



### WEEKLY REVIEW

#### News Review

Last week they made public results of operations by Ukrainian state-owned natural gas production companies in H1 of 2020. Thus, the UkrGasVydobuvannya slashed in its natural gas production by 0.8%, down to 6.69 bcm. All that yield of natural gas was channeled to consumption needs of Ukrainian households and district heating companies.

In its turn, the PJSC Ukrnafta over H1 of 2020 slightly increased its oil and gas condensate production by 0.9%, up to 763 000 tons, in addition to 585 mcm of natural gas, also up by 1.4% compared to H1 of 2019. During just the first 6 months of 2020, natural gas production in Ukraine reached 10.1 bcm. According to the Association of Gas Producers of Ukraine, during January-June 2020 the number of active drilling rigs involved in drilling has almost tripled.

All Ukrainian natural gas producers are revising their investment plans to substantially optimize them, and interested investors are looking at new natural gas projects with great caution, considering risks remain very high.

Unclear is the situation with the preparation for

conclusion of Production Sharing Agreements (PSAs) stemming from competitions for 9 oil and gas acreages held in July 2019. One may recall President Volodymyr Zelensky assuring that the PSAs would be signed by December 1, 2019. After half-a-year without PSAs in effect, last week the Cabinet of Ministers (CMU) resumed the presidential statement, yet by adjourning the deadline for conclusion of the PSAs for another 6 months, tentatively for mid-December 2020.

In response to the CMU's statement, Andriy Kobolyev, Chief Executive Officer and Chairman of the Executive Board of the Naftogaz of Ukraine, once again reiterated on the delay in conclusion of the PSAs. One may recall that the UkrGasVydobuvannya (a part of the Naftogaz of Ukraine), together with the Canada-based Vermilion, won the PSAs for 4 oil and gas fields more than a year ago, but the due PSAs to authorize work at these fields have not been signed since then. The delay in the PSAs conclusion, in turn, hinders the development of about 50 bcm of Ukrainian natural gas reserves and investments of UAH 3.6 billion by 2025.

The good news was about the Chornomornafogaz (part of the NJSC Naftogaz of Ukraine), who started drilling a new well at the Strelkovo field (shelf of the Sea of Azov). Drilling is planned to be completed in Q3 of 2020.

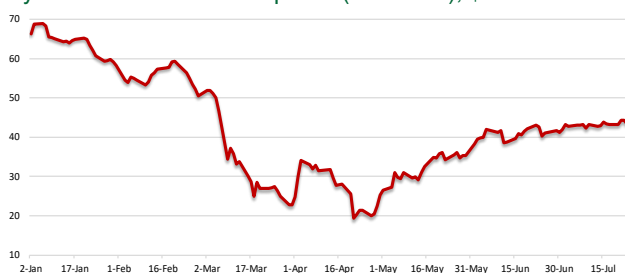
Other noteworthy development of the last week was that Gas TSO of Ukraine LLC (GTSOU) announced that they reduced the planned repair time of the Luping №4 gas pipeline section from 7 to 3 weeks. The repair works are now scheduled just for September 1-21, 2020. The GTSOU also reported that it was unlucky to agree with the Slovak operator Eustream a virtual natural gas interconnection point at the border.

The Parliament of Ukraine adopted in the first reading the Draft Law №3739 "On Amendments to the Law" On Public Procurement". This legislative initiative will include a condition of localization of equipment subject to public procurement. As to the oil and gas sector, it is aimed at directing to purchase of Ukraine-made drilling rigs, a wide range of turbines, compressors, and other heavy engineering products, etc.

Natural Gas Prices in Ukraine, UAH/tcm



Dynamics of Brent crude quotes (ICE Index), \$/bar



Natural gas price Day Ahead (Open), NCG, €/MWh



## STATE-OWNED COMPANIES

### Naftogaz continues to maintain its hydrocarbon production indicators

The Naftogaz Exploration and Production Division continues to maintain its hydrocarbon production indicators even in conditions of limited financial resources caused by the fall in gas prices and the coronavirus pandemic. Press service of Ukrasvydobuvannya reports.

Thus, in the first half of 2020, the Company slightly reduced production of commercial gas by 0.8%, to 6.69 billion cubic meters, which was set for the population and DHC, while the average price of gas sales by the company decreased by 47% compared to the first half of 2019.

The press service noted that such indicators of commercial gas production were achieved due to the successful implementation of the following operational program:

- completion of 20 wells' drilling;
- performance of 347 operations with coiled tubing units;
- performance of 53 hydraulic fracturing operations;
- performance of 62 CWOs in the wells;
- construction of 118 km of new flow lines and 36 km of gas pipelines;
- commissioning of 3 booster compressor stations;
- reconstruction of 2 complex gas treatment plants.

### Production of Ukrnafta for the 1st half of 2020 remains stable

In the first half of 2020, Ukrnafta slightly increased production of oil, condensate and gas by 0.9%, to 763 thousand tonnes, and by 1.4%, to 585 million cubic meters, respectively, compared to the same period last year. This is reported by the Company's press service.

The Company's report indicates the key production achievements of the half-year, including:

- production of oil, condensate and gas remains stable (+0.9% and + 1.4%, respectively, com-

pared to the same period of the previous year);

- 63 CWOs and oil and gas inflow stimulation operations were successfully completed in the wells, which resulted in incremental 10.75 thousand tonnes of oil and condensate and 2.86 million cubic meters of gas;
- 81 wells were recommissioned from the inactive inventory and produced additional 2 thousand tonnes of oil and 5.2 million cubic meters of gas;
- completed drilling the horizontal sidetrack in the [well No. 119G](#) of Velykobubnivske field.

The well has stabilized, and the company is considering similar operations in other wells.

In June 2020, Ukrnafta produced 122.5 thousand tonnes of oil and condensate and 92.3 million cubic meters of gas, which, respectively, is 0.9% and 2.4% less compared to the same period in 2019. Production of liquefied gas in June amounted to 9.4 thousand tonnes, which is 4.9% more than a year earlier.

The average daily production of hydrocarbons in June amounted to 4.08 thousand tonnes of oil and condensate and 3.08 million cubic meters of gas, slightly less than last year.

Naftogaz resumes drilling at Strilkove gas field Chornomornaftogaz (part of Naftogaz of Ukraine NJSC) has started drilling a new well No. 87 at the Strilkove field (shelf of the Sea of Azov), within the Arabatska Strilka in the Kherison region.

The vertical depth of the specified well with a directional profile is 550m and its measured depth is 870m. The drilling contractor is the Branch of the internal drilling contractor of Ukrasvydobuvannya JSC - Ukrburgaz. Drilling completion is scheduled for Q3 2020.

This is the first new well of Chornomornaftogaz since 2013. The territory of the CGTP was captured by the Russian military, in 2015, the troops moved south to the territory of the occupied Crimea. Until 2016, the development of the Strilkove field was carried out by the Plast Company owned by the embattled MP Oleksandr

Onyshchenko (now on the wanted list).

Andriy Kobolyev, CEO of Naftogaz of Ukraine, said on his Facebook page:

"This is a special project for Naftogaz - the produced gas is intended for uninterrupted supply of gas to Henichesk and the Henichesk district, which are not connected to the main GTS. The drilling of the well was started by a team of the Technical Division (Stryiske DWD), with the support of Weatherford, which provides geophysical works. The task for our drillers for the next two months is to reach gas deposits."

Ukraine needs investment and gas, but the doors are locked and there is no one to talk to - Kobolyev

The Head of Naftogaz, Andriy Kobolyev, once again draws attention to the delay in the process of concluding production sharing agreements (PSAs), according to his Facebook page.

Recall that Ukrasvydobuvannya JSC, part of the group of companies of Naftogaz of Ukraine NJSC, together with the Canadian Vermilion won PSA tenders for 4 oil and gas areas more than a year ago, but contracts for work on these areas have not yet been signed.

The head of Naftogaz noted:

"Together with our partner, we are ready to invest UAH 3.6 billion in the development of Balakliyska, Ivanivska, Berestianska and Buzivska areas over five years. Potential reserves in these areas are estimated at about 50 billion cubic meters. This is exactly the kind of Ukrainian-foreign investment that attracts international experience and technologies for Ukraine's energy independence. The only fly in the ointment is that we won the tender over a year ago. But we still can't even sign a contract to work on these areas. Over the past year, we and other winners of the tenders have repeatedly met with representatives of the government (I think each time with new ones) and unsuccessfully tried to agree on the texts of the agreements. In fact, the absence of a single responsible and authorized person indescribably delays any agreement.

JULY 20-26, 2020

## PRIVATE COMPANIES

### PPC extended the license for the development of the Zaplavske gas field

Derzhneonadra extended the license for the Poltava Petroleum Company (PPC) Joint Venture, part of the British JKC Oil & Gas Plc, for exploration and pilot development of the Zaplavske gas field in the Poltava region.

This is reported by the press service of JKC Oil & Gas.

According to the report, the new license was granted for 20 years.

During the validity term (from 2004 to 2019) of the previous license for mineral rights for the specified field, the company carried out 2D and 3D seismic surveys on an area of 173 sq.km. and drilled 5 exploration wells.

Also, the parent Company JKC Oil & Gas reported intentions to carry out workovers in some wells of Zaplavske field by the end of 2020.

Recall that in addition to the Zaplavske license, PPC holds 5 more licenses for mineral rights: Rudnivske, Ihnativske, Novomykolaivske, Movchanivske and Yelizavetivske fields. Hydrocarbon production in 2019 increased by 52% to 5,584 thousand barrels per day, compared to 2018.

### UNB will order capital workover of well No. 12 of the Sakhalinske field

Ukrnaftoburinnya PC PJSC (UNB) has announced an open auction for capital workover (CWO) of the well No. 12 of the Sakhalinske oil and gas condensate field (OGCF), in the Kharkiv region. This was reported on June 22 on the Smarttender trading platform and on the website unb.ua.

According to the plan of works, which is specified in the tender documentation, CWO provides for water shut-off in the V-16 horizon and packer setting.

The CWO of well No. 12 of the Sakhalinske OGCF is planned for July-August 2020.

According to the message, bidders need to have experience in performing CWO in the

wells over 5,000m deep, operating the appropriate equipment, namely: a mobile drilling rig with a lifting capacity of at least 120 tonnes, a circulation system for the flushing fluid cleaning, and BOP system.

To learn more about the terms of procurement and specifications of drilling equipment, which is necessary to perform the services listed in the procurement procedure and submit a commercial offer for participation in the auction, please directly visit [the tender page](#) on the trading e-commerce platform until 27 July 2020.

The CWO in the well No. 12 of the Sakhalinske OGCF is planned for 14 days in July-August 2020.

In June of this year, [UNB announced a similar tender](#) for the order of CWO services in the same well.

### Ingazco plans to drill 2 wells at Krasnoilske field

Ingazco plans commercial development of the Krasnoilske gas field (Chernivtsi region), by operating the existing well No. 3 Svyatoslavsk, and drilling two exploration wells Nos. 16 and 17. This is reported in the EIA Register.

The construction of wells with a target depth of 1,300m is provided by the UPB-60/80z drilling rig with a diesel drive with up to 500 kW capacity, rotary drilling method, and a pitless waste collection method.

It is planned to equip the wellhead with X-mas tree, and lay gas flowlines to the existing gas treatment plant (GTP) with an approximate length of 1,500m – for the well No. 16 Krasnoilska, and 2,250m for the well No. 17 Krasnoilska.

The expected productivity of each of the planned wells is 10 thousand cubic meters per day.

The gas produced from the wells is planned to be supplied via gas flowlines to the GTP of Krasnoilske field. The treated gas after the GTP will be fed to the main gas pipeline Chernivtsi-Ivano-Frankivsk to Prykarpatttransgas.

The maximum capacity of the GTP of Krasnoilske gas field is 80 thousand cubic meters per day.

### ExPro Reference

**Ingazco** (its manager is Natalia Dema; and the beneficiary owner is Lindi Raviniya through Ronab LLC and Growth Investment LLC) is a private gas production company that holds a license No. 4744 dated April 12, 2016 for the development of the Krasnoilske gas field for a term of 5 years expiring in 2021.

### AGPU urges support for gas industry in times of struggle with COVID-19

The Association of Gas Producers of Ukraine (AGPU) expresses serious concern that the State program to stimulate the economy to overcome the negative consequences caused by COVID-19 for 2020-2022 does not provide an adequate support for the oil and gas industry. This is stated in the AGPU message.

Most of the industry's proposals, which were announced and sent to the Government, are not taken into account in the final version of the program, published on the government portal. Gas producers have repeatedly noted that a catastrophic drop in prices for hydrocarbons, together with the deepening of the global economic crisis, can completely stop investment activities in the sector.

The first steps to support domestic oil and gas production should be the introduction of fiscal incentives to continue investment activities.

We are talking about the continuation of the state-guaranteed period of unchanged taxation of hydrocarbon production from new wells from 5 to 10 years; the introduction of incentive rates for royalties for oil and condensate production from new wells, similar to the incentives for natural gas production; the introduction of incentive royalties for recovery of wells and production of unconventional hydrocarbon pays with the development of a transparent methodology for determining such pays.

