



WEEKLY REVIEW

News Review

Last week brought a number of appointments at the Naftogaz Group. Thus, on August 5, 2020, Serhiy Oleksienko resigned as CEO of Ukrtransgaz. And from August 6, 2020, Sergiy Pereloma will lead the JSC Ukrtransgaz as its new General Director.

In addition, the Naftogaz Group has appointed Yuriy Kalmuk as Director of the Geophysical Division Ukgaspromgeofizyka.

The confrontation around the Svistunkivsko-Chervonolutskiye field continues. Smart Energy Group, that Arkona Gas-Energy LLC filed an appeal to the Sixth Administrative Court of Appeal, in order to quash the decision of the Kyiv District Administrative Court on the claim by the PJSC Ukrnafta to invalidate the special permit for hydrocarbon production at Svystunkivsko-Chervonolutsky field.

The PJSC Ukrnafta noted that the questionable issuance of a special permit for the development of the Svistunkivsko-Chervono-

lutskiye field has not been revoked and the company will fight for the return of this field. Meanwhile, on July 31, 2020, National Anti-Corruption Bureau of Ukraine (NABU) and Specialized Anti-Corruption Prosecutor's Office (SAPO) handed over to six officials the suspicion in criminal proceedings on schemes under which the Arkona Gas-Energy LLC received the right to use the subsoil of the Svistunkivsko-Chervonolutsky field for a rigged low fee. As a result, the state under-received estimated UAH 196.8 million, which the Arkona Gas-Energy LLC should have to pay for obtaining the special subsoil use permit. The conflict continues to gain momentum.

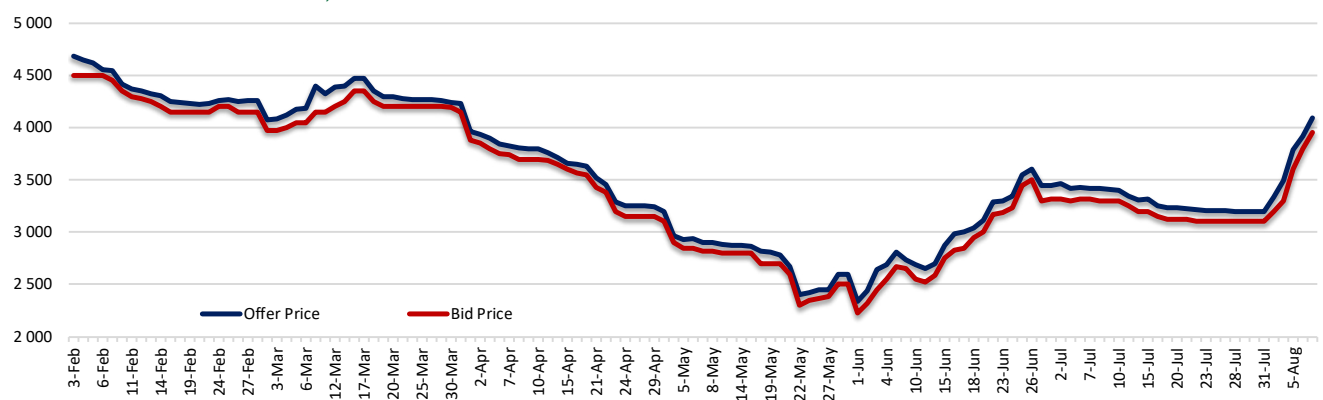
UkrGasVydobuvannya (UGV) reported problems with passing the Environmental Impact Assessment (EIA) on some sites. In particular, the UGV had to suspend their drilling works at 11 wells due to absence of approvals under the EIA procedures. The UGV could not start drilling of new wells since there were

no official approvals from the state as to the UGV's production plans and schedules in the context of the COVID-19 pandemic restrictions in Ukraine. At the end of June 2020 the Ukrainian Parliament passed the Draft Law № 383438 to resolve the situation and enable the suspended EIA procedures.

The good news was about Burisma Group and its high-flow well commissioned at the Zhuravlynoye field in the Kharkiv region. The well started to yield 200 tcm of natural gas and 100 of gas condensate daily.

The Regional Gas Company LLC, within the EU Hydrogen Strategy, pioneered pumping of hydrogen in their gas distribution network. At a specially prepared test site in Chernyakhiv, Zhytomyr region, they carried out static tests of gas systems with 99% hydrogen concentration achieved. The data obtained during the experiment will allow to assess the compatibility of existing gas pipeline systems with new types of energy in future.

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

Sergiy Oleksienko leaves the post of CEO in UTG and will be replaced by Sergiy Pereloma

Sergiy Oleksiyenko left the post of the CEO in Ukrtransgaz JSC (UTG) on August 5, 2020. This is reported by the press service of UTG. Starting August 6, 2020, Serhiy Pereloma will temporarily exercise the powers of the CEO of Ukrtransgaz.

Sergiy Oleksienko joined the Board of Ukrtransgaz in March 2017 and was responsible for financial management. Since March 2019, he chaired Ukrtransgaz.

Sergiy Pereloma worked as the first Deputy Chairman of the Board of Naftogaz of Ukraine NJSC from 2014 till 2018. On January 22, 2019, the Supervisory Board of Naftogaz approved the new composition of the Board of Naftogaz, which included Pereloma.

The daily rate of the recovered well of Yablunivske field is 65 tcm

The specialists of UkrGasvydobuvannya JSC (UGV) restored the operation of the well at the Yablunivske field. After sidetracking, the daily gas flow rate of the well increased from 0 to 65 thousand cubic meters (tcm), the company reported.

One of the wells at this field, which started gas production in 1991, stopped several years ago due to an accident. Developers and process engineers of UGV analysed its condition and decided to apply sidetracking technology to give the well a "second life".

Sidetracking was completed successfully, and the well has already been commissioned. Daily gas production rate is 65 tcm.

The company also noted that it plans to finish drilling a new well by the end of the year, restore another well by sidetracking and perform the capital workover in 9 wells.

UGV EIA intents related to drilling of 11 gas wells remained unapproved due to quarantine

UkrGasvydobuvannya, a member of the Naftogaz Group, cannot start drilling 11 new wells

due to the lack of official approvals from the state in the context of the coronavirus pandemic. They are necessary to fulfil the company's production plans. This is reported by the Company's press service.

UGV notes that this leads to the Company's potentially daily gas losses of about 1 million cubic meters and profit, which is a source for taxes and dividends to the budget of Ukraine.

In particular, in part of the Environmental Impact Assessment (EIA), UkrGasvydobuvannya fulfilled all the actions provided for by the legislation. Thus, back in February-March 2020, the Company prepared all the required documents within the framework of the initiated EIA procedures and submitted them to the authorized bodies for consideration.

However, given the situation caused by the coronavirus, and the imperfection of the current EIA legislation, for several months the Company cannot get the appropriate conclusions that would allow starting works on a number of the new facilities.

At the end of June, the Verkhovna Rada adopted bill No. 3438, which should resolve the situation. With adoption and signing of the document, the EIA procedure, which has been blocked since the beginning of the quarantine, should resume.

However, practically according to the new law, UGV is forced to re-submit an announcement about the beginning of public discussions in the framework of the previously prepared and published EIA reports, which will significantly increase the delay in the start of the works. Obtaining of the conclusions will take at least another 75 days.

Geophysical Directorate of Ukgazpromgeofizyka is headed by Yuriy Kalmuk

Naftogaz Group has appointed Yuriy Kalmuk, who has over 17 years of experience in the oil and gas industry, the Director of the Geophysical Department of Ukgazpromgeofizyka, the press service reports.

Yuriy Kalmuk has been working at UGV more than 17 years in various positions. Before

that, he for 6 years worked as a Deputy Head of production and Chief Engineer of the Geophysical Directorate of Ukgazpromgeofizyka. He graduated from Ivano-Frankivsk National Technical University of Oil and Gas.

Ukrnafta will continue to fight for Svis-tunkivsko-Krasnolutske field

Ukrnafta PJSC notes that the controversial issue of a special permit issued for the development of the Svis-tunkivsko-Krasnolutske field is not closed. The circumstances of license issuing have not been properly assessed. The company has made a public statement on the development of Svis-tunkivsko-Krasnolutske field.

The company noted that Ukrnafta has developed and invested money in this field for years, but the license was unreasonably issued outside a competition to a little-known firm associated with the interests of the fifth President of Ukraine. At the same time, the reserves of natural gas under the special permit were underestimated by at least 3 times. Additionally, the damage was caused to the state – Arcona Gas-Energy LLC paid US\$ 144 thousand for a special permit. At the same time Ukrnafta estimated the cost of a special permit at US\$1.7 million.

The legal process on special permit issuing for the development of the Svis-tunkivsko-Chervonolutske field has been on-going for over three years (case No. 826/14653/17 under the claim of Ukrnafta to Derzhheonadra and Arkona Gas-Energy). At the same time, for actually two years the judicial system of Ukraine has been refusing to consider the claim of Ukrnafta. Only on July 1, 2020, the Kyiv District Administrative Court has completed the consideration and upheld the claims of Ukrnafta. It invalidated a special permit No. 4830 dated 18.05.2017 year, issued for Arcona Gas-Energy for the exploration and commercial development of Svis-tunkivsko-Chervonolutske field, and cancelled the relevant orders and decisions of Derzhheonadra.

PRIVATE COMPANIES

Burisma has commissioned a new well at the Zhuravlyne field with a daily flow rate exceeding 200 thousand cubic meters

Burisma Group has recently completed drilling of a new well No. 7 on the Zhuravlyna structure at Derkachivsko-Voytenivska area in the Kharkiv region and started its commercial use. This is reported by the Company's press service.

According to the report, drilling of this well, with a depth of 4,000m, was carried out using a Uralmash 4E rig, with a modern mud cleaning system. The initial daily flow rate of the new well exceeded 200 thousand cubic meters of gas and 105 tonnes of condensate. The daily production rate of the well was higher than expected.

"We are happy with the result. The high production rate of this well confirms that investment in drilling, even despite the fall in energy prices on the world market and domestic problems in the energy sector in Ukraine can be economically justified. Also, we should not forget that each of the new wells brings Ukraine one step closer to energy independence," Taras Burdeny, CEO of Burisma Group, said.

The investment plan, Burisma Group in 2020 provided for drilling of fourteen new wells in Karaykozivske, Vodianiivske, and Rakytnyanske fields on Zhuravlyna structure of Derkachivsko-Voytenivska area, Klubanivsko-Zubrenkivska, and other areas.

ExPro Reference

Burisma Group unites a number of producing and service companies in Ukraine and abroad, in particular ESKO-Pivnich, Systemoilengineering, CUB-Gas, First Ukrainian Gas and Oil Company, PARIS, Nadragas, Naftogaspromyslovageologia. The Group holds 35 licenses for hydrocarbon production. In 2019, Burisma Group produced 816 million cubic meters of natural gas and 58 thousand tonnes of oil and condensate.

Arkona Gas-Energy has filed an appeal against the decision of the KDAC

Smart Energy Group reported that Arkona Gas-Energy LLC (part of Smart Energy) filed an appeal to the Sixth Administrative Court of Appeal. The purpose of the motion is to cancel the decision of the Kyiv District Administrative Court under to the claim of Ukrnafta PJSC on invalidation of the special permit of Arkona Gas-Energy LLC (hereinafter - Arkona) for the production of hydrocarbons at the Svis-tunkivsko-Krasnolutske field.

Arcona, with the participation of consultants from the leading law firms, carefully studied the previous decision and the arguments of the court of the first instance and filed an appeal, based on its confident legal position, having strong arguments in favour of a successful appeal of this decision.

