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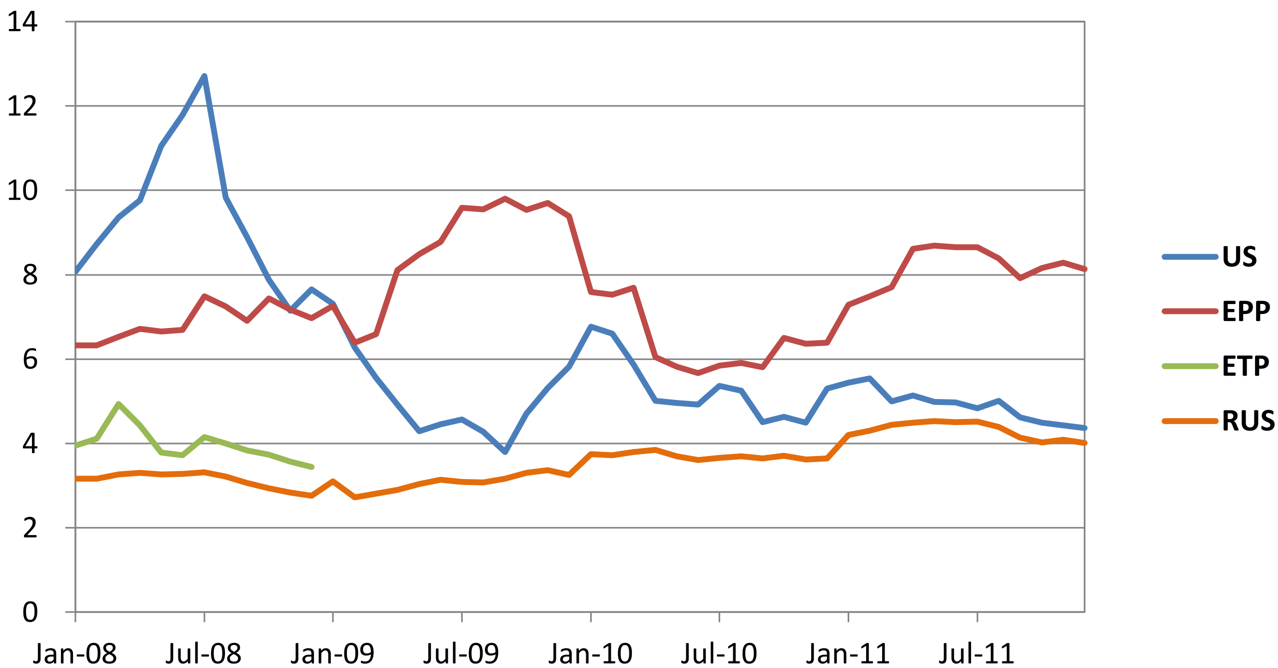
End-Use Natural Gas Prices Paid by Industrial Consumers in Russia and the US Get Close

In December 2011, the end-use price of natural gas paid by non-residential consumers in Russia was just 8% lower than the industrial price in the USA. On July 1, 2012, the wholesale price of Gazprom will be raised by 15%. From July, Russian industrial price of gas is very likely to exceed the American one.

Industrial end-user price of natural gas in 2008-2011, USD/MMBtu



Note: These prices are considered to be total prices inclusive of all tax, delivery, commodity, demand and other charges.

In the chart, **US** means industrial price in the US as reported by EIA. **EPP** is the export parity price (the target regulated wholesale price of Gazprom) plus tax, distribution and demand charges. **ETP** is the reported price of electronic trading (closed in December 2008) plus tax, distribution and demand charges; **RUS** - price paid by non-residential consumers using from 1 to 10 million m3 per year as reported by the Federal Tariff Service of Russia.

According to the Russian government, the export parity price of gas for non-residential consumers is twice higher than the actual. The government plans to reach the EPP level by 2015. Despite being "one of the main features of a civilized gas market", the electronic trading (gas exchange) experiment has resulted in prices much lower than those of the governmental decree, and the gas exchange was closed.

Finally, in 2010, the difference between the US and Russian end-use prices was less than 30%, so the IEA number for the gas consumption subsidies in Russia may be overestimated.

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