



Flame 2008: Russia & The Caspian

Russia's Future Supply/Demand



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Hotel Okura, Amsterdam
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Supply and Demand – A tight balancing act

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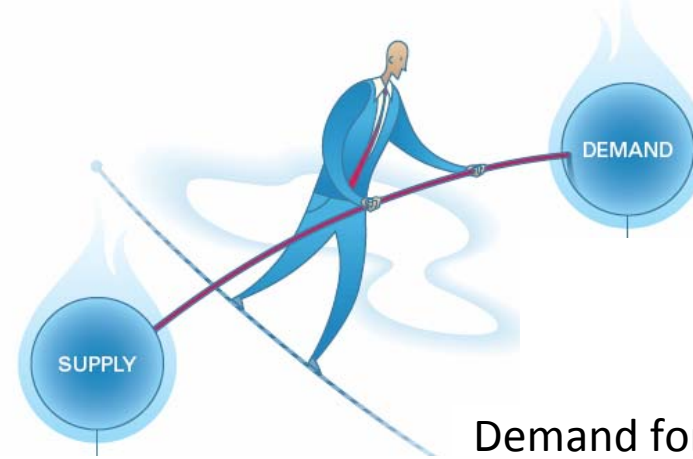
- changes in the balance of oil and gas supply and demand in Russia and Europe;
- the effects of domestic and international oil and gas price volatility and changes in regulatory conditions, including prices and taxes;
- the effects of competition in the domestic and export oil and gas markets;
- our ability to successfully implement any of our business strategies;
- the impact of our expansion on our revenue potential, cost basis and margins;
- our ability to produce target volumes in the face of restrictions on our access to transportation infrastructure;
- the effects of changes to our capital expenditure projections on the growth of our production;
- inherent uncertainties in interpreting geophysical data;
- commercial negotiations regarding oil and gas sales contracts;
- changes to project schedules and estimated completion dates;
- potentially lower production levels in the future than currently estimated by our management and/or independent petroleum reservoir engineers;
- our ability to service our existing indebtedness;
- our ability to fund our future operations and capital needs through borrowing or otherwise;
- our success in identifying and managing risks to our businesses;
- our ability to obtain necessary regulatory approvals for our businesses;
- the effects of changes to the Russian legal framework concerning currently held and any newly acquired oil and gas production licenses;
- changes in political, social, legal or economic conditions in Russia and the CIS;
- the effects of, and changes in, the policies of the government of the Russian Federation, including the President and his administration, the Prime Minister, the Cabinet and the Prosecutor General and his office;
- the effects of international political events;
- the effects of technological changes;
- the effects of changes in accounting standards or practices; and
- inflation, interest rate and exchange rate fluctuations.

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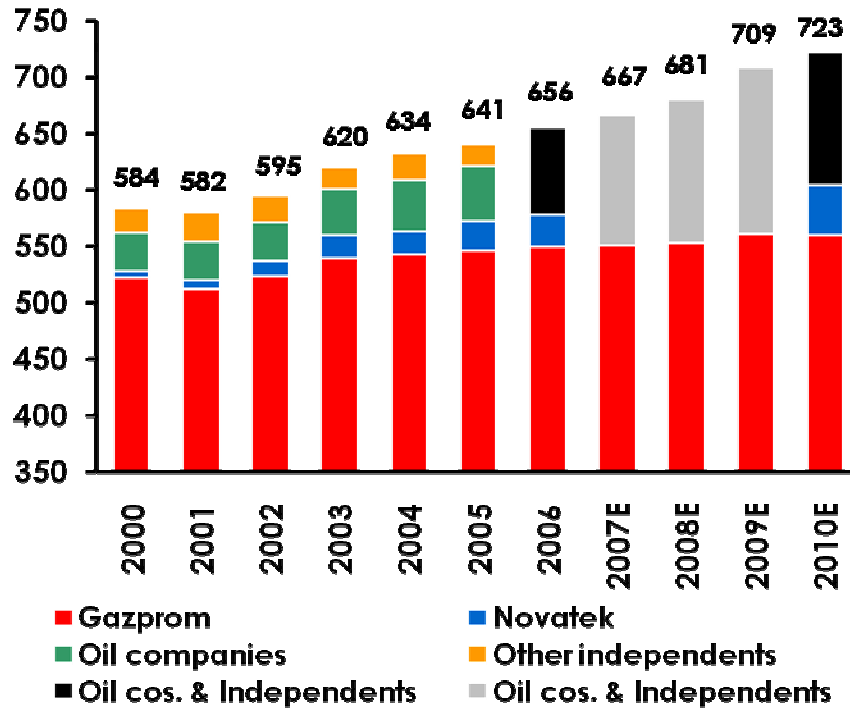
Supply and Demand – A tight balancing act