"We are absolutely confident in the legality of a license for Svis-tunkivske-Chervonolutske field from a legal point of view. Therefore, we plan to invest in its development, increasing the production of Ukrainian gas, creating new jobs, supporting local communities and paying all taxes in full, as all our companies have done throughout our history. Smart Energy has all the necessary resources to successfully restore production here. We want to use it for the common good without lengthy lawsuits. Therefore, we hope for an early conclusion of this dispute and the beginning of work on a promising asset that a British investor is ready to invest in," Serhiy Glazunov, CEO of the Smart Energy Group said.

6 people are suspected of causing UAH 196.8 million damages to the state in the case of Arkona Gas Energy

On July 31, 2020, NACBU and SAP reported suspicion to 6 persons in the organization of a scheme, under which Arkona Gas-Energy LLC received the right of the subsoil use on the Svis-tunkivsko-Chervonolutske gas condensate field (Poltava region) at an artificially

low cost. As a result, the state did not receive UAH 196.8 million, which the company had to pay for a special permit for the subsoil.

Among the suspects are:

- the former Deputy Director for Production, Economy and General Affairs of the Ukrainian State Geological Exploration Institute (UkrSGEI);
- former Head of the sector of geological and economic assessment of the oil and gas resource base of the Department of Geological and Economic Assessment of UkrSGEI;
- expert of the State Reserves Committee of (SRC) and Director of SPF Project-Naftogaz LLC;
- the former Director of Arkona Gas Energy LLC;
- leading engineer of NPF Project-Naftogaz LLC;
- chief engineer of NPF Project-Naftogaz LLC.

The actions of all six individuals are qualified under part 2 of Article 28, part 2 of Article 364 (Abuse of authority or office), part 2 of Article 28, part 1 of Article 366 (Forgery in Office) and part 2 of Article 28 and part 1 Article 366 of the Criminal Code of Ukraine.

The circle involved in the offense is not exhaustive: NACBU detectives identify other possible accomplices to the scheme.

DTEK Naftogaz has completed the repair in the well No. 43 at the Semyrenkivske field

Naftogasvydobuvannya PJSC (DTEK Naftogaz) has completed the repair of well No. 43 at the Semyrenkivske field without killing the well using a hydraulic snubbing unit.

The contractor of the order was Denimex Workover Solutions LLC (Denimex).

In the well, works on the tubing recovery, perforating and tubing run under pressure were performed and which allowed increasing the production of hydrocarbons.

The works were performed using a high-tech 150-tonne RDE-340K snubbing unit. The performance time is 15.5 days.

SERVICE COMPANIES

Project-Bud plans construction of gas pipeline from GTP at Rudnikivske field

Project-Bud PC, a member of Zakhidnadradservice Group to transfer gas from the GTP at Rudnikivske gas field (GF) into the pipeline system of Bibrske Main Pipeline Production Administration (MPLPA) plans construction of a gas pipeline collector Dn 100, Pn 5.5 kgf/sq.cm.

According to the report, the gas pipeline-collector will be divided into two parts:

Gas pipeline of internal gas supply of GTP of Rudnikivske GF with a length of 619m from the GTP to the connection point;

The gas pipeline of external gas supply of GTP of Rudnikivske GF with a length of 166 m from the connection block to the block of tie-in to Pukenychi-Komarno pipeline.

ExPro Reference

Project-Bud (the head is Stepan Kozytsky, the end beneficial owner is Zinoviy Kozytsky) is a company that is part of the assets of the Zakhidnadradservice Group and provides technical services in the field of oil and natural gas production, is engaged in oil exploration, drilling and hydrocarbon production.

Ukrnaftogazinvest offers to rent a drilling rig with a capacity of 159 tonnes

Ukrnaftogazinvest LLC offers the rent of its drilling rig Massarenti MR 7000 (or its component elements), with a load capacity of 159 tonnes for drilling and capital workover of the wells.

This was reported on the Company's Facebook page on August 5.

The Massarenti MR 7000 drilling rig was purchased in 2012. It was used to drill 2 wells with depths of 1,670m and 1,246m, and to workover a gas well in Western Ukraine.

The main parameters of Massarenti MR 7000 are:

- Maximum drilling depth: 2,500m with 5" pipes and 3,600m with 3.5" pipes;

- Total nominal weight - 212 tonnes, load capacity - 159 tonnes;

- Drilling winch is Massarenti MAS 2500 TR, capacity 700 HP;

- Power plant – 2 diesel engines with acoustic covers;

- Maximum load on the drilling rotary table National 27.5" - 272 tonnes;

- Massarenti I-200 swivel with a maximum load of 180 tonnes;

- Top drive BOWEN 250 HTP with a load of up to 225 tonnes, maximum uninterrupted torque - 29,000 ft/lb at 200 rpm. The maximum output engine power is 400 HP.

The Massarenti MR 7000 drilling rig is also equipped with a drilling mud supply system of 180 cubic meters, 2 Massarenti drilling pumps with a capacity of 1000 HP and GM 16V149T/16V149T engines, 1150 HP. It is also equipped with the primary shale shaker Triple Cobra Shaker Package and degasser - Burgess Magnavac 1000.

To learn more about the offer, please follow the [link](#).

ExPro Reference

Ukrnaftogazinvest LLC was founded in 2004 and produces natural gas. General Director is Volodymyr Getsko.

Ukrasvydobuvannya sells 1,400 tonnes of the hydrocarbon emulsion

Ukrasvydobuvannya JSC (UGV) offers for sale a water-hydrocarbon emulsion that has accumulated in the tank farms of production units during the storage of condensate and oil. This is reported in a letter signed by the Commercial Affairs Director of UGV, Serhiy Fedorenko.

Thus the specified product can be offered for sale for gas and condensate processing in the following quantities and locations:

Shebelynske gas and gas condensate pro-

cessing branch (Kharkiv region) – 1,000 tonnes;

Fuel storage Sencha at Yablunivske gas processing branch (Poltava region) – 400 tonnes. Water-hydrocarbon emulsion is a product obtained in the process of extraction (collection), transportation, storage, preparation and treatment of condensate and oil.

Ukrnafta plans to conduct a number of operations with oil production waste

Ukrnafta PJSC plans to build a sludge storage facility and carry out processing and disposal of waste accumulated during oil and gas production. This was reported in the Unified EIA Register.

The planned activity includes operations in the field of hazardous waste management, i.e. collection, storage, processing, recycling, disposal, neutralization, and transportation during the operation of a sludge tank with biodegradation fields.

Oil sludge, resistant oil emulsions and other oil containing mixtures accumulated in the sludge tank of Poltavanaftogaz OGPD shall be provided for recycling to the oil sludge processing plant (OSPP), which estimated plant capacity is 4.2 cubic meters per day. At the OSPP, the hydrocarbon mass is separated (divided) into two phases: liquid – water with a hydrocarbon product and pasty – solid residue. The hydrocarbon product is divided into commercial oil and associated reservoir water.

Also, Poltavanaftogaz plans to build a sludge tank with biodegradation fields at the complex oil preparation plant (COPP).

The second stage of construction provides for the relocation and installation of equipment for the existing mobile oil sludge processing unit; the estimated capacity of the unit is 4.2 cubic meters of oil sludge per day or 525 cubic meters per year.

INFRASTRUCTURE AND TECHNOLOGY

Gas transit for 7 months of 2020 decreased by 44%, down to 29.8 bcm

Transit of Russian gas during January-July 2020 compared to the same period of 2019 decreased by 44%, down to 29.81 bcm. This was reported by the press service of the Gas TSO of Ukraine LLC (GTSOU).

This year's figure is the lowest over the recent years. At the same time, the GTSOU notes that Gazprom fully pays for the entire volume of reserved transit capacity.

There were 27.7 bcm of natural gas channeled in the western direction (39% less than in 2019). In particular, to Poland - 2.2 bcm, Slovakia - 20.4 bcm, Hungary - 5.1 bcm.

The company notes that in July 2020, during the annual twoweek stoppage of scheduled repairs of the Nord Stream gas pipeline, which transmits natural gas from Russia to the EU under the Baltic Sea, Gazprom did not increase transit through the Ukrainian GTS, as in previous years in this period.

In the trans-Balkan direction, transit amounted to 2.1 bcm (73% less than last year), including 0.4 bcm to Romania, and 1.7 bcm to Moldova.

The GTSOU notes that the drop in transit along the southern route is due to the launch in January 2020 of the "Turkish Stream", which pumps natural gas from Russia to Turkey, and from Turkey to the countries of the Balkan Peninsula.

It should be noted that due to the launch of the virtual reverse mechanism on the western border of Ukraine, the physical volume of Russian gas supplied to the EU during January-July 2020 amounted to 27.2 bcm, with 2.6 bcm of natural gas replaced from the Russian transit volumes.

In July 2020, Ukraine increased gas imports from the EU by 17%, up to 2.14 bcm

In July 2020, compared to June 2020, Ukraine increased its imports of natural gas from Europe by 17%, up to 2.14 bcm, which was the highest monthly volume over the last 5 years,

as reported by the Gas TSO Operator of Ukraine (GTSOU).

The increase in deliveries was primarily due to an increase in imports from Slovakia by 39% to 1.5 billion cubic meters. Deliveries from Slovakia increased due to the launch of imports under the virtual reverse mechanism at the interconnection point "Velke Kapusany" on July 1, 2020. During July 2020 there were 196 mcm of natural gas imported through Velke Kapushany. The rest of the gas from Slovakia, or 1.3 bcm, were physically imported through Budince natural gas interconnection point.

Deliveries from Poland also increased after the launch of a virtual natural gas interconnection point on the Ukrainian-Polish border. During July 2020 there were 171 mcm of natural gas imported from Poland, which was by 25% more than in June 2020.

Deliveries from Hungary, conversely, fell by 23%, down to 470 mcm in July 2020. All gas volumes coming from Hungary were imported as virtual reverse.

During the first 7 months of 2020, compared to the same period of 2020, Ukraine increased natural gas imports by 21%, up to 9.2 bcm, which was also a record high over the last 5 years.

RGC conducted the first in Ukraine tests of hydrogen in the gas distribution system

In the framework of the EU Hydrogen Strategy, which was joined by the RGC, yesterday the first experiment in Ukraine on the use of hydrogen in the gas distribution network was performed.

At a specially prepared landfill in Chernyakhiv, Zhytomyr region, static tests of gas systems were carried out, at which a 99% concentration of hydrogen was achieved. The data obtained during the experiment will allow specialists and the scientific community assessing the compatibility of existing gas pipeline systems with the new types of energy.

The next stages of the RGC research pro-

gram include static and dynamic testing of hydrogen and its mixtures with natural gas at four more specially prepared landfills in the Volyn, Dnipropetrovsk, Ivano-Frankivsk and Kharkiv regions.

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A quarter of the gas reserves in UGS is in the "bonded warehouse"

At the beginning of August 2020, Ukrainian UGS store over 22 billion cubic meters of gas. Of these, over a quarter is in the "bonded warehouse" mode. This is reported by the press service of Ukrtransgaz JSC.

The volume of natural gas injection into Ukrainian UGS in seven months of this year is 9.7 billion cubic meters, which is 5% more than in 2019.

"Of these, the residents have pumped 5.6 billion cubic meters of gas, which is 43% less than last year. The decrease in the level of gas injection by domestic companies is compensated by a significant increase in gas injection by non-residents. Thus, since the beginning of the year, non-residents have pumped 4.1 billion cubic meters of gas. Compared to the last year, the volume of gas pumped by the foreign companies to UGS has increased by 3.5 times," Ukrtransgaz noted.

