RUSSIAN GAS SECTOR UPDATE

Gazprom in November: output is near capacity, export to Europe stabilises MoM

- Monthly operating data was promptly released by Gazprom on December 1. The company's output was 1,500 mn cu m/d in November, up 77 mn cu m/d on last year.

- Gazprom deliveries to Russian customers were up 49 mn cu/d, while exports fell 143 mn cu m/d, in our estimates. This would suggest that net Russian storage withdrawal was much lower than last year.

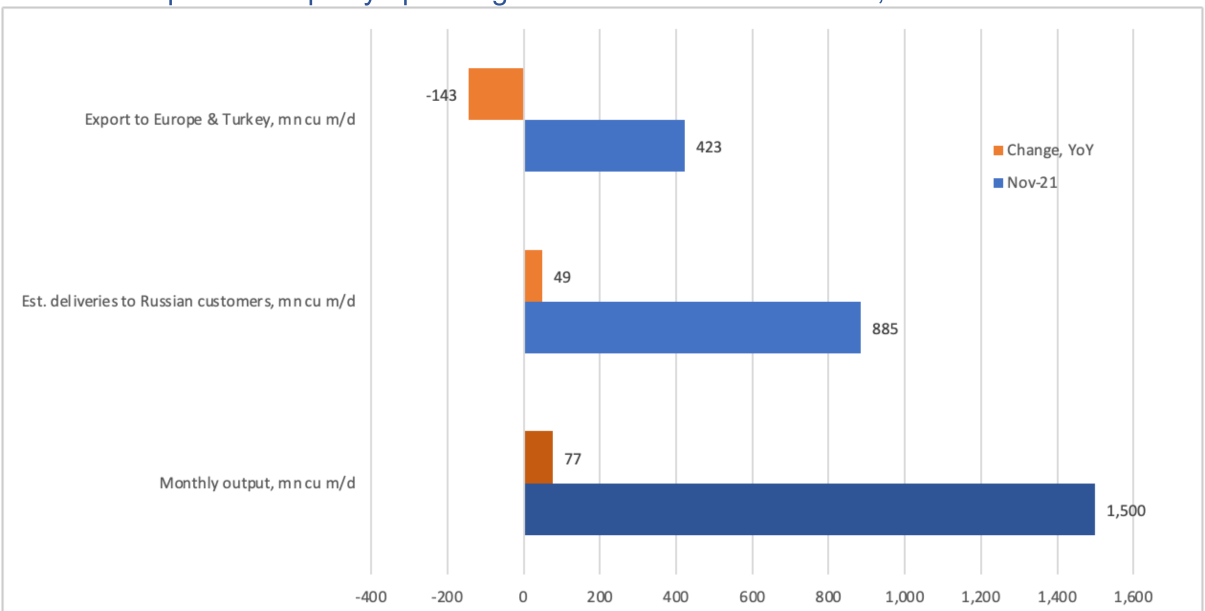
- At the current production rate, the company could potentially increase supplies to Europe in December, even if the first winter month in Russia is as unusually cold as last year.

Operating data released promptly on December 1

- Gazprom Group published key operating statistics for November[1]. Based on released data, we estimate that the company produced 45 billion cubic meters (bcm) of gas in November, up 2.3 bcm YoY and up 0.4 bcm MoM.

- Total exports to Europe, Turkey and China were 26.5 bcm, down 4.3 bcm YoY and 0.3 bcm lower than in October. On our estimates, export to Europe (exc. Turkey and China) was almost flat MoM at around 10.4 bcm.

Chart 1. Gazprom Group key operating statistics in November 2021, YoY mn cu m/d



Source: Gazprom data, RAA research

- Daily statistics show that the company's output was 1,500 mn cu m/d in November, up 77 mn cu m/d YoY. Gazprom deliveries to Russian consumers were up 49 mn cu m/d at est. 885 mn cu m/d. Exports (exc. FSU) were down 143 mn cu m/d to 423 mn

