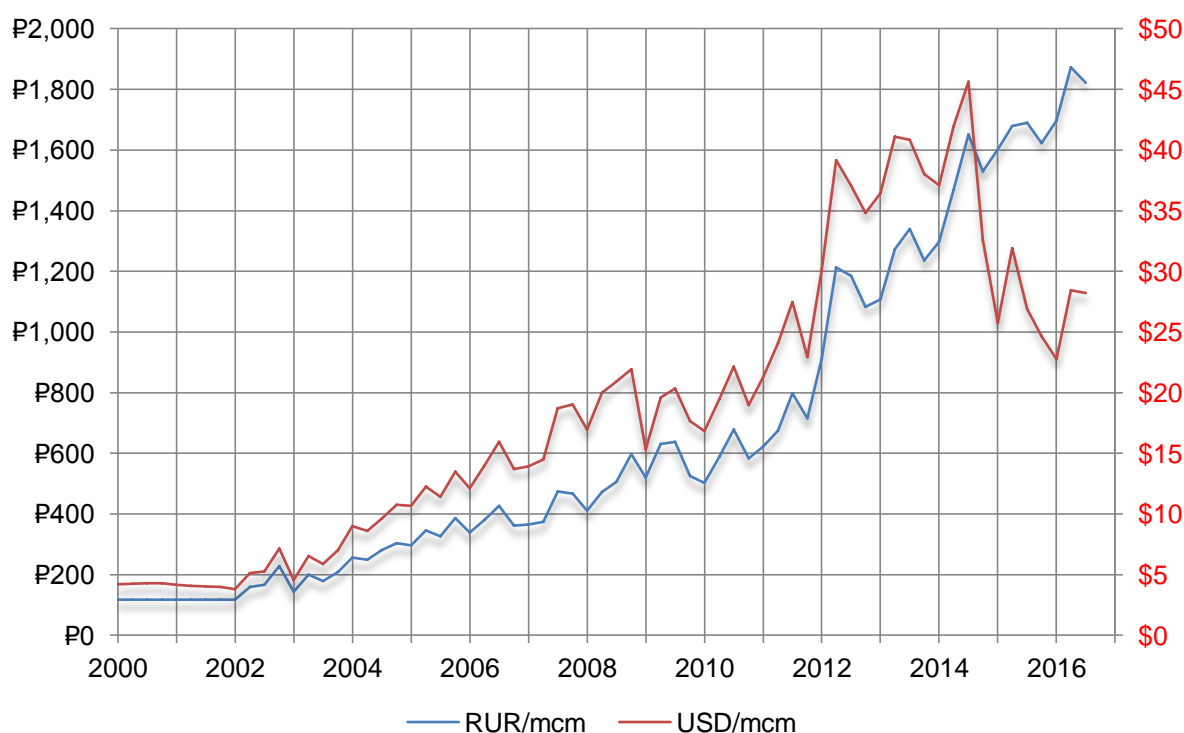


Gazprom reports average gas production cost at \$28.21/mcm

According to the segment information of the financial report of Gazprom for January-September 2016, the average production cost of natural gas in Q3-2016 was at ₺1823 per 1000 cubic meters (mcm) or \$28.21/mcm or \$0.88/MMBtu. In Q3-2015, Gazprom reported ₺1690/mcm or \$26.90/mcm or \$0.84/MMBtu, respectively.

The average US dollar rate in Q3-2016 was ₺64.62 compared with ₺62.85 in Q3-2015.

Figure 1. Average Gas Production Cost of Gazprom per 1000 cub m



Sources: Annual and quarterly financial reports of Gazprom.

Notes: (1) There are no quarterly data for 2000-2001;

(2) Dollar costs are based on the average exchange rate of the corresponding period.

The average cost in in the period of January-September 2016 is reported at ₺1788/mcm or \$26.21/mcm or \$0.82/MMBtu compared with ₺1652/mcm or \$27.99/mcm or \$0.87/MMBtu in the same period of 2015. Russia's Central Bank reported the average US dollar rate in January-September 2016 at ₺68.22 and at ₺59.02 in January-September 2015.

