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Gazprom Ups 2011 Investment to $44Bln

By The Moscow Times

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Gazprom will increase spending by 52 percent more than previously planned this year after unrest in the Middle East and the Japanese earthquake raised spot prices and European demand for pipeline supplies.

Gazprom may invest a record 1.24 trillion rubles ($44 billion) this year compared with an approved budget of 816.4 billion rubles, chief financial officer Andrei Kruglov told reporters Wednesday in Moscow.

"We try to forecast the year with a high level of precision, but the situation in markets changes and so do basic scenario terms such as the oil price and the dollar rate," Kruglov said.

Gazprom's board in November approved reduced spending this year compared with 2010 in anticipation of slackening demand. The board will consider revising the 2011 budget in September, the CFO said.

The company is raising output and export targets after production in the first five months

of the year outpaced planned volumes, deputy chief executive Alexander Ananenkov said June 1. Production is now forecast to rise about 2 percent to 519 billion cubic meters of gas in 2011, he said.

By 2013, output may climb to 549.2 bcm, a level last reached before the 2009 slump in European demand. Production will rise as the Kirinskoye field near Sakhalin and Bovanenkovo on the Yamal Peninsula in the Arctic region start up next year. Gazprom is starting to develop remote fields in harsh climatic and geological conditions as its biggest fields in West Siberia decline.

Brent oil rose 46 percent in the past year. Gazprom's export prices, which are linked to crude and oil product prices with a time lag of as much as nine months, may climb to $500 per 1,000 cubic meters in the fourth quarter, CEO Alexei Miller has said.

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