In the "bonded warehouse" mode, the foreign companies keep 5.2 billion cubic meters, which is four times more than in the same period of the last year. "Of these, the volume of gas transferred under the short haul tariff is 2.8 billion cubic meters," the UTG noted.

Resident companies store 1.3 billion cubic meters in the "bonded warehouse" mode (53% less than in 2019). This includes the 400 thousand cubic meters of gas transferred under the short haul tariff.

STATE POLICY AND LEGISLATION

NEURC approved controller authority vested into the GTSOU

The National Energy and Utilities Regulation Commission (NEURC) has approved the Gas TSO of Ukraine (GTSOU) as an independent controller. This was reported by the press service of the GTSOU.

The controller's functions include monitoring and reporting to Ukrainian and European regulator, NEURC and the Energy Community Secretariat - on compliance by the GTS Ukraine Operator with a compliance program on equal treatment of all gas market participants or on any discrimination or violation by the GTSU against anyone participation in natural gas market of Ukraine.

Currently, the GTSOU is finalizing the compliance program after the comments and suggestions provided by the NEURC.

Repeated auctions for the sale of 8 oil and gas areas were not held

Repeated electronic auctions for the sites, provided by epy State Service for Geology and Subsoil of Ukraine (Derzhheonadra) for 8 oil and gas sites were not held again due to lack of demand for them. This was reported in the ProZorro.Sales system on August 6. At the same time, the total cost of the lots was reduced by half, to UAH 165.5 million.

8 sites were nominated by subsoil users for electronic auctions half a year ago. The first auction was held on July 6, the total amount of the lots was UAH 331 million.

The CMU should review the salaries of the Supervisory Board members in accordance with the OECD requirements to receive €600 million

The Cabinet of Ministers of Ukraine to receive the second tranche of macro-financial assistance from the EU amounting to €600 million should review the salaries of the members of the Supervisory Boards of the state-owned enterprises in accordance with the requirements of the Organization for Economic Co-

operation and Development (OECD). This was announced on August 3 from the agreement between Ukraine and the EU published by Ukrainian Novyny.

One of the conditions for the second tranche of €600 million, is the Cabinet's review and implementation of the regulatory framework for corporate governance for the state-owned enterprises in accordance with the OECD guidelines, in particular, with regard to remuneration of the independent members of the Supervisory Boards and senior management, and the state property policy for the 15 largest state-owned enterprises.

ExPro Reference:

According to the OECD, for state-owned enterprises that have primarily economic goals and operate in a competitive environment, the remuneration levels of Supervisory Board members reflected the current market conditions to attract and retain qualified members of the Supervisory Boards.

However, on April 29, the CMU decided that for the period of quarantine, the monthly remuneration of the members of the Supervisory boards of the state-owned enterprises (except for state banks) should not exceed UAH 47.2 thousand.

The Ministry of Natural Resources is developing a new Subsoil Code

The document is intended to implement the EU Directive 94/22 and other European Union laws to execute the Association Agreement. This was reported by the press service of the Ministry of Natural Resources.

"The current regulatory acts in the field of subsoil use are outdated, contain corruption norms and de facto do not solve the issues of the industry. The goal is to speed up the development of a new Subsoil Code, which will restart the sphere of subsoil use. We have involved a wide range of experts and the business communities in this process," Bohdan

Borukhovskiy, the First Deputy Minister of Environment and Natural Resources Protection said.

To develop the Code, the Task Force under the Ministry of Environmental Protection and Natural Resources of Ukraine was resumed as the body responsible for the formation of state policy in the industry.

A Task Force on subsoil use was created under the Ministry of Natural Resources

A Task Force on subsoil use has been established under the Ministry of Environmental Protection and Natural Resources of Ukraine. Its members include the representatives Ministry of Environment, the Water Agency and the State Ecological Inspectorate.

The main task will be to prepare the offers:

- on granting or extending the validity of the special permits for the use of mineral resources;
- on the definition of the list of subsoil areas, permits for the use of which are put up for auction.

The first meeting of the Task Force will be held next week.

The Government has set standards for petroleum products' losses

The document regulates the accounting of losses of petroleum products during receipt, storage, sale, transshipment and transportation by road, rail, sea, river and pipeline transport. This was reported by the press service of the Ministry of Energy.

"The Cabinet of Ministers adopted a Resolution On approving the norms for losses of petroleum products during their receipt, storage, sale, transshipment and transportation," the report says.

Due to the lack of legal regulation of this issue, business entities working with petroleum products incur significant financial losses. It results from the need to pay excise tax and value-added tax on petroleum products lost in the course of operations therewith. Such losses are related to the natural property of such substances - volatility.

JUDICIAL PRACTICE

HCAC sentenced the former director of Kirovogradgaz to 8 years in prison

At its hearing on August 6, the High Anti-Corruption Court of Ukraine (HCAC) sentenced Konstantin Starovoit, a former director of the Centrgas subsidiary of Kirovogradgaz, to eight years in prison.

Konstantin Starovoit was also banned to hold administrative positions for 3 years, and his car was confiscated. He may appeal this decision at the HCAC Appeals Chamber.

As earlier reported by ExPro, Konstantin Starovoit was accused of embezzling UAH 8.6 million. He entered into a notoriously unprofitable contract on behalf of Centrgaz, under which the state-owned enterprise paid for the gas supply, but did not receive the gas itself.

The court concluded that the defendant had done so intentionally, in order to enrich a private firm.

HCAC chooses precautionary measure against a suspect in Arkona Gas-Energy case

On August 5, 2020, the High Anti-Corruption Court of Ukraine (HCAC) placed under house arrest a suspect in the case of Arkona Gas-Energy LLC. The investigating judge of the HCAC applied to the representative of the NPF Project-Naftogaz a precautionary measure in the form of round-the-clock house arrest with a ban on leaving his apartment for a period of 60 days, until October 4, 2020.

The suspect has the following responsibilities: to appear before a detective, prosecutor, investigating judge, court on first demand; not to leave Kharkiv without the permission of a detective, prosecutor or court; notify the detective, prosecutor or court of a change of residence and / or place of work; refrain from communicating with the persons specified in the resolution; submit for storage to the relevant territorial division of the State Migration Service of Ukraine your passport (passports) for travel abroad, other documents entitling to leave/enter Ukraine; wear an electronic control device (ankle bracelet).

According to the investigation, in 2017, there were 6 people involved into a scheme under which the Arkona received a special permit at a rigged low cost. As a result of such actions, the state suffered losses, while under-receiving UAH 200 million.

UGV asks the court to collect an additional UAH 645 000 in fines from Interpipe

The Ukrburgas Drilling Division of the UkrGaz-Vydobuvannya appealed to the Commercial Court of Dnipropetrovsk region with a statement of claim, requesting the court to collect from Interpipe Ukraine LLC due fines and penalties total amount of UAH 1.34 million for late delivery of goods under the Supply Contract GUBG279 / 015-18 from May 11, 2018.

According to the Supply Contract GUBG279 / 015-18, Ukrburgas bought from Interpipe 19.91 thousand tons of premium-threaded casing pipes 19.91 thousand tons valued at UAH 1.287 billion. Under the procurement tender won on the site Zakupki.com.ua e-portal, the Interpipe LLC should have supplied the pipes within 180 days from the date of the contract. Later, with an additional agreement the parties extended the delivery of pipes to 240 days.

The costs challenged under the lawsuit consist of the following amounts: UAH 1.08 million as a fine, and UAH 257 600 as a penalty.

Taking into account the arguments of the parties, the Commercial Court of Dnipropetrovsk region partially satisfied the claims of Ukrburgas. In particular, the court decided to collect from the Interpipe LLC for late delivery of pipes under the supply contract: UAH 435 000 as a fine, UAH 257 600 as a penalty, and UAH 20 000 as a court fee.

Disagreeing with this decision, Ukrburgas appealed to the Central Commercial Court of Appeal.

In the complaint, Ukrburgas requests to cancel the decision of the Commercial Court of Dnipropetrovsk region regarding the refusal to satisfy the claims for a fine in the amount

of UAH 645 500 and to take a new decision to satisfy the claim in its initial amount stated. At the same time, on July 27, 2020, the court received a counter appeal of Interpipe against the decision of the Commercial Court of Dnipropetrovsk region. In view of the above, the court combined the two appeals into a single proceeding. The trial is scheduled for September 23, 2020.

Kharkivgas wants to collect UAH 49 million from the Regional Information and Technical Center

The JSC Kharkivgas, a Gas Distribution Network Operator, appealed to the Commercial Court of Kharkiv region with a claim to Communal Enterprise Regional Information and Technical Center, in which the Kharkivgas asks to recover from the respondent the debt for unauthorized consumption of natural gas in February 2019 worth UAH 49 million.

With its decision of May 26, 2020, the Commercial Court of Kharkiv region accepted the statement of claim for consideration and opened proceedings.

Ukrtransgaz and the Naftogaz of Ukraine were also involved in the case as third parties, who did not make independent claims on the subject matter of the dispute.

Kharkivgas supports the claim. In the preparatory hearing Kharkivgas informs the court about the subject of the claim, the legal and factual grounds of the claim. Kharkivgas asserted that they had informed on all the circumstances of the case known, and had provided all the evidence referred to in the statement of claim.

In its turn, the Communal Enterprise Regional Information and Technical Center did not recognize the claims and objected to their satisfaction. In the preparatory meeting, the Communal Enterprise Regional Information and Technical Center indicated to the factual and legal grounds for its objections to the claims.

Consideration of the case is scheduled for September 8, 2020.

INTERNATIONAL NEWS

ADX Energy to stimulate gas flow at Iecea Mica-1 well in Romania

UK-based upstream oil company Reabold Resources said on Friday that Australian oil, gas and metal exploration company ADX Energy, the operator of its Iecea Mica-1 gas well in Romania, will proceed with acidisation tests in order to overcome mud build-up which is preventing strong flow at the reservoir.

The decision to commence acidisation and testing has been taken by Reabold and ADX Energy on behalf of Danube Petroleum based on tests which confirmed reservoir pressure and recovered both methane and drilling mud filtrate, Reabold said in a press release.

Reabold holds a 50.8% equity interest in Danube Petroleum.

Poland fines Gazprom \$57 million over Nord Stream 2 pipeline project

Poland's anti-monopoly watchdog UOKiK said on Monday it had fined Gazprom 213 million zloty (\$57 million) for lack of cooperation in its proceedings with regard to the Nord Stream 2 pipeline project.

Poland sees Nord Stream 2, which would double Russia's gas export capacity via the Baltic Sea, as a threat to Europe's energy security, saying it will strengthen Gazprom's market dominance.

UOKiK has been examining the project for years and in 2019 it fined Engie €40 million for failing to provide documents and information relating to the case.

"At the beginning of the year, we requested Gazprom provide us with contracts concluded by its subsidiary with other companies financing the construction of Nord Stream 2... The company failed to provide such information," the head of UOKiK said in a statement.

Following Gas Discovery, Canadians Get Green Light to Drill in Petlovac

As Vedran Marjanovic/Novac writes on the 6th of August, 2020, the Ministry of Economy and Sustainable Development has issued a deci-

sion according to which the Canadian company Vermilion can start exploring for oil and gas in the municipality of Petlovac in Baranja. In March this year, Vermilion sent a request to the Ministry of Environmental Protection, which was annexed to the Ministry of Economy by a recent government reform, to conduct an environmental assessment procedure on the need to assess the environmental impact of the Novo Nevesinje-1 exploration well in the Petlovac municipality in Eastern Croatia.

