



WEEKLY REVIEW

News Review

Annually, every second Sunday of September, Ukraine celebrates a professional holiday the Day of Workers of Oil&Gas Production and Refinery Industries. A few days before there was a meeting held between the Prime Minister of Ukraine Denis Shmygal and the management of the Naftogaz Group to present its vision of the market situation in Ukraine. The Naftogaz Group believes that in the context of the economic crisis, the Ukrainian oil&gas industry and the Naftogaz Group, as an integral part of it, need the support from the state, in particular, to extend the incentive rent for natural gas production from new wells for the first 5 years of operation, to simplify special permit procedure, to free the JSC UkrGasVydobuvannya (UGV) from the Law of Ukraine «On Public Procurement». In his turn, the Prime Minister stressed that the government, for its part, made every effort to do that, and would rely of the Parliament of Ukraine to uphold relevant legislative initiatives.

It also became known that production sharing agreements (PSAs), the competition for which took place more than a year ago, would result in conclusion of contracts with the winners by the end of the year.

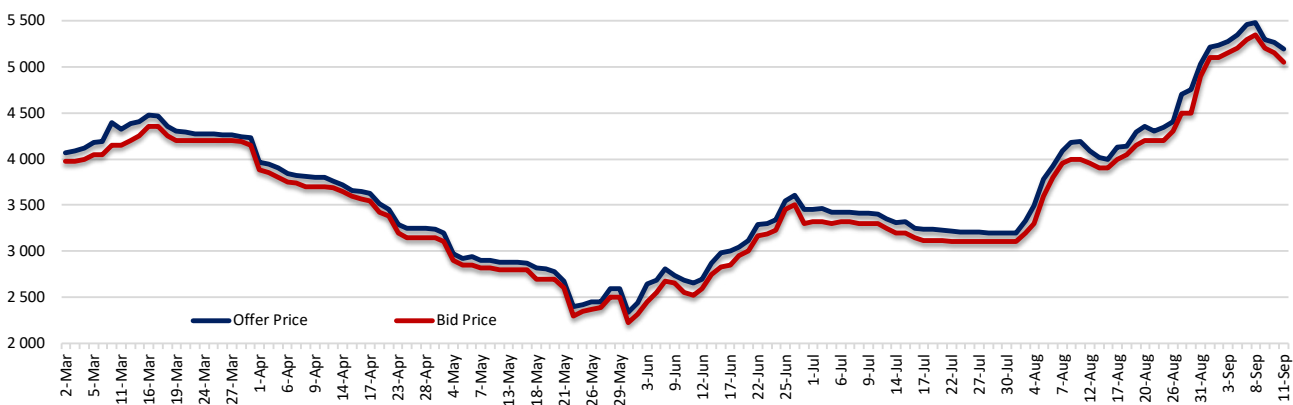
The good news of the last week was from the UGV, as the company plans to put into operation the Svyatogorsk tight gas field in early 2021. Currently, they are drilling the first well and laying a gas flowline from it.

Another UGV project, jointly with the Expert Petroleum, will start on October 1, 2020, to enhance production at 13 depleted gas fields in Lviv region. The UGV transfers those hydrocarbon deposits to the Expert Petroleum to manage under long-term agreements, providing that at least UAH 1 billion invested and production increased by 300 mcm over 5 years.

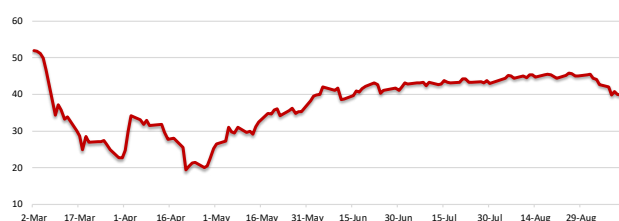
On September 5, 2020, Ukraine's reserves in underground gas storages (UGS) exceeded 26 bcm in natural gas. The UGS became

filled by 84%, which was record high during the last 10 years. However, the rate of natural gas injection into UGS decreased from 110 mcm a day down to 87 mcm a day since the beginning of September due to reduced import supplies caused by the planned repairs at Budince natural gas interconnection point. Noteworthy, Ukrainian UGS are again in the spotlight of potential foreign companies. According to the Chairman of Polish state oil and gas company PGNiG Jerzy Kwiecieński, the UGS in Western Ukraine in future could join the Three Seas Initiative (TSI) for creation of a common natural gas market of Central and Eastern European member-countries. According to Chairman Jerzy Kwiecieński, Ukraine's UGS are huge and much larger than Poland actually needs. Therefore, according to Kwiecieński, in future the UGS could service not only Poland, but also many other countries joining the TSI common natural gas market.

