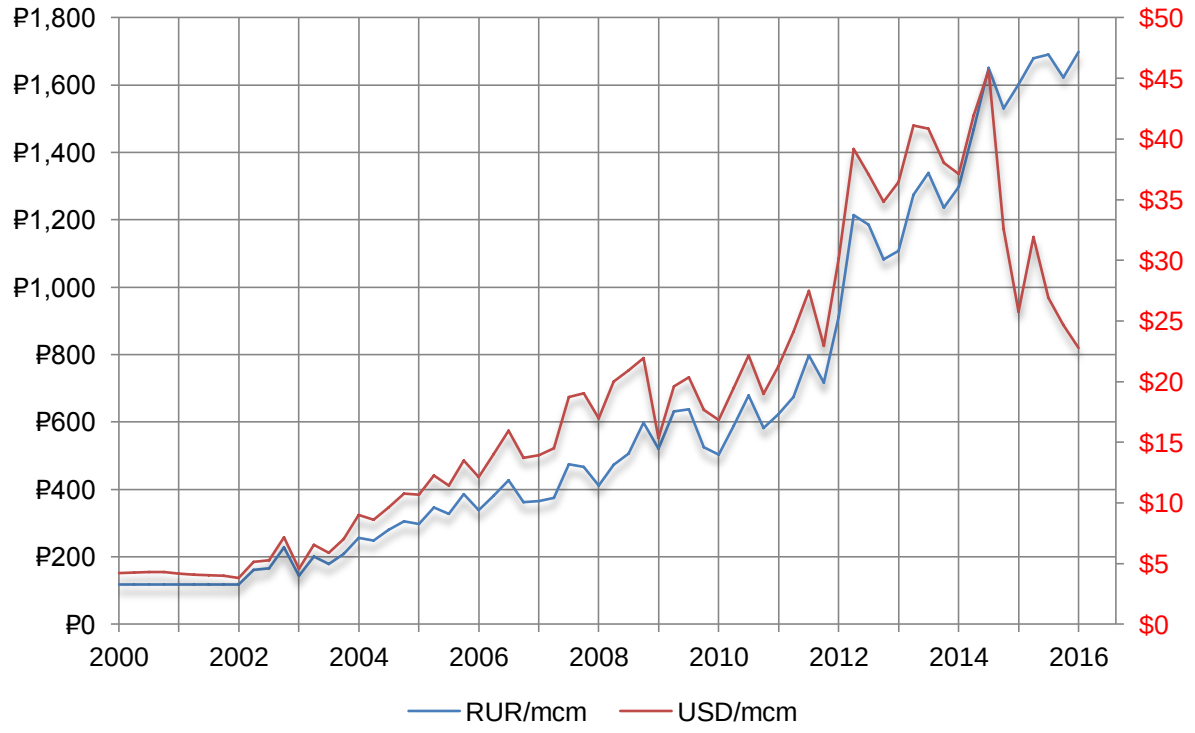
Average gas production cost of Gazprom drops to $0.7/MMBtu

Based on the segment information presented in the financial report of Gazprom for January-March 2016, the average production cost of natural gas in Q1-2016 can be calculated at ₽1698 per 1000 cubic meters (mcm) or $22.76/mcm or $0.71/MMBtu.

The average cost of 2015 was reported at ₽1643/mcm or $27.09/mcm and $0.84/MMBtu. The cost in US dollars is affected by the devaluation of Russian ruble. The average US dollar rate in 2015 was ₽60.66 compared with ₽74.59 in Q1-2016.

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

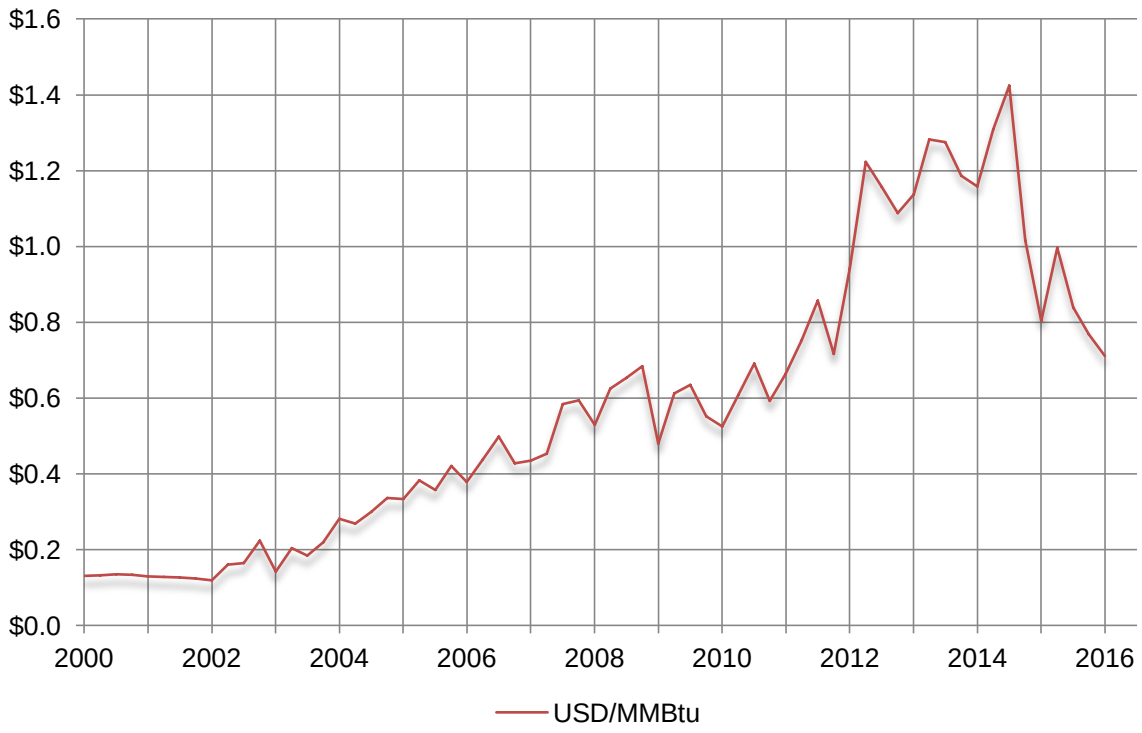


Sources: Annual and quarterly financial reports of Gazprom.
Notes: (1) There are no quarterly data for 2000-2001;
(2) Dollar costs are based on the average exchange rate of the corresponding period.

In Q1-2016, Russian Ruble was at the lowest point against the US dollar - ₽74.59 per $1.00. The Central Bank of the Russian Federation reported the average US dollar rate for Q2-2016 at ₽65.88. Therefore, the next report of Gazprom is very likely to show an increase of production cost in both Russian Rubles and US dollars.

The average price of gas sold out of the former Soviet Union in Q1-2016 is reported at $187.5/mcm or $5.9/MMBtu. The IMF estimated the price of Russian gas at the border of Germany at $5.09/MMBtu in January and at $4.09/MMBtu in March 2016.

Figure 2. Gas Production Cost of Gazprom per Million BTU



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.

Cubic meters are converted to British thermal units with the help of official conversion factors of the IFRS reports of Gazprom.

1000 cubic meters of Gazprom = 32.056 MMBtu

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