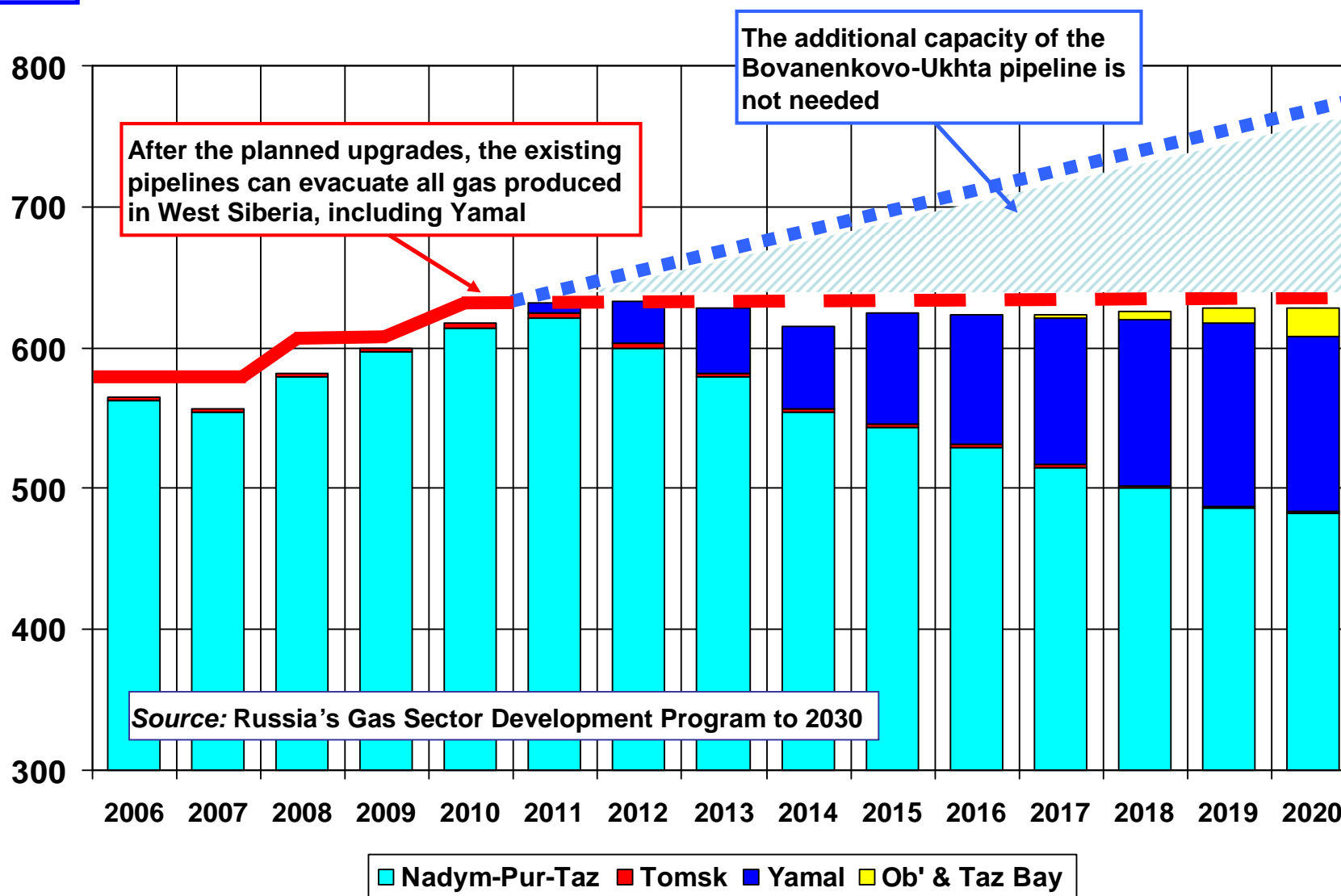


Excessive Pipeline Investment Plan Can Be Reduced by \$50-70 Billion



- Current pipeline expansion plan of Gazprom for the period to 2020 is based on too optimistic assumptions.
 - Domestic and export sales are expected to show a steady growth.
- Many domestic and export pipelines are not required even at the maximum scenario of Gazprom.
 - After an upgrade, West Siberian pipelines of Gazprom can evacuate all gas produced in the region, including new gas from Yamal peninsula.
 - A short 530-km route from Yamal to West Siberia can be taken instead of the 2324-km route to Ukhta and Torzhok.
- The economic crisis highlights the excess of planned pipeline capacity over the anticipated sales of gas.
- Gazprom and its partners can reduce the construction plan by some 11000 km of pipeline or by \$50-70 bn in the prices of June 2008.
 - Does Gazprom want to reduce investment costs?