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## SERVICE COMPANIES

### UGV will order services for disposal of drilling waste of 5 wells for UAH 187 million

Ukrasvydobuvannya JSC announced a tender for the procurement of collection, separation into liquids and solids, loading and removal of drilling wastes from drilling sites and their subsequent disposal or placement in designated areas at UAH 186.9 million (including VAT). This is reported in the ProZorro public procurement system. The bidding deadline is August 23, 2020. Deadline for works' completion is December 31, 2021.

The procurement includes 5 lots:

Lot No.	Services' location	Cost, UAH	Services' term	Volume/mass of drilling waste for removal, cubic meters/tonne
Lot No. 1	Well No. 363 of Yablunivske OGCF	31,930,592	186 days (from September 2020)	3,241/3,765.4
Lot No. 2	Well No. 169 of Melykhivske GCF	39,430,054	147 days (from September 2020)	3,975/4,820.3
Lot No. 3	Well No. 87 of Strilkove GF	5,879,712	62 days (from October 2020)	566/700.8
Lot No. 4	Well No. 31 of Komyshnyanske GCF	71,477,390	210 days (from October 2020)	6,593/9,105.4
Lot No. 5	Well No. 122 West-Sosnivska	38,277,360	279 days (from October 2020)	3,858/4,725.6

### UGV will order the directional drilling service for 5 wells for UAH 61.5 million

Ukrasvydobuvannya JSC announced a tender for procurement of directional drilling services at UAH 61.5 million (including VAT). This is reported in the ProZorro public procurement system.

The bidding deadline is August 23, 2020. Services completion term is until December 31, 2021.

The purchase consists of 5 lots:

Lot No.	Services' location	Cost, UAH	Services' term
Lot No. 1	Well No. 169 of Melykhivske GCF (Kharkiv region) 3,800 m deep (VD), 3,900 m (MD)	9,861,377	59 days
Lot No. 2	Well No. 231 of Yefremivske GCF (Kharkiv region) 2,980 m deep (VD), 3,120 m (MD)	9 627 645	53 days
Lot No. 3	Well No. 12 of Svyatohirska GCF (Kharkiv region) 5,250 m (VD), 5,335 m (MD)	16,838,234	90 days
Lot No. 4	Well No. 363 of Yablunivske OGCF (Poltava region) 4,970m (VD), 5,100 m (MD)	15,878,807	87 days
Lot No. 5	Well No. 177 of Melykhivske GCF (Kharkiv region) 3,820 m (VD), 3,940 m (MD)	9,364,240	55 days

### German Tools Inspection performs high-quality NDC of Service Oil equipment

German Tools Inspection LLC has once again successfully provided services for non-de-

structive control of equipment used for oil and gas wells' drilling under the order of Service Oil LLC.

According to information given to ExPro by the employees of the Service Company, the main customer for NDC of process equipment in the oil and gas industry is a subsidiary of Belorusneft - Service Oil LLC. In turn, Service Oil is the main drilling contractor for DTEK Naftogaz, which has successfully drilled not a one gas well with a depth exceeding 5,000m and continues to drill.

### ExPro Reference

German Tools Inspection LLC is a Ukrainian service company that uses German technologies and has been providing quality non-destructive control services for over 5 years in various industries, including oil and gas production.

### Ukrnafta will order services for conducting geophysical surveys in wells for UAH 8 million

Ukrnafta announced a tender for the procurement of services for geophysical surveys in wells with

a total cost of UAH 7.9 million (without VAT). This is reported on the SmartTender trading platform. According to the company, geophysical surveys are provided in the wells of the divisions

of Ukrnafta: Boryslavnaftogaz, Okhtyrkanaf-togaz, Poltavanaftogaz, Dolynanaftogaz, and Chernihivnaftogaz.

For more information on the terms and subject of the procurement, and commercial submission please visit the purchase page on the electronic trading platform until July 27, 2020.

Work commencement is no later than 10 business days from the date of receipt of the notification of readiness to start work. The deadline for completing the work is 5 business days, including processing and interpretation of materials.

### PDC will order services of construction of well No. 2 at Klubanivsko-Zubrenkivska field

Poltava Drilling Company (PDC), a part of Burisma Group has announced open tenders for the procurement of services on the selection of drill bits, calibrators and cushion subs, DDM, jars, telemetry equipment, directional drilling, and providing plugging material and casing in construction of the well No. 2 Klubanivsko-Zubrenkivska gas condensate field (GCF). This is reported on the Smart-tender trading platform.

According to the tender documents, a combined method of drilling (rotor + DDM) of a directional well with a target depth of 4,960m (MD), and 4,852m VD is provided. The following drilling fluids are planned to be used for well No. 2 drilling at the Klubanivsko-Zubrenkivska area:

in the depth interval 0-290m – clay with a specific gravity of 1.10-1.12 g/cm<sup>3</sup>;

in the depth interval of 290-3,500m – mineralized (polymer-potassium), 1.16 g/cm<sup>3</sup> SG;

in the range of 3,500-4,960m – potassium biopolymer, 1.26 g/cm<sup>3</sup> SG;

Approximate ROP, taking into account the experience of previous wells:

in the interval from 290-3,500m with a 311.1 mm (12 ¼ ") bit – 11m/hr.;

in the interval 3,500-4,960 with a 215.9 mm (8½") bit - 6m/hr.

## INFRASTRUCTURE AND TECHNOLOGY

### Ukraine will continue to use the “import parity +” pricing in the gas market - GT-SOU

Ukraine will continue to use natural gas pricing based on the principle of “import parity (price at European hubs) + delivery” until gas production exceeds its consumption. This was announced on July 23 during a press conference by Serhiy Makohon, General Director of GTS Operator of Ukraine LLC.

“As long as we are a net importer of gas, the price in Ukraine will be “import parity plus”. It works this way, it can’t work any other way. If production exceeds consumption, export parity formula will apply. These are the axioms of market mechanisms, it doesn’t work otherwise,” Makohon said.

ExPro Reference

In 2019, gas production in Ukraine amounted to 20.7 billion cubic meters, and consumption was 29.8 billion cubic meters. In 6 months of 2020, production reached 10.1 billion cubic meters, and consumption was 16.2 billion cubic meters.

### UkrSGEI provides expert assessment of oil and gas bearing potential of the assets prepared for drilling

The Ukrainian State Geological Exploration Institute (UkrSGEI) conducts expert assessment of geological and prospective localized oil and gas reserves within the local assets of the Western, Southern and Eastern oil and gas provinces of Ukraine.

In addition UkrSGEI provides services of estimation of the hydrocarbon reserves base. Among the Institute’s regular customers are the largest geophysical enterprises in Ukraine, including Ukrgeofizika, Vikoil, Naukanaftogaz, Naftogaz of Ukraine NJSC and others.

### GTS Operator ordered from Zorya-Mashproekt engine repair for another UAH 310 million

Gas Transportation System Operator of Ukraine, Main Gas Pipelines of Ukraine, on July 15 signed an agreement with the state enterprise Zorya-Mashproekt of Ukroboronprom on engine repair for UAH 309.81 million.

This was reported in the ProZorro system.

Until January 20, 2022, 5 DN-80 gas turbine engines from the Romnenska, Hrebinkivska, Sofiivska and Bar compressor stations will be repaired. The second major repair of 2 engines will cost UAH 52.48 million per unit, and the third major repair of 3 engines – UAH 67.26 million per unit. Another UAH 397 thousand will be spent for dismantling, and UAH 1.49 million – for installation, start-up and commissioning. Also, UAH 1.19 million will be spent for technical guidance, consultation, technical assistance and technical supervision.

In December 2018, branch Ukgazenergoservice ordered from Zorya-Mashproekt the second major repair of a similar engine DN-80L for UAH 46.09 million.

The warranty period is 20 months.

The purchase was conducted following the negotiation procedure due to the lack of competition. Zorya-Mashproekt is a developer, manufacturer and supplier of services for maintenance and repair of engines such as DT71, DG90, DN80, J59, DN70, DR59 and their modifications. The company did not grant licenses for manufacture or repair of the gas turbine engines to anyone.

### Attackers stole more than 18 tonnes of gas condensate

Employees of Security Service of Gas and Condensate Treatment Department, a part of Oil Division of Naftogaz of Ukraine NJSC, jointly with the employees of UTN-Security revealed the scheme of plunder of the gas condensate from the condensate pipeline Bazylivschyna-Shebelynske Gas and Oil Processing Department in the Kharkiv region.

With the help of unmanned aerial vehicles, the company’s employees found a disguised plastic hose at a distance of 1.6 km from the condensate pipeline, which ran through the sown farm fields and at 500 m from the pipeline – a plastic container with ball valves, a homemade pressure reducing gear and a pressure gauge. During further investigation, security officers found tie-in in the condensate pipeline 76 km from the Shebelynska Oil Refinery.

A hiding place for the stolen gas condensate was found in a forest belt near the village. Rozsokhuvata (Kharkiv region) in 9 km from the site of the tie-in, a metal tank of a volume of up to 25 cubic meters, filled with gas condensate, was found. The discovered tank was dismantled as evidence.

In total, in 2019, employees of the Oil Division of Naftogaz of Ukraine discovered and eliminated 32 tie-ins.

### GTSOU reduced the term of repairs on the Ukrainian-Slovak border

The Gas Tso of Ukraine (GTSOU) reduced the terms of repair of the Luping No4 gas pipeline section from 7 to 3 weeks. This was reported by the press service of GTSOU.

Initially, the repairs were planned to be carried out from August 11 to September 30, 2020. Currently, the GTSOU announces that the repairs will be in expedited mode during September 1-21, 2020.

Several defects were found on the section of the gas pipeline near the border with Slovakia (Budince gas meeting station) badly needing prompt repair. After a complete diagnosis of this section of the pipeline, a plan of technical measures to eliminate the identified defects was developed. The GTSOU plans to attract additional resources to optimize repair work and minimize the time of its implementation. Thus, service customers will be able to use the already purchased capacity in August 2020 without any interruptions.

The GTSOU also added that they had not received a positive response from Eustream regarding the creation of a virtual point at the common border. The Slovak operator also refused to transfer the already booked capacity from the Budince point to the Uzhhorod / Velke Kapushany point for the period of the repair works free of charge.

The GTSOU emphasizes that there is no risk of pumping into Ukraine’s underground storage facilities through the Uzhhorod / Velky Kapushany interconnection point. Eustream currently offers 60 mcm per day for July-September 2020.



## STATE POLICY AND LEGISLATION

### Derzhheonadra develops a reform package for modern rules of subsoil use

The State Service for Geology and Subsoil of Ukraine (Derzhheonadra) is developing a package of reforms on the ways of special permits' issuance, simplification of the rules for small subsoil use and instalment payment for the special permits, the press service of the Service reports.

According to the Service, the reforms are designed to introduce modern rules of regulation for subsoil users. They will concern the types of special subsoil use permits (valid till 2020): "an end-to-end" for exploration and production and production separately in the case of reserves balancing, and the ways of special permits' obtaining through e-auction and without auction, in case the eight reasons are clearly stated.

The reform will also include issues of simplified rules for "small subsoil use", instalment payments for special permits (50-20% in the first year, the rest - in instalments during 6 years), payment for the new special permits (provided from 2021) and free circulation of special permits and land plots.

### The Ministry of Energy is considering the possibility of transferring the TPPs from the State Property Fund to Naftogaz

The Ministry of Energy of Ukraine is considering the possibility of transferring the authority to manage corporate rights of the state in TPP from the State Property Fund to Naftogaz of Ukraine NJSC. This was announced by the acting Minister of Energy Olha Buslavets during a conference call on preparation for the fall-winter period of 2020-2021.

According to the Ministry, one of the pressing problems is the issue of debt of heating and power plants managed by the State Property Fund, and a resulting threat of failures to get gas nominations.

"The Ministry of Energy will soon initiate a meeting with the participation of the State Property Fund, Naftogaz of Ukraine NJSC, and the Antimonopoly Committee to solve this problem. We will work out all possible

options, in particular, the possibility of transferring the authority to manage the corporate rights of the state in TPP from the State Property Fund to Naftogaz of Ukraine," Olha Buslavets said.

Recall that on July 22, the Cabinet of Ministers adopted an order on the Actions Plan for the preparation of the fuel and energy complex of Ukraine for the fall-winter period of 2020-2021 and its passage. Buslavets noted that this is a key document regulating the preparation of fuel and energy and utilities companies for a stable passage of the fall-winter period.

### Naftogaz offers to simplify the transition to the "last hope" supplier

The company expects appropriate changes from the National Energy and Utilities Regulation Commission.

Naftogaz of Ukraine NJSC offers to introduce the option of automatic entry of the "last hope" supplier for the population, if the consumer has lost the gas supplier. This was written by Maxim Rabinovych, the Head of the Gas Supply Company Naftogaz of Ukraine, on Facebook.

"The LHS procedure is now formed according to the application principle. To become a LHS customer, a household or non-household customer must submit an appropriate application. For non-household market participants (business representatives), the application principle is not an issue. However, the population should be provided with the possibility of automatic access to the LHS. This is a guarantee that a person will not be suddenly left without gas. And it will have up to 60 days to safely find a new gas supplier. We expect that the NEURC will make appropriate changes to the rules of LHS operation. But I hope that clients will rarely use this procedure. If the LHS does not work, everything is good in the gas market and there is no force majeure," Rabinovych said.

### Investors received additional six months to finalize PSAs

The government has extended the term for conclusion of the hydrocarbon shar-

ing agreements for Buzivska, Zinkivska, Ivanivska, Berestyanska, Balakliyska, Sofiyivska, Varvynska and Uhnivska for 6 months from the date of the tender results' publication.

