

# Gas - perspective source of growth for Rosneft



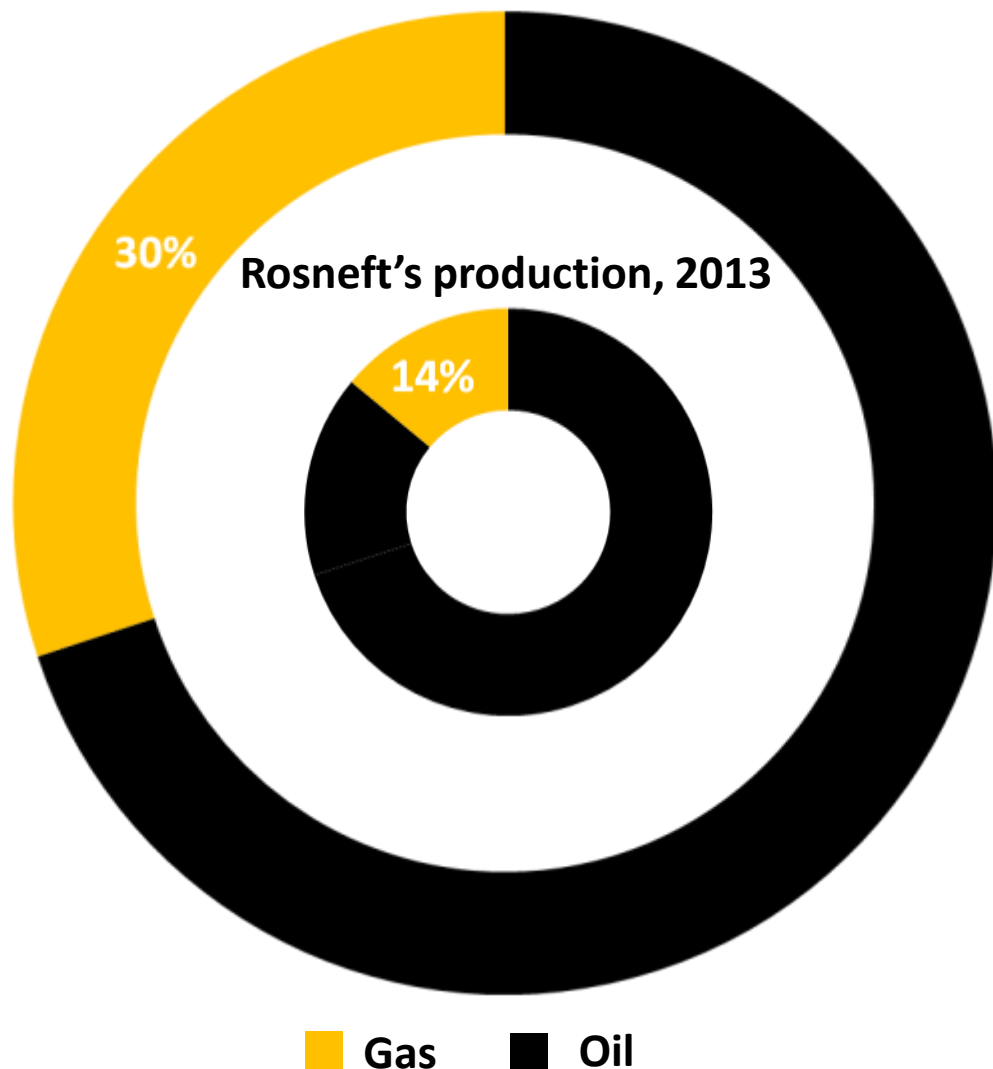
Vlada Rusakova  
Vice-President  
Rosneft