The average price of gas sold out of the former Soviet Union in Q3-2016 is reported at \$162.5/mcm and to the former Soviet countries at \$147.2/mcm. The average price of gas sold outside of Russia can be calculated at \$161.0/mcm. Notably, Russia's Federal Customs Service (FCS) reported the average price of gas exported out of Russia in Q3-2016 at \$149.7/mcm (FCS reports only gas produced in Russia).

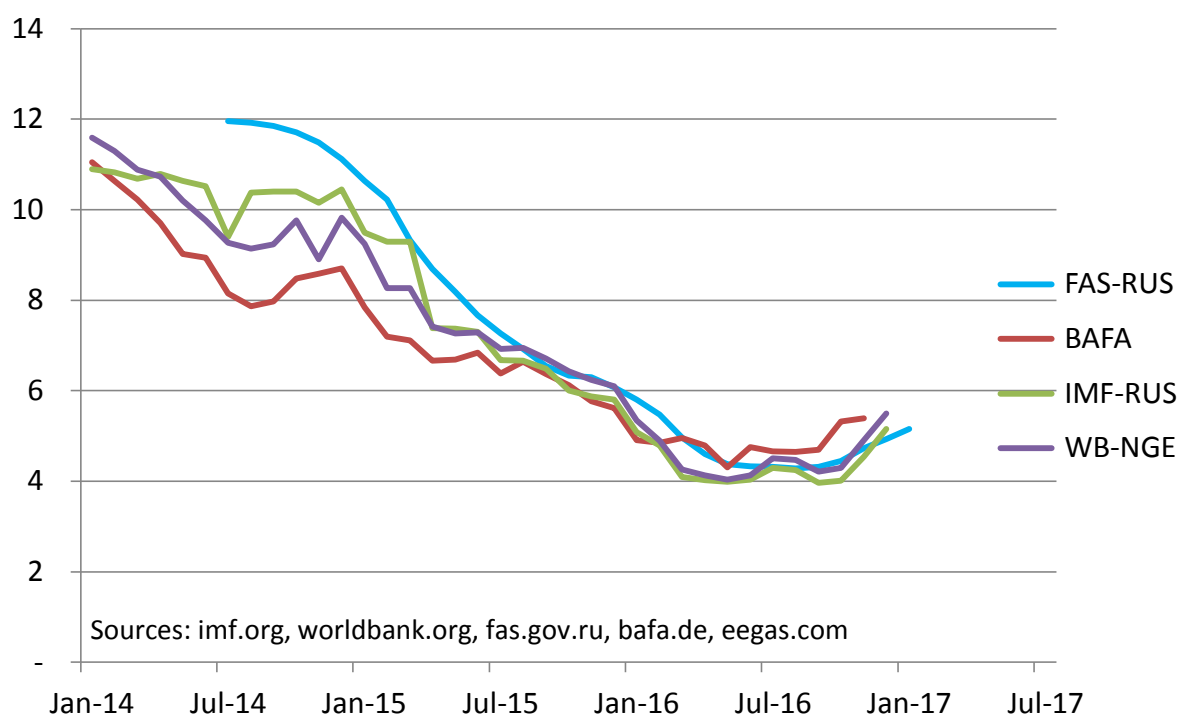
Table 1. Natural Gas Exports out of Russia

	Jul 2016	Aug 2016	Sep 2016	Q3-2016
Volume, bcm	13.8	14.4	15.9	44.1
Value, USD mill	2,075.5	2,198.6	2,329.2	6,603.3
Ave price, \$/mcm	150.4	152.7	146.5	149.7

Sources: http://www.customs.ru/attachments/article/23830/WEB_UTSA_01.xls.
http://www.customs.ru/attachments/article/23959/WEB_UTSA_01.xls;
http://www.customs.ru/attachments/article/24168/WEB_UTSA_01.xls
http://www.customs.ru/attachments/article/24327/WEB_UTSA_01.xls.

Gazprom and FCS use different standards of heating value of natural gas..

Figure 2. Selected Prices of Natural Gas in Europe, \$/MMBtu



Russian Federal Antimonopoly Service, BAFA, International Monetary Fund and World Bank reported European prices of gas in September 2016 at \$4.31, \$4.70, \$3.96 and \$4.21/MMBtu respectively.

Mikhail Korchemkin
 East European Gas Analysis
 Malvern, PA 19355
 USA

Reproduction or use of materials is allowed only with the reference to East European Gas Analysis or www.eegas.com