The aforementioned decision of the Ministry of Economy and Sustainable Development states that Vermilion isn't obliged to carry out an environmental impact assessment procedure of the project on the exploration well Novo Nevesinje-1.

"The project is acceptable for the ecological network and it isn't necessary to carry out an environmental impact assessment procedure," stated the Directorate for Nature Protection of the competent Ministry in reference to the area in question in Petlovac.

In its request to the Ministry, Vermilion stated, among other things, that it needed 1.2 hectares of space for the exploration well of Novo Nevesinje-1, and that the planned depth of the well was 1105 metres. According to the same source, the well is 1.3 kilometres away from the nearest settlement.

Belarus President pledges new oil, gas infrastructure by 2025

President Alexander Lukashenko said Belarus will develop new oil and gas infrastructure by 2025 during an address to parliament and the nation August 4.

Belarus is looking to increase supply options after disputes with Russia have hit supply volumes. As a key transit route, tension between Russia and Belarus also raises risks for Russian oil and gas supplies to Europe.

Lukashenko added that oil disputes with Russia has cost the state budget 1.5 billion Belarusian rubles, equivalent to around \$614 million.

Nord Stream 2: US senators threaten German port with "crushing" sanctions

Three US senators are threatening the operators of a small German port with "crushing legal and economic sanctions" «for provisioning Russian vessels assisting with constructing the Nord Stream 2 natural gas pipeline».

The US strongly opposes the pipeline, which is owned by Russian gas company Gazprom and will carry natural gas from Russia to Germany.

In their letter Republican Senators Ted Cruz, Tom Cotton and Ron Johnson accuse port operator Faehrhafen Sassnitz of "knowingly providing significant goods, services, and support" for the project.

Murkan Port, located in the small seaside town Sassnitz on Baltic Sea island of Rugen, now finds itself at the center of a geopolitical showdown between Russia and the US.

Along with storing sections of pipe, the port serves as a logistic and service center for ships constructing the German end of the pipeline.

These include the Russian-flagged vessels "Fortuna" and «Akademik Cherskiy," which have yet to begin their work, but will become sanctionable, "the instant that either vessel dips a pipe into the water to construct the Nord Stream 2 pipeline," according to the letter.

The US argues that the pipeline will increase Europe's dependence on Russia, which both Berlin and Moscow dispute. The US proposes selling European's American natural gas shipped across the Atlantic as an alternative.

The senators said the letter served as "formal legal notice," and demanded that Faehrhafen Sassnitz, which is owned by the town of Sassnitz and the state of Mecklenburg Western Pomerania, "cease activities" supporting the construction of the pipeline, or face "potentially fatal measures" that will cut the port's commercial and financial ties with the US.

GAS MARKET

Trade

August began with a noticeable increase in gas prices in Ukraine against the background of a sharp increase in quotations in Europe. On the Ukrainian market there are offers for the sale of the October, November and December resource. However, the main demand is observed for the oil and gas resource in UGS.

Domestic Market.

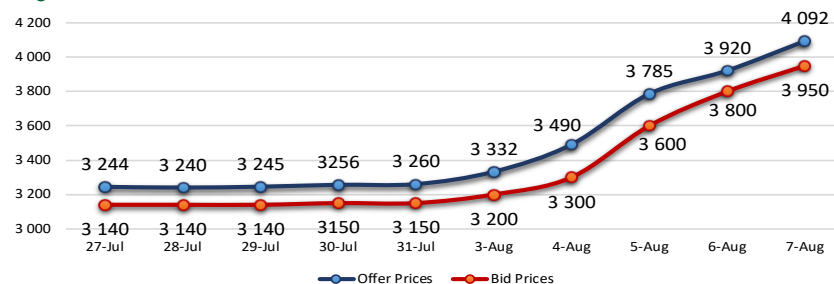
The price of natural gas on the domestic market in early August grew under the influence of quotations on the European hubs (which reached a four-month high), and anticipation of the increase in demand for natural gas in August due to the increase in consumption at the expense of industry (in particular, agricultural enterprises), seasonal factors, the end of summer and approach of the fall. Traditionally, at the beginning of the month, demand for natural gas was reduced, but in early August, the trade activity was quite high due to prices' rising. According to the market participants, some buyers have become more active after a sharp increase in prices, while others, on the contrary, were waiting for prices to return to the level below UAH 3,500 per thousand cubic meters.

During the first week of August, natural gas prices in Ukraine increased by an average of 20% and by the end of the week, the prices for all resources exceeded UAH 4,000 per thousand cubic meters. Thus, prices rose to the highest values since the end of March 2020.

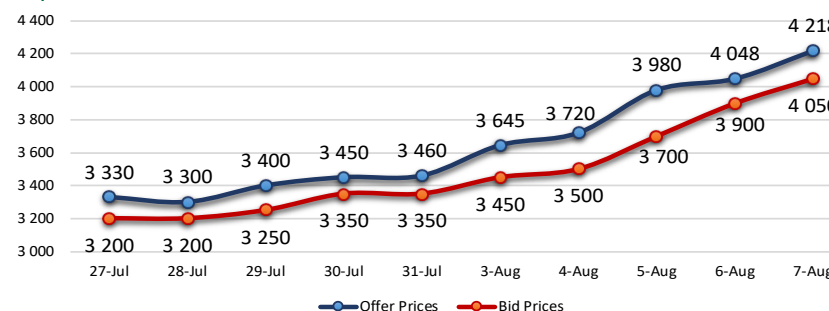
August resource at the beginning of the week was traded at UAH 3,300-3,450 per thousand cubic meters and before the end of the week, the August resource rose by 20% (UAH 650-700) and on Friday it was traded at UAH 3,950-4,150 per thousand cubic meters. However, many traders and representatives of producers told ExPro that they have already sold the entire August resource.

Natural Gas Prices in Ukraine, UAH/tcm

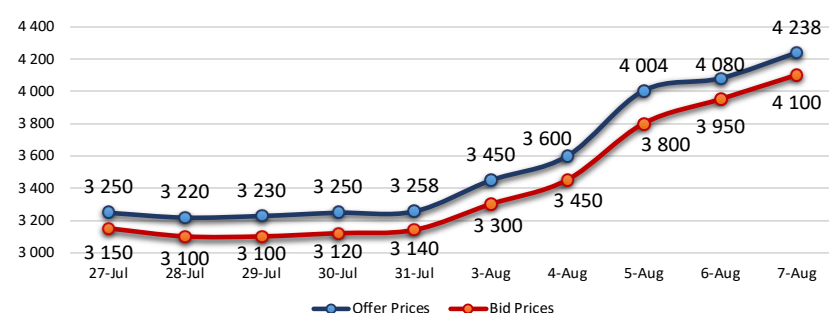
August booked resource



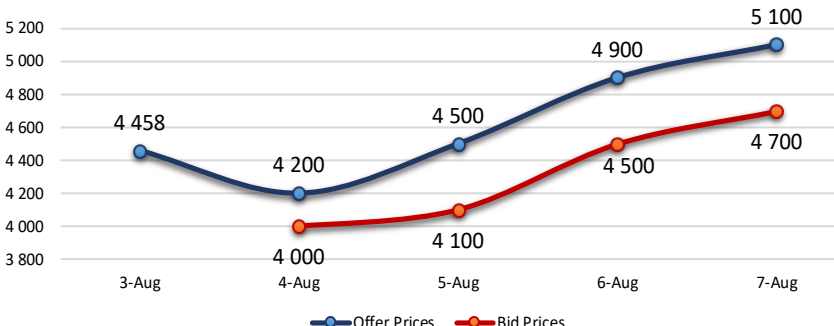
September booked resource



UGS booked resource



October booked resource



AUGUST 3-9, 2020

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	Ukrnaftoburinnya	selling	August	03.08.2020	2 000	3 450	Prepayment	-	-	-
2	Gas-Oil Harant	selling	September	03.08.2020	1 000	3 450	Prepayment	-	-	-
3	Naftogas Trading	selling	August	03.08.2020	1 000	3 324	Prepayment	950	3 336 - 3 420	3 375,79
4	Naftogas Trading	selling	UGS (August)	03.08.2020	1 000	3 396	Prepayment	1 000	3 456 - 3 564	3 520,8
5	Naftogas Trading	selling	September	03.08.2020	1 000	3 714*		1 000	3 714 - 3 762	3 741
6	Naftogas Trading	selling	UGS (September)	03.08.2020	1 000	3 780*		-	-	-
7	Naftogas Trading	selling	October	03.08.2020	1 000	4 458*		-	-	-
8	Naftogas Trading	selling	UGS (October)	03.08.2020	1 000	4 608*		-	-	-
9	DE Trading	purchase	August	03.08.2020	2 500	3 000	Prepayment	-	-	-
10	Transgazpostach	selling	August	03.08.2020	500	3 450	Prepayment	-	-	-
11	Ecotechnoinvest	selling	August	04.08.2020	500	3 500	Prepayment	-	-	-
12	Ukrnaftoburinnya	selling	August	04.08.2020	2 000	3 750	Prepayment	-	-	-
13	Gas-Oil Harant	selling	September	04.08.2020	1 000	3 450	Prepayment	1 000	3 450	3 450
14	Naftogas Trading	selling	August	04.08.2020	1 000	3 744	Prepayment	950	3 744 - 3 804	3 782,53
15	Naftogas Trading	selling	UGS (August)	04.08.2020	1 000	3 796	Prepayment	1 000	3 796 - 3 892	3 848,8
16	Naftogas Trading	selling	September	04.08.2020	1 000	4 001*		1 000	4 001 - 4 062	4 037,7
17	Naftogas Trading	selling	UGS (September)	04.08.2020	1 000	4 056*		1 000	4 056 - 4 104	4 090,8
18	Naftogas Trading	selling	October	04.08.2020	1 000	4 668*		-	-	-
19	Naftogas Trading	selling	UGS (October)	04.08.2020	1 000	4 722*		-	-	-
20	DE Trading	purchase	August	04.08.2020	2 500	3 000	Prepayment	-	-	-
21	Centreenergy	selling	August	04.08.2020	250	3 800	Prepayment	-	-	-
22	Centreenergy	selling	UGS (August)	04.08.2020	250	3 800	Prepayment	-	-	-
23	Centreenergy	selling	September	04.08.2020	250	3 800	Prepayment	-	-	-
24	Transgazpostach	selling	September	04.08.2020	250	4 200	Prepayment	-	-	-
25	Transgazpostach	selling	October	04.08.2020	250	4 700	Prepayment	-	-	-
26	Transgazpostach	selling	November	04.08.2020	250	5 900	Prepayment	-	-	-
27	Ukrnaftoburinnya	selling	August	05.08.2020	2 000	4 000	Prepayment	-	-	-
28	Naftogas Trading	selling	August	05.08.2020	1 000	3 972	Prepayment	350	3 972 - 3 984	3 973,71
29	Naftogas Trading	selling	UGS (August)	05.08.2020	1 000	4 026	Prepayment	2 100	4 026 - 4 122	4 077,43
30	Naftogas Trading	selling	September	05.08.2020	1 000	4 044*		1 500	4 044 - 4 152	4 117,2
31	Naftogas Trading	selling	UGS (September)	05.08.2020	1 000	4 098*		2 000	4 134 - 4 158	4 144,2
32	Naftogas Trading	selling	October	05.08.2020	1 000	4 692*		-	-	-
33	Naftogas Trading	selling	UGS (October)	05.08.2020	1 000	4 746*		-	-	-
34	Avers Plus LTD	selling	August	05.08.2020	500	3 750	Prepayment	200	3 750 - 3 810	3 780
35	Centreenergy	selling	August	05.08.2020	250	4 000	Prepayment	-	-	-
36	Centreenergy	selling	UGS (August)	05.08.2020	250	4 100	Prepayment	-	-	-
37	Centreenergy	selling	September	05.08.2020	250	4 100	Prepayment	-	-	-
38	Gas-Oil Harant	selling	September	05.08.2020	1 000	4 100	Prepayment	-	-	-
39	Transgazpostach	selling	November	05.08.2020	250	5 940	Prepayment	-	-	-
40	Transgazpostach	selling	October	05.08.2020	250	4 700	Prepayment	-	-	-
41	Transgazpostach	selling	September	05.08.2020	500	4 200	Prepayment	-	-	-
42	DE Trading	purchase	UGS (August)	05.08.2020	2 500	3 400	Prepayment	-	-	-
43	Ecotechnoinvest	selling	August	06.08.2020	500	3 950	Prepayment	-	-	-
44	Naftogas Trading	selling	August	06.08.2020	1 000	3 996	Prepayment	100	4 032	4 032
45	Naftogas Trading	selling	UGS (August)	06.08.2020	1 000	4 098	Prepayment	300	4 182 - 4 194	4 186
46	Naftogas Trading	selling	September	06.08.2020	1 000	4 152*		2 550	4 164 - 4 296	4 267,06
47	Naftogas Trading	selling	UGS (September)	06.08.2020	1 000	4 200*		2 300	4 212 - 4 344	4 284,52
48	Naftogas Trading	selling	October	06.08.2020	1 000	5 010*		-	-	-
49	Naftogas Trading	selling	UGS (October)	06.08.2020	1 000	5 070*		-	-	-
50	Ukrnaftoburinnya	selling	August	06.08.2020	2 000	4 100	Prepayment	-	-	-
51	Centreenergy	selling	August	06.08.2020	250	4 000	Prepayment	-	-	-
52	Centreenergy	selling	September	06.08.2020	250	4 050	Prepayment	-	-	-
53	Centreenergy	selling	UGS (August)	06.08.2020	250	4 050	Prepayment	-	-	-
54	Gas-Oil Harant	selling	September	06.08.2020	1 000	4 100	Prepayment	-	-	-
55	DE Trading	purchase	UGS (August)	06.08.2020	2 500	3 400	Prepayment	-	-	-
56	Transgazpostach	selling	October	06.08.2020	500	5 050	Prepayment	-	-	-
57	Transgazpostach	selling	November	06.08.2020	250	6 050	Prepayment	-	-	-
58	Transgazpostach	selling	December	06.08.2020	250	6 550	Prepayment	-	-	-
59	Ecotechnoinvest	selling	August	07.08.2020	300	4 050	Prepayment	-	-	-
60	Gas-Oil Harant	selling	September	07.08.2020	1 000	4 100	Prepayment	-	-	-
61	Ukrnaftoburinnya	selling	August	07.08.2020	2 000	4 100	Prepayment	1 050	4 100	4 100
62	Naftogas Trading	selling	August	07.08.2020	1 000	4 086	Prepayment	50	4 134	4 134
63	Naftogas Trading	selling	UGS (August)	07.08.2020	1 000	4 194	Prepayment	6 000	4 254 - 4 314	4 288
64	Naftogas Trading	selling	September	07.08.2020	1 000	4 296*		2 050	4 308 - 4 512	4 472,78