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

For the first time in Ukraine, Ukrnafta successfully performed perforation in a horizontal wellbore

For the first time in Ukraine, specialists of Ukrnafta successfully performed perforation in the horizontal section of the well, without involving third-party service companies, which reduced the cost of major well workover. This was reported by the chief geophysicist of Ukrnafta Andriy Starostin.

The main advantage of recovery of the productive formation with a horizontal wellbore is an increase in the drainage zone. This is especially noticeable in reservoirs with an effective thickness of less than 10 meters. The vast majority of wells in Ukraine, where the productive horizon is penetrated with a horizontal wellbore, are cased with slotted liners. However, this method has a drawback – the complexity of infiltration zone cleaning. So, the specialists of Ukrnafta decided to carry out re-perforation in the intervals cased with a slotted liner.

“In a well cased with a slotted liner in the horizontal section, perforation was carried out with a 100% effectiveness of the tubing conveyed heat-resistant jet gun over 18-meters interval with a density of 20 holes/meter, with 60 degrees oriented charges” the geophysicist noted. Teams from the CWO department, integrated field management department, production department, OGDU, and NIPI of Ukrnafta worked on the project for perforation in the horizontal section of the well.

Poltavagasydobuvannya restored well #507 of the Sementsivske field with a flow rate of 40 thousand cubic meters

The gas production office Poltavagasydobuvannya (part of the Naftogaz exploration and production division) has successfully restored well #507 of the Sementsivske field, which has been waiting for abandonment for the past 5 years. The company reported. Capital workover of the well No. 507 was performed for the purpose of additional exploration of the S-5 horizon,

which was not previously developed, and the probability of obtaining commercial gas inflow was low, based on geophysical survey data.

ExPro Reference:

Sementsivske gas condensate field is located on the territory of the Poltava region; it was discovered in 1976 and put into operation in 1981. Commercial gas-bearing potential is associated with layers of the Upper section of Serpukhovian stage of the Lower Carboniferous at depths of 4,175-4,355m. Initial gas reserves in the field amounted to 18,783 million cubic meters (category C1), condensate reserves – 4,828 thousand tons (category C1).

Strategic directions for increasing Naftogaz's hydrocarbon reserves have not changed

The Naftogaz group presented to the Prime Minister of Ukraine Denys Shmyhal strategic directions and projects for natural gas production, among which the prospects for the development of deep horizons, unconventional gas plays in tight rocks and the Black sea shelf are traditionally the main ones. This is reported by the press service of Naftogaz.

Heads of ministries, other central authorities and people's deputies of Ukraine also participated in the discussion.

The participants of the meeting were presented the prospects for the development of deep horizons, unconventional gas plays in tight rocks and the Black sea shelf.

The presentation also emphasized that in the conditions of the economic crisis, the industry and the Naftogaz group, as a significant component of it, needs serious support from the state, namely:

- Negotiating the terms of the PSA in 4 areas; Access to Yuzivska area;
- Granting Naftogaz licenses for geological exploration of the areas on the Black sea shelf;
- Extension of the effect of the incentive royalties for production from conventional gas deposits for new wells for the first 5 years of operation,

and simplification of the permitting procedure;

- The introduction of incentive royalties for the production of tight gas;
- Reducing the Naftogaz's burden to pay dividends, which amount to 90-95%;
- Adoption of legislative changes to simplify access to land areas for exploration and access to existing wells;
- Exclusion of Ukrgasvydobuvannya JSC from effect of the Law of Ukraine “On public procurement”.

Ukrgasvydobuvannya JSC plans to put the Svyatohirska field into operation in early 2021

Ukrgasvydobuvannya JSC plans to put into operation the Svyatohirska field of tight gas in early 2021.

“A new well is currently being drilled at Svyatohirska; it was drilled based on the results of a new wide-azimuth 3D seismic survey. We plan to put the field into operation at the beginning of next year,” Oleksandr Romanyuk, Director of the Exploration and Production Division of the Naftogaz Group said.

According to him, wells had already been drilled at the field, but there was no commercial gas inflow since they were drilled on the basis of 2D seismic and did not fall into sweet spots.