Gas Production in West Siberia – Low Case, bcm



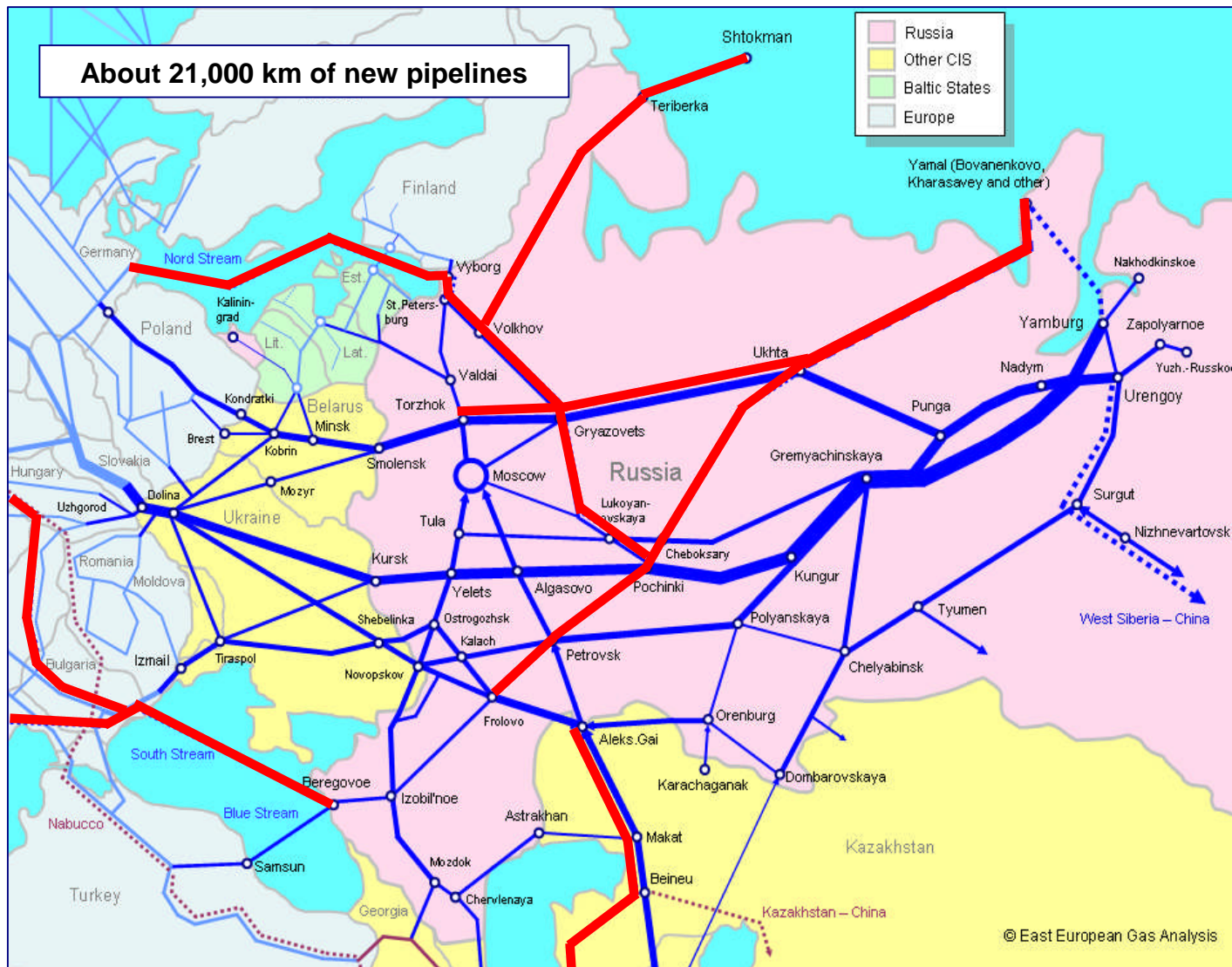
Russia's Gas Consumption and Exports: Low Case of Gazprom, bcm

	2007	2008	2009	2010	2015	2020
Service area of Gazprom in Russia	406	428	438	451	444	449
Europe and Turkey (pipeline gas)	154	161	165	167	219	220
Former Soviet Union	90	88	93	93	93	98
Total:	650	677	696	710	756	767

