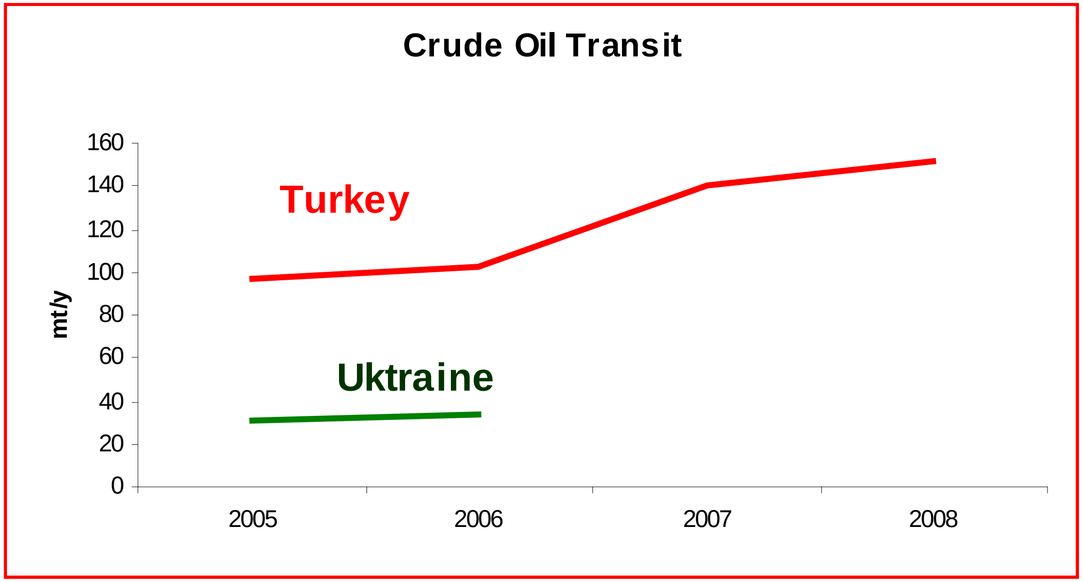


Complimentary or competitive projects?

-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.