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
65	Naftogas Trading	selling	UGS (September)	07.08.2020	1 000	4 350*		300	4 446 - 4 506	4 466
66	Naftogas Trading	selling	October	07.08.2020	1 000	5 142*		-	-	-
67	Naftogas Trading	selling	UGS (October)	07.08.2020	1 000	5 160*		-	-	-
68	DE Trading	purchase	UGS (August)	07.08.2020	2 550	3 400	Prepayment	-	-	-
69	Gasenergo-trade	selling	UGS (September)	07.08.2020	1 000	4 200**		-	-	-
70	Gasenergo-trade	selling	UGS (August)	07.08.2020	1 000	4 200	Prepayment	-	-	-
71	Transgazpostach	selling	October	07.08.2020	500	5 100	Prepayment	-	-	-
72	Transgazpostach	selling	November	07.08.2020	250	6 050	Prepayment	-	-	-
73	Transgazpostach	selling	December	07.08.2020	250	6 550	Prepayment	-	-	-

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

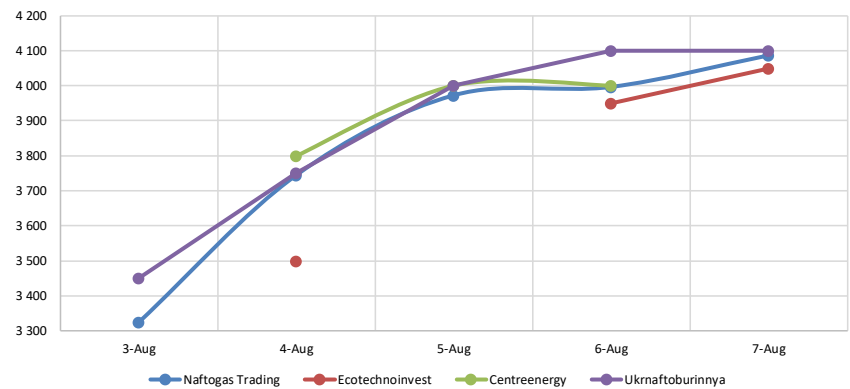
** Payment terms for Gasenergo-trade: 80% of the contract value - 1 business day before the trade notice is submitted

Trading in the **September resource**, which was at the beginning of the week was traded at UAH 3,450-3,760 per thousand cubic meters, comes to the fore. During the week the prices for it increased by an average of 17% (UAH 550-650) and at the end of the week they were UAH 4,100-4,300 per thousand cubic meters. Prices for **gas in UGS** on Monday (August 3) were in the range UAH 3,400-3,600 per thousand cubic meters, and at the end of the reporting week – UAH 4,100-4,400 per thousand cubic meters. Thus, during the week, gas in storages rose by about 21% (UAH 700-800).

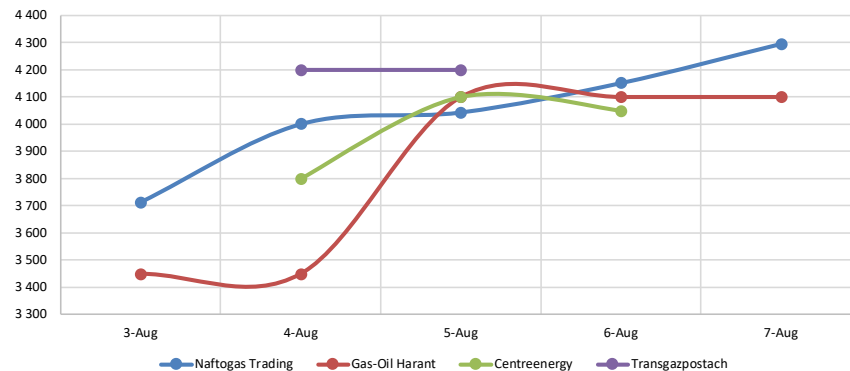
The market was quite active (given that there are still two months left) in offers for the sale of the **October resource**, the prices for which at the beginning of the week started from UAH 4,100 per thousand cubic meters. Before the end of the week, sellers' price offers increased to UAH 5,000-5,150 per thousand cubic meters. However, a representative of one of the companies that offers October resource noted that even end users are not yet ready to buy at such prices.

There are also the first offers for the sale of the **November** and **December** resource at starting prices of UAH 5,900-6,050 per thousand cubic meters for November resource and UAH 6,550 per thousand cubic meters for December resource. However, there is no demand for these resources yet. "We decided to try not only short-term contracts, but also the sale of the resource for the next months. To begin with, we offered small volumes of gas on the exchange to

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



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



assess the prospects," a representative of Transgazpostach, a company offering November and December resources for sale at UEE, said in a comment to ExPro. Some market participants surveyed by ExPro predict a further increase in gas prices, both in the domestic and the European markets. "It looks like we haven't reached the upper limit yet. I think the growth will continue in the near future and in Septem-

ber we can see prices at the level of the beginning of the year," one of the traders said. Other traders believe that natural gas prices will stabilize closer to mid-August. "Prices will continue to rise for some time, but then we expect stabilization. The storages are full, there is surplus in the market. Prices cannot rise when huge gas reserves are stored in UGS," another trader said.

The activity of natural gas trading on the **Ukrainian Energy Exchange** remains stable. During the week, eight companies offered for sale the resource of August, September, October, November, December and gas in UGS, and one company (DE Trading LLC) held auctions for the purchase of natural gas, but did not find suppliers.

Among the sellers, more gas was sold at its own auctions by Naftogaz Trading LLC. It sold last week 2.4 million cubic meters of August gas at prices of UAH 3,336-4,134 per thousand cubic meters (weighted average was UAH 3,667 per thousand cubic meters) and 10.4 million cubic meters of gas in UGS with transfer in August at UAH 3,456-4,314 per thousand cubic meters (weighted average was UAH 4,126.5 per thousand cubic meters).

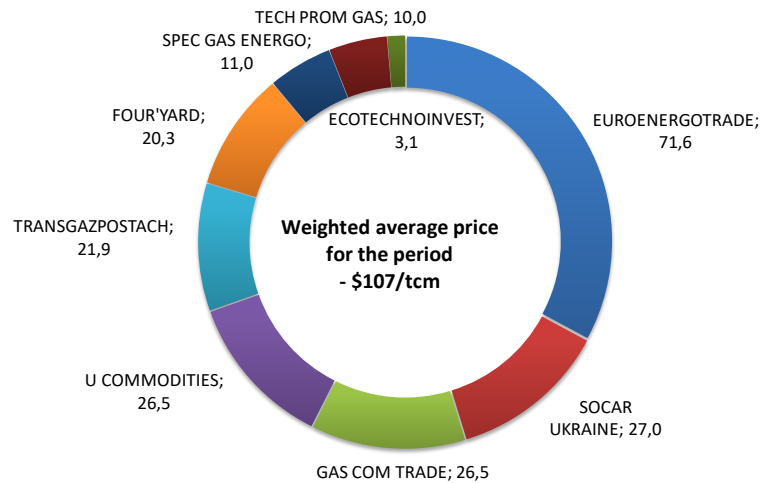
The company also sold 8.1 million cubic meters of September resource at UAH 3,714-4,512 per thousand cubic meters (weighted average was UAH 4,198 per thousand cubic meters) and 5.6 million cubic meters of gas in UGS with transfer in September at UAH 4,056-4,506 per thousand cubic meters (UAH 4,209.5 per thousand cubic meters). Thus, Naftogaz Trading on the reporting week sold 26.5 million cubic meters of gas on the exchange for a total of UAH 109 million (including VAT) which is 5 times more than during the previous week (UAH 20.5 million).

Ukrnaftoburinnya PC JSC on Friday sold 1.05 million cubic meters of August resource at the price of UAH 4,100 per thousand cubic meters for a total of UAH 4.3 million (including VAT). This is the first successful auction of UNB at UEE since January 2019.