Slower to respond due to complexity of production, delivery and storage



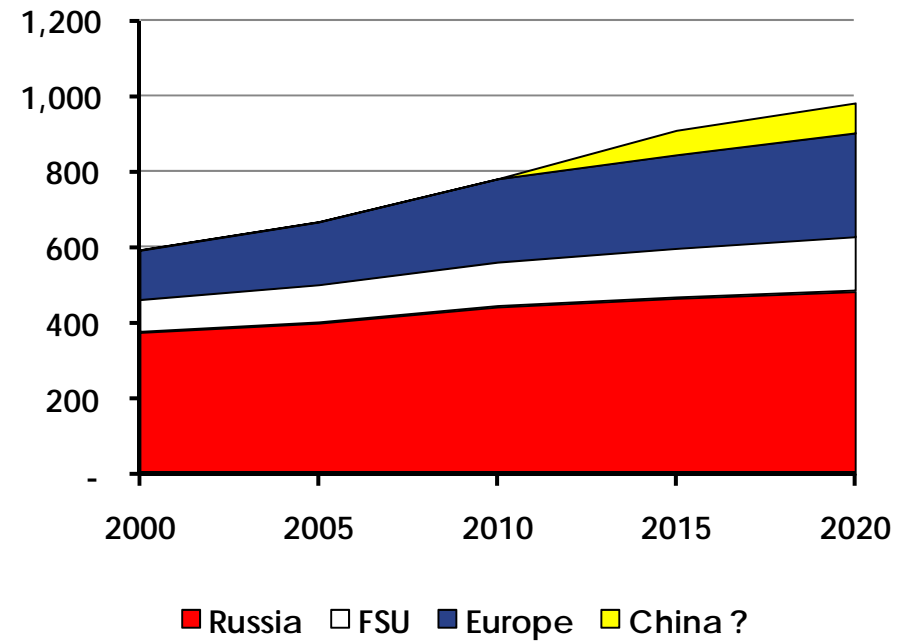
Can move quickly and dramatically, due to weather, economic activity and large volume customers (such as power generators)