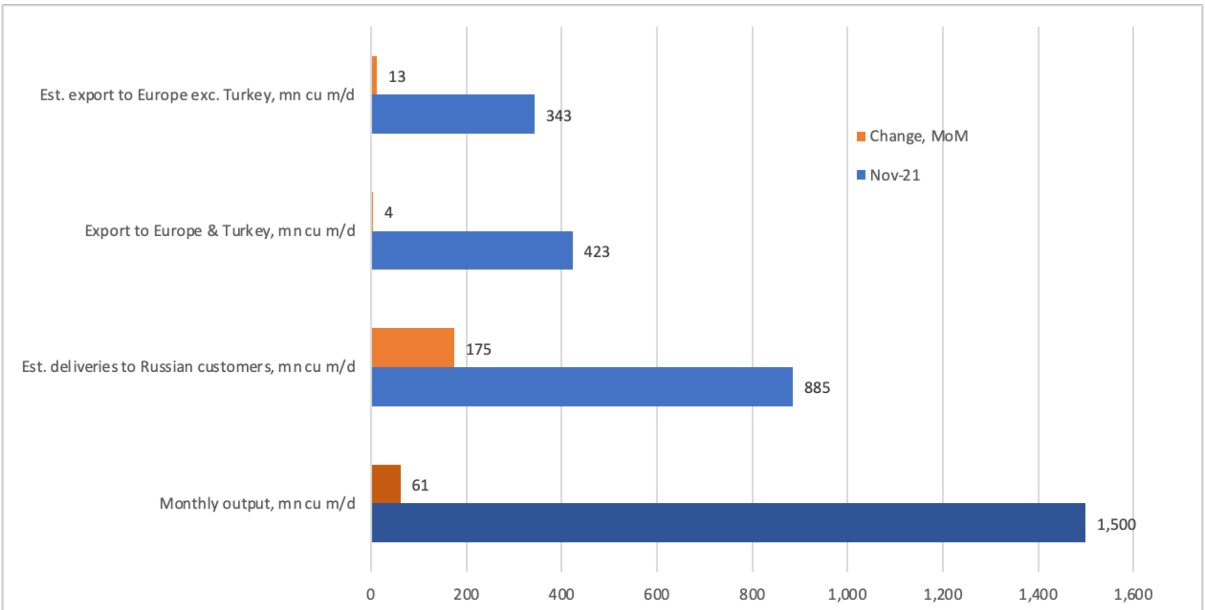
[1] https://t.me/gazprom

cu m/d. Gazprom does not release monthly data on gas sales to FSU (Former Soviet Union).

- We assume that Gazprom started to withdraw gas from its Russian underground storage in November. We estimate that the company's net storage withdrawal was around 20 mn cu m/d in November compared to over 200 mn cu m/d last year.

- This means that Russian gas storage might remain fuller than last year going into 2022. We estimate that the level of operating gas reserves in Russian was around 69 bcm, up 4 bcm YoY as of end November.

Chart 2. Gazprom Group key operating statistics in November 2021, MoM mn cu m/d



Source: Gazprom data, RAA research

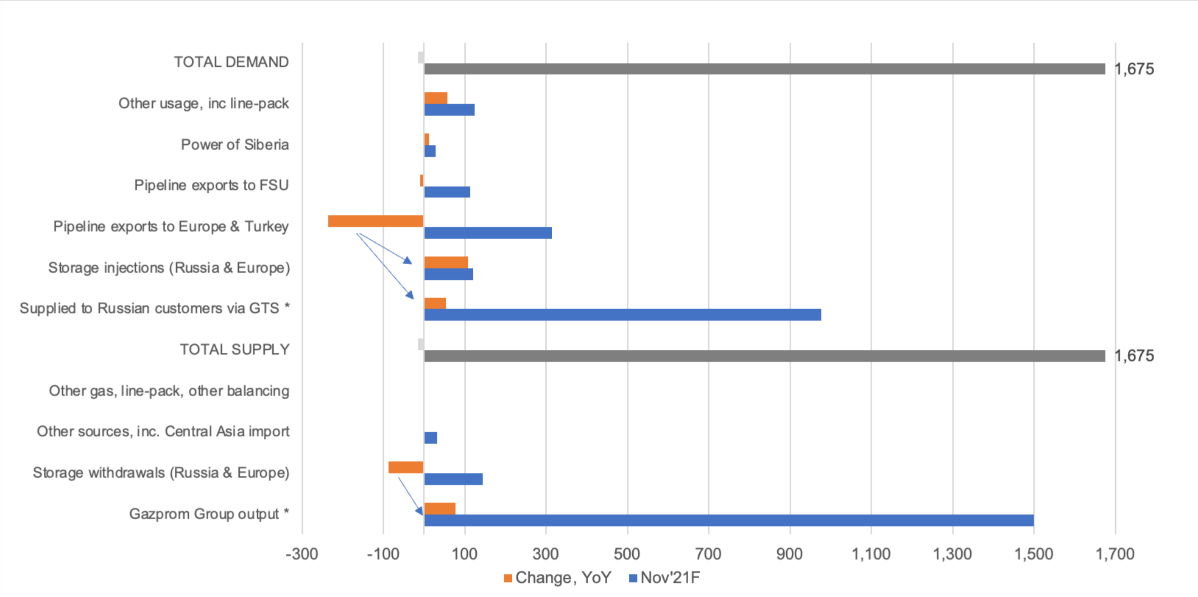
- On a monthly basis, Gazprom deliveries to domestic market increased, as expected. In November, the average temperature in Russia was minus 2 Celsius, similar to last year[2]. By contrast, October was colder than last year with the average temperature of plus 4.8 Celsius, down 1.3 Celsius YoY. The higher production rate in October-November and the milder weather in November may have allowed Gazprom to continue Russian gas storage injections, in our view.