"The winners of the competitions submitted 9 agreements to Interdepartmental Commission for the arrangement of conclusion and implementation of production sharing agreements for consideration that require significant revision regarding compliance with the legislation of Ukraine," the explanatory note says.

The authors of the Act note that investors themselves applied to the Interdepartmental Commission to extend the terms of PSA conclusion.

"At the meeting of the Commission on June 11-17, 2020, the decision to support the proposals of investors to extend the terms of signing the hydrocarbon sharing for 6 months was made," the explanatory note summarizes.

### The Parliament supported the bill on localization in the first reading

The Verkhovna Rada adopted in the first reading the bill No. 3739 "On amendments to the Law of Ukraine "On public procurement" to create prerequisites for sustainable development and modernization of domestic industry."

248 deputies voted in pro, 15 con, and 37 abstained.

Presenting this bill in the hall, the Chair of the Parliamentary Committee on Economic Development Dmytro Natalukha said: "The bill on localization has a very simple goal: that the Ukrainian state, ordering locomotives, cars, and boats abroad, receives from 25% to 40% of this order back to its factories."

According to him, this bill is "about the reindustrialization of our country". "It will provide a Declaration of economic sovereignty. This is a historical document; Ukrainian industry will become strong again," the Chair of the Economic Committee said.

## JUDICIAL PRACTICE

### The court on the claim of Trade House SOCAR Ukraine LLC forbade OPP to proceed with a toll partner

The Trade House SOCAR Ukraine LLC (SOCAR Ukraine) appealed to the Commercial Court of Odessa region with a statement of claim to the JSC Odessa Port Plant (OPP), requesting to invalidate the decision of June 19, 2020, by the Tender Board of the OPP to further consider and qualify bid proposals for tolling of natural gas, as well as quash the OPP's decision to reject of the qualification bid proposal submitted by the SOCAR Ukraine.

SOCAR Ukraine asks the court to oblige OPP to allow the company to participate in the auction for the selection of a toll supplier of natural gas, as well as to impose court fees on the OPP.

SOCAR Ukraine refers to the unlawful rejection of the company's bid proposal to the OPP and complete disregard of ITT documents submitted by the former.

Together with the statement of claim SOCAR Ukraine filed a statement of claim with the court, asking the court to take measures to prohibit the OPP from taking any action in the framework of the tender, including to forbid OPP to hold an auction, to determine the winner, and to conclude a tolling contract with the winner.

According to SOCAR Ukraine, the company submitted ITT documents in full compliance with the selection procedure and in due time set by the OPP. However, according to the OPP's website, SOCAR's bid proposal was rejected and was not admitted to the auction. SOCAR Ukraine considers this decision unlawful and unfounded.

SOCAR Ukraine sent a petition to the OPP, demanding to admit the company to the tender, taking into account the experience of supplying mineral fertilizers to affiliated companies of the SOCAR Group. SOCAR Ukraine's alternative proposal is to exclude the requirement of experience in the supply of mineral fertilizers as a discriminatory clause in the ITT.

According to the SOCAR Ukraine, if the court does not forbid OPP to hold a tender, the OPP will probably sign a contract with one of the companies. This, in turn, will make it impossible to fully protect the violated rights and interests of SOCAR Ukraine.

The Commercial Court of Odesa Oblast concluded that SOCAR Ukraine's arguments were appropriate and complete. That is why the court granted SOCAR Ukraine petition to secure the claim.

Also, the court by a decision of July 22, 2020 prohibited the OPP to perform any actions in the tender for the tolling of natural gas, including holding an auction, determining the winner, and concluding a toll contract.

### Energetichnyy Equivalent LLC asks the court to prohibit OPP to extend or enter into a gas supply contract

On July 20, 2020, the Energetichnyy Equivalent LLC also filed a petition with the Odesa Regional Commercial Court requesting to prohibit the OPP and the Polonex Commodity Exchange proceed with the tender for tolling of natural gas to the OPP.

In its petition, the Energetichnyy Equivalent LLC asks the court to prohibit OPP to hold any further competitions to select a supplier of toll natural gas, to extend existing natural gas procurement contracts, as well as to enter into new ones until the full implementation of the Contract №20 / SN-2 from January 18, 2019, for processing of natural gas tolled by the Energetichnyy Equivalent LLC. In addition, the company asks the court to prohibit the OPP's management to proceed with extension of existing or the conclusion of new tolling contracts.

### Court to consider the claim of Naftogaz of Ukraine to recover UAH 4.5 billion from CMU and STSU

The NJSC Naftogaz of Ukraine appealed to the Commercial Court of Kyiv with a claim against the Cabinet of Ministers of Ukraine (CMU) and the State Treasury Service of

Ukraine (STSU) to recover UAH 4.49 billion in damages.

Substantiating its claim, the NJSC Naftogaz of Ukraine referred to the decision of the District Administrative Court of Kyiv in case № 826/6064/17 of April 10, 2018, which recognized unlawful inaction by the Cabinet of Ministers in determination of sources of finance and compensation for the NJSC Naftogaz of Ukraine under the natural gas supply under PSO vested in the latter. According to the NJSC Naftogaz of Ukraine, the company has already incurred UAH 4.49 billion in damages because of the inaction by the CMU and the STSU. The hearing of the case is scheduled for August 27, 2020.

### Naftogaz of Ukraine wants to collect UAH 90 million from Khmelnytskyteplocomunenerho

The NJSC Naftogaz of Ukraine appealed to the Commercial Court of Khmelnytsky region with a claim to Khmelnytskyteplocomunenergo Communal Enterprise to recover UAH 25 million of debt. The debt consists of UAH 19.4 million in principal debt, UAH 2 million in penalties, UAH 1 million in interest of 3% per annum, and UAH 2 million in inflation losses. The court decision of June 25, 2020 opened proceedings in the case.

Also Judge Tanasyuk is considering the Case №924 / 761/20 on another claim by the NJSC Naftogaz of Ukraine to Khmelnytskyteplocomunenergo Communal Enterprise to recover UAH 64 million of debt, of which UAH 45 million in principal debt, UAH 7 million in penalty, UAH 4 million in interest of 3% per annum, and UAH 8 million in inflation losses.

The basis for the plaintiff's claim in these cases is the respondent's failure to fulfill monetary obligations under natural gas supply agreements concluded between the parties on August 30, 2017.

Taking into account the content of the claims and the circumstances of the cases, the court decided to combine them into one proceeding for joint consideration.

JULY 20-26, 2020

## INTERNATIONAL NEWS

### Delayed Romanian Black Sea gas projects pose risk to pipeline

Romania's gas grid operator Transgaz will likely finalise work on a European Union-backed pipeline this year, but with no progress on tapping offshore gas reserves it may have little to transport, an energy regulator said on Tuesday.

The pipeline to connect Bulgaria, Romania, Hungary and Austria (BRUA) and ease reliance on Russian gas will be able to carry 1.75 billion cubic metres of gas in its first phase, which cost an estimated €479 million (\$550.4 million) to build.

"We hope BRUA will be finalised this year, but since we did not solve Black Sea gas extraction, I am wondering what we will be transporting through this pipeline," Maria Manicuta of energy regulator ANRE told a Focus Energetic conference.

Several gas producers have spent years and billions of dollars preparing to tap Romania's Black Sea gas, but were blindsided by price caps, taxes and export restrictions pushed by a previous centre-left government.

The current centrist minority government has overturned some of the changes, but potential investors are still waiting for tax changes on offshore projects.

### U.S. sanctions on TurkStream could affect Bulgaria

The planned U.S. sanctions on companies participating in the construction of the second leg of the TurkStream natural gas pipeline could also affect Bulgaria, which is building an extension of the pipeline through its territory, deputy prime minister Tomislav Donchev said. "Based on the information which we currently have, one thing is certain - there will be sanctions regarding the companies which are building TurkStream. It is possible that this concerns us, but it is also entirely possible that it doesn't", Donchev said in an interview for private broadcaster BTV on Wednesday. The U.S. is expected to shortly announce fur-

ther details on the planned sanctions, which will provide more clarity on whether Bulgaria will be affected, Donchev said in the interview. Last year, gas transmission system operator Bulgartransgaz signed a €1.1 billion (\$1.3 billion) contract with a consortium of Saudi-based Arkad Engineering and Construction Company and its Italy-based joint venture company Arkad ABB for the construction of an extension of TurkStream's transit pipeline on Bulgarian territory intended to carry gas from the border with Turkey to the border with Serbia.

### UK Oil and Gas clinches deal to buy 50% stake in Turkish exploration targets

London-listed UK Oil and Gas (UKOG) has struck the deal with Aladdin Middle East, an independent oil company with 60 years of operational experience in Turkey, on the Resan licence.

Resan lies within the SE Anatolian basin, in the foothills of the Taurus-Zagros mountains in Iraq, Iran and Turkey, one of the Middle East's "major" oil producing areas.

Multiple producing oil fields lie to the immediate west and south east of the licence, containing significant proven recoverable reserves.

Drilling and seismic work are expected to commence before the end of this year, Covid, weather and Turkish governmental transaction approval permitting.

UKOG has agreed to fund 100% of the first of 5 commitment wells in the licence's 5-year exploration term, together with a small 2D seismic survey with an expected cost of \$1-\$1.5 million. UKOG's net expenditure for the one well plus seismic programme is capped at \$5 million maximum expenditure.

Thereafter, the company will fund its 50% interest share expected to be \$1.5 million per well. The firm's UK portfolio includes a direct 77.9% interest in Horse Hill Developments, which has a 65% interest in the Horse Hill licences.

### Europe warns Turkey against natural gas mission near Greece

European officials on Thursday warned Turkey against pursuing a survey mission looking for gas reserves near Greek islands in the eastern Mediterranean.

Greece and Cyprus have accused Turkey of undermining their sovereignty by continuing to pursue energy resources within their territorial waters.

"The government is underlining to all parties that Greece will not accept a violation of its sovereignty and will do whatever is necessary to defend its sovereign rights," said Greek government spokesman Stelios Petasas.

French President Emmanuel Macron has called for sanctions against Turkey, saying it is "not acceptable for the maritime space of a European Union member state to be violated or threatened".

Last year, the EU adopted a sanctions regime targeting Turkey over its unauthorized gas drilling in Cypriot waters.

### Turkey Moves To Reduce Reliance On Russian Gas

Turkey is looking to reduce further its reliance on Russian gas, and for the first time in almost two decades, Turkey may not receive gas at all from Russian gas giant Gazprom for at least two weeks.

According to Turkish state-owned Botas, cited by Interfax, the Turkish Stream pipeline will stop completely on July 27.

The pipeline will remain down for a couple of weeks until mid-August due to repair work on the pipeline. But the Turkish Stream pipeline was stopped last month too for planned maintenance.

Another gas pipeline from Russia to Turkey, the Blue Stream, was also shuttered in May, and even though it was only supposed to be down for a couple of weeks, the pipeline is still shuttered today.



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## GAS MARKET

### Trade

Traditionally, the activity of natural gas trade in Ukraine in July was quite low and importers pumped a significant part of gas into UGS. During the week, gas prices continued to gradually decline. August resource trading came to the fore. By the end of the month, traders do not predict significant price fluctuations.

### Domestic market

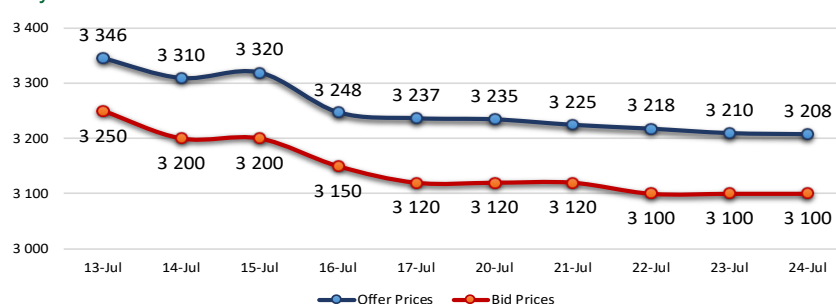
Since the beginning of the third decade of July, natural gas prices in the Ukrainian market continued to gradually decrease. According to market participants, the approaching end of the month encourages the sellers to reduce their prices to the level, at which the buyers are ready to buy. Demand for natural gas (in particular, the August resource) increased compared to the last week. Fluctuations in prices at the hubs had almost no effect on the domestic market.

Some market participants told ExPro that they were not actively trading during the reporting week. "We have most of the gas now contracted under the long-term contracts; we sold small remaining gas volumes last week, so now we do not trade," one of the traders said.

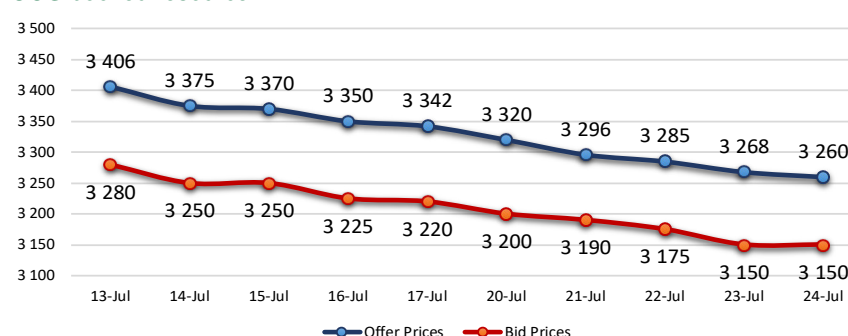
Additionally, the importers actively pumped gas into underground storages, but they sold a small part of the imported gas to the market, as their prices were higher than the market ones. "As for the pumping season, the prices on the market are normal, but we are not actively selling gas to the market; we are pumping more into the UGS," a representative of one of the major importers told ExPro. The volume of trade in **July resource** is decreasing as the end of the current month approaches. Throughout the week, the prices for the July resource were in the range of UAH 3,200-3,350 per thousand cubic meters. The stability of prices for the July resource was conditioned by the insignificant volumes of its trade.