Russian Gas Supply, bcm



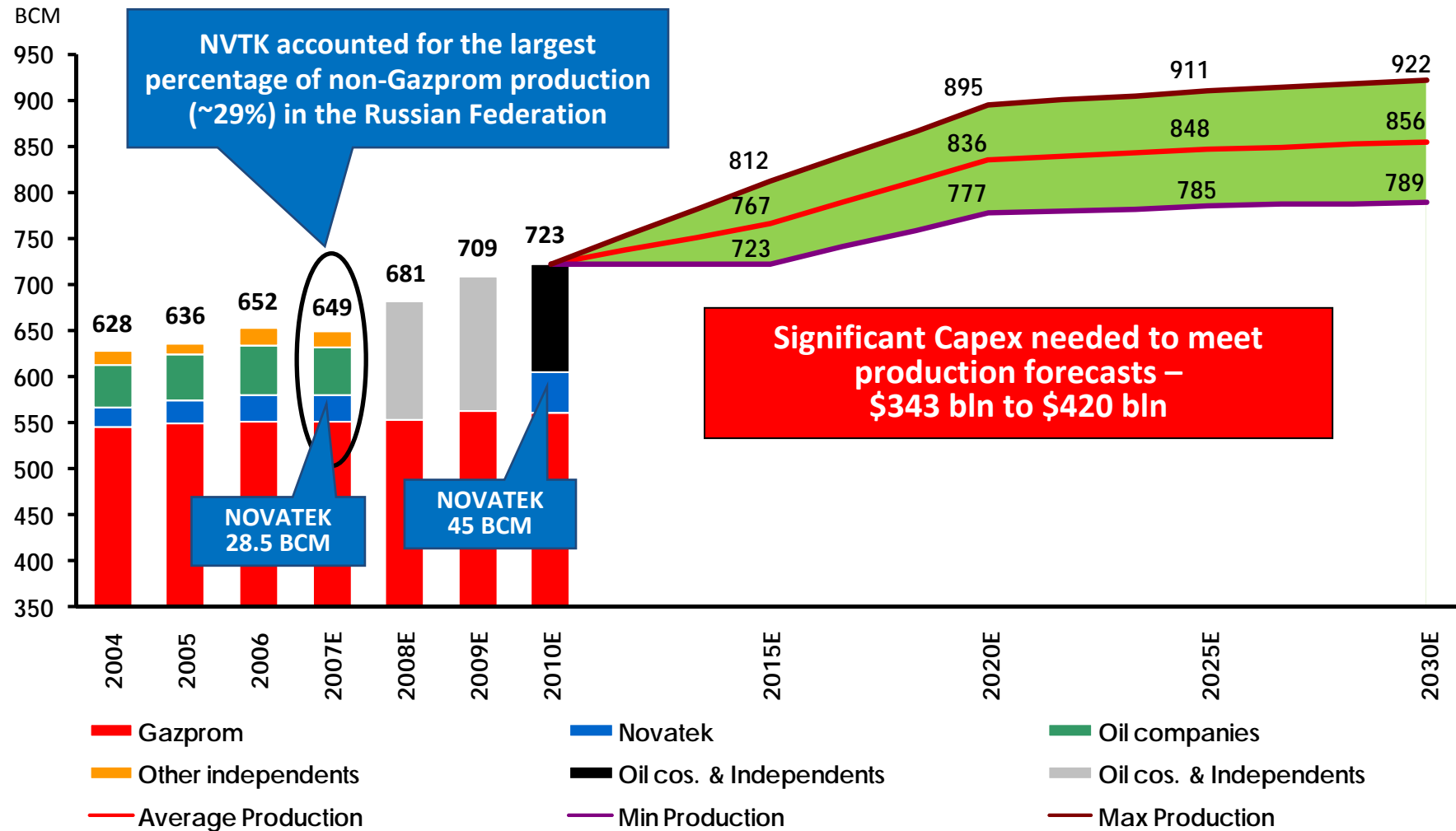
Source: UBS, "Russian Gas" July 2006; Company estimates

Demand for Russian Gas, bcm



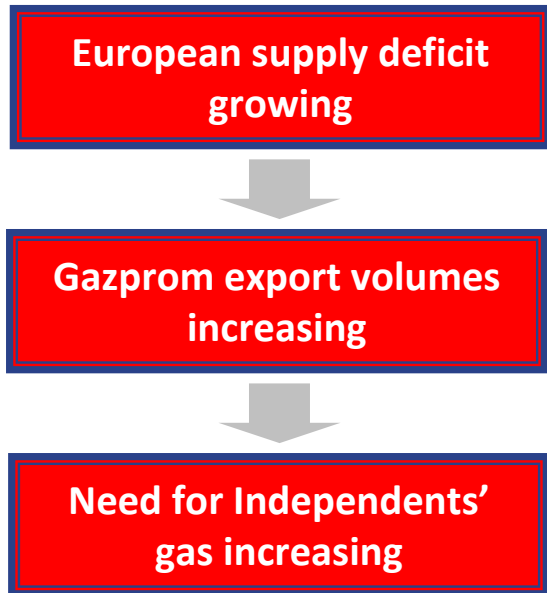
Source: Lambert Energy Advisory; RF supply estimates to China,