November 2013

# Strategy of gas business growth for Rosneft



Rosneft's reserves, 2013



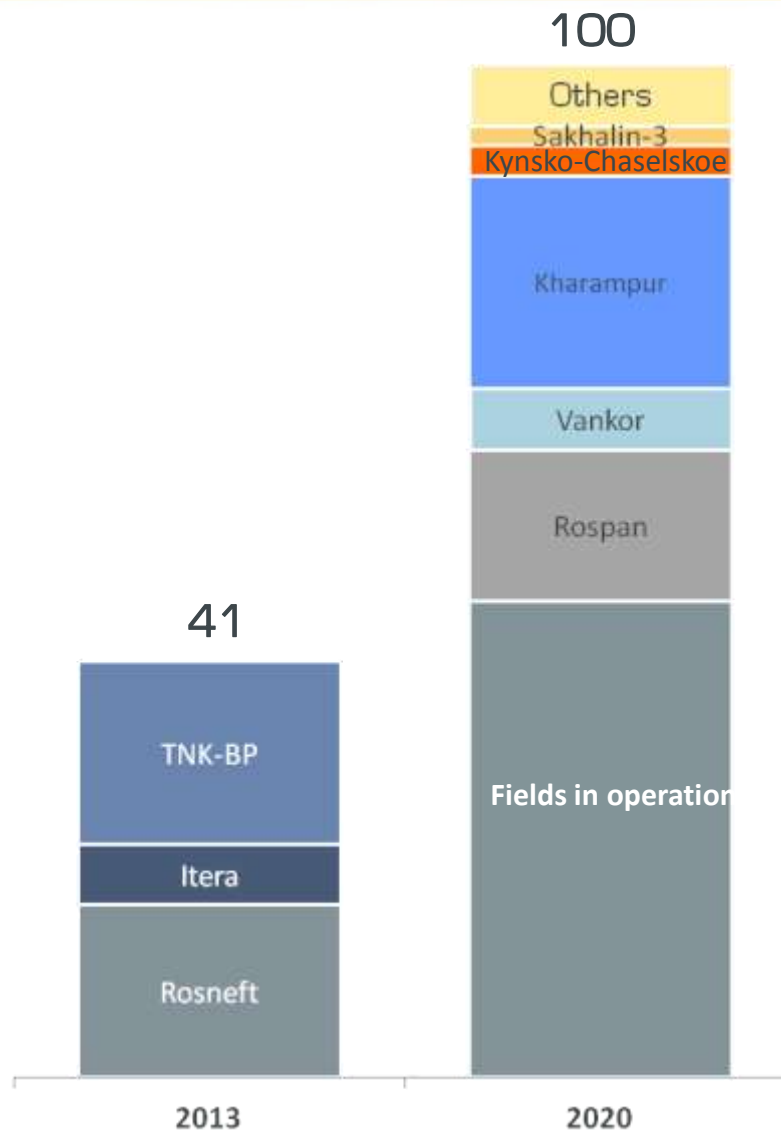
- Gas production growth will allow to monetize gas reserves of Rosneft, increase capitalization of the Company and provide additional income for the budget of Russian Federation.
- Appearance of strong competitor in domestic market will provide stimulus to gas industry efficiency increase in Russian Federation.