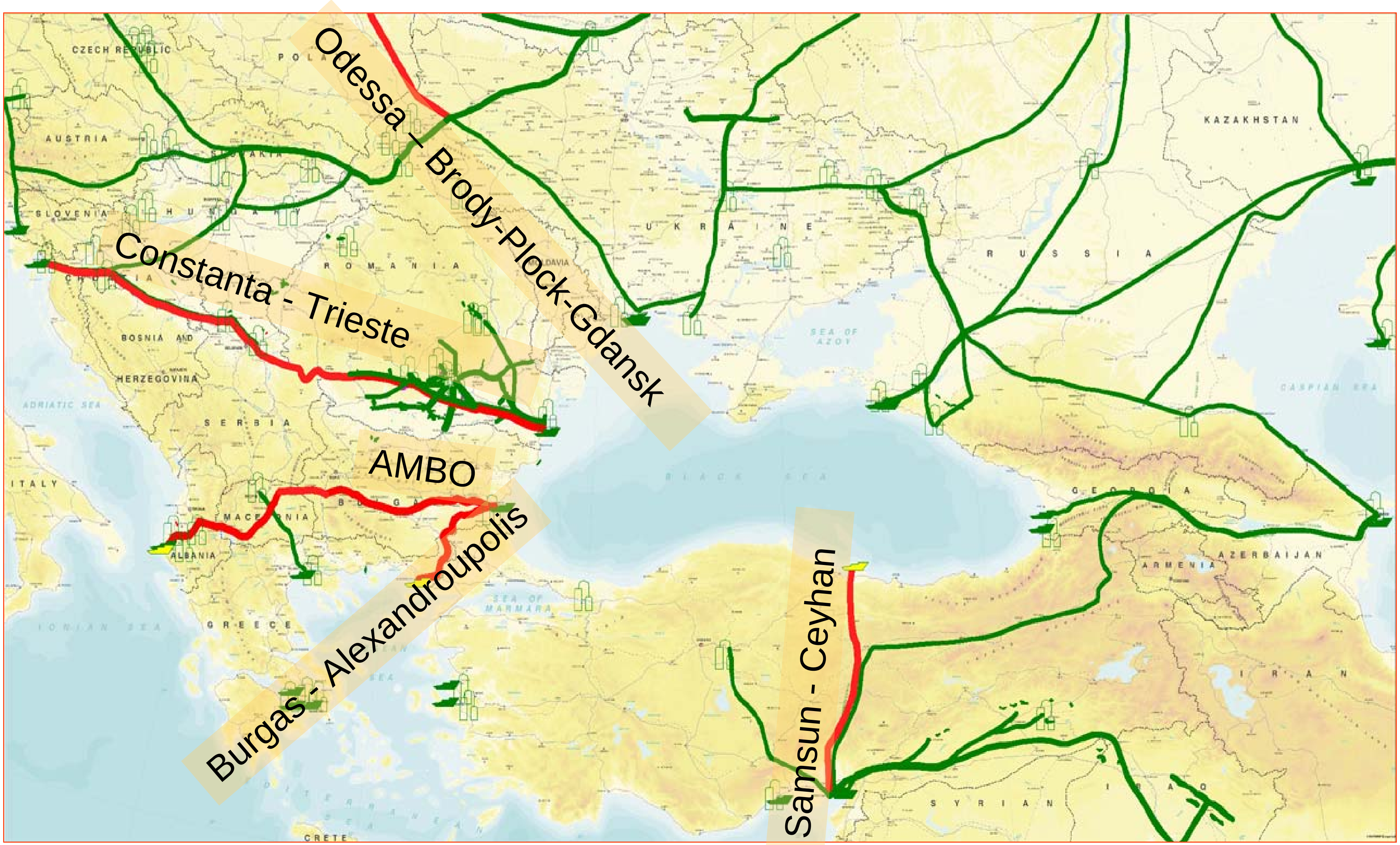
Crude Oil Transit



Ukraine – small increase

Turkey – Bosporous (100 mt/y and more) + Iraq-Ceyhan + BTC

Oil Pipeline Projects Evolution



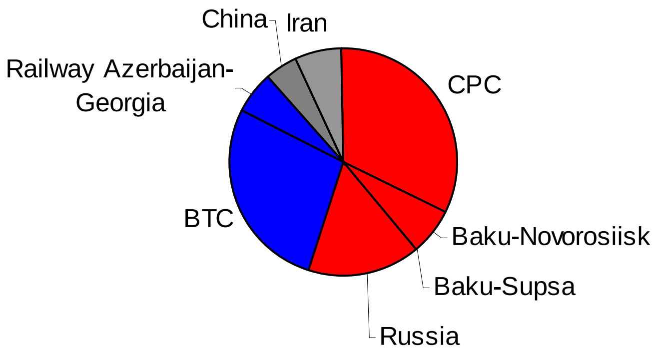
Five by-pass projects available – unclear prospects with CPC expansion plans to start in 2013 and delays in Kashagan field development

Caspian Crude Oil Production and Export

Caspian Countries Oil Production, mt

	2006	2007	$\Delta_{2007-2006}$
Azerbaijan	32,5	42,8	**10,3**
Kazakhstan	66,1	68,7	**2,6**
Russian Federation	480,5	491,3	**10,8**
Turkmenistan	9,2	9,8	**0,6**

100 mt of Caspian Crude Oil Export in 2007



- Good prospects for BTC to take incremental Azeri and Kazakh production

BBSPA

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, Vienna

- Upstream and Supply
- Infrastructure and Markets
- Legal and Regulatory Regime

Thank you for the attention

Valentin Kunev

Executive Director

Balkan and Black Sea Petroleum Association

valentin.kunev@bbspetroleum.com