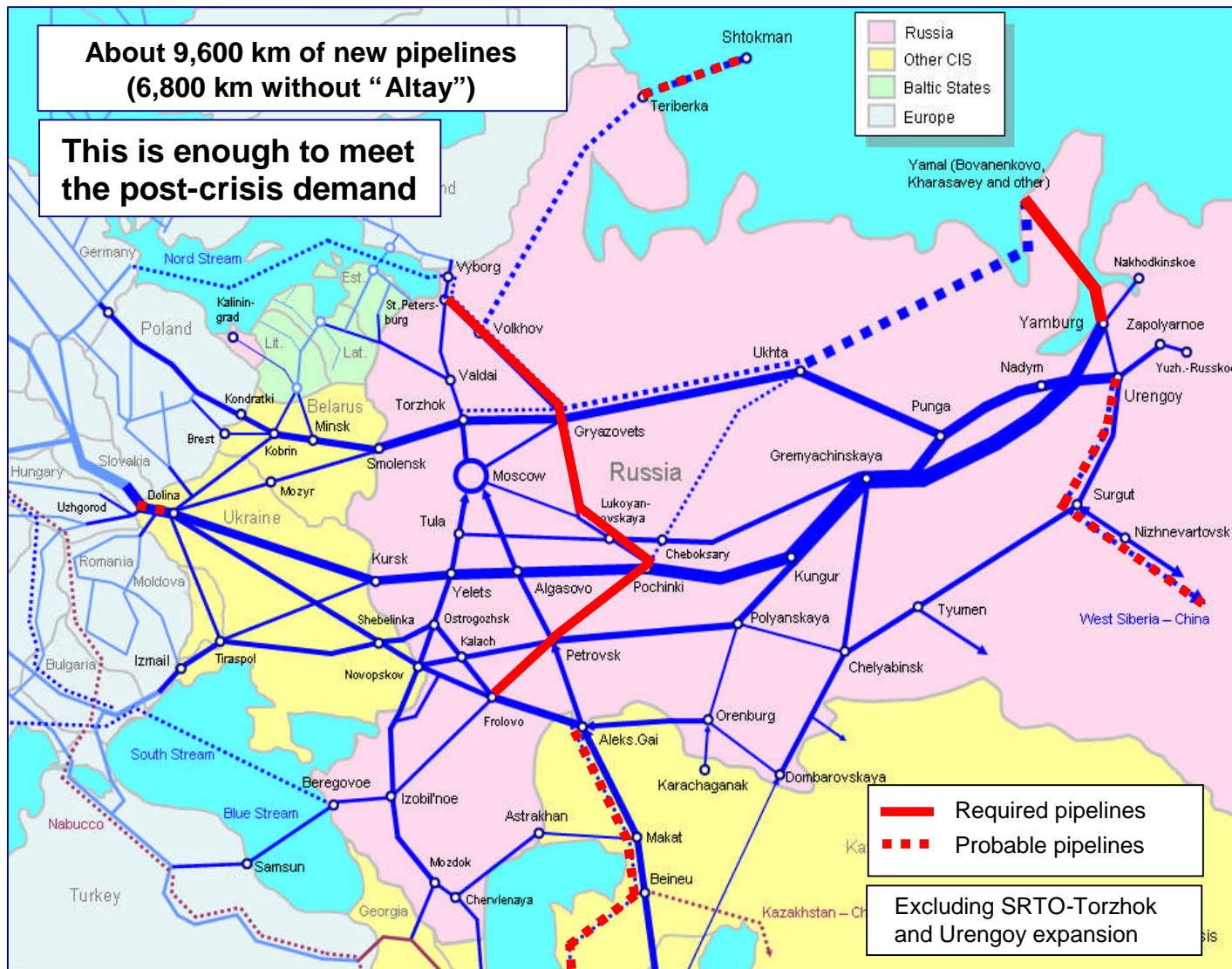
Source: Russia's Gas Sector Development Program to 2030

- **Low Case scenario was made before the economic crisis of 2008.**
- **The crisis has already hit gas consumption in all markets of Gazprom.**
 - In October 2008, Ukrainian metallurgy consumed 40% less gas than a year ago.
 - In October 2008, Russian companies produced 20% less cement than a year ago; production of steel dropped by 19%, rolled steel by 22%.
- **The European Commission has proposed a new energy package that can result in significantly lower growth of the EU gas imports.**
 - Any reduction of gas consumption in the EU will result in lower imports from Russia.
- **In 2009-2010, the demand for pipeline gas in all markets of Gazprom will be 30-60 bcm lower than anticipated in the Low Case scenario.**
 - It will result in lower production and lower gas flows from West Siberia and Yamal.
 - Gazprom can cut its pipeline construction program by over 50%.

Pipeline Construction Plan of Gazprom



Realistic Construction Plan



Plan of Gazprom Versus Realistic Plan

Pipeline (number of lines)	Plan of Gazprom		Realistic plan	
	1 line, km	total, km	1 line, km	total, km
Bovanenkovo-Ukhta (3)	1,024	3,072	-	-
Bovanenkovo-Yamburg (3)	-	-	530	1,590
Ukhta-Torzhok (2)	1,300	2,600	-	-
Ukhta-Cheboksary (1)	940	940	-	-
Ukhta-Pochinki (1)	1,140	1,140	-	-
Pochinki-Frolovo (1)	610	610	610	610
Shtokman-Murmansk (3 or 2)	555	1,665	555	1,110
Murmansk-Volkhov (1)	1,365	1,365	-	-
Gryazovets-Vyborg (1)	917	917	917	917
Pochinki-Gryazovets (1)	638	638	638	638
Nord Stream (2)	1,200	2,400	-	-
South Stream (1)	3,700	3,700	-	-
"Altay" - W.Siberia-China (1)	-	-	2,800	2,800
Caspian pipeline (1)	1,700	1,700	1,700	1,700
Bogorodcahny-Uzhgorod (1)	-	-	234	234
TOTAL:		20,747		9,599