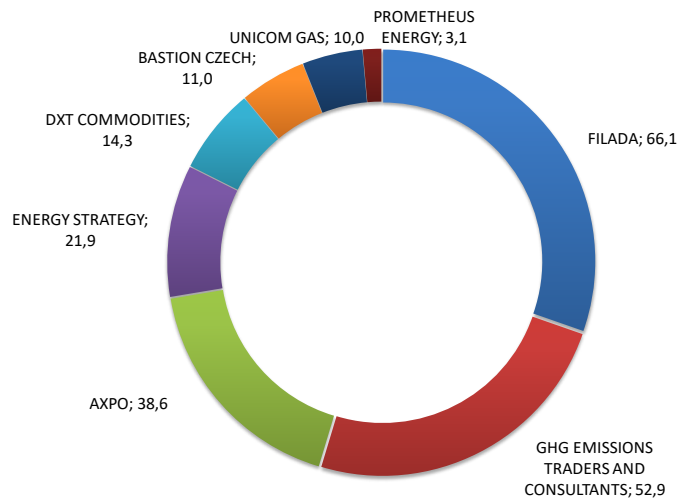
Gas-Oil Garant LLC also sold 1 million cubic meters of September resource at UAH 3,450 per thousand cubic meters for UAH 3.45 million UAH (including VAT).

Its first natural gas auction at UEE was held by Avers Plus LTD, which sold 200 thousand cubic meters of August resource on the exchange at UAH 3,750-3,810 per thousand cubic meters. Avers Plus LTD was registered in Kyiv in 2009.

Customs clearance of natural gas, July 16 - 31, mcm



Natural gas sellers at the Ukrainian border, July 16 - 31, mcm



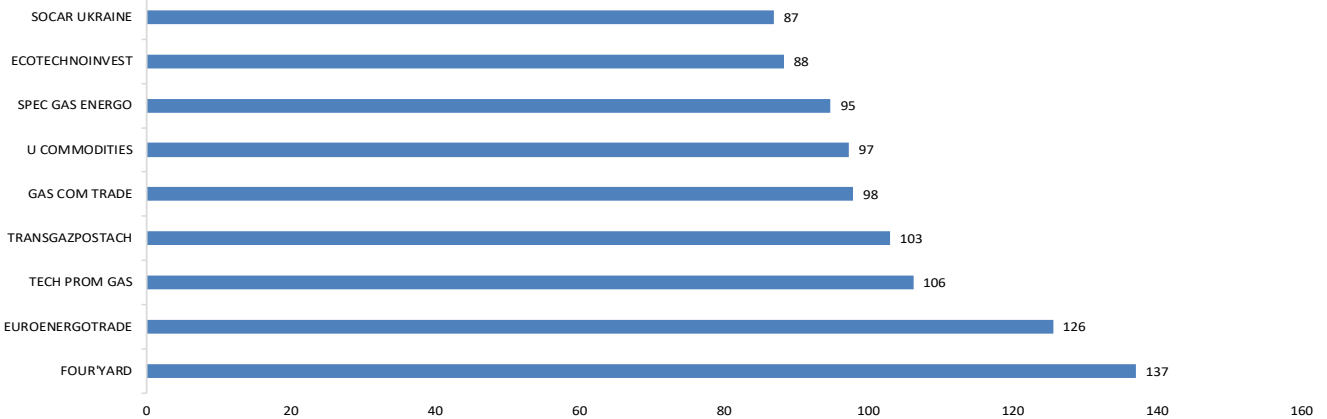
Its Head is Vyacheslav Zhelezny, and the final beneficiaries are Valentyna Zagrebina (90%) and Yulia Zhelezna (10%).

The company uses a Ukrainian resource, which it buys directly from the producers. "There are a lot of new licensees on the Ukrainian market that we don't know personally. Although we are a very old company, the personal connections are lost over time. Therefore, we decided to try a new role," the representative of Avers Plus LTD said in the comment to ExPro, adding that the company positively assesses the first experience of exchange trading and if necessary will use this mechanism again.

Gas Customs Clearance. During July 16-31, ten Ukrainian companies cleared 287million cubic meters of natural gas, 1.7% times more than in the first half of the month. First of all, this is related to customs clearance of gas from the "bonded warehouse" by Naftogaz of Ukraine NJSC. In the second half of the month, the company withdrew 69 million cubic meters of gas from the "bonded warehouse," which was pumped into the UGS in July-September 2019. ERU was the seller of gas for Naftogaz.

Euroenergotrade cleared 71.6 million cubic meters of natural gas after its import.

Weighted average costs for customs cleared imported, July 16 - 31, \$/tcm



The company's main sellers are Filada (46 million cubic meters), DXT Commodities (14 million cubic meters) and AXPO (11.5 million cubic meters).

Socar Ukraine TH LLC cleared 27 million cubic meters of natural gas, which the company purchased from AXPO. Also, Gaz Com Trade LLC and U Komodities LLC cleared 26.5 million cubic meters each, which the companies purchased from GHG Emissions Traders&Consultants.

The average weighted price of natural gas customs clearance for this period was US\$ 107 per thousand cubic meters, which is 22% higher than in June. The customs clearance price is indicated without the price of Naftogaz, which purchased gas at \$189 per thousand cubic meters.

It also became known that ERU Trading LLC plans to import gas from Romania through Orlivka/Isaccea GMS. The volume of gas – 94 thousand cubic meters – should be imported during August-September 2020. The seller will be a foreign ERU Management. Recall, the ERU Group on July 1, 2020 for the first time made an export supply of gas to Romania through Orlovka GMS. Then ERU exported about 6 thousand cubic meters of gas, which the company stored in a “bonded warehouse” in the Ukrainian UGS.

ProZorro Public Procurement

In the ProZorro system, during the first week of August, 32 new tenders were announced for the purchase of 2.02 bil-

lion cubic meters of gas UAH 10.18 billion worth (including VAT). Expected prices range from UAH 5,000 to UAH 7,640 per thousand cubic meters (with VAT). The average level is about UAH 5,040 per thousand cubic meters (with VAT).

GTS Operator of Ukraine LLC published 25 tenders for the purchase of 2 billion cubic meters of gas by April 30, 2021 at UAH

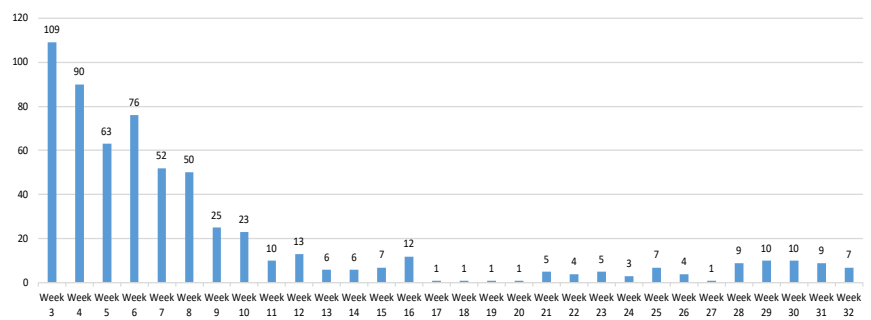
10.18 billion (including VAT) on the terms of staged payment. The purchase consists of 5 tenders for 120 million cubic meters of gas each, 10 tenders for 92 million cubic meters, and 10 tenders for 50 million cubic meters. The auctions are scheduled for October 8, 12 and 13, 2020.

In addition GTSOU, the largest tender was announced by the Tyachiv RSA,

TOP 10 Prozorro tenders winners, August 3 - 7, 2020

№	Procurer	Price UAH (including VAT)	Volume Mm ³	Amount of tenders
1	Himvector LLC	3 370 000	900,0	1
2	Ukr gaz resource LLC	1 644 298	548,1	1
3	Energy Ukraine LLC	462 070	169,5	1
4	Kastum LLC	460 000	200,0	1
5	Chernigivgaz zbut LLC	425 000	125,0	1
6	Naftogaz Ukraine Gas Company LLC	290 415	95,0	1
7	Ekotehnoinvest LLC	155 196	50,0	1
8	Gazprompostach LLC	135 999	49,0	1
9	Kyivoblgaz zbut LLC	84 155	17,3	2
10	Khersonregiongaz LLC	65 442	21,0	1

Announcement tenders of natural gas on Prozorro, weekly 2020



which plans to purchase 200 thousand cubic meters of gas at UAH 1 million and an expected price of UAH 5,000 per thousand cubic meters (including VAT) on a staged payment basis. Delivery term is before the end of 2020. Clarifications on the tender can be requested until August 12 and the procurement terms can be disputed until August 18. The bidding deadline is August 22, 2020. The auction was scheduled on August 25, 2020.

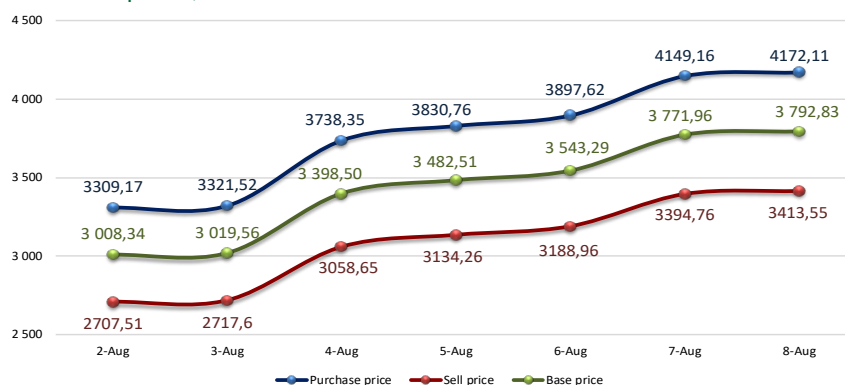
The results of 11 tenders for the purchase of 2,17 million cubic meters of gas in the amount of UAH 7 million (including VAT) were also announced. Price range: UAH 2,300-4,863 per thousand cubic meters (with VAT), the average level was UAH 3,261 per thousand cubic meters (with VAT).

Khimvector LLC will supply 900 million cubic meters of gas to Sumykhimprom PJSC in August 2020 for UAH 3.37 million at UAH 3,744 per thousand cubic meters (including VAT). This is the sixth contract signed between Khimvector and Sumykhimprom for the purchase of gas in 2020. The total volume of all tenders is 10.5 million cubic meters UAH 45 million worth (including VAT).

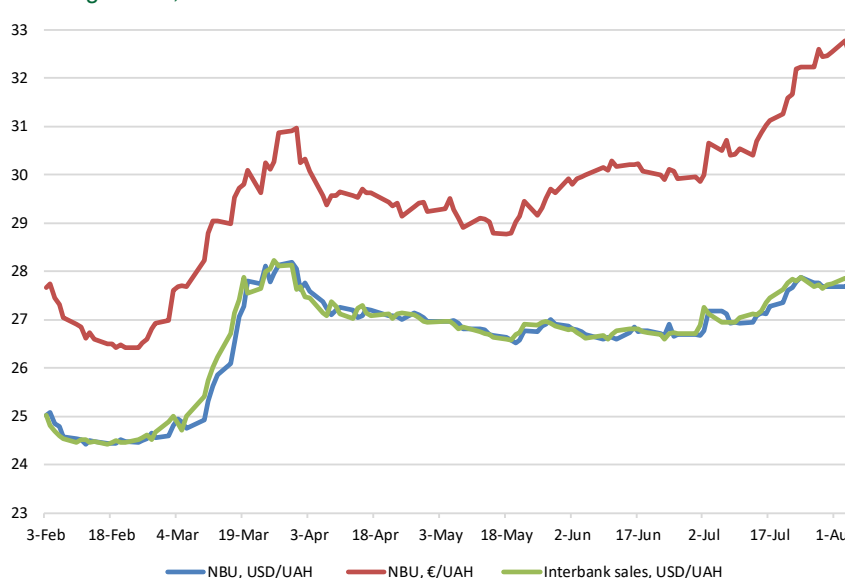
Ukr Gas Resource LLC will supply 548 thousand cubic meters of gas to Prydniprovska Academy of Construction and Architecture from October 15 to December 31, 2020 at UAH 3,000 per thousand cubic meters (including VAT). The auction was also attended by Ecotechnics LLC, Dnipropetrovskgaszbut LLC and Energy Trade Group LLC. After the auction, Ukr Gas Resource LLC won with the lowest offer of UAH 1.64 million (including VAT).