In eight months, Naftogaz paid UAH 92.5 billion to the state budget

According to operational data for January-August 2020, revenues to the state and local budgets from the Naftogaz Group amounted to about UAH 92.5 billion (including the balance of dividends based on the results of 2019 – UAH 39.6 billion). Revenues from Naftogaz Group enterprises accounted for more than 17% of total state budget revenues in January-August 2020.

Naftogaz Group remains the largest taxpayer in Ukraine. According to the results of 2019, the total amount of tax and dividend payments of the group to budgets of all levels amounted to UAH 121.4 billion.

PRIVATE COMPANIES

PPC plans to drill well #147 at the Ihnativske field

The Poltava Petroleum Company (PPC) JV plans to drill well No. 147 at the Ihnativske field in the Poltava region to produce hydrocarbons from its deposits. This is reported in the Environmental Impact Assessment (EIA) Register on September 9.

It is planned to construct a well with a depth of 2,800 m, with pit drilling method, hydraulic downhole motor (DDM), and setting of the high-pressure casing.

It is also planned to tie-in well #147 to the reserve pipeline of well #72 of the Novomykolaivske field, which is 130m long. Expected volumes of natural gas production are up to 72 thousand cubic meters per day, condensate - 0.6 tonnes per day.

Expected drilling term is 54 days. The construction works involve from 10 to 15 units of equipment.

Recall that in June of this year, PPC also published its intents on the construction of [well #146 at the Ihnativske field](#) in the EIA Register. On September 1, the Company also announced its intent to workover the abandoned well #44 of the Novomykolaivske Rudenkivske field.

DTEK Naftogaz will purchase pipes for development of the well #74 of the Semyrenkivske field

DTEK Naftogaz conducts a procedure of open single-stage bidding for the purchase of steel seamless D114x14 pipes for the construction of the site and the connection of well #74 of the Semyrenkivske gas condensate field (GCF). This was reported on September 7, 2020 on the DTEK trading platform.

According to the report, the subject of the procurement is seamless hot-rolled steel pipe D114x14 TC 14-3-460-2009, chamfered, insulated in the mill according to TC U 27.2-31017014-001: 2005 extruded with polyethylene, not less than 8m long.

The procurement scope is 1,000 linear meters. The delivery term of the product is scheduled for a period not exceeding 90 calendar days. The bidding deadline is September 16. Bids can be submitted on the [auction page](#).

Enwell Energy will order services for the development of well No. 61 of the Svyrydivske field

The British Enwell Energy (formerly Regal Petroleum, part of the Smart Energy Group) has announced a tender for construction and installation works for the development of well #61 of Svyrydivske field with the installation of compressor units for the operation of low-pressure wells. This is reported in the [Zakupki.prom.ua](#) procurement system on September 4, 2020

Scheduled date of works' commencement is tentatively October-December 2020. According to the schedule, the work completion term shall not exceed 90 calendar days.

Bids are accepted until September 14, 2020 on the auction page.

Installation of the Galileo Process MCP 330-3-1800-6-90 compressor unit with a Caterpillar G3406TA gas engine is provided. The maximum power on the compressor shaft is 242 kW and the shaft rotation speed is 1,800 rpm. The inlet pressure is 5.0 bar. The discharge pressure is 90 bar. The power is 960 cubic meters per day.

ExPro Reference

Enwell Energy plc (former Regal Petroleum plc) is a public British company, which shares are listed on the London AIM Exchange and 100% owned by companies that operate in Ukraine: Regal Petroleum Corporation Limited (representative office in Ukraine) and Arcona Gas Energy LLC, operating in the Poltava region, as well as Prom-Energo Product LLC, which performs production in the Kharkiv region. They possess licenses for the hydrocarbon production. All companies are part of the Smart Energy Group.

Expert Petroleum will start operations on October 1

The international Company Expert Petroleum will start working on production enhancement at 13 depleted gas fields in the Lviv region on October 1. These fields were transferred for the temporary management by Naftogaz Group under the condition of at least UAH 1 billion investment and production enhancement by 300 million cubic meters over 5 years.

Ukrgasvydobuvannya, a member of the Naftogaz Group, on September 11, 2020 signed the final package of documents with Expert Petroleum on cooperation on the terms of product enhancement contract - PEC. This allows an international company starting operating in the fields of Naftogaz as early as October 1, 2020.

«According to the terms of the PEC, all gas produced remains on the balance sheet of Naftogaz, and the company's assets are transferred to the partner exclusively for temporary management for the duration of the contract. Production plans for the transferred fields are approved by the Steering Committee, which is 100%, composed of Naftogaz representatives. Thus, the interests of our company are protected as much as possible. They were given an absolute priority,» Oleksandr Romanyuk, Director of the Naftogaz's Exploration and Production Division said.