### Natural Gas Prices in Ukraine, UAH/tcm

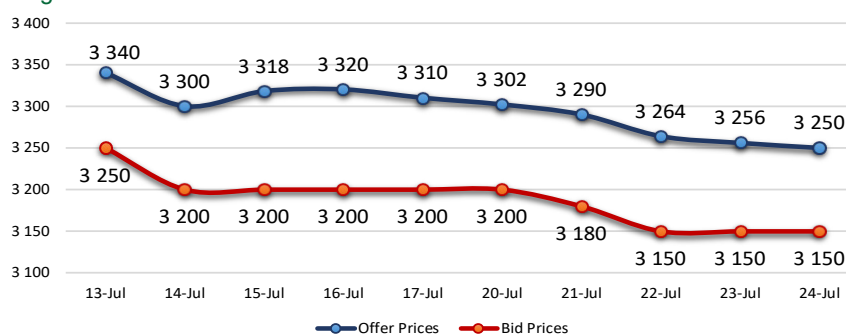
#### July booked resource



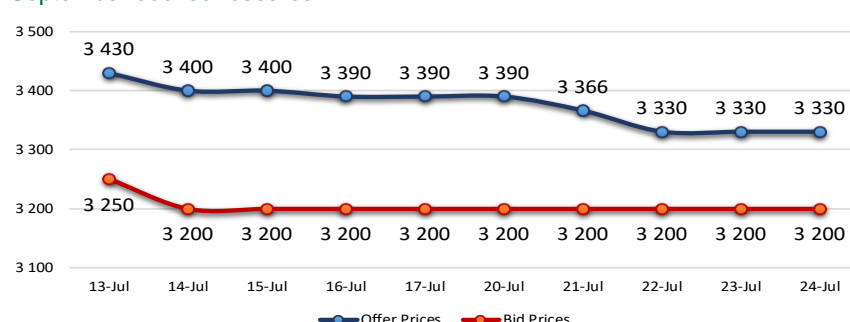
#### UGS booked resource



#### August booked resource



#### September booked resource



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## Auctions Held on Ukrainian Energy Exchange (UEEX) over the past week

No	Seller/buyer	Proposition	Gas	Auction date	Volume, tcm	Initial price, UAH/tcm VAT inclusive	Terms of payment	Realized volume, tcm	purchase price, UAH/tcm VAT inclusive	Average price, UAH/tcm VAT inclusive
1	Craft Energy	selling	July	20.07.2020	500	3 340	Prepayment	-	-	-
2	Craft Energy	selling	UGS (July)	20.07.2020	500	3 340	Prepayment	-	-	-
3	Craft Energy	selling	August	20.07.2020	500	3 360	Prepayment	-	-	-
4	Ukrnaftoburinnnya	selling	July	20.07.2020	2 000	3 400	Prepayment	-	-	-
5	Gas-Oil Harant	selling	August	20.07.2020	1 000	3 450	Prepayment	-	-	-
6	Sinerhiya Trade	selling	July	20.07.2020	500	3 400	Prepayment	-	-	-
7	Sinerhiya Trade	purchase	UGS (July)	20.07.2020	2 000	3 200	Prepayment	-	-	-
8	Naftogas Trading	selling	July	20.07.2020	1 000	3 234	Prepayment	500	3 246	3 246
9	Naftogas Trading	selling	UGS (July)	20.07.2020	1 000	3 318	Prepayment	300	3 318 - 3 324	3 320
10	Naftogas Trading	selling	August	20.07.2020	1 000	3 294 *		1 000	3 300 - 3 318	3 309
11	Naftogas Trading	selling	UGS (August)	20.07.2020	1 000	3 348 *		1 000	3 348 - 3 378	3 361,2
12	Naftogas Trading	selling	September	20.07.2020	1 000	3 390 *		-	-	-
13	Naftogas Trading	selling	UGS (September)	20.07.2020	1 000	3 438 *		-	-	-
14	Energogazrezerv	selling	July	20.07.2020	500	3 320	Prepayment	-	-	-
15	Energogazrezerv	selling	UGS (July)	20.07.2020	500	3 320	Prepayment	-	-	-
16	Energogazrezerv	selling	August	20.07.2020	500	3 400	Prepayment	-	-	-
17	Energogazrezerv	selling	UGS (August)	20.07.2020	500	3 400	Prepayment	-	-	-
18	DE Trading	selling	UGS (July)	20.07.2020	50	3 300	Prepayment	-	-	-
19	Pyriatynskiy Delikates	selling	UGS (July)	20.07.2020	200	3 450	Prepayment	-	-	-
20	EGAZ	selling	UGS (July)	20.07.2020	3 000	3 350	Prepayment	-	-	-
21	Tech Prom Gas	purchase	UGS (July)	20.07.2020	4 000	2 900	Prepayment	-	-	-
22	Transgazpostach	selling	July	20.07.2020	900	3 500	Prepayment	-	-	-
23	Craft Energy	selling	July	21.07.2020	500	3 320	Prepayment	-	-	-
24	Craft Energy	selling	UGS (July)	21.07.2020	500	3 320	Prepayment	-	-	-
25	Craft Energy	selling	August	21.07.2020	500	3 330	Prepayment	-	-	-
26	Gas-Oil Harant	selling	August	21.07.2020	1 000	3 450	Prepayment	-	-	-
27	Sinerhiya Trade	selling	July	21.07.2020	500	3 400	Prepayment	-	-	-
28	Sinerhiya Trade	purchase	UGS (July)	21.07.2020	2 000	3 200	Prepayment	-	-	-
29	Naftogas Trading	selling	July	21.07.2020	1 000	3 234	Prepayment	50	3 234	3 234
30	Naftogas Trading	selling	UGS (July)	21.07.2020	1 000	3 318	Prepayment	-	-	-
31	Naftogas Trading	selling	August	21.07.2020	1 000	3 270 *		150	3 270	3 270
32	Naftogas Trading	selling	UGS (August)	21.07.2020	1 000	3 348 *		300	3 348	3 348
33	Naftogas Trading	selling	September	21.07.2020	1 000	3 366 *		100	3 366	3 366
34	Naftogas Trading	selling	UGS (September)	21.07.2020	1 000	3 414 *		-	-	-
35	Ukrnaftoburinnnya	selling	July	21.07.2020	2 000	3 400	Prepayment	-	-	-
36	Ukrnaftoburinnnya	selling	August	21.07.2020	1 000	3 400	Prepayment	-	-	-
37	DE Trading	selling	UGS (July)	21.07.2020	50	3 300	Prepayment	-	-	-
38	Energogazrezerv	selling	July	21.07.2020	500	3 320	Prepayment	-	-	-
39	Energogazrezerv	selling	UGS (July)	21.07.2020	500	3 320	Prepayment	-	-	-
40	Energogazrezerv	selling	August	21.07.2020	500	3 400	Prepayment	-	-	-
41	Energogazrezerv	selling	UGS (August)	21.07.2020	500	3 400	Prepayment	-	-	-
42	Tech Prom Gas	purchase	UGS (July)	21.07.2020	4 000	2 900	Prepayment	-	-	-
43	EGAZ	selling	UGS (July)	21.07.2020	1 000	3 290	Prepayment	-	-	-
44	EGAZ	selling	UGS (July)	21.07.2020	2 000	3 280	Prepayment	-	-	-
45	Transgazpostach	selling	July	21.07.2020	600	3 500	Prepayment	-	-	-
46	Gazodobuvna	selling	UGS (July)	21.07.2020	2 000	3 290	Prepayment	-	-	-
47	Pyriatynskiy Delikates	selling	UGS (July)	21.07.2020	200	3 450	Prepayment	-	-	-
48	Centreenergy	selling	July	21.07.2020	250	3 300	Prepayment	-	-	-
49	Centreenergy	selling	August	21.07.2020	250	3 350	Prepayment	-	-	-
50	Centreenergy	selling	UGS (July)	21.07.2020	250	3 350	Prepayment	-	-	-
51	Ecotechnoinvest	selling	July	22.07.2020	300	3 500	Prepayment	-	-	-
52	Centreenergy	selling	July	22.07.2020	250	3 300	Prepayment	-	-	-
53	Centreenergy	selling	August	22.07.2020	250	3 350	Prepayment	-	-	-
54	Centreenergy	selling	UGS (July)	22.07.2020	250	3 350	Prepayment	-	-	-
55	LNZ	selling	UGS (July)	22.07.2020	500	3 320	Prepayment	-	-	-
56	Craft Energy	selling	July	22.07.2020	250	3 330	Prepayment	-	-	-
57	Craft Energy	selling	UGS (July)	22.07.2020	250	3 340	Prepayment	-	-	-
58	Craft Energy	selling	August	22.07.2020	250	3 370	Prepayment	-	-	-
59	EGAZ	selling	UGS (July)	22.07.2020	10 000	3 280	Prepayment	-	-	-
60	EGAZ	selling	UGS (July)	22.07.2020	2 000	3 290	Prepayment	-	-	-
61	Ukrnaftoburinnnya	selling	July	22.07.2020	2 000	3 400	Prepayment	-	-	-
62	Ukrnaftoburinnnya	selling	August	22.07.2020	1 900	3 400	Prepayment	-	-	-
63	Gas-Oil Harant	selling	August	22.07.2020	1 000	3 450	Prepayment	-	-	-
64	Naftogas Trading	selling	July	22.07.2020	1 000	3 204	Prepayment	-	-	-
65	Naftogas Trading	selling	UGS (July)	22.07.2020	1 000	3 294	Prepayment	200	3 294	3 294

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№	Seller/buyer	Proposition	Gas	Auction date	Volume, tcm	Initial price, UAH/tcm VAT inclusive	Terms of payment	Realized volume, tcm	purchase price, UAH/tcm VAT inclusive	Average price, UAH/tcm VAT inclusive
66	Naftogas Trading	selling	August	22.07.2020	1 000	3 234 *		1 000	3 234 - 3 246	3 244,8
67	Naftogas Trading	selling	UGS (August)	22.07.2020	1 000	3 312 *		200	3 312	3 312
68	Naftogas Trading	selling	September	22.07.2020	1 000	3 330 *		-	-	-
69	Naftogas Trading	selling	UGS (September)	22.07.2020	1 000	3 390 *		-	-	-
70	DE Trading	selling	UGS (July)	22.07.2020	50	3 300	Prepayment	-	-	-
71	Pyriatynskiy Delikates	selling	UGS (July)	22.07.2020	200	3 450	Prepayment	-	-	-
72	Tech Prom Gas	purchase	UGS (July)	22.07.2020	4 000	2 900	Prepayment	-	-	-
73	Gazodobuvna	selling	UGS (July)	22.07.2020	2 000	3 250	Prepayment	-	-	-
74	Transgazpostach	selling	July	22.07.2020	600	3 500	Prepayment	-	-	-
75	Craft Energy	selling	July	23.07.2020	500	3 300	Prepayment	-	-	-
76	Craft Energy	selling	UGS (July)	23.07.2020	500	3 320	Prepayment	-	-	-
77	Craft Energy	selling	August	23.07.2020	500	3 330	Prepayment	-	-	-
78	Naftogas Trading	selling	July	23.07.2020	1 000	3 204	Prepayment	1 000	3 204 - 3 216	3 215,4
79	Naftogas Trading	selling	UGS (July)	23.07.2020	1 000	3 288	Prepayment	400	3 288	3 288
80	Naftogas Trading	selling	August	23.07.2020	1 000	3 234 *		1 000	3 234 - 3 258	3 246,6
81	Naftogas Trading	selling	UGS (August)	23.07.2020	1 000	3 312 *		200	3 300 - 3 312	3 306
82	Naftogas Trading	selling	September	23.07.2020	1 000	3 330 *		450	3 330	3 330
83	Naftogas Trading	selling	UGS (September)	23.07.2020	1 000	3 390 *		-	-	-
84	Ukrnaftoburinna	selling	July	23.07.2020	1 950	3 350	Prepayment	-	-	-
85	Ukrnaftoburinna	selling	August	23.07.2020	2 000	3 350	Prepayment	-	-	-
86	DE Trading	selling	UGS (July)	23.07.2020	50	3 250	Prepayment	-	-	-
87	Tech Prom Gas	purchase	UGS (July)	23.07.2020	3 000	3 150	Prepayment	-	-	-
88	EGAZ	selling	UGS (July)	23.07.2020	5 000	3 270	Prepayment	-	-	-
89	EGAZ	selling	UGS (July)	23.07.2020	1 000	3 280	Prepayment	-	-	-
90	Transgazpostach	selling	July	23.07.2020	600	3 350	Prepayment	-	-	-
91	Pyriatynskiy Delikates	selling	UGS (July)	23.07.2020	200	3 450	Prepayment	-	-	-
92	Centreenenergy	selling	July	23.07.2020	250	3 275	Prepayment	-	-	-
93	Centreenenergy	selling	August	23.07.2020	250	3 300	Prepayment	-	-	-
94	Centreenenergy	selling	UGS (July)	23.07.2020	250	3 300	Prepayment	-	-	-
95	Gazodobuvna	selling	UGS (July)	23.07.2020	2 000	3 290	Prepayment	-	-	-
96	Ukravtogas	purchase	August	24.07.2020	3 617	3 000	Decade payment	3 617	3 140	3 140
97	Craft Energy	selling	July	24.07.2020	500	3 270	Prepayment	-	-	-
98	Craft Energy	selling	UGS (July)	24.07.2020	500	3 290	Prepayment	-	-	-
99	Craft Energy	selling	August	24.07.2020	500	3 300	Prepayment	-	-	-
100	Ukrnaftoburinna	selling	July	24.07.2020	2 000	3 350	Prepayment	-	-	-
101	Ukrnaftoburinna	selling	August	24.07.2020	1 900	3 350	Prepayment	-	-	-
102	Gas Optimum	purchase	August	24.07.2020	200	3 000	Prepayment	-	-	-
103	Centreenenergy	selling	July	24.07.2020	250	3 275	Prepayment	-	-	-
104	Centreenenergy	selling	August	24.07.2020	250	3 300	Prepayment	-	-	-
105	Centreenenergy	selling	UGS (July)	24.07.2020	250	3 300	Prepayment	-	-	-
106	Sinerhiya Trade	purchase	August	24.07.2020	500	3 400	Prepayment	-	-	-
107	Gas-Oil Harant	selling	August	24.07.2020	1 000	3 450	Prepayment	100	3 300	3 300
108	Naftogas Trading	selling	July	24.07.2020	1 000	3 204	Prepayment	960	3 204 - 3 216	3 209
109	Naftogas Trading	selling	UGS (July)	24.07.2020	1 000	3 288	Prepayment	-	-	-
110	Naftogas Trading	selling	August	24.07.2020	1 000	3 234 *		1 000	3 234 - 3 258	3 252
111	Naftogas Trading	selling	UGS (August)	24.07.2020	1 000	3 288 *		-	-	-
112	Naftogas Trading	selling	September	24.07.2020	1 000	3 414 *		-	-	-
113	Naftogas Trading	selling	UGS (September)	24.07.2020	1 000	3 498 *		-	-	-
114	DE Trading	selling	UGS (July)	24.07.2020	50	3 250	Prepayment	-	-	-
115	Transgazpostach	selling	July	24.07.2020	600	3 350	Prepayment	-	-	-
116	Pyriatynskiy Delikates	selling	UGS (July)	24.07.2020	200	3 450	Prepayment	-	-	-
117	Tech Prom Gas	purchase	UGS (July)	24.07.2020	3 000	3 150	Prepayment	-	-	-
118	Gazodobuvna	selling	UGS (July)	24.07.2020	2 000	3 290	Prepayment	-	-	-
119	DE Trading	purchase	August	24.07.2020	50	3 000	Prepayment	-	-	-