- Export to Europe (exc. Turkey) was slightly up MoM in November. There was a noticeable increase in gas flows through the Yamal-Europe pipeline from November 9, a day after Gazprom planned to complete storage injections in Russia[3].

[2] https://www.so-ups.ru/news/press-release/press-release-view/news/17230/

[3] «Газпром» утвердил и начал выполнение плана закачки газа в пять европейских подземных хранилищ на ноябрь. Определены объемы и маршруты транспортировки газа. November 9,2021. https://t.me/gazprom

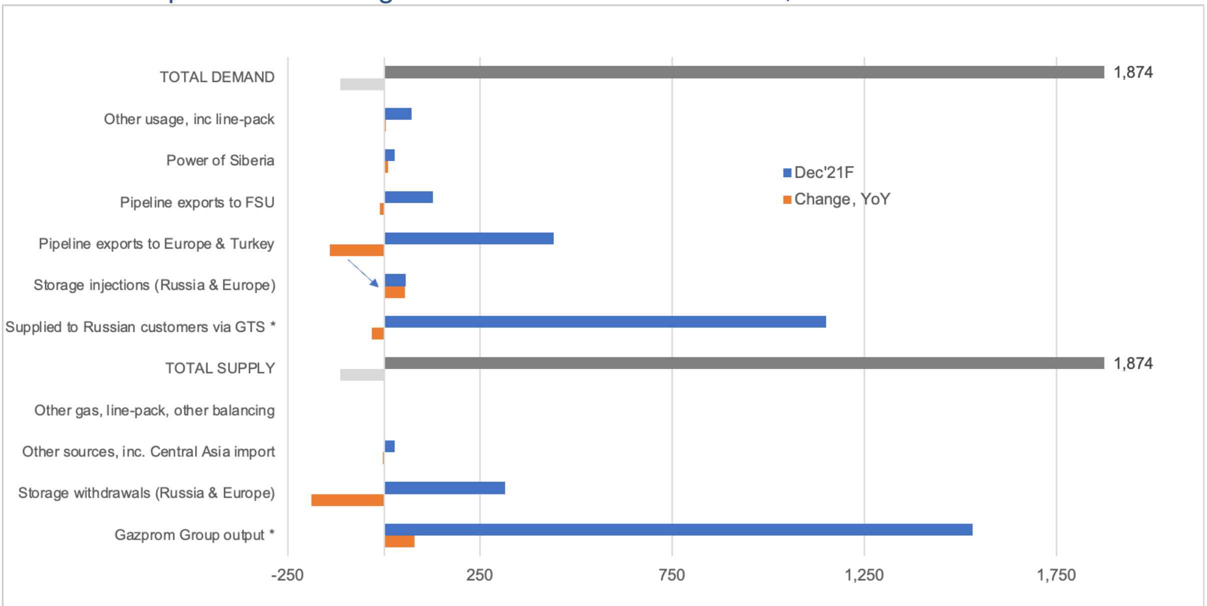
Chart 3. Gazprom estimated gas balance in November 2021, mn cu m/d



Source: Gazprom data, RAA research. Note: * = adjusted to est. 9M21 RAS accounts

- Our estimated gas balance for Gazprom in November shows that the company continued to increase output to compensate for lower storage withdrawal in Russia. Increase in domestic demand and storage injection was offset by reduction in exports.

Chart 4. Gazprom estimated gas balance in December 2021, mn cu m/d



Source: Gazprom data, RAA research

- In December, we expect domestic demand to be slightly down YoY. If we assume that daily output is around 1,500 mn cu m/d in December, we see some availability of gas for higher exports (vs last month). For more detail, see our November Russian gas report.

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