Russian natural gas production and forecasts

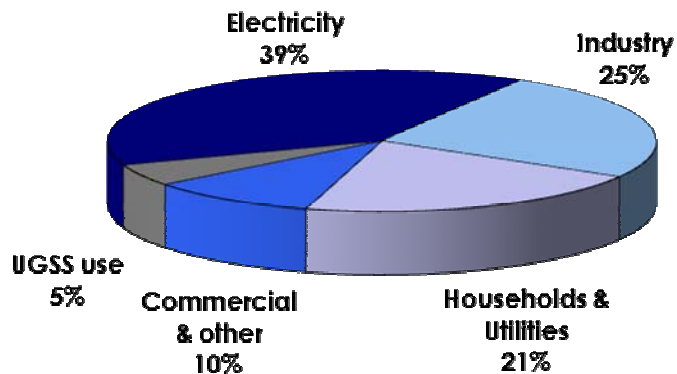


Source: UBS, "Russian Gas" July 2006, Russian Energy Strategy, 2007 and Company Data

Growing market share for independents

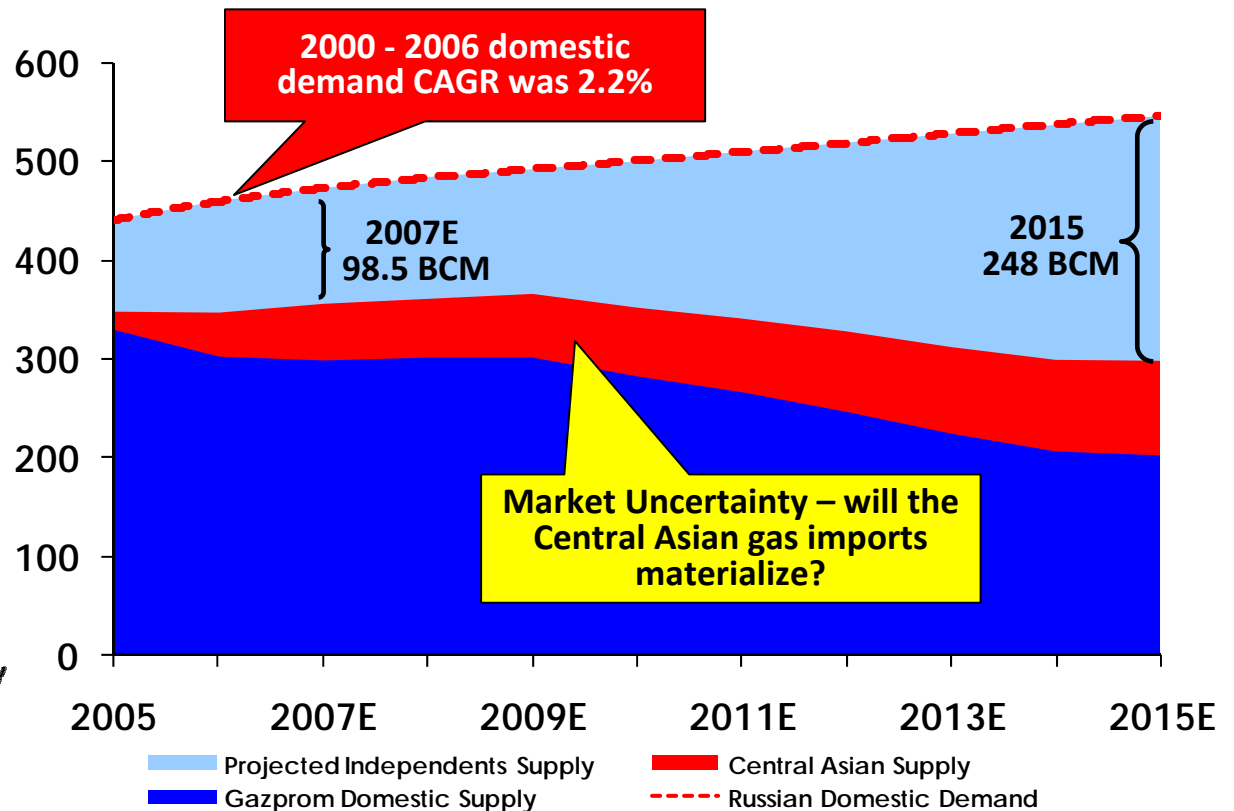


Gas consumption (%), 2007E



Source: Company estimates

Russian Gas Market: Demand, Supply, BCM

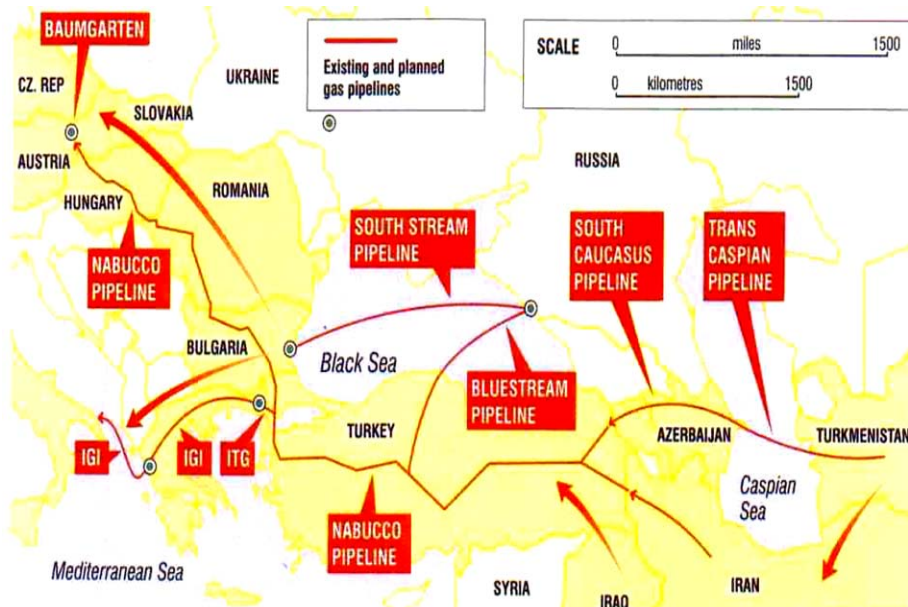


Source: UBS, "Russian Gas" July 2006

- Domestic demand has been significantly underestimated
- Forecasted demand growth of 2.0% to 2.5% per annum

Multiple natural gas flows – West and East

South Stream, Nabucco and others



Russian gas-export capacity to Europe (Pipeline)

| Existing | Capacity (bcm/yr) | Distance ('000 km) | Start-up (Year) |
|--------------------------|-------------------|--------------------|------------------|
| Via Ukraine | 120 | >5.00 | 1967-83 |
| Via Belarus ¹ | 15 | 4.20 | 1961-83 |
| Yamal-Europe | 33 | 4.20 | 1996-06 |
| Blue Stream | 16 | 0.40 ² | 2003 |
| Planned | | | |
| Nord Stream | 55 | 1.20 ² | 2010 |
| South Stream | 31 | >0.85 ² | TBC ³ |

Source: Petroleum Economist, January 2008; Gazexport; Gas Matters

Notes:

1. Excluding Yamal-Europe; 2. Sub-sea section; 3. Within three years of approval

Major gas pipelines & LNG terminals - China