\* Payment terms for Naftogas Trading: 75% of the contract value - 1 business day before the trade notice is submitted

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### Auctions Held on Smarttender over the past week

№	Purchaser/Seller	Proposition	Start accepting proposals	End of receipt of proposals	Delivery time	Volume, tcm	Initial price, UAH/tcm VAT included
1	Ukrainian Drilling Company	selling	20.07.2020	20.07.2020	01-31.08.2020	1 300	3 250
2	Ukrainian Drilling Company	selling	21.07.2020	21.07.2020	01-31.08.2020	620	3 350
3	Ukrainian Drilling Company	selling	22.07.2020	22.07.2020	01-31.08.2020	620	3 300
4	Ukrainian Drilling Company	selling	22.07.2020	22.07.2020	01-10.08.2020	450	3 300
5	Geo Alliance	selling	22.07.2020	22.07.2020	01-31.08.2020	300	3 200
6	Kyivkhlil	purchase	14.07.2020	23.07.2020	01.08-31.10.2020	5 510	
7	Rubezhnoye Cardboard&Package Mill	purchase	16.07.2020	22.07.2020	01-31.08.2020	4 500	
8	Investments of the third millennium	purchase	16.07.2020	21.07.2020	01-31.08.2020	500	
9	Hlibni Investitsii	purchase	20.07.2020	22.07.2020	01-31.08.2020	835,6	
10	Lauffer Bakery	purchase	20.07.2020	22.07.2020	01-31.08.2020	280	
11	Agromars	purchase	20.07.2020	22.07.2020	01-31.08.2020	1 500	
12	Agro-Oven	purchase	20.07.2020	22.07.2020	01-31.08.2020	250,3	
13	Dairy Plant in Starokostiantyniv	purchase	21.07.2020	23.07.2020	01-31.08.2020	200	
14	Logos	purchase	22.07.2020	23.07.2020	01-31.08.2020	18	3 500

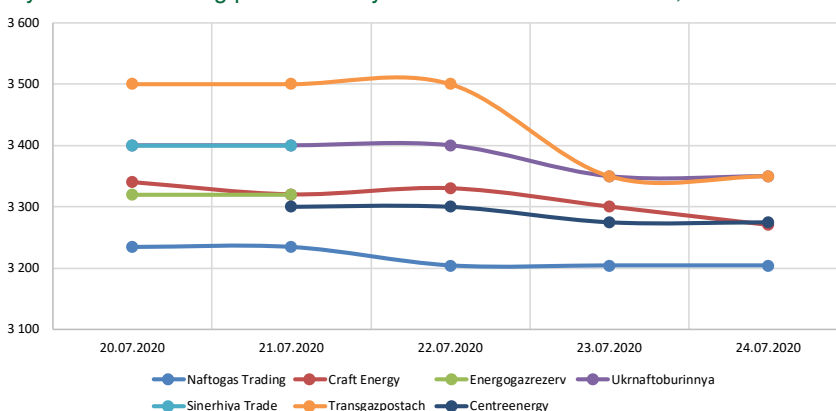
Since the beginning of the third decade of July, the main resource on the market was the **August resource**, which at the beginning of the week was traded at UAH 3,250-3,400 per thousand cubic meters, and at the end – UAH 3,200-3,330 per thousand cubic meters, thus equalling to the price of the July resource. During the week the August resource fell in price by 1.5-2%. According to the market participants, the demand for August resource was stable. “Now is the time when consumers purchase the August resource, so of course there is demand,” the trader said.

Trade in **UGS gas** is also quite active, and there were some proposals to exchange the July and August resource for gas in UGS. At the beginning of the week, prices of UGS gas were in the range of UAH 3,270-3,420 per thousand cubic meters, and during the week gas in storages fell by 1.5-2% and on Friday traded at UAH 3,220-3,350 per thousand cubic meters.

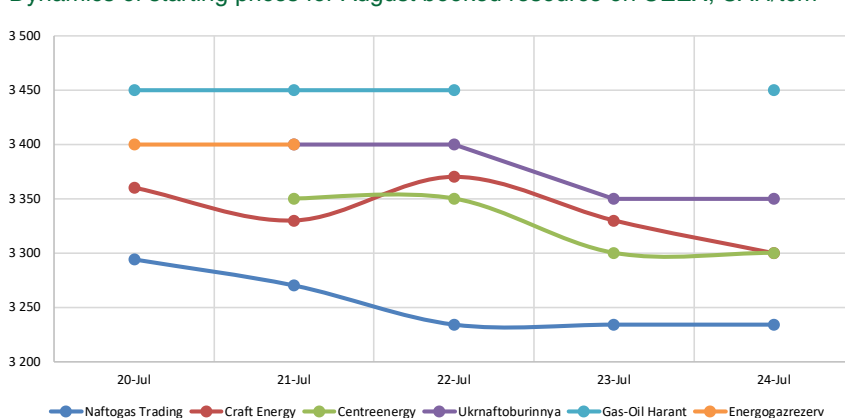
Gradually, as the end of July approached, the sellers started to look at the **September resource**, but there are no active offers on the market yet. Naftogaz Trading LLC within a week sold 550 thousand cubic meters of September resource at UAH 3,330-3,366 per thousand cubic meters, UAH 70 lower than at the previous week.

The market participants surveyed by Ex-Pro do not expect serious price fluctuations in the domestic market until the end

### Dynamics of starting prices for July booked resource on UEEX, UAH/tcm



### Dynamics of starting prices for August booked resource on UEEX, UAH/tcm



of this month. However, the market participants' forecasts of August prices differ. Some traders still expect prices to fall to record lows due to overfilled underground storage facilities in Europe. Other traders point to a reduction in gas

supplies to Europe, which will keep prices from sagging.

The **activity of natural gas trading** on the **Ukrainian Energy Exchange CE** remained stable – there were many offers

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of gas sales, but the volume of gas sold remained insignificant. Bidders explain this, first of all, by the low demand from the buyers.

During the week, 14 companies offered for sale the July, August, and September resource and gas in UGS, but only two of them (GPC Naftogaz Trading LLC and Gas-Oil Garant LLC) sold gas at their own auctions. Additionally, 5 companies held auctions for the purchase of natural gas, but only the state Ukravtogaz purchased gas.

State Enterprise Ukravtogaz purchased 3.617 million cubic meters of August resource at UAH 3,140 per thousand cubic meters on the terms of decade payment. Naftogaz Trading LLC last week sold 2.51 million cubic meters of July resource at UAH 3,204-3,246 per thousand cubic meters and 900 thousand cubic meters of gas in UGS with transfer in July at UAH 3,288-3,324 per thousand cubic meters.

In addition, the Company sold 4.15 million cubic meters of August resource at UAH 3,234-3,318 per thousand cubic meters and 1.7 million cubic meters of gas in UGS with transfer in August at UAH 3,300-3,378 per thousand cubic meters. Also, Naftogaz Trading sold 550 thousand cubic meters of September resource at UAH 3,330-3,366 per thou-

sand cubic meters. Thus, Naftogaz Trading sold 9.81 million cubic meters of gas at the exchange for a total of UAH 32 million (including VAT), 3 million cubic meters less than in the previous week.

Gas-Oil Garant LLC also sold 100 thousand cubic meters of July resource at UAH 3,300 per thousand cubic meters for UAH 330 thousand (including VAT).

**Gasvydobuvannya LLC** held its first auction for the gas sale on the Exchange. It put up for sale 2 million cubic meters of gas in UGS with transfer in July at the starting price of UAH 3,250-3,290 per thousand cubic meters. However, it did not find buyers at reasonable prices. The company was founded in Kyiv, at the end of 2018. The manager is Maxim Kozenko, and the final beneficiaries are Mykola Yarosh (75%) and Maxim Kozenko (25%). Previously, one of the beneficiaries through Energy System LLC was Oleksandr Terletsky, who owns a number of other gas companies (Prodpostach Gas LLC, Luxgas LLC).

Also, on July 24, **Gas Optimum LLC** held its first auction for the gas sale on the Exchange. It planned to purchase 200 thousand cubic meters of natural gas at the starting price of UAH 3,000 per thousand cubic meters on prepayment terms. However, it did not find the suppliers. The Company was registered

in early 2020 in Kyiv. Its head is Georgy Dzyubenko, and the founder is Andriy Akimenko. Gas Optimum won one tender at ProZorro for the supply of 9.9 thousand cubic meters of gas for a Patrol Police Battalion in the cities of Kratomorsk and Sloviansk for a total of UAH 78.5 thousand (including VAT).

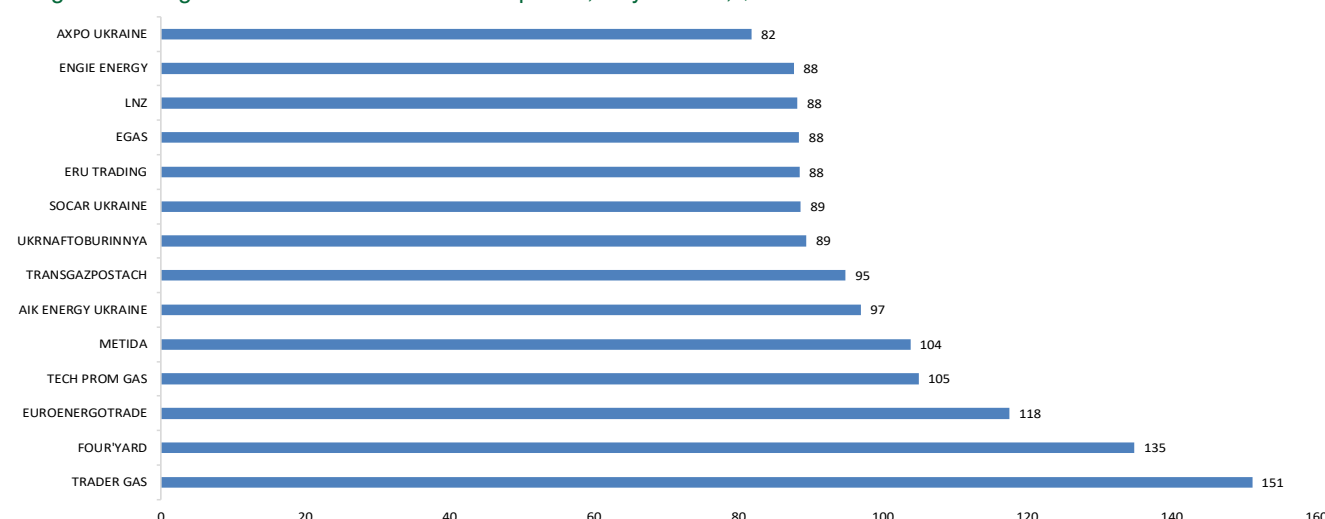
On Monday (July 27), Ukrspyr SE plans to purchase 1.83 million cubic meters of August resource on the UEE at the starting price of UAH 2,800 per thousand cubic meters on the terms of the staged payment.

