Gazprom in mid-January: output rises, export to Europe plummets and to China jumps, domestic demand flattens out

- In the first 15 days of January, Gazprom produced 23.1 bcm of gas, up 2.1% YoY. This means that the average daily gas output was 1,540 mn cu m/d, up 32 mn cu m/d on the same period of last year.

- The main contribution to extra output (est.19 mn cu m/d) might have come from the Chayanda field in East Siberia, which feeds the Power of Siberia pipeline to China. Gas export to China was up 50% YoY to estimated 44 mn cu m/d, based on numbers released by Gazprom.

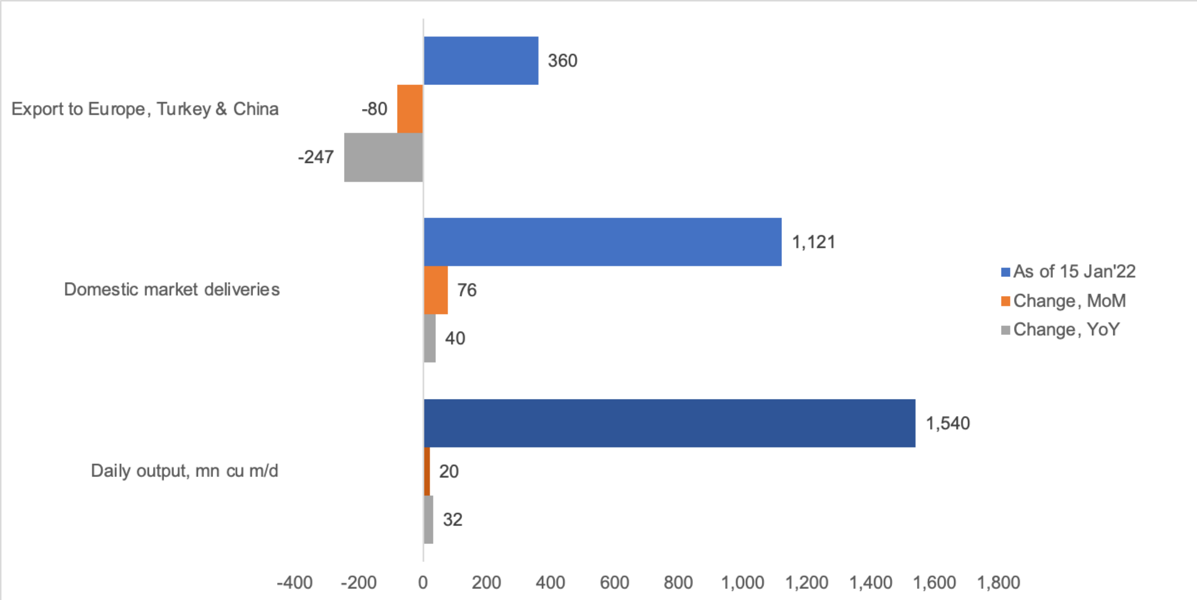
- Gazprom deliveries to domestic consumers in the first 15 days of January were up 3.7% YoY to 16.8 bcm (1,121 mn cu m/d). The weather in Russia has been mixed in January with both cold and mild spells. This is expected to continue into the rest of the winter.

- Over the first half of January Gazprom export to Europe, Turkey and China fell 41% YoY to 5.4 bcm (360 mn cu m/d). Gas export was also down 17.9% MoM (compared to December last year). We estimate that gas export to Europe only (excluding China and Turkey) was down 55% YoY to 227 mn cu m/d.

- Our model of Gazprom gas balance for January indicates that the company might have reduced Russian gas storage withdrawal by est. 195 mn cu m/d in January, to offset for a reduction in export (down est. 248 mn cu m/d). This could mean that Gazprom gas storage will be at 52 bcm as of end January, up 14 bcm YoY. At the end of the heating season in Russia (end March), Gazprom gas storage might be as high as 38 bcm, up 23 bcm YoY.

Gazprom daily output stays high despite 41% YoY fall in export and weak domestic demand growth

Chart 1. Gazprom key operating statistics as of January 15,2022, YoY mn cu m/d



Source: Gazprom data, RAA research. *Note: as reported as the 15th of each month without adjustments*

- Gazprom released key operating statistics for the first 15 days of January on Telegram. Based on the data, we estimate that the average daily gas output was up 1,540 mn cu m/d, up 20 mn cu m/d on the first 15 days of December and 32 mn cu m/d up compared to the first half of December last year.

