The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Nosedive in Gas Prices Could Cost Gazprom $4 Billion

By The Moscow Times

August 27, 2014



A general view of pipes from Latvijas Gaze's underground gas storage facility in Incukalns, Latvia.

The Economic Development Ministry estimates that gas export prices will fall by more than 25 percent over the next three years, while trade volumes will stay on the same level, dealing a potential blow to the revenues of Russian gas giant Gazprom, Kommersant reported Wednesday.

According to the ministry's latest forecasts, the average price for gas exports will drop to $349 per 1,000 cubic meters by the end of 2014, before plummeting to $302 per 1,000 cubic meters by 2017, the report said.

Last year Russia exported gas to Europe — its biggest customer — at an average price of $387 per 1,000 cubic meters.

If the ministry's estimates turn out to be accurate, Gazprom, Russia's biggest gas exporter,

could lose about $4 billion in revenues, UralSib Capital analyst Alexei Kokin said, according to the report.

But an unidentified Gazprom employee told the newspaper that although some decline in prices is expected, the company does not anticipate that its contracts will be dramatically altered, because most of them are tied to oil prices, which are expected to stay high.

Although oil prices have dipped in the last two weeks, analysts expect them to stay on average above the $100 per barrel range over the next three years.

As for gas, although analysts from UBS do expect a decline in prices, they think the ministry's forecast is overly pessimistic. The prices though 2017 are expected to stay within the range of $350 to $360 per 1,000 cubic meters.

Original url:
https://www.themoscowtimes.com/2014/08/27/nosedive-in-gas-prices-could-cost-gazprom-4-billion-a38784