On the **Smarttender** trading platform, Geo Alliance offered 300 thousand cubic meters of August resource for sale on Wednesday; the starting price was UAH 3,200 per thousand cubic meters. According to the bidders, the company sold the entire declared volume at prices up to UAH 3,310 per thousand cubic meters.

Additionally, on Monday-Wednesday, Ukrainian Drilling Company put up for sale 1.07-1.3 million cubic meters of August resource at the starting price in the range of UAH 3,250-3,350 per thousand cubic meters.

**Gas Customs Clearance.** During the period from July 10 to 23, fifteen Ukrainian companies cleared 272 million cubic meters of natural gas, twice as

Weighted average costs for customs cleared imported, July 10 - 23, \$/tcm





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much as during the same period in June. First of all, this is related to customs clearance of gas from the “bonded warehouse” by Naftogaz of Ukraine NJSC. In July, the company withdrew 117 million cubic meters of gas from the “bonded warehouse,” which was pumped into the UGS in July-September 2019. The main gas sellers were ERU (69 million cubic meters) and Trafigura (48 million cubic meters).

Tech Prom Gas LLC cleared 28 million cubic meters of natural gas, which the company purchased from Basis Trade (13.5 million cubic meters), Unicom Gas (13.5 million cubic meters) and Energy Strategy (1 million cubic meters).

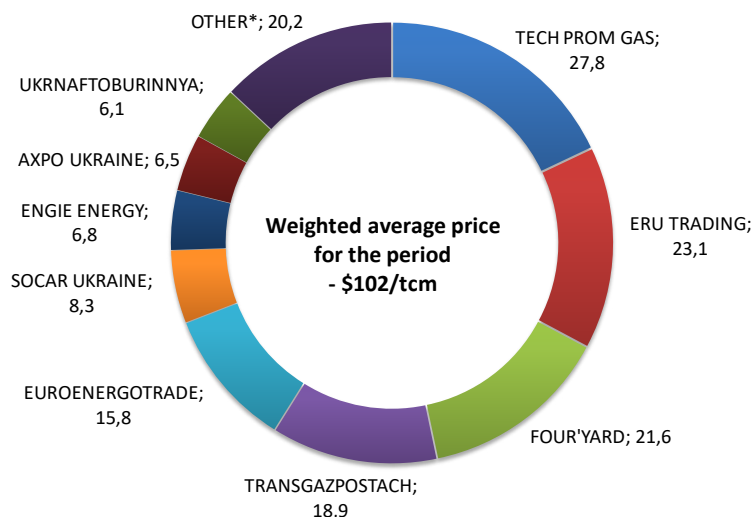
ERU Trading LLC cleared 23 million cubic meters of natural gas after imports, which the company purchased from ERU Management (22 million cubic meters) and AXPO (1 million cubic meters).

The average weighted price of natural gas customs clearance for this period was US\$ 102 per thousand cubic meters, which is 16% higher than in June. The customs clearance price is indicated without the price of Naftogaz, which purchased gas at \$189 per thousand cubic meters.

### ProZorro Public Procurement

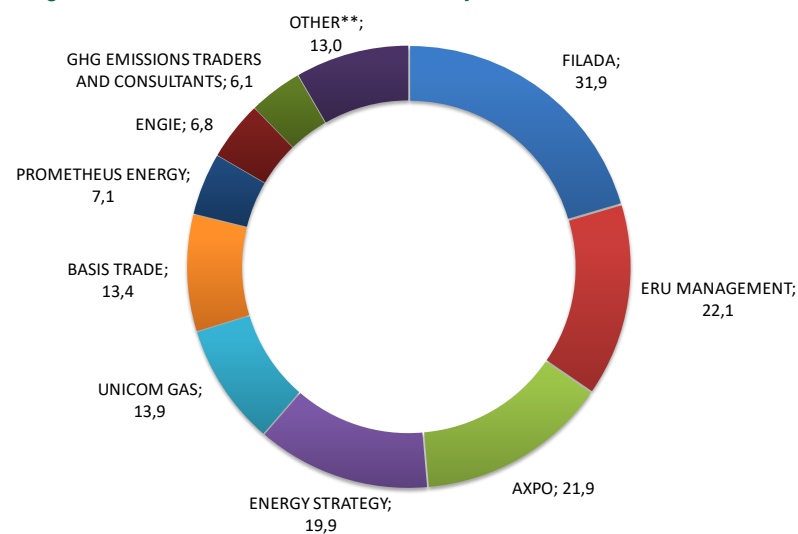
Gas trading activity in the ProZorro system is growing. In the ProZorro system, during the reporting week, ten new tenders were announced for the purchase of 133.2 million cubic meters of gas with an expected cost of UAH 647 million (including VAT).

### Customs clearance of natural gas, July 10 - 23, mcm



\* - METIDA, EGAS, AIK ENERGY UKRAINE, LNZ, TRADER GAS

### Natural gas sellers at the Ukrainian border , July 10 - 23, mcm



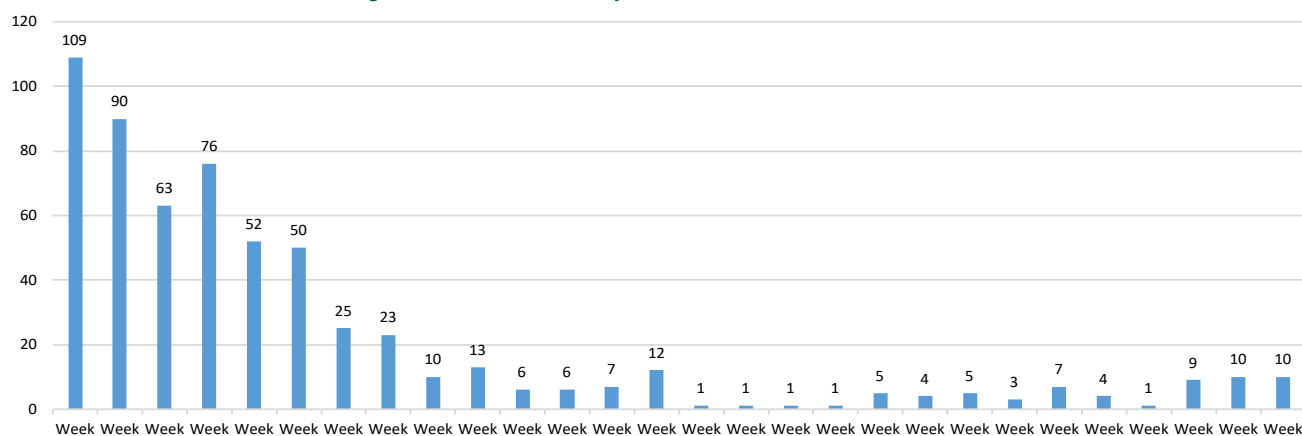
\*\* - SANGAZ, AIK ENERGY, ABA ENERGY

### TOP 10 Prozorro tenders winners, July 20 - 24, 2020

No	Procurer	Price UAH (including VAT)	Volume Mm³	Amount of tenders
1	Naftogaz Trading Gas Company LLC	31 167 981	5 717,7	1
2	Energogazreserve LLC	11 562 018	3 290,0	1
3	Ukrgezdobich LLC	2 386 644	240,1	1
4	Gazenergo-Trade LLC	696 950	265,0	1
5	GAZ.UA LLC	181 751	75,7	1
6	Gas Optimum LLC	148 946	19,8	1
7	AC LLC	126 765	23,5	1
8	Energy Trade Group LLC	105 050	41,2	1
9	Kyivgazenergy SE	39 900	8,6	1
10	Azovgaz LLC	29 944	3,9	1

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### Announcement tenders of natural gas on Prozorro, weekly 2020



The largest purchases were announced by Ukrtransgaz – three tenders for the purchase of 132 million cubic meters of gas until the end of 2020 at UAH 642 million (including VAT).

In addition to UTG, the largest tender was announced by the Teofipol RSA, which plans to purchase 400 thousand cubic meters of gas at UAH 2 million and an expected price of UAH 5,000 per thousand cubic meters (including VAT) on a staged payment basis. The gas delivery period is until the end of 2020.

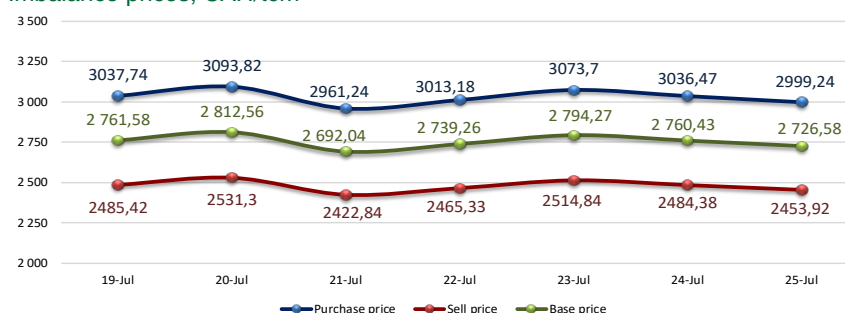
The results of thirteen tenders for the purchase of 9.7 million cubic meters of gas in the amount of UAH 46.4 million (including VAT) were also announced. Price range is UAH 2,400-9,940 per thousand cubic meters (including VAT). None of the companies won more than one tender (see the table).

## Currency Market

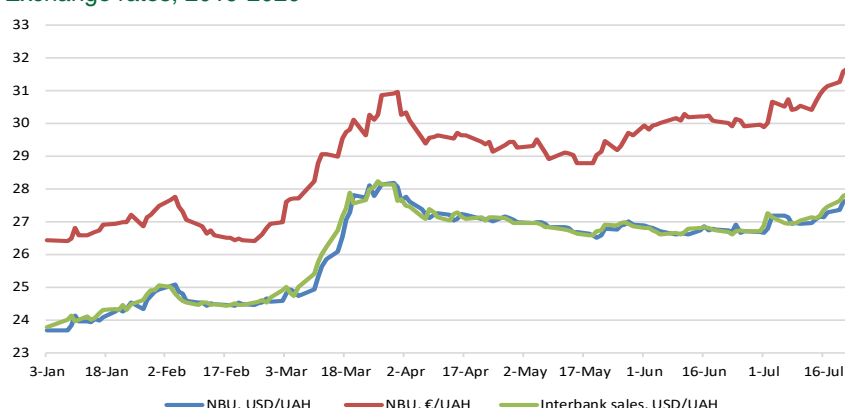
During the reporting week, the interbank market experienced a strong devaluation of the hryvnia. During the reporting week, the hryvnia lost an average of 1 hryvnia against Euro and lost 42 kopecks against US dollar. In international markets, the Euro strengthened to US dollar.

As of the end of the week on the interbank foreign exchange market Euro was bought for UAH 32.3305 and sold for UAH 32.3626; US dollar was bought for UAH 27.84, and sold for UAH 27.87.

### Imbalance prices, UAH/tcm



### Exchange rates, 2019-2020



### Natural Gas Prices at the European Hubs and at the Ukrainian Border, Day Ahead Market (€/MWh)

Delivery date	20.07.2020	21.07.2020	22.07.2020	23.07.2020	24.07.2020
CEGH	6,358	6,186	6,194	6,089	6,382
GPL	5,131	4,865	4,969	4,914	5,144
NCG	5,161	4,952	4,963	4,891	5,055
TTF	4,824	4,635	4,631	4,615	4,901
Price at the border (in the Ukrainian GTS), UAN/Mm³	3 362,9	3 306,3	3 356,6	3 321,7	3 403,8

\* - at the calculation are accounted quotes at the NCG, the average cost of transportation to the border of Ukraine (€2,8/MWh), the cost of entry into the Ukrainian gas transportation system (\$4,45/mcm), seasonal ratio (1,15), the official exchange rates and VAT.

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The exchange rate of US dollar reached its highest value since March 2020 and the exchange rate of Euro - since February 2018. During the reporting week, the market demand for the currency significantly prevailed over the proposal, which was reflected in the exchange rate, which increased sharply in the first half of the week, and stabilized on Thursday and Friday. According to experts, the quotations of the interbank market increased due to the actions of non-residents and speculators, and due to holding currency by the exporters. Given the growth in demand and the exchange rate, exporters were in no hurry to sell the currency revenues.

Keeping the discount rate at 6% was positively perceived in the market and increased the currency offers, but only kept the exchange rate from growing more sharply.

To keep the exchange rate from a sharp increase, the National Bank on the reporting week sold about US\$500 million on the interbank market. At the auction, the Ministry of Finance sold securities UAH 11.5 billion worth, of which UAH 6.8 billion are hryvnia bonds with a yield of 7.74% to 10.25% per annum and US\$171.4 million with a yield of 3.39%. The main buyers of hryvnia securities were the domestic banks, and for currency - both local players and foreigners.