# Rosneft Gas Business Development



## Current gas business

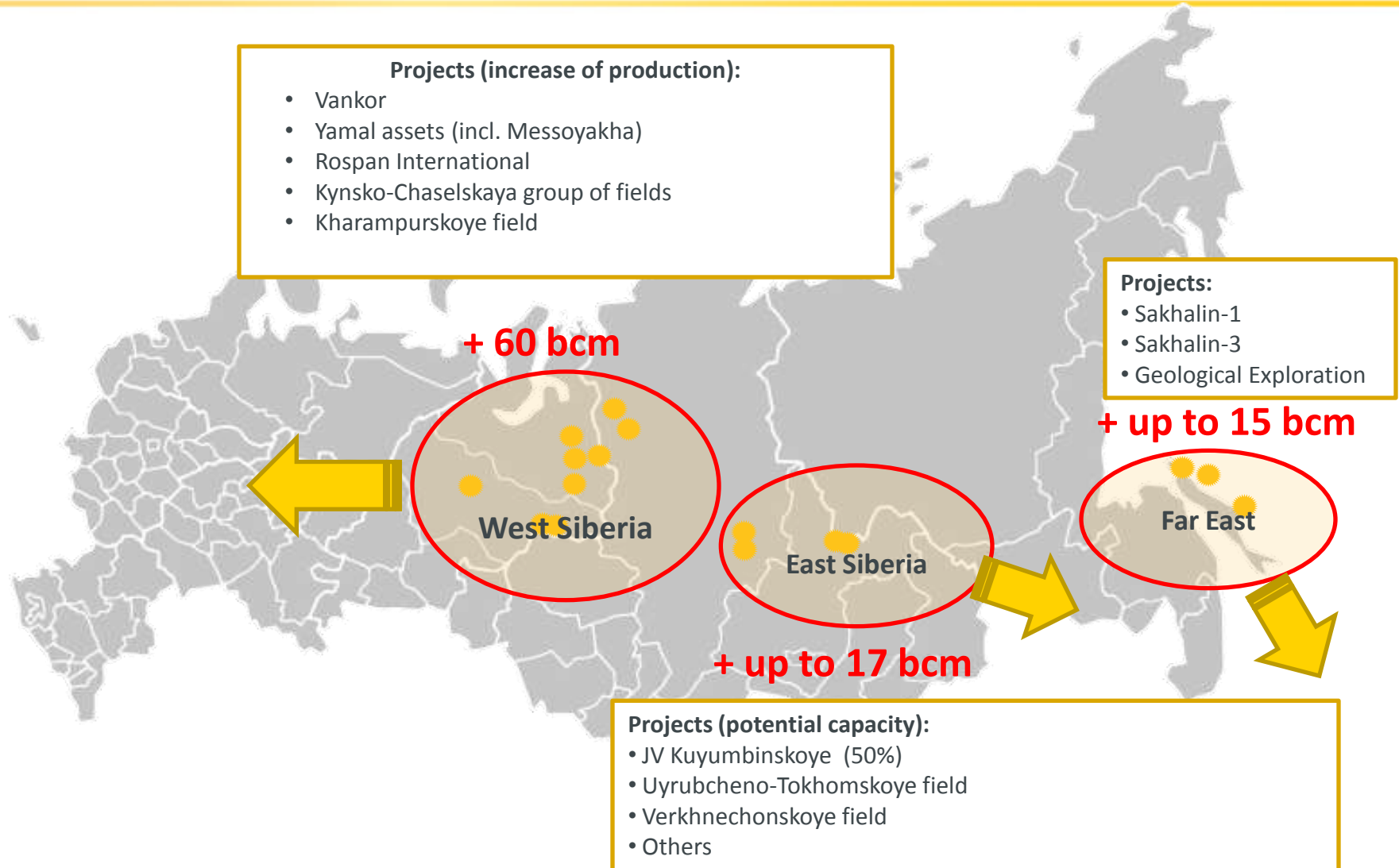
- Company's share in the domestic market – 10%
- Gas production - 41 BCMA
- Gas reserves - 6,1 TCF (1/3 of total hydrocarbon reserves)
- 100% Consolidation of TNK-BP and Itera – regional distribution chain
- More than 80 BCMA is contracted on long-term basis



## Strategic goals

- Gas production – 100 BCMA by 2020
- Start LNG production and export - 5 MTPA from 2018
- Development of new offshore gas production centers in Arctic and Far East
- Perform vast exploration program in cooperation with strategic partners
- Achieve 95 % level of associated petroleum gas usage
- Development of new technologies including unconventional gas production