The Minister of Energy confirmed the refusal of the American Louisiana Natural Gas Exports from the LNG project

The American Louisiana Natural Gas Exports refused cooperation with Ukraine, which provided for long-term supplies of liquefied natural gas (LNG) in the amount of about 5 billion cubic meters of gas per year.

«Indeed, there was a refusal, there was no additional communication after that,» an acting Minister of Energy Olga Buslavets confirmed during press conference in Kyiv on September 11.

The head of the Ministry of Energy clarified that there is no new information on this issue.

SERVICE COMPANIES

Denimex, commissioned by Ukrburgaz, set a record for drilling with a single bit

Service oil and gas company Denimex Ukraine (Denimex Holding) in August this year set a record for drilling with a single bit of Ulterra production, while drilling well No. 37 of the Krasnokutske gas condensate field (GCF), by order of the branch of Ukrgasvydobuvannya JSC, Ukrburgaz. This is reported on the company's Facebook page.

According to the report, during the construction of this well, a single bit with a diameter of 444.5 mm U6195 5423 (produced by Ulterra) drilled an interval from 343 to 2,341m in a record 116.5 hours at a speed of 17.5 m/hour.

ExPro Reference

Denimex Ukraine LLC (its founder is USA Denimex Incorporated (USA), Director is Volodymyr Sadovych, and the beneficiary is Denis Gurvich) oil and gas service company, which is part of the American holding Denimex, and represents the interests of production and service foreign companies that offer a full range of oil and gas services for drilling and capital work-over of oil and gas wells.

The company also supplies equipment for drilling, production and processing of oil and gas, equipment for automated control systems and IT for technological processes and production of

leading companies in the United States, Canada and Europe.

Gas dehumidification unit to be reconstructed at Dashava gas storage facility

On August 28, according to the results of the tender, Operator of gas storage facilities of Ukraine, a branch of Ukrtransgaz signed an agreement with Tekhpromservis Ltd on the reconstruction of the gas dehumidification unit for UAH 216.59 million. This was reported in the ProZorro system.

For ten months the firm must complete the reconstruction of gas dehumidification unit with process automation in Dashava underground gas storage in Stryi district, Lviv region. The warranty period is ten years.

Most of the funds will be spent on equipment. The most expensive are two glycol regeneration units GPD 375.00.00.000 produced by Tekhpromservis Ltd at UAH 29.62 million per set without VAT.

PDC will order drilling services and the conductor for the well No. 48 of the Karaykozivske field

Poltava Drilling Company (PDC), which is part of the assets of Burisma Group, announced an open auction for the order of services for drilling, running and cementing the casing "conductor"

ø630 mm in the interval from 0 to 35 m. This was reported on the Smarttender trading platform on September 7, 2020.

According to the tender documentation, the order of the following stages of work is provided:

1. Drilling with a bit (RC) ø740 mm. in the interval of 0-35 m;
2. Running a welded-seam casing of 630 mm. in the interval of 0-35 m (the tubulars provided by the customer);
3. Direct cementing of 630 mm. casing in the interval of 35-0 m using grouting materials PPC-I-50 (density of the slurry =1.8 g/cm³).

If there is no show of cement at the surface, after the WOC, the wellhead should be cemented through the casing annulus.

One can submit an offer to participate in the tender directly on [the auction page](#), until September 11, 2020, and the start of work is scheduled for September 25, 2020.

ExPro Reference

Poltava Drilling Company LLC (Director: Serhiy Zhrebko) is the largest private drilling company in Ukraine that performs drilling, capital well workovers, inflow stimulation and recovery of wells. The company provides a full range of services, with 20 drilling rigs and a staff of 750 specialists. It is part of the Burisma Group.

INFRASTRUCTURE AND TECHNOLOGY

Universalna Burylna Technika has mastered the production of diamond bits

Universalna Burylna Technika (UniDrillTech) has mastered the production of bits with polycrystalline diamond cutters (PDC). This is reported on the company's website unidrilltech.com.ua.

PDC bits are designed and manufactured specifically for the needs of the company's customers. The bits produced by UniDrillTech are extremely stable, reliable and suitable for directional drilling.

PDC bits are designed for drilling in soft rocks with medium-hard layers. The bits are equipped with replaceable cutters, hard alloy body surfacing, anti-vibration protection of the bit and PDC inserts for back reaming.

More information about the characteristics of the bit can be found at the [link](#).