The lowest gas price during the reporting week – UAH 2,300 per thousand cubic meters (including VAT) – was offered by Kastum LLC. The company will supply 200 thousand cubic meters of gas to the Irshava Hospital. The highest price of UAH 4,863 per thousand cubic meters (including VAT) was offered by Kyivobl-gaszbut LLC, which will supply 10 thousand cubic meters to Fastiv Health Care Centre, and 7 thousand cubic meters for

Imbalance prices, UAH/tcm



Exchange rates, 2019-2020



the Kalynivska Village Council. During the reporting week, Kyivobl-gaszbut LLC was the only company that won more than one tender for gas supply.

Currency Market

During the reporting week, the Hryvnia strengthened against the Euro by an average of 27 cents, to USD it strengthened by 11-12 cents. As of the end of the week on the interbank foreign exchange market Euro was bought for UAH 32.4907 and sold for UAH 32.5142; USD was bought for UAH 27.6, and sold for UAH 27.62. During the first week of August, supply pre-

vaild over demand in the foreign exchange market. According to experts, the main buyers were non-residents and subsidiaries of “foreign companies”, which in the first decade of the month buy currency for the repatriation of dividends. The sellers were mainly the large exporters, which have already largely spent VAT refunds received at the end of July and now need hryvnia to finance their current production activities. The National Bank twice entered the market during the week to restrain the strengthening of the hryvnia, and purchased about \$40 million at UAH 27.63-27.67.

European Market

August started with a significant increase in natural gas prices on the European markets. At the beginning of the week, the Day Ahead spot prices at the hubs were in the range of €5.1-7.1 per MWh, and by the beginning of Friday they rose to the level of €7.1-9.1 per MWh, which is the highest values since mid-April 2020. Thus, during the first week of August, spot gas prices in Europe increased by 32.5%, or by €2 per MWh. The growth during the reporting week was the highest weekly increase in spot prices in the last 2 years.

The main reasons for price growth in Europe are the growth in gas prices on the US Henry Hub, and the increased demand for power generation by reducing production at wind farms due to weak wind. Additional reasons were high temperatures in Europe, due to which demand for gas for air conditioning is expected to increase. Also, the reduction in Russian gas supplies contributed to the increase in prices.

In addition, the seasonal factor (approaching autumn) also affects the increase in gas prices. Market participants forecast further price growth in August, but the growth will be held back by full storage facilities.

During Friday, the spot prices in Europe continued to rise on the backdrop of rising LNG prices due to a possible reduction in supplies from Australia. Day Ahead prices on TTF on Friday reached €7.45 per MWh, the highest value since March 26, 2020.

Futures prices for the September resource on the Dutch TTF at the beginning of the week were about €6.8 per MWh, and by the end of the week they rose by about 21%. At the end of Friday they were €8.2 per MWh, which is the highest value since the second half of March 2020.

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

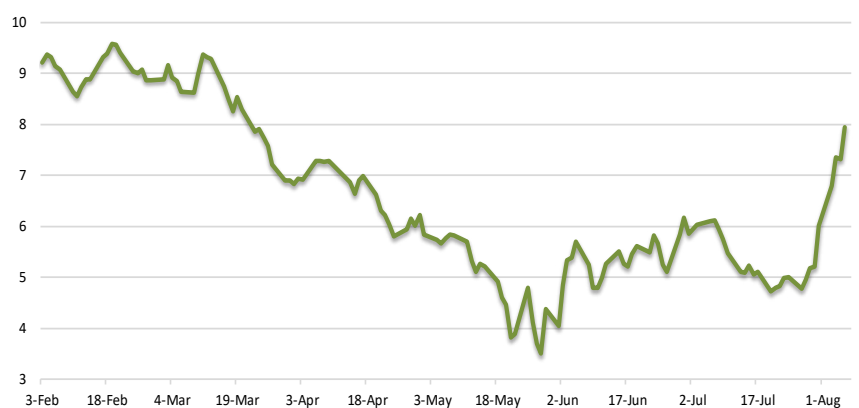
Delivery date	03.08.2020	04.08.2020	05.08.2020	06.08.2020	07.08.2020
CEGH	6,762	7,572	8,493	8,456	8,810
GPL	5,428	6,046	6,961	6,869	7,236
NCG	5,321	5,969	6,803	6,733	7,116
TTF	5,167	6,038	6,855	6,758	7,116
Price at the border (in the Ukrainian GTS), UAN/Mm ³	3 547,3	3 807,7	4 193,7	4 155,5	4 275,3

* - 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 (1,1), the official exchange rates and VAT.

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 August 7, 2020

Country	Gas in storage, TWh	Full, %
Germany	203,85	89,53
Italy	173,74	88,25
France	114,57	88,94
Netherlands	112,26	80,31
Austria	83,13	87,04
Hungary	60,62	87,05
Slovakia	38,17	89,70
Czech Republic	32,20	90,29
Poland	31,00	87,17
Spain	29,83	87,11
Romania	26,99	81,80

Gas Balance

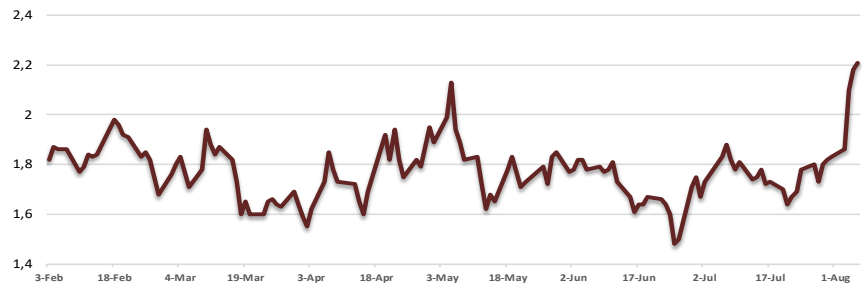
Gas production in Ukraine in the first week of August remained relatively stable – at the level of 55-55.2 million cubic meters per day, an average of 300 thousand cubic meters lower than in the previous week. In the first 5 days of August, Ukraine produced 275.4 million cubic meters of gas, 350 thousand cubic meters more than in the same period in July and 1.2% (3.36 million cubic meters) more than last year.

Gas imports from the European destinations have increased by 1.5 times since the beginning of August, to 107.3 million cubic meters, thus updating the highs of 2015. During the first week of August, the volume of deliveries were in the range of 105.5-108.1 million cubic meters per day. The main growth was due to an increase in supplies from Slovakia by 1.75 times, to 85 million cubic meters, of which 43.3 million cubic meters – virtual reverse through Velke Kapushany, and 41.3 million cubic meters – physical imports through Budince. Deliveries from Hungary since the beginning of August increased by 8%, to 18.5 million cubic meters, after which they were in the range of 16.6-18.5 million cubic meters in the following days. Imports from Poland, on the contrary, in August decreased by 23%, to 4.3 million cubic meters per day.

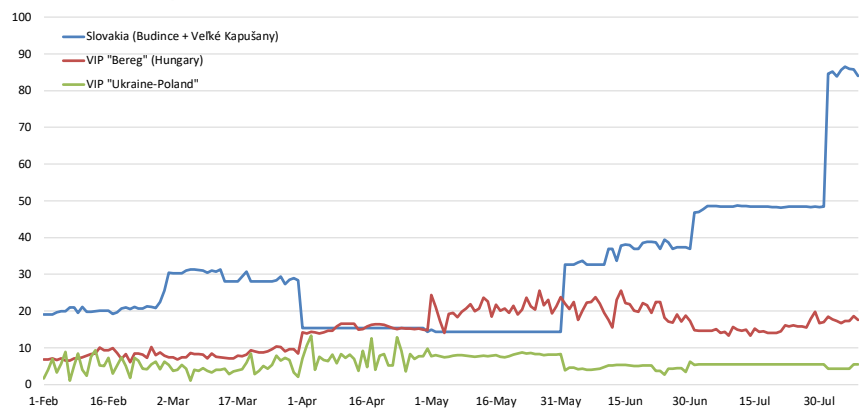
In the first 6 days of August, Ukraine imported 642 million cubic meters of natural gas from the EU, which is 35% more than in the same period in July. Compared to August last year, imports increased by 68%. Since the beginning of the year, as of August 8, Ukraine has imported over 10 billion cubic meters of gas, which is the highest value in the last 5 years.

Daily **gas consumption** in Ukraine, according to ExPro calculations, during the first week of August was in the range of 47-52 million cubic meters per day, on average 1 million cubic meters lower than last week. During the first 5 days of August, Ukraine consumed about 250 million cubic meters of gas, which corresponds to the figures in July. Since the beginning of the year as of August 5, gas

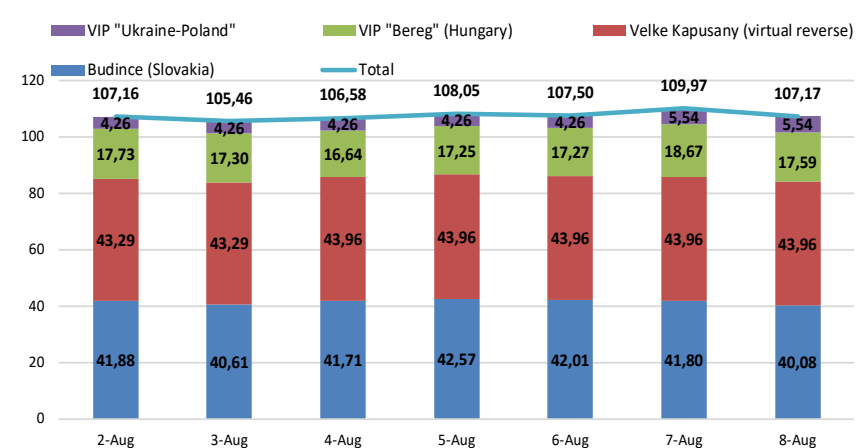
Natural Gas Price Day Ahead, Henry Hub, \$/MMBTU



Natural Gas Import from EU to Ukraine, mcm



Natural Gas Import from EU to Ukraine, mcm



consumption amounted to about 18 billion cubic meters.

Gas injection into UGS since the beginning of August has sharply increased by 40%, to 106 million cubic meters; during the first week of August, the volume of injection was in the range of 106-115 million cubic meters per day,

which is the highest values in recent years. First of all, the increase in injection volumes was due to an increase in import supplies. Gas withdrawal from UGS remained at the minimum level of 1-4 thousand cubic meters per day. In the first 5 days of the month, 558 million cubic meters of gas were pumped into

Ukrainian UGS, 1.5 times more than in July. Compared to the same period last year, the volumes of injection increased by 1.4 times.

As of August 6, Ukrainian UGS stored 22.835 billion cubic meters of gas, which is 63% more than last year. Thus, Ukrainian UGS are 73.8% full.

Gas transit since the beginning of August has decreased by about 4%, to 154-157 million cubic meters per day. At the same time, it should be noted that the physical volume of Russian gas supplies to Europe since the beginning of August has sharply decreased by 30%, to 88.5-90.5 million cubic meters per day. This is primarily due to the growth of import volumes through the virtual reverse mechanism from Slovakia via Velke Kapushany. Due to the replacement of Russian gas supplies to Slovakia via Uzhhorod, since the beginning of August, they have fallen by 35%, to 66-67 million cubic meters per day. Deliveries via other destinations remain stable.