# Perspective source of growth for Rosneft

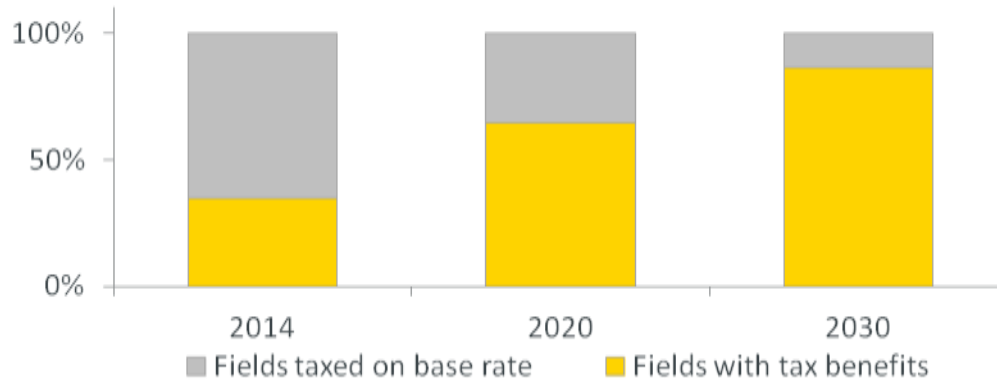


# Recently passed Federal Law establishes formula-based Mineral Extraction Tax (MET) for gas and condensate

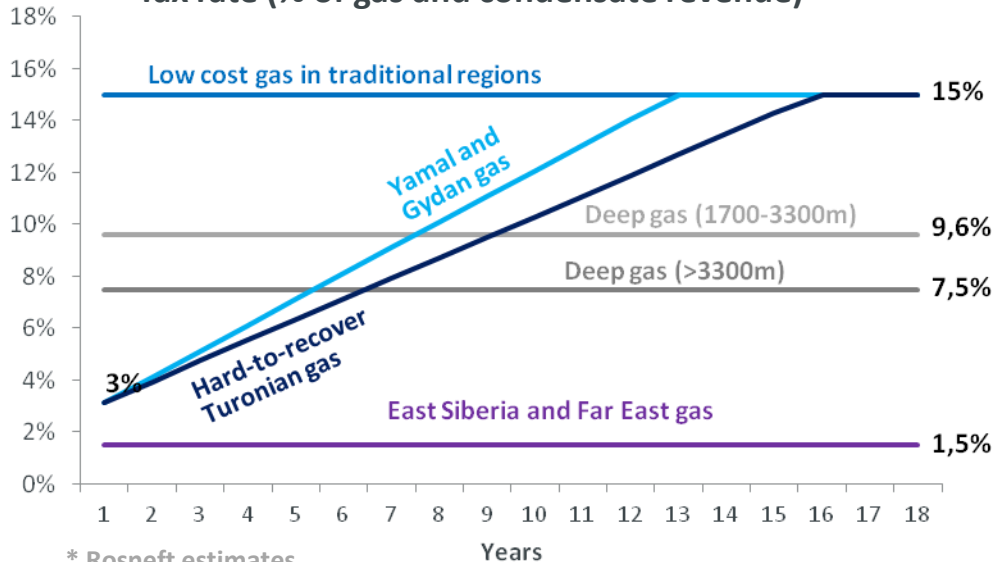


$$\text{MET} = 15\% * \text{Revenue} * K_{\text{reduction}} - \text{Transport coef.}$$

Russia gas production breakdown\*



Tax rate (% of gas and condensate revenue)