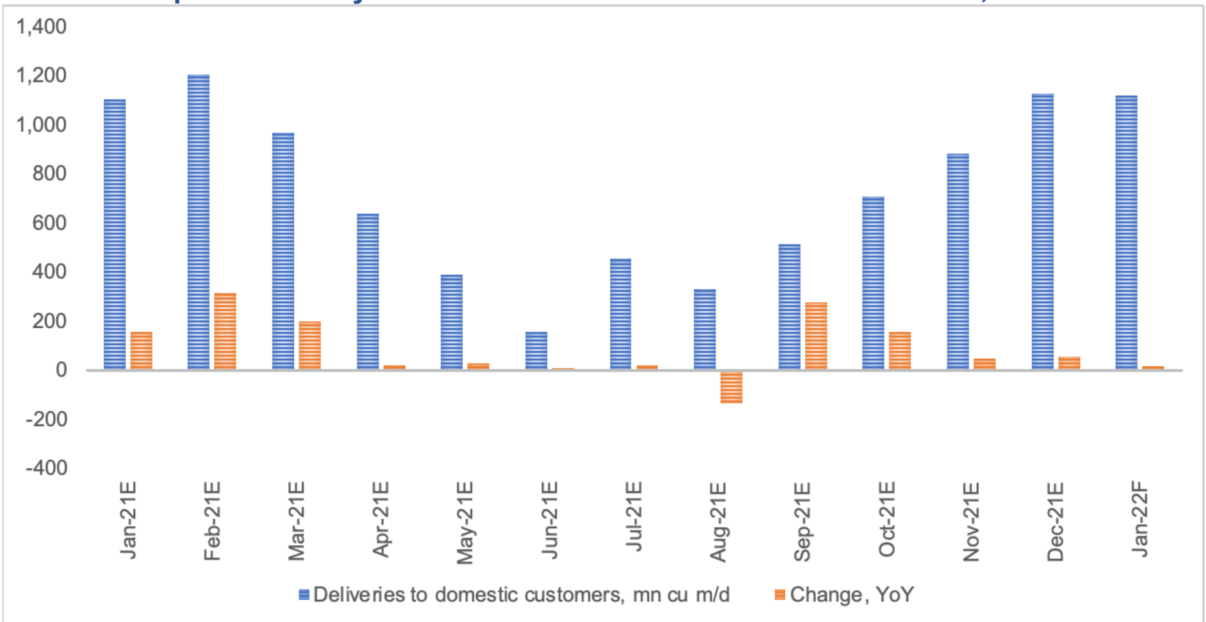
- The major contribution to additional output might have come from the Chayanda field in East Siberia, which feeds the Power of Siberia pipeline to China. We estimate that output was up 15 mn cu m/d YoY to 44 mn cu m/d so far in January.

- Gazprom deliveries to domestic market were up 40 mn cu m/d YoY and 76 mn cu m/d higher MoM. Gazprom delivered an estimated 1,121 mn cu m/d of gas to Russian customers on average in the first 15 days of January. The weather in Russia was a mixed bag so far this month with cold spells followed by very mild weather. This pattern might continue into the rest of the month, according to Russia's Chief Meteorologist[1].

- Gazprom export to Europe, Turkey and China fell 247 mn cu m/d YoY and was down 80 mn cu m/d MoM to 360 mn cu m/d, despite a step-up increase in export to China (up 50% YoY to est. 44 mn cu m/d). Exports to Europe only (excluding sales to Turkey and China) fell by 55% YoY to 227 mn cu m/d, in our estimates.

[1] Синоптики рассказали о погоде в Крещенскую ночь в Москве. 17 January 2022, www.interfax.ru/moscow/815854

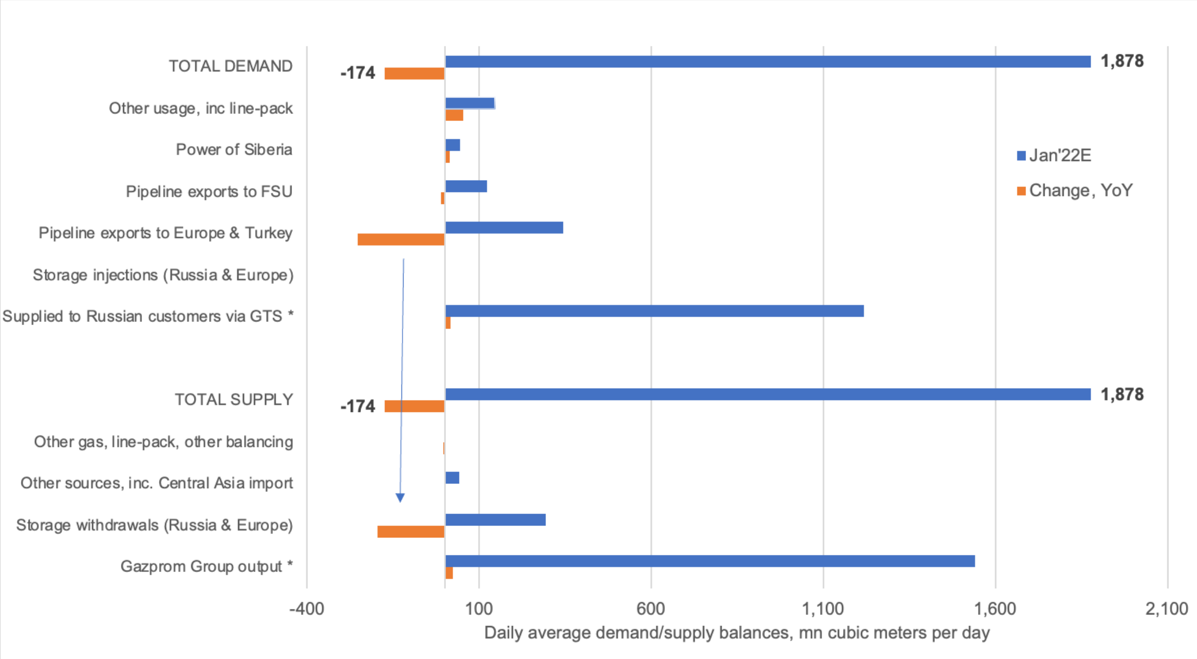
Chart 2. Gazprom monthly deliveries to domestic market in 2021-2022 , mn cu m/d



