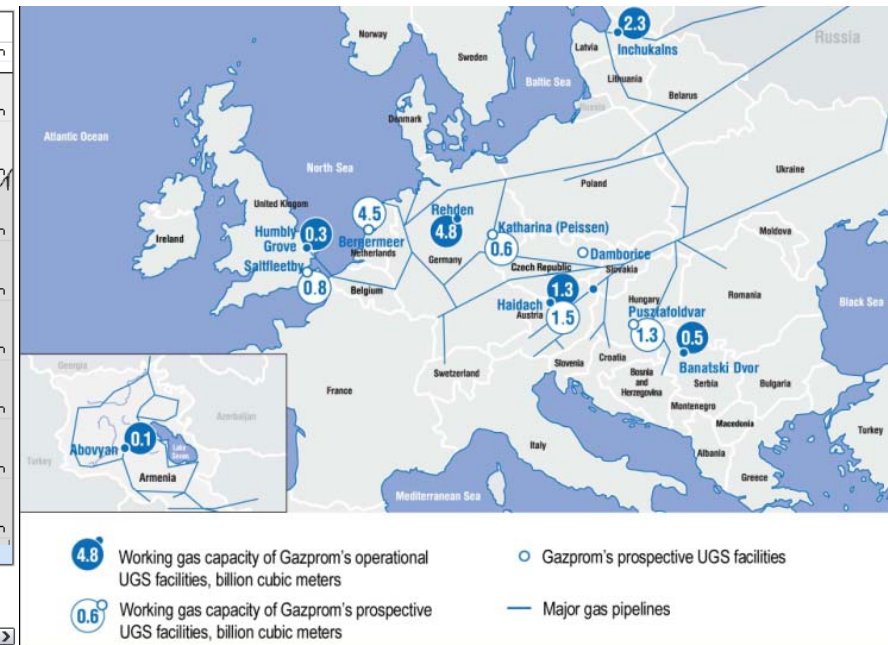
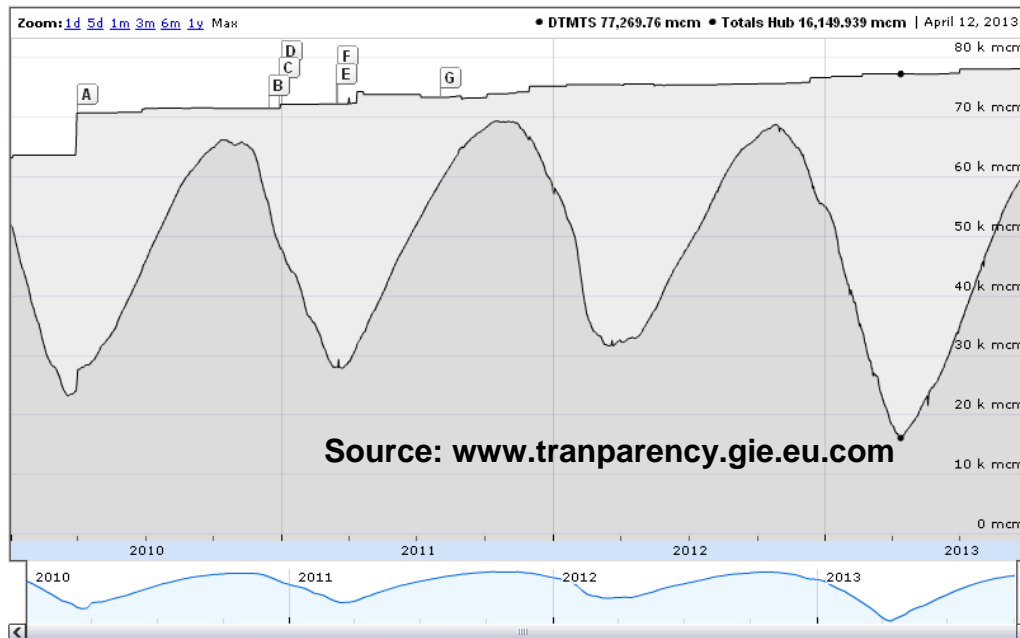


TWENTY-FOURTH MEETING OF THE EUROPEAN GAS REGULATORY FORUM

IFIEC-CEFIC position 'Storage levels and security of supply'

Dirk Jan Meuzelaar – chair of the Cefic IT Market Liberalisation

Gas storages are not only important for the security of supply...