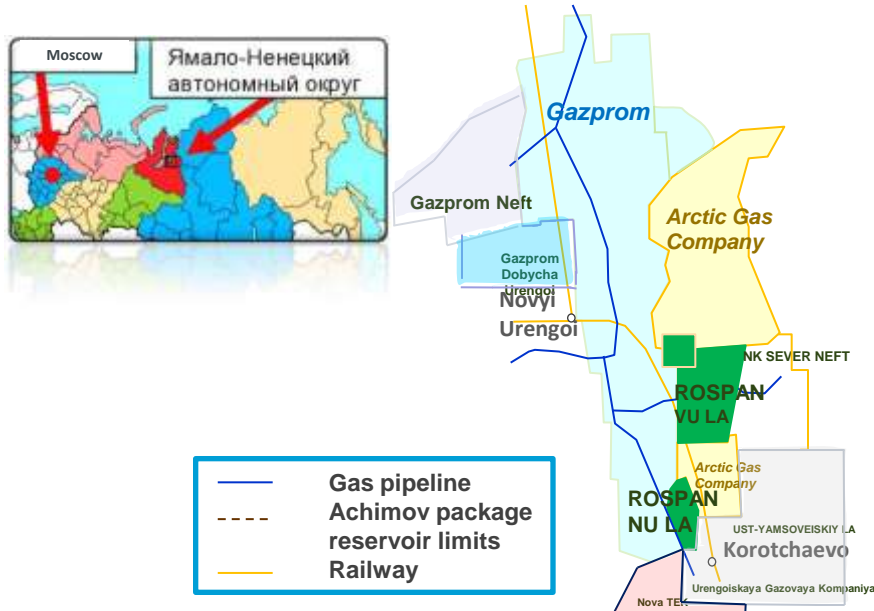
## Implications for Gas Industry

- ✓ New clear and transparent taxation rules for gas producers
- ✓ Taxation regime depends on specific parameters of gas fields
- ✓ More favorable conditions for both legacy fields (tax relief for depleted fields) and new projects:
  - Deep gas
  - Hard-to-recover Turonian gas
  - Gas in frontier regions:
    - Yamal and Gydan fields
    - East Siberia and Far East
- ✓ Protection against transportation tariff growth through transport coefficient (50% compensation of “over-inflationary” growth)

**Gas industry becomes  
more attractive for investors**



### Map



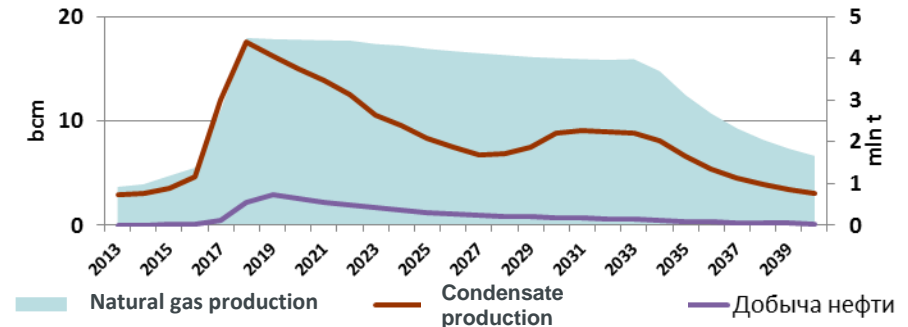
### Main points

- ROSPAN –Vostochno-Urengoiskiy and Novo-Urengoiskiy license areas FFD project
- The assets are located in the north of the Yamalo-Nenetskiy Autonomous Area, 40 km East to Novy-Urengoy
- The current gas production is 3.4 bcma which will be increased to 18 bcma according to the project development plan by 2018
- More than 300 production wells are planned to be drilled

### Reserves

	Current recoverable					
	GC+FG, bcm			Condensate+Oil, mln t		
	ABC <sub>1</sub>	C <sub>2</sub>	Total	ABC <sub>1</sub>	C <sub>2</sub>	Total
<b>Total</b>	556	419	975	95	102	197

### Production profile





# Kharampurskoe field

## Map



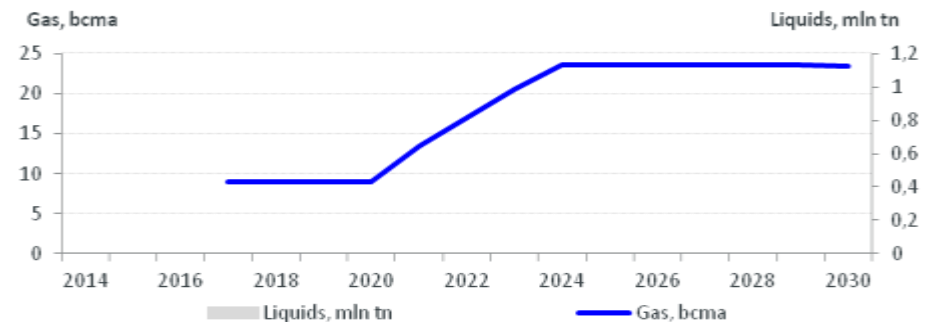
## Reserves

<i>bcm</i>	Total	Turon (T)	Senoman (PK1)
Gas (C <sub>1</sub> )	685,2	602,4	190,1
Gas (C <sub>2</sub> )	199,8	82,8	8,9
<b>7 Total</b>	<b>885</b>	<b>685,2</b>	<b>199,8</b>