ExPro Reference

Universalna Burylna Technika (UniDrillTech) is the only company in Ukraine that manufactures drilling tools; its Director is Oleksandr Chenskyi.

DTEK will focus on projects for the production of "green" hydrogen

DTEK Energy Holding will focus in the future on producing hydrogen using electricity from renewable sources (so-called "green" hydrogen), despite the fact that the production of hydrogen from natural gas or coal is still more economically profitable. This was announced by the Director of Innovation DTEK Emmanuele Volpe in an exclusive [interview](#) for ExPro Agency.

"The production of hydrogen from coal and gas is more cost-effective than by electrolysis, using electricity from renewable sources. DTEK cares about the environment, so it focuses on the production of "green" hydrogen (electrolysis of wa-

ter using energy from renewable energy sources)," he said.

According to Volpe, there are two possible ways to produce hydrogen from "green" electricity: purpose-built stations, that is, the case when the entire power plant operates exclusively for the needs of the electrolyser and hydrogen production;

use only the electricity from RES that is limited to the network by the system operator.

"The second way is when you are limited by the OSP at peak generation, and then you can use this electricity for hydrogen synthesis. But this method is the least cost-effective in today's conditions," explained the Director of Innovation DTEK.

Volpe also noted that an economically viable model for producing hydrogen from renewable energy sources is still being developed.

"The whole story with hydrogen was created for one reason-it is decarbonisation, and it doesn't matter whether this technology is now profitable or unprofitable... In the case of hydrogen, there are no ready-made scenarios for how to do it and how not to do it. Now everyone is experimenting and learning, including Ukraine," he added.

Gas reserves in Ukrainian UGS exceeded 26 billion cubic meters

On September 5, natural gas stock in Ukrainian underground gas storage facilities (UGS) exceeded the mark of 26 billion cubic meters and amounted to 26.069 billion cubic meters. This became known from the operational data of Ukrtransgaz (UTG).

Thus, Ukrainian UGS are filled by 84%, which is a record figure in recent years. Since the beginning of September, the rate of gas injection has decreased by 18%, to 87 million cubic meters per day due to a reduction in

import supplies due to the planned repair of Budince.

As of the corresponding date last year, there were 18.654 billion cubic meters of gas in Ukrainian UGS, which is 40% less than this year. Since the beginning of the year, as of September 5, 10.36 billion cubic meters of gas were injected into Ukrainian UGS, which is 4% (400 million cubic meters) more than last year.

According to ExPro, more than half (more than 13 billion cubic meters) of the total gas volume in UGS is stored by Naftogaz of Ukraine NJSC. Several major foreign traders also store 1 billion cubic meters of gas.

PGNiG: EU countries may be interested in Ukrainian UGS

Ukrainian UGS in Western Ukraine could be used in the future by the countries of the Three Seas Initiative after the creation of a common gas market. This opinion was expressed by the Chairman of the Board of the Polish state oil and gas company PGNiG Jerzy Kwecinski, UKRINFORM writes.

According to him, Ukrainian gas storage facilities are of a great capacity, they are much larger than Poland requires. Therefore, according to Kwecinski, in the future they could serve not only for Poland, but also for many other countries of the Three Seas Initiative, if they manage to create a common gas market.

The head of PGNiG added that this market is not yet available, since a large gas connection between Poland and Slovakia is only being built. The Three Seas Initiative is an international economic and infrastructure initiative that brings together 12 European Union countries located near the Baltic, Black and Adriatic seas. It was founded by Poland and Croatia, and the first summit of 3SI was held in the summer of August 2016 in Dubrovnik, Croatia.

STATE POLICY AND LEGISLATION

UkrSGEI appealed to the President, the Chairman of the Verkhovna Rada and the government asking to cancel its privatization

Ukrainian State Geological Exploration Institute (UkrSGEI) addressed the President of Ukraine, Verkhovna Rada of Ukraine; the Prime-Minister of Ukraine with a request to stop the destruction of the Institute is the only scientific institution of Derzhheonadra. This was reported on the website of UkrSGEI.

As reported, on August 12, the Cabinet of Ministers of Ukraine made an unexpected decision for the Institute to privatize the enterprise. To which the team reacted negatively and indignantly.

Derzhheonadra urges to use services for the holders of mineral rights

The State Service for Geology and Subsoil of Ukraine (Derzhheonadra), in November last year, launched a number of services designed to simplify communication between the state and the license holders and speed up the work of the Regulator. A single window, a single centre for estimation of the cost of a license, and an Investment Atlas for the holders of mineral rights are constantly available services.