## European Market

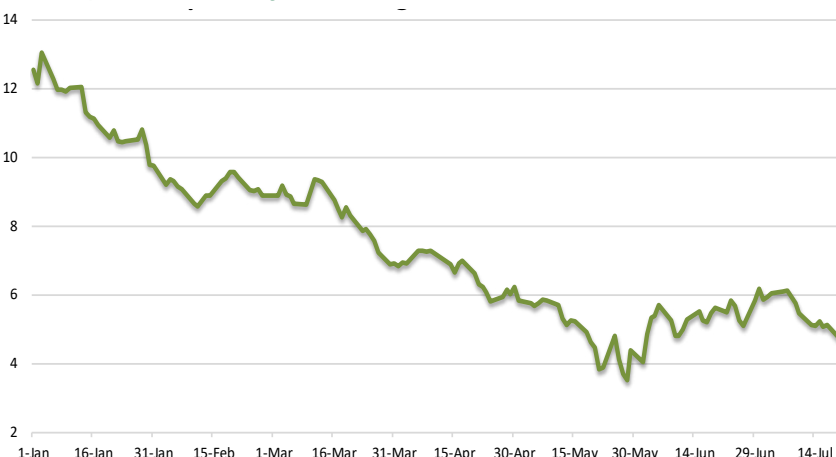
Spot prices for natural gas on the European markets showed volatility during the reporting week. At the beginning of the week, the Day Ahead prices on the hubs were in the range of €4.7-6.4 per MWh, and at the end of the week they also were in the range of €4.7-6.4 per MWh. Thus, the spot prices remain relatively stable.

The main factor that influenced price fluctuations in Europe over the past week was gas supplies from Norway. Some foreign traders noted the increase in prices at the end of the week due to a reduction in the repair period at the Ukrainian-Slovak border. This means that traders will be able to freely import

Natural gas price Day Ahead (Open), TTF, €/MWh



Futures prices of natural gas, Front Month, TTF, €/MWh



Gas storage data in some European countries on July 24, 2020

Country	Gas in storage, TWh	Full, %
Germany	200.09	87.89
Italy	167.32	84.98
France	109.85	85.28
Netherlands	107.11	76.63
Austria	82.17	86.51
Hungary	58.47	83.96
Slovakia	38.57	90.64
Czech Republic	30.80	86.38
Poland	28.87	81.20
Spain	28.50	83.22
Romania	26.27	79.64

Natural Gas Price Day Ahead, Henry Hub, \$/MMBTU



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gas for injection into Ukrainian UGS and there will be no excess gas on the European market.

**Futures prices** for August resource on the Dutch TTF at the beginning of the week fell to €4.732 per MWh, the lowest values for the last month. Gradually over the course of the week, the futures prices rose to €4.93 per MWh at the end of the week, 4% higher than on Monday (July 20).

## Gas Balance

**Gas production** in Ukraine in the reporting week was relatively stable at the level of about 55.3 million cubic meters per day, on average of 0.2 million cubic meters lower than last week. In the first 22 days of July, Ukraine produced 1.2 billion cubic meters of natural gas, 3 million cubic meters more than in June. Compared to the same period of the last year production grew by 11 million cubic meters.

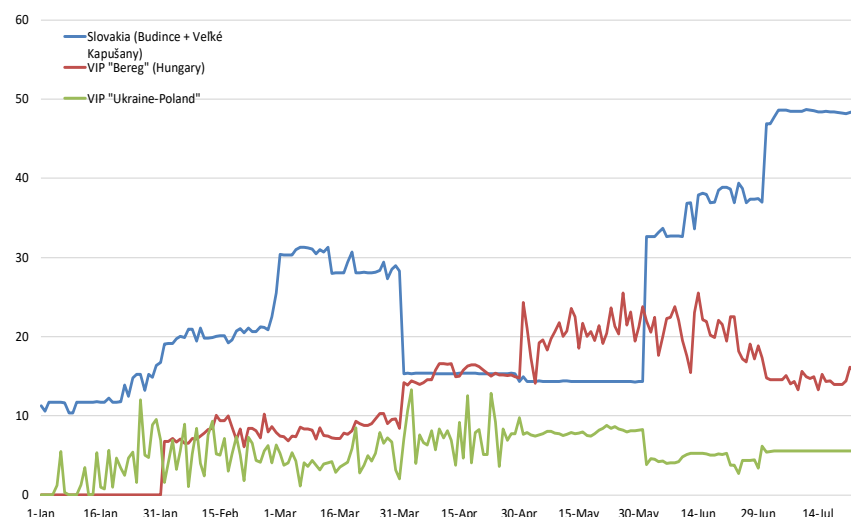
**Gas imports** from the European destinations during the week were in the range of 68-70 million cubic meters per day, which are the highest values for the last 5 years. According to GTSOU, over a half of the imported gas is pumped to the "bonded warehouse" in the Ukrainian UGS.

The main volume of gas comes from Slovakia – about 48.2-48.5 million cubic meters per day (which is 71% of all imports). Of these, 42 million cubic meters are physical deliveries via Budince and 6.4 million cubic meters are virtual reverse via Velke Kapushany.

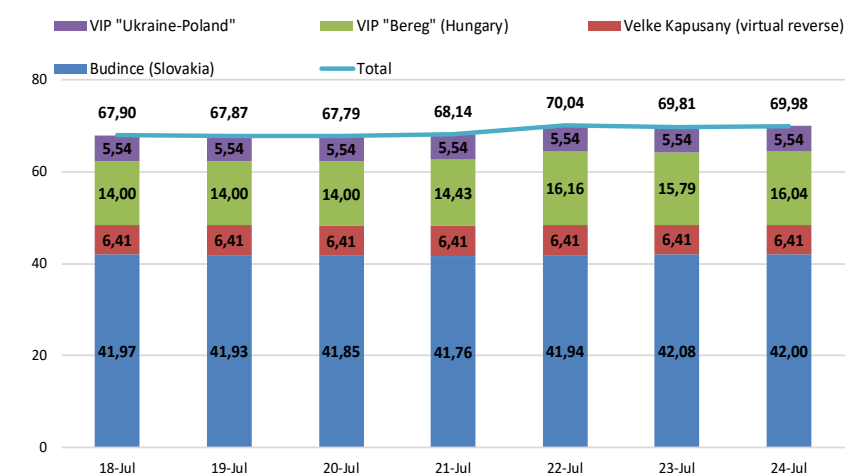
Imports by the virtual reverse mechanism through the Bereg VGP (Hungary) during the week amounted to 14-16.2 million cubic meters per day, which is 21% of all imports. Due to fluctuations in supplies from Hungary there were fluctuations in the volume of total imports, since supplies from other countries are stable.

Imports from Poland also come through the virtual reverse mechanism via the Ukraine-Poland VGP - about 5.5 million cubic meters per day (8% of all imports). In the first 23 days of July, Ukraine in-

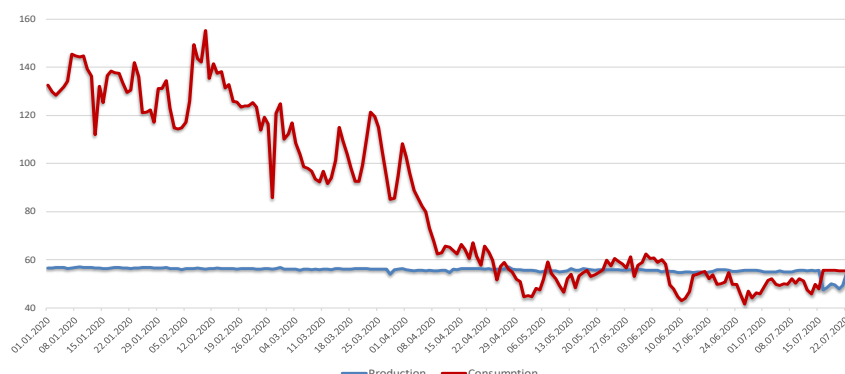
Natural Gas Import from EU to Ukraine, mcm



Natural Gas Import from EU to Ukraine, mcm



Natural gas production and consumption in Ukraine, mcm



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creased the volume of natural gas imports from the EU by 12%, to 1.57 million cubic meters compared to the same period in June. Deliveries from Slovakia increased by 36%, to 1.11 billion cubic meters (due to additional deliveries via Velke Kapushany), and deliveries from Poland increased by 19%, to 127 million cubic meters. However, supplies from Hungary decreased by 31%, to 336 million cubic meters. Compared to last year, imports increased by 10%.

Daily **gas consumption** in Ukraine, according to ExPro calculations, in the reporting week of July were in the range of 48-54 million cubic meters per day. During 22 days of July, Ukraine consumed about 1.1 billion cubic meters of gas, 5% less than in June. Since the beginning of the year as of July 22 gas consumption was 17.3 billion cubic meters.

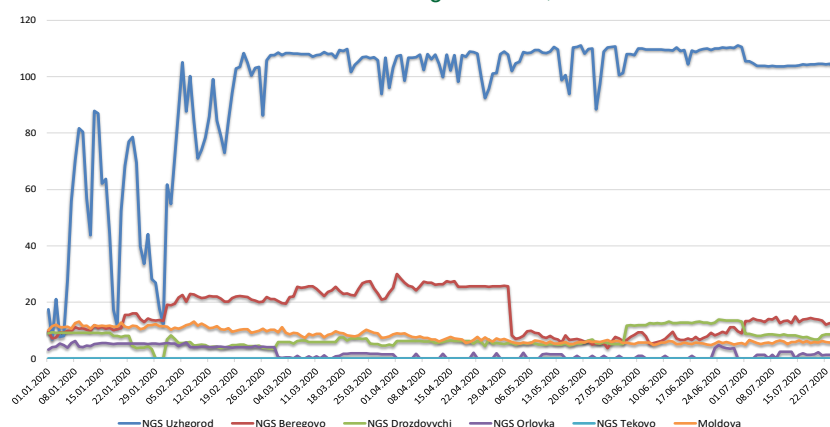
**Gas injection** into UGS during the week was in the range of 71-75 million cubic meters per day, on average 3 million cubic meters lower than last week. Gas withdrawal from UGS during the reporting week was at the minimum level – 2-4 thousand cubic meters per day. In the first 22 days of July, 1.63 billion cubic meters of gas were pumped into Ukrainian UGS, 7 million cubic meters more than in the same period last year. As of July 22, Ukrainian UGS stored 21.5 billion cubic meters of gas, which is 42% more than last year. Thus, Ukrainian UGS are 69.5% full.

**Gas transit** has remained stable since the beginning of July – at the level of 132-134 million cubic meters per day. In the first 22 days of the month, 2.925 billion cubic meters of Russian gas, which is 1% less than in June, were pumped through the territory of Ukraine. Compared to the last year, gas transit decreased twice.

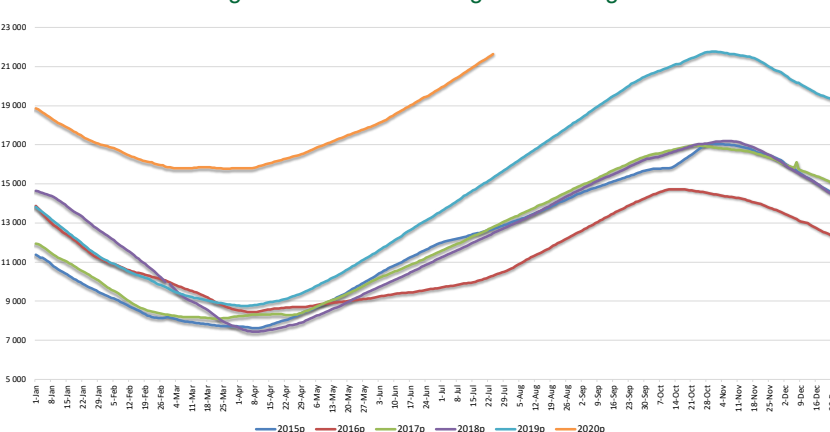
## Oil Market

**Domestic Market.** Ukrnaftoburinnya PJSC during the reporting week sold 490 tonnes of oil at the auction at an average price of UAH 16,200 per tonne (including VAT). The auction was attended by four-

Transit of Natural Gas from Russia through Ukraine, mcm



Inventories of natural gas in Ukrainian underground storage facilities



Dynamics of daily natural gas production in Ukraine, mcm





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### Trades in Crude Oils and Natural Gas Condensate (Light Oils)

Date	Seller	Commodities	Bidders	Bid Winners	Volumes Sold, ton	Average Weighted Price, UAH/ton incl. 20 % VAT	Density	Price \$/bar. excl. 20 % VAT
21.07.2020	UNB	Wide Spread of Light Hydrocarbons	3	2	160	11 200	595,9	-
21.07.2020	Cadogan Group	Crude Oil	-	-	50	-	-	-
22.07.2020	UNB	Crude Oil	14	3	490	16 200	0,7693	59,69
22.07.2020	Ukrainian Drilling Company	Crude Oil	-	-	40	-	-	-

### Import of Crude oil in Ukraine, July 10 - 23, 2020

Types of raw	Country of origin	Importer	Volume, th t	Weighted average cost on the border, \$/t
Crude oil (Azeri)	Azerbaijan	Ukratnafta	15,4	208,5
Total			15,4	208,5

teen participants, three of which were selected the winners. The UNB oil sales price increased by 17% compared to previous trading. During July, the Company sold 1.45 thousand tonnes of oil at three auctions.