## Main points

- Kharampurskoe field is situated in Purovsky district of YaNAO, 190 km south-east to Gubkinsky
- Discovered in 1979, oil development began in 1990, current production ~ 1 mln tn per annum
- ~80 exploration wells drilled, full coverage of 2D and 3D seismic
- 2 development stages:
  - 2017-2020: senoman development and pilot production of turon layers – 9 bcma;
  - 2021+ turon layers full development – 24 bcma,
- >600 development wells to be drilled

## Production profile

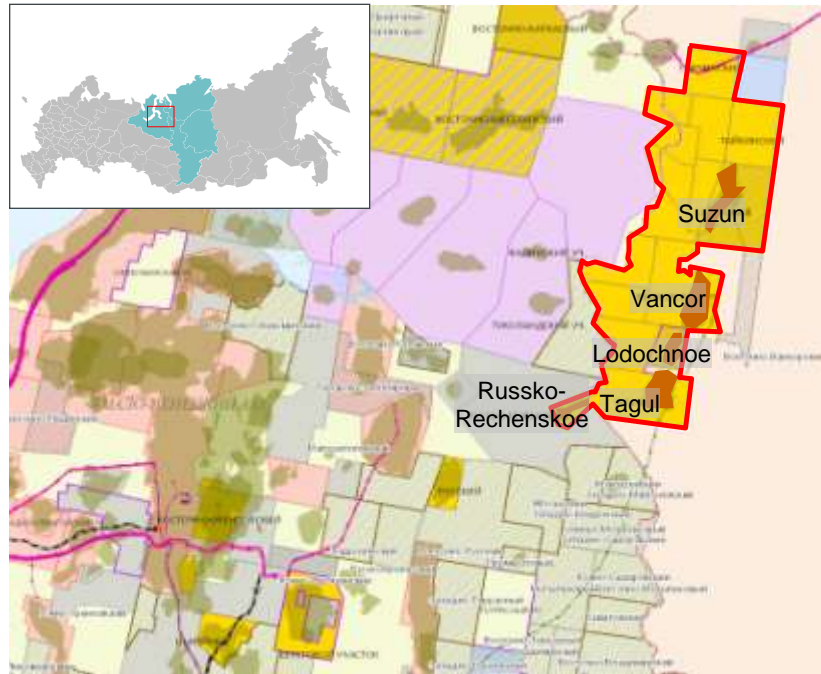






# Vankor

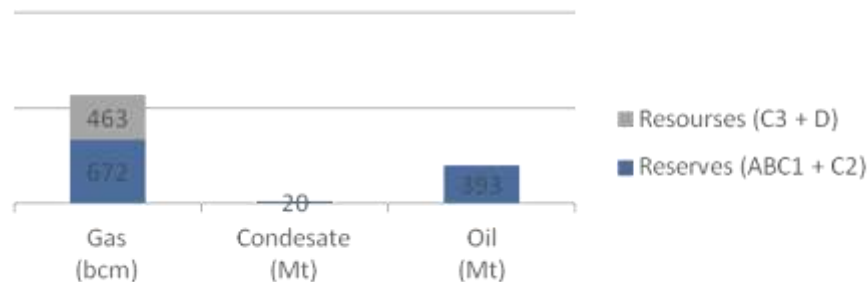
## Map



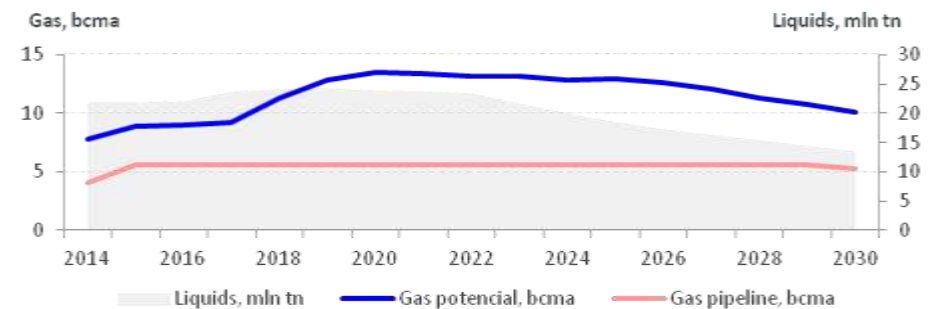
## Main points

- Vankor assets includes Vancor, Suzun, Lodochnoe, Tagul and Russko-Recheskoe fields as well as a lot of exploration license areas.
- The assets are located in the north of the Krasnoyarsk region and Yamalo-Nenetskiy Autonomous Area.
- The current gas production is 4.1bcma restricted by current pipeline system. It could be increased up to 13.5 bcma.
- Vancor started production in 2009 and now produces 22Mt oil and condensate. First gas will be sold trough Lukoil pipeline in 2014