After the launch of the single window of the license holder, in which the SSGS specialists provide professional advice on preparing a package of documents for obtaining a license, extending its validity or making changes to it, the number of refusals to applicants decreased by half compared to the previous period.

In addition, the SSGS is working to simplify access to geological information and its digitalization. Currently, active attention is being paid to digitizing the protocols of the State Commission on reserves (SCR): [3,200 protocols have already been made publicly available](#).

The next step is to launch an online calculator to estimate the initial cost of a license and create an electronic Cabinet for a holder of mineral rights. List of services offered by the regulator:

- Investment Atlas of the holder of mineral rights: <https://www.geo.gov.ua/investicijnij-atlas-nadrokoristuvacha>
- The only window of the holder of mineral rights: <https://www.geo.gov.ua/yedine-vikno>
- Unified centre for calculating the cost of licenses and other paid SSGS services: <http://geoinf.kiev.ua/posluhy>

PSA shall be signed by the end of 2020 - Derzhheonadra

Production sharing agreements with the winners of the relevant competitions will be signed before the end of the year. This was stated by the Chairman of the State Service for Geology and Subsoil, Roman Opimakh, during a discussion on strategic directions of gas production development.

The winners of this competition were selected a year ago, in July 2019 - then the Cabinet of Ministers, chaired by Volodymyr Groysman, supported the proposal of the Interdepartmental Commission under the Ministry of Energy and Coal Industry to conclude production sharing agreements (PSAs) with the winners of the competition. In total, nine areas were offered for the tender. The winners are WELL CO -Uhnivska area; Oil & Gas trading overseas B. V. and Naftogasekspluatatsia – Zinkivska area; Ukrainian Energy L. L. S. – Varvynska area; GEO Alliance Partnership LLC and Geo Alliance Partnership B. V.- Sofiyivska area; Ukgasvydobuvannya – Buzivska area; Production company Ukrnaftoburinnya – Rusanivska area, Ukgasvydobuvannya – Berestyanska area; Ukgasvydobuvannya and Vermilion Ukraine Exploration B. V. – Balakliyska area; Ukgasvydobuvannya and Vermilion Ukraine Exploration B. V. – Ivanivska area.

Shmyhal is in favour of increasing the domestic gas production in Ukraine

Prime Minister Denis Shmyhal promotes increase of Ukraine's domestic gas production. "Today we have unhindered access to the EU gas market, which also contributes to reducing

energy imports. At meetings with the President, we have repeatedly raised the issue of increasing our own production. We need to conduct an appropriate exploration, finalise the exploration work that has already been partially completed and start production quickly, " the press service of the Cabinet of Ministers quotes Shmyhal.

The Prime Minister stressed that the government, for its part, is making every effort to do this and is counting on the relevant legislative initiatives of the deputies of the Verkhovna Rada.

Ukraine cancelled anti-dumping duties for three Chinese producers of drill pipes

The Interdepartmental Commission on international trade (consisting of representatives of various ministries and Executive authorities, 12 people in total), headed by Deputy Minister of the Ministry of economic development, trade and agriculture Taras Kachka, decided not to apply anti-dumping measures against manufacturers and importers of steel pipes from China. The restrictions are lifted from three companies: Shanxi Fenglei Drilling Tools, DP-Master Manufacturing and the Tianjin Pipe Corporation group of companies. Two other companies, Hubei Xinyegang Steel and Jingjiang Special Steel, were denied price obligations. This is reported in the Government Courier on September 2, 2020.

Recall that last year, at the initiative of the largest Ukrainian pipe manufacturer Interpipe, an anti-dumping investigation was launched against the import of seamless hot-worked steel pipes from China to Ukraine. The investigation ended with the introduction of anti-dumping restrictions (additional duties) on tubular goods in the amount of 51% in May 2020. First of all, we are talking about pipes for the oil and gas industry. Anti-dumping duties were introduced to protect Ukrainian pipe manufacturers who suffered from the dominance of cheap Chinese products. Particularly acute this issue has become after the increase in procurement through the system of ProZorro.

JUDICIAL PRACTICE

RTS disputed recovery of UAH 2.1 million in favor of Synergiya Gaz Energy LLC

The Synergiya Gaz Energy LLC (Synergiya) filed a lawsuit with the Commercial Court of Luhansk Region against Rekonstrukciya Tehnologichnih Sverdlovin LLC (RTS) for damages in the amount of