UNB also sold 120 tonnes of CGLH gas condensate (gas condensate of light hydrocarbons) at an average price of UAH 11,200 per tonne (including VAT). The sales price of CGLH continues to grow gradually since the beginning of July, when prices started at UAH 8,700 per tonne (including VAT). During July, UNB has already sold 900 tonnes of CGLH at six auctions. Also during this period, 219 tonnes of Devon condensate and 50 tonnes of Sakhalin condensate were sold. At the SmartTender platform, during the reporting week, there was a decrease in oil sales from Ukrainian Drilling Company LLC and Cadogan Group.

At the Smarttender platform, Ukrainian Drilling Company LLC put up for sale 40 tonnes of oil at the starting price of UAH 13,000 per tonne (including VAT). Since the beginning of July, the starting price of UDC oil continues to grow from UAH 10,200 per tonne and reached the level of UAH 13,000 per tonne (including VAT). Cadogan Group put up for sale 50 tonnes of oil at the starting price of UAH 7,800 per tonne (including VAT). Since the beginning of July, Cadogan's starting oil sales prices have increased from UAH 7,200 per tonne to UAH 7,800 per tonne (including VAT).

For the third week in a row, Ukrtransnafta JSC failed to sell 15 thousand tonnes of

Azeri Light oil from the Pivdenny Marine Oil Terminal on the Ukrainian Energy Exchange.

**World Markets.** Oil prices were volatile. Among the factors affecting the price fluctuations are the spread of Covid-19 and market concerns about drop in oil demand. However, information about the progress in the development of the vaccine, on the contrary, contributed to the lower prices.

Futures prices (September resource) for Brent crude at the end of the week were \$43.1 per barrel. WTI crude (September futures) at the end of the week was traded at \$40.9 per barrel, which corresponds to the indicators of the previous week.

## NEWS BRIEFS

### SOCAR and OKKO dispute their rejection from the tender for the gas supply to OPP

TD SOCAR Ukraine and Galnaftogaz Concern PJSC (OKKO), which applications for participation in the competition for the tolling supply of natural gas to Odessa Port Plant (OPP) JSC were rejected, opposed this decision. This is reported by the companies' press services. Both companies believe that their offers were rejected unreasonably. According to the companies, they have submitted all the necessary documents on the availability of experience in the sale of mineral fertilizers.

"We received the refusal without any explanations. We were able to find out verbally that we were rejected because of the alleged "lack of experience in miner-

al fertilizers' industry". Which we strongly disagree. The areas of OKKO Group work have long gone beyond just the network of gas stations," OKKO noted.

"We believe that the management of OPP is not interested in a transparent and open competition. The Board of the Plant allows discriminatory conditions in the selection of participants, violates the principles of sound competition and acts in the interests of individual market participants, thereby damaging the budget and the country's reputation," SOCAR added. The companies also noted that they have repeatedly addressed the OPP with proposals to reconsider the decision excluding them from the competition or explain in details the rejection of their applications. "As of this moment, we have made a request to the OPP, and expect a detailed response with arguments. So far, the OPP has not responded to our request in any way," OKKO reported.

The Economic Court of the Odessa Region under the claim SOCAR Ukraine TH on July 22, 2020 decided to ban the OPP's competition for a supplier of natural gas under the tolling scheme. The corresponding court decision is available to the ExPro Editorial Board.

However, on July 23, 2020, OPP held the second stage of the competition – an electronic auction on the Polonex Exchange. Three companies [were allowed to tender](#) – Agro Gas Trading LLC (Ukraine), MADDUX SA (Switzerland) and IBE Trade Corp. (USA).

After the auction, the OPP reported on the Facebook page that the winner could

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not be determined, as all companies submitted the same offers, which are most profitable for the further operation of the enterprise.

At the same time, SOCAR believes that "any decisions of the OPP during the continuation of the competition after the court applies interim measures will be illegitimate and subject to cancellation as illegal, of course, with the opening of the question of bringing the guilty persons to criminal responsibility."

#### **Agro Gas Trading LLC, IBE Trade Corp., and MADDOX SA to compete for supply of natural gas to OPP**

On July 23, 2020, the next stage of the tender (auction) for the selection of the supplier of raw materials (natural gas) for JSC Odessa Port Plant (OPP) will take place. The auction will be held on the electronic platform of the commodity exchange "Polonex" at 12:00. Three companies are participating in the competition: two foreign IBE Trade Corp. (USA), MADDOX SA (Switzerland), and AGRO GAS TRADING LLC (Ukraine).

According to ExPro sources, the proposals of two more bidders, Galnaftogaz (OKKO gas station network) and SOCAR-Ukraine, were rejected. The reasons for the refusals were not made public by the tender commission.

One may remember that on January 29, 2020, NABU detectives detained three people (including Vitaliy Kolesnikov, owner of the All-Ukrainian Energy Company LLC) for trying to bribe Dmytro Senichenko, Chairman of the State Property Fund of Ukraine, and appoint his man as Director of the OPP. Recently, in mid-June 2020, the Specialized Anti-Corruption Prosecutor's Office (SAP) filed a bribery case with the Supreme Anti-Corruption Court for the bribe-appointment of the head of the OPP.

The previous competition to determine the supplier of natural gas for OPP was held in February-March 2020. Then applications for participation in the competition were submitted by IBE Trade (USA); Basis Trade AG (Switzerland);

Tech Prom Gas LLC (Ukraine); SOCAR-Ukraine LLC (Ukraine); MADDOX SA (Switzerland); PrJSC MC Ukrnaftoburinnya (Ukraine); Ug- Gas Ltd (Ukraine); Agro Gas Trading LLC (Ukraine). The best price offer in the final of the tender for the selection of a natural gas supplier under the tolling scheme of PJSC Odessa Port Plant was provided by PrJSC MC Ukrnaftoburinnya. However, the results of the competition were challenged and outlawed.

#### **ExPro Reference:**

**AGRO GAS TRADING LLC (AGT)** was founded in 2015. In July 2019, AGT began cooperation with the Odessa Port Plant, signing a contract for supply of natural gas under the tolling terms.

**Maddox SA** (Geneva, Switzerland) is trading oil and petroleum products. The company also deals with logistics, storage and freight, as well as financing of trade operations. In Ukraine, the trader is represented by Maddox Ukraine LLC. The company operates in the markets of gasoline, diesel, bitumen, and other petroleum products.

**IBE TRADE CORP. (IBE)** is an American corporation founded in 1987 with headquarters in New York and offices in Budapest, Moscow, Kiev, Odessa, and Uzhgorod. President of the American company IBE Trade Corp is Alex Rovt, a businessman of Ukrainian descent, born in Mukachevo, Transcarpathian region, Ukraine. In 2004 the IBE Trade Corp acquired a controlling interest in Private Joint Stock Company Severodonetsk Azot Association (PRJSC Severodonetsk Azot Association) during a privatization tender. In 2010 Rovt sold the plant to businessman Dmitry Firtash.

#### **GTSOU was unable to sell their interstate interconnection capacities on RBP and GSA platforms**

The Gas TSO of Ukraine (GTSOU) LLC did not sell capacity at the Ukrainian border natural gas interconnections on the RBP and GSA platforms at the capacity allocation auction on July 20, 2020. This

became known from the results of auctions.

The GTSOU offered for sale on the Polish platform GSA Platform 9.99 million cubic meters for entry into the Ukrainian GTS and 4.7 million cubic meters for exit from the Ukrainian GTS annual intermittent capacity through virtual interconnection point "Ukraine-Poland". The starting tariff for entry was offered at \$ 4.45 / tcm per day, and for exit at \$ 9.04 / tcm per day. On the Hungarian RBP platform, the Ukrainian GTS operator offered 82.7 mcm per day of annual intermittent capacity through virtual interconnection point Bereg on the Ukrainian-Hungarian border. The starting tariffs were offered at \$ 4.45 / tcm per day.

Customers were also offered additional annual intermittent capacities on the Ukrainian-Slovak border at the Uzhhorod /Veľké Kapušany connection point, with a volume of 59.85 mcm per day. The starting tariff was also offered at \$ 4.45 / tcm per day.

In addition, annual capacities were offered for sale at Limanske, Causani, Grebenyky (Moldova) and Isaccea-Orlovka (Romania). No capacity was sold at those points either.

One may remember that starting from July 2020 the capacity of the 2020-2021 gas year will be distributed at all points of the cross-border interconnections solely through auction bidding procedures.

At the first auction, which took place on July 6, 2020, the [GTSOU sold more than 7.8 mcm of their natural gas interconnection capacities](#).

#### **Naftogaz raises gas prices for industry by 0.2%-0.4% in August 2020**

The NJSC Naftogaz of Ukraine published its own price proposals for natural gas in August 2020 for customers, who are not subject to PSO. This was reported by the press service of the NJSC Naftogaz of Ukraine.

The price of natural gas in August 2020 on prepayment terms was offered to be at 3 578.4 UAH/tcm, which is 0.2% (UAH 8) higher than in July 2020. The price on

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other terms of payment are planned at 4 168.8 UAH/tcm, which is approximately 0.4% (UAH 18) higher than in July 2020.

### NJSC Naftogaz raises gas price for households by 7% in July 2020

The NJSC Naftogaz of Ukraine has published its own price proposals for natural gas for household consumers to whom the company supplies gas under the terms of PSO. In July 2020 the price of natural gas increased by 7% compared to the previous month, up to UAH 2 757.036 UAH/tcm (incl. 20 % VAT), as reported by the press service of the NJSC Naftogaz of Ukraine.

The price cited is without the markup on gas sales and the cost of transmission of natural gas through main and local distribution pipelines.

For the first time in 2020, prices increased compared to a previous month. In general, since the beginning of the year, the price of natural gas under PSO has decreased by 51%, and if compared with the same period of 2019, the price of natural gas for households slashed by 53%.

One may remember that since January 2020 the wholesale price for natural gas under PSO was calculated according to the resolution of the Cabinet of Ministers of Ukraine No 17 from January 24, 2020. The main indicator is the actual quotes cited on the TTF hub from the 1st until the 22nd day of a settlement month.

In July 2020, as during previous months, the NJSC Naftogaz of Ukraine chose from two possible options: calculated according to the Resolution of the Cabinet of Ministers of Ukraine No 17 from January 24, 2020, and the average weighted price of winners based on the results of tenders for gas supply to the Gas TSO of Ukraine.

### U.S. House of Representatives approves new sanctions against Nord Stream 2

The U.S. House of Representatives has approved an amendment that provides for new sanctions against the Nord Stream 2 gas pipeline. This was reported on the House's website.

The House of Representatives approved an amendment to the country's defense budget on July 20, 2020.

Next, the draft budget must be approved by the Senate and signed by the President of the United States, after which the new sanctions will take effect.

The amendment seeks to strengthen existing restrictions on foreign nationals and companies that facilitate the sale, lease, or provision of pipe-laying vessels for the construction of the Nord Stream 2 and the Turkish Stream.

### Israel has approved the construction of the Eastmed gas pipeline to Europe for \$ 6.86 billion

At the meeting on July 19, 2020, the Israeli Cabinet of Ministers approved a multinational agreement with European countries on the construction of the Eastmed gas pipeline for the export of natural gas from the Eastern Mediterranean to Europe.

According to a plan drawn up by the energy ministers of Israel, Cyprus, Greece and Italy, the pipeline will cost \$ 6.86 billion and be 1,900 km long. The pipeline is planned to connect European gas markets with already discovered and as yet unknown fields in the eastern Mediterranean basin.

Land and sea surveys are currently underway to determine the exact route of the pipeline. It is expected that the final investment decision will be made by 2022, and by 2025 the

construction of the pipeline will be completed.

The pipeline is owned by IGI Poseidon, a joint venture between the Greek gas company DEPA and the Italian energy group Edison.

According to preliminary estimates, the initial export of gas through the pipeline will be 10 billion cubic meters per year with the possibility of doubling the capacity.

As reported by ExPro, Greece, Cyprus, and Israel plan to build a pipeline to deliver natural gas from the Mediterranean to Europe.

### Spanish-based Naturgy will cancel 2 bcm of long-term gas supplies

The Spanish gas company Naturgy plans to cancel 20 TWh (about 2 bcm) long-term supplies of natural gas pegged to oil prices. This was announced by Jon Ganuza, Global Head of Controlling, during the presentation of the company's financial results of H1 of 2020.

"This decision can apply to both LNG and pipeline gas," Ganuza said.

The Naturgy sold about 89 TWh of natural gas (over 9 bcm) during H1 of 2020. The company decided to reduce its business portfolio by reviewing gas supply contracts. According to Ganuza, such a step should lead to the negotiation of contracts with better terms.

In addition, the Spanish company expects natural gas prices to rise in the United States and the United Kingdom during H2 of 2020, while spot prices in Asia may even crash. The Naturgy forecasts price increases in the U.S. by 5%, as well as in the UK by 12.5%, closer to the end of 2020. In Asia, on the other hand, prices are looming to plummet by 24%.

Data on volumes and prices for natural gas were obtained from open sources (Ministry of Economic Development, Trade and Agriculture, NBU, Gas TSO of Ukraine, NJSC Naftogaz of Ukraine, JSC Ukrtransgaz, JSC UkrGasVydobuvannya, PJSC Ukrnafta, etc.), and by calling up and polling market participants.

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