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Gazprom Sees 15% Price Rise for Europe

By The Moscow Times

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Gazprom expects European gas prices to rise 15 percent and supplies about 9 percent this year, as demand recovers in the Russian exporter's biggest market by revenue.

The average price will probably rise to $352 per 1,000 cubic meters this year from $306 last year, according to a presentation to analysts and investors Friday. Gazprom's prices are linked to oil prices. Brent has risen 39 percent in the past year.

Exports to Europe are planned at about 152 billion cubic meters of gas this year, compared with 139 bcm last year, according to the materials. Gazprom said it had 23 percent of the market in 2010.

"This year, Gazprom expects growth because of rising demand in Europe and increasing spot prices in Europe, which make Russian gas competitive," said Svetlana Grizan, an analyst at VTB Capital.

European sales accounted for 52 percent of Gazprom's revenue last year, according to the

presentation. Deliveries may return to pre-crisis levels this year after spot prices increased, deputy chief executive Valery Golubev said last week in St. Petersburg. Supplies, mostly shipped under long-term contract via pipeline, will face less pressure than last year, he said.

Gazprom's shipments to Europe slumped to 140.6 billion cubic meters in 2009, from 158.8 billion cubic meters in 2008, as the financial crisis eroded demand and some of the Russian company's customers shifted purchases to cheaper liquefied natural gas cargoes. Exports were 150.5 billion in 2007.

Gas for next-month delivery in Britain, Europe's most liquid market, has risen about 57 percent in the past year, according to broker prices compiled by Bloomberg.

Gazprom, which has depended on pipeline supplies to Europe for decades, plans to build a link to China and increase LNG trade, according to the presentation.

"Gazprom has made LNG a priority," Grizan said.

LNG is chilled to a liquid for shipment by tanker to remote markets, such as Asia, and doesn't pass through transit countries.

The producer, which agreed to gain control of Royal Dutch Shell's Sakhalin-2 LNG project in 2006, plans to carve out as much as 14 percent of global LNG trade by 2030, according to the presentation. Its share didn't exceed 2 percent last year.

Gazprom is selecting LNG projects outside Russia for potential participation, which could add as much as 25 billion cubic meters of gas to the company's portfolio annually by 2030.

Gazprom expects total debt to drop to $43 billion at the end of this year, compared with $44.1 billion at the end of 2010, according to the presentation. That would be a decline of about 2.5 percent.

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