- April 2013 storages very low
 - Low price incentives
- Concern about interruption (flat) industrial consumers
- refill mainly by Gazprom

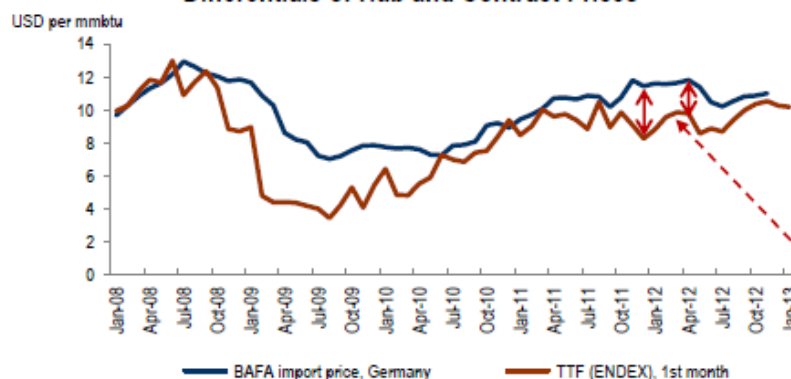
- By 2015 Gazprom is planning to double its UGS capacities abroad. By 2030 the Company is expecting to raise this figure to 5 per cent of the annual export volume.

...but dominant position incumbent suppliers raising concerns that they might abuse their market power to defend the oil related gas prices



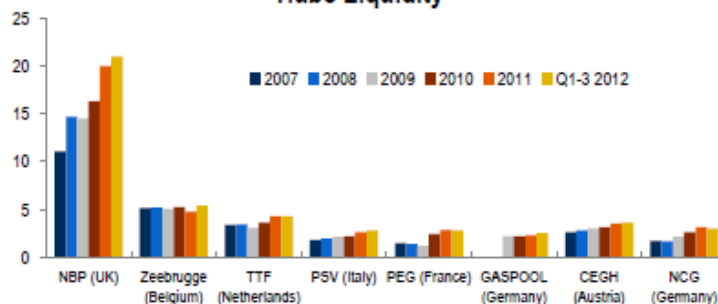
Hybrid Pricing - Cornerstone of the European Market

Differentials of Hub and Contract Prices



- Hubs in Continental Europe are not ready to take over for oil-indexed contracts
- A large portion of natural gas traded on hubs comes from long-term oil-indexed contracts
- Hubs do not reflect total supply and demand on the market
- Long-term difference between hubs and long-term contracts prices is combined value of flexibility and security
- TTF and even NBP have strong correlation with Gazprom Prices (with coefficients of 0.79 and 0.75, respectively)
- The Hybrid model, which has been in existence for a number of years, fully reflects the reality and needs of the European market

Hubs Liquidity

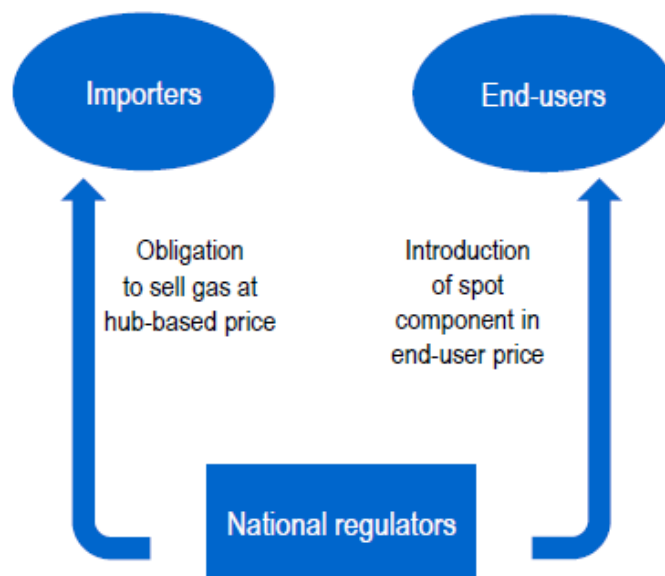


Gazprom invest in storages to support reliable and sustained gas supply, only based on LT contracts , oil related prices and take-or-pay commitments



European Regulators Policy in Gas Price Setting

Governments or regulators artificially setting spot indexation



Promotion of unfair competition ("free-riding")



- "Free riders" produce no gas and have no import contracts. They do not pay full cost for gas storage and structuring of deliveries

Legal conditions should procure that storages support competition and will be used efficient without imposing costs on consumers

- Storages must support efficient trading and competition
- Market and regulatory conditions should provide proper incentives for customers to react on price fluctuations via demand side response
 - Oil related gas prices do not provide the proper incentives
- Preventing situations that storages could be abused by producers
- Regulated instead of negotiated TPA for gas storage facilities
- Develop more alternative measures for flexibility like LNG,
- Decrease dependence of imported gas by stimulating domestic gas production
 - shale gas
 - Bio gas
- Introduce obligatory rules on gas storage via the security of supply regulation

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