Source: Gazprom data, RAA research

- Deliveries to domestic consumers were running at 1,121 mn cu m/d in the first 15 days of January, up 40 mn cu m/d. We expect domestic gas demand for the full month to flatten out YoY and remain relatively stable YoY in February-March.

Chart 3. Gazprom Group estimated gas balance in January 2022, mn cu m/d

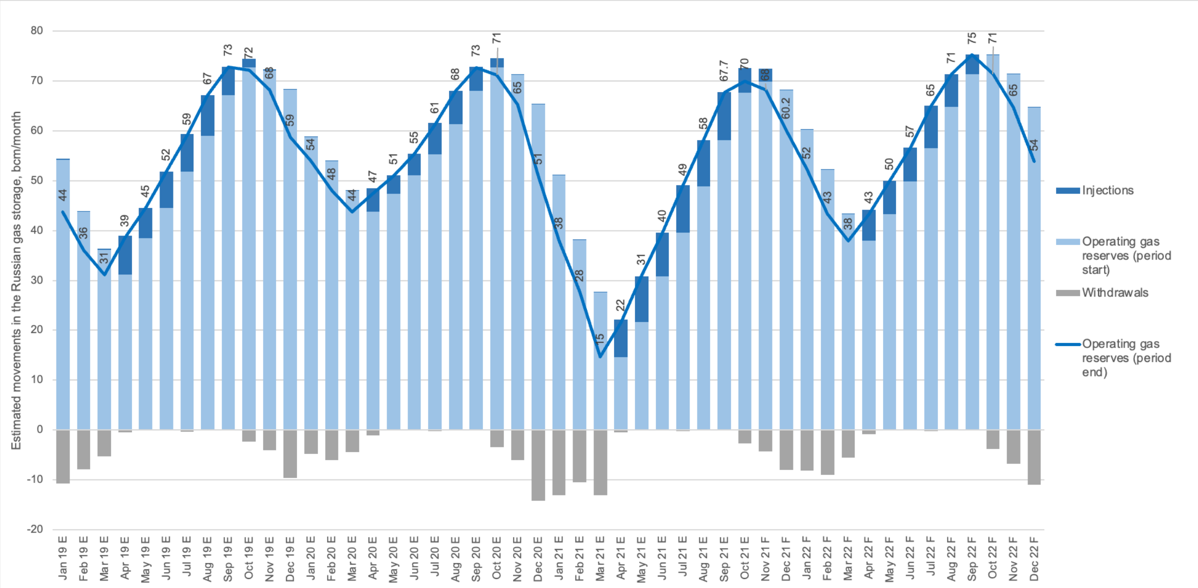


Source: Gazprom data, RAA research

- Our model of Gazprom gas balance for January indicates that the company might have to reduce Russian gas storage withdrawal by est. 6 bcm (195 mn cu m/d) to 9 bcm (294 mn cu m/d) in January. This should partially offset a 7.7 bcm reduction (248 mn cu m/d) in total gas export to all destinations (FSU, Europe, Turkey and China).

- We note that Gazprom would need to substantially increase sales to all destinations at some point in the coming months to hit management target of extra 3.5 bcm of gas sales in 2022. The ongoing high level of output also suggests that the company might be still planning for higher YoY exports for the full year. Our current base case scenario is that Gazprom will be able to use the Nord Stream-2 pipeline in the second half of the year and will be able to hit its export targets.

Chart 4. Gazprom estimated gas storage movement in 2019-2022, bcm/month



Source: Gazprom data, RAA research.

- Based on our model, Gazprom gas storage withdrawal in Russia in January could be 6 bcm lower than last year. This means that the company might have around 52 bcm of gas in Russian storage by end January 2022, up 14 bcm YoY. Our calculations also show that Gazprom might have some extra 23 bcm of gas in Russian storage at 38 bcm as od end of March 2022 (end of winter season of 2021/2022) compared to the same period last year.

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