## Reserves

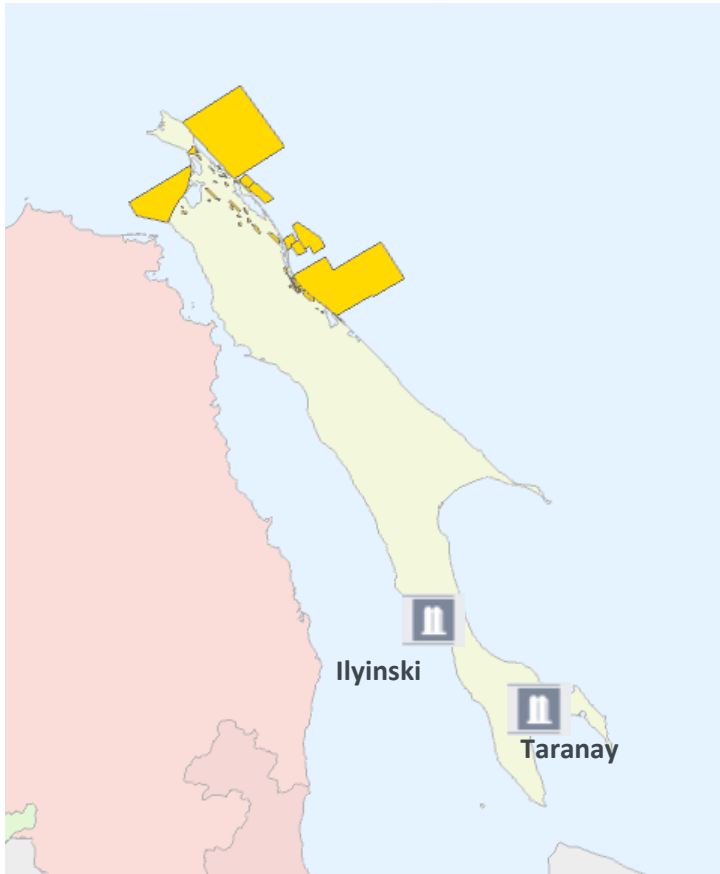


## Production profile





# Russian Far East LNG




## Resource base:

Rosneft 119 bcm  
Sakhalin-1 458 bcm



## LNG plant configuration:

- ▶ 1 train, production capacity 5 mtpa
- ▶ Possible construction of the 2<sup>nd</sup> train, potential to double production
- ▶ Location – Sakhalin island
- ▶ Launch in 2018

 Possible location of Russian Far East  
LNG  
Resource base

# Extending the frontiers of gas production to offshore



## Federal Law №268 stimulating offshore hydrocarbon production in Russia

- ✓ Gas MET reduced to 1% and 1,3% for Arctic and sub-Arctic shelf
- ✓ Export duty holidays depending on the location of the gas field
- ✓ Property tax exempt and VAT on property exempt



## Development of shelf resources

- ✓ New regime will attract investments in development of vast offshore gas resources exceeding 23 tcm
- ✓ New law for LNG export liberalization expected to be finalized in 2013, allowing to monetize offshore resources
- ✓ Rosneft is going to become emerging LNG producer, solidifying positions of Russian Federation on the global LNG market. Potential creation of Arctic and Far Eastern centers of LNG production.
- ✓ Experienced partners in offshore resources development: ExxonMobil, Statoil, ENI, INPEX, Sinopec, Petrovietnam

Additional value creation opportunity opened for Rosneft

**Thank You for Attention!**



# **GAS ENERGY FOR GROWTH**