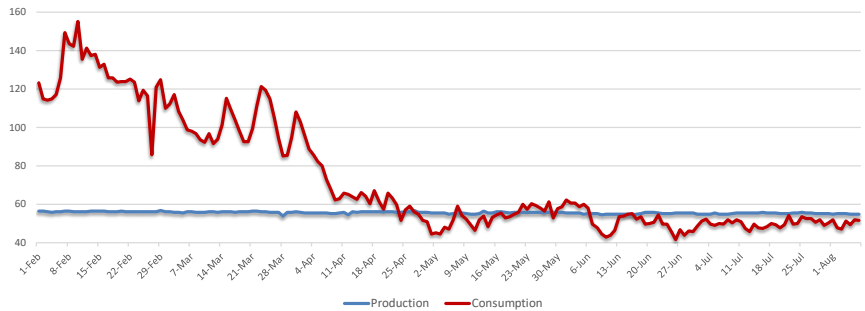
Oil Market

Domestic Market. The price of oil and gas condensate of Ukrnaftoburinnya grew during the reporting week. UNB sold 420 tonnes of oil at the auction to two companies at a price of UAH 16,900 per tonne (including VAT). At the previous auction, UNB sold oil at UAH 16,350 per tonne (including VAT). During the period of July, oil prices increased by 42%, from UAH 11,450 to UAH 16,350 per tonne (including VAT).

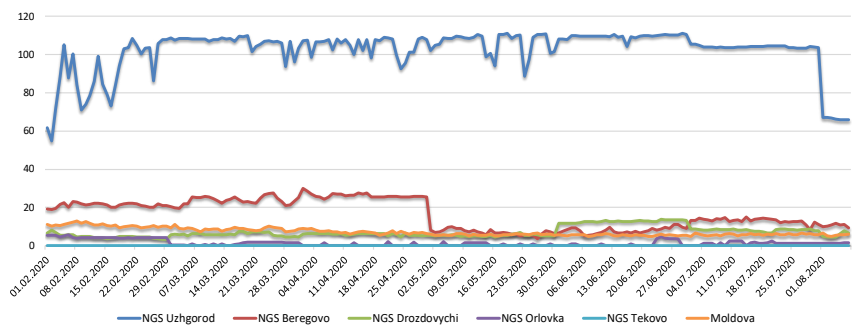
UNB also sold 165 tonnes of condensate at three auctions. 75 tonnes of Devon condensate were sold at UAH 17,500 per tonne (including VAT), 50 tonnes of Sakhalinka condensate were sold at UAH 17,400 UAH per tonne (including VAT), and 40 tons of CGLH (gas condensate of light hydrocarbons) were sold at UAH 13,500 per tonne (including VAT). During the week, the price of condensate increased by 3-4%.

At the SmartTender platform, Ukrainian Drilling Company LLC offered 140 tonnes of oil for sale at starting prices of

Natural gas production and consumption in Ukraine, mcm



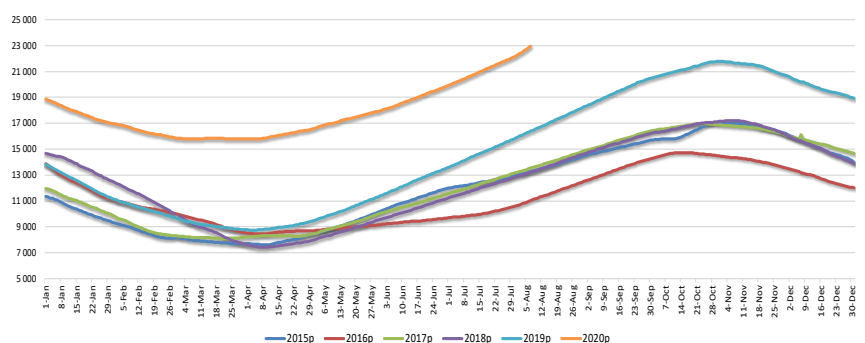
Transit of Natural Gas from Russia through Ukraine, mcm



Dynamics of daily natural gas production in Ukraine, mcm



Inventories of natural gas in Ukrainian underground storage facilities in 2015-2020, mcm



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
06.08.2020	UNB	Wide Spread of Light Hydrocarbons	3	1	40	13 500	595,9	-
06.08.2020	Devon	Gas condensate	14	1	75	17 500	0,7650	64,03
06.08.2020	Sahalinka	Gas condensate	14	1	50	17 400	0,7675	63,87
05.08.2020	UNB	Crude Oil	11	2	420	16 900	0,7726	62,18
05.08.2020	Ukrainian Drilling Company	Crude Oil	-	-	60	-	-	-
06.08.2020	Ukrainian Drilling Company	Crude Oil	-	-	40	-	-	-
07.08.2020	Ukrainian Drilling Company	Crude Oil	-	-	40	-	-	-
03.08.2020	Cadogan Group	Crude Oil	-	-	50	-	-	-
06.08.2020	Cadogan Group	Crude Oil	-	-	50	-	-	-
06.08.2020	Cadogan Group	Crude Oil	-	-	30	-	-	-

Import of Crude oil in Ukraine, August 1 - 7, 2020

Types of raw	Country of origin	Importer	Volume, th t	Weighted average cost on the border, \$/t
Crude oil (Azeri)	Azerbaijan	Ukratnafta	20,6	275,2
Total			20,6	275,2

UAH 13,500 and UAH 14,500 per tonne (including VAT). During the period of July, UDC starting oil prices increased by 30%, from UAH 10,200 to UAH 14,500 per tonne (including VAT).

Cadogan Group offered 130 tonnes of oil for sale at 3 auctions at starting prices of UAH 8,820, UAH 9,000 and UAH 7,800 per tonne (including VAT). During the period of July, Cadogan Group's starting oil prices increased by 25%. from UAH 7,200 to UAH 9,000 per tonne (including VAT).

World Markets. Oil prices were volatile. In the second half of the week after the explosion in the port of Beirut (Lebanon), prices rose sharply to \$46 per barrel – the highest values since the beginning of March, when the market collapsed.

Futures prices (October resource) for Brent crude at the end of the week were \$44.5 per barrel, which is 2.8% higher than at the end of the last week. WTI crude (September futures) at the end of the week was traded at \$41.4 per barrel, which is 2.8% higher than during the last week.

NEWS BRIEFS

HCAC sentenced the former director of Kirovogradgaz to 8 years in prison

At its hearing on August 6, the High Anti-Corruption Court of Ukraine (HCAC) sentenced Konstantin Starovoit, a former director of the Centrgas subsidiary of Kirovogradgaz, to eight years in prison.

Konstantin Starovoit was also banned to hold administrative positions for 3 years, and his car was confiscated. He may appeal this decision at the HCAC Appeals Chamber.

As earlier reported by ExPro, Konstantin Starovoit was accused of embezzling UAH 8.6 million. According to the National Anti-Corruption Bureau of Ukraine (NABU) and the

Specialized Anti-Corruption Prosecutor's Office (SAPO), he entered into a notoriously unprofitable contract on behalf of Centrgaz, under which the state-owned enterprise paid for the gas supply, but did not receive the gas itself.

The court concluded that the defendant had done so intentionally, in order to enrich a private firm..

HCAC chooses precautionary measure against a suspect in Arkona Gas-Energy case

On August 5, 2020, the High Anti-Corruption Court of Ukraine (HCAC) place under house arrest a suspect in the case of Arkona Gas-Energy LLC. The investigating judge of the HCAC applied to the representative of the NPF Project-Naftogaz a precautionary measure in the form of round-the-clock house arrest with a ban on leaving his apartment for a period of 60 days, until October 4, 2020.

The suspect has the following responsibilities: to appear before a detective, prosecutor, investigating judge, court on first

demand; not to leave Kharkiv without the permission of a detective, prosecutor or court; notify the detective, prosecutor or court of a change of residence and / or place of work; refrain from communicating with the persons specified in the resolution; submit for storage to the relevant territorial division of the State Migration Service of Ukraine your passport (passports) for travel abroad, other documents entitling to leave/enter Ukraine; wear an electronic control device (ankle bracelet).

In order to monitor the suspect's behavior, the National Police officers have the right to appear in the house where the suspect is under arrest, to demand oral or written explanations on issues related to the fulfillment of his obligations.

According to the investigation, in 2017, there were 6 people involved into a scheme under which the Arkona Gas-Energy LLC received a special permit for the use a natural gas field in Poltava region at a rigged low cost. As a result of such actions, the state suffered losses, while under-receiving UAH 200 million.

UkrGazVydobuvannya asks the court to collect an additional UAH 645 000 in fines from Interpipe LLC

The Ukrburgas Drilling Division of the JSC UkrGazVydobuvannya appealed to the Commercial Court of Dnipropetrovsk region with a statement of claim, requesting the court to collect from Interpipe Ukraine LLC due fines and penalties total

amount of UAH 1.34 million for late delivery of goods under the Supply Contract GUBG279 / 015-18 from May 11, 2018.

According to the Supply Contract GUBG279 / 015-18, Ukrburgaz bought from Interpipe 19.91 thousand tons of premium-threaded casing pipes 19.91 thousand tons valued at UAH 1.287 billion. Under the procurement tender won on the site Zakupki.com.ua e-portal, the Interpipe LLC should have supplied the pipes within 180 days from the date of the contract. Later, with an additional agreement the parties extended the delivery of pipes to 240 days.

The costs challenged under the lawsuit consist of the following amounts: UAH 1.08 million as a fine, and UAH 257 600 as a penalty.

Taking into account the arguments of the parties, the Commercial Court of Dnipropetrovsk region partially satisfied the claims of Ukrburgaz. In particular, the court decided to collect from the Interpipe LLC for late delivery of pipes under the supply contract: UAH 435 000 as a fine, UAH 257 600 as a penalty, and UAH 20 000 as a court fee. Disagreeing with this decision, Ukrburgaz appealed to the Central Commercial Court

of Appeal.

In the complaint, Ukrburgaz requests to cancel the decision of the Commercial Court of Dnipropetrovsk region regarding the refusal to satisfy the claims for a fine in the amount of UAH 645 500 and to take a new decision to satisfy the claim in its initial amount stated.

At the same time, on July 27, 2020, the court received a counter appeal of Interpipe against the decision of the Commercial Court of Dnipropetrovsk region. In view of the above, the court combined the two appeals into a single proceeding. The trial is scheduled for September 23, 2020.

Kharkivgas wants to collect UAH 49 million from the Regional Information and Technical Center

The JSC Kharkivgas, a Gas Distribution Network Operator, appealed to the Commercial Court of Kharkiv region with a claim to Communal Enterprise Regional Information and Technical Center, in which the Kharkivgas asks to recover from the respondent the debt for unauthorized consumption of natural gas in February 2019 worth UAH 49 million.


With its decision of May 26, 2020, the Commercial Court of Kharkiv region accepted the statement of claim for consideration and opened proceedings.

The JSC Ukrtransgaz and the PJSC Naftogaz of Ukraine were also involved in the case as third parties, who did not make independent claims on the subject matter of the dispute.

The JSC Kharkivgas supports the claim. In the preparatory hearing the JSC Kharkivgas informs the court about the subject of the claim, the legal and factual grounds of the claim. The JSC Kharkivgas asserted that they had informed on all the circumstances of the case known, and had provided all the evidence referred to in the statement of claim.

In its turn, the Communal Enterprise Regional Information and Technical Center did not recognize the claims and objected to their satisfaction. In the preparatory meeting, the Communal Enterprise Regional Information and Technical Center indicated to the factual and legal grounds for its objections to the claims.

Consideration of the case is scheduled for September 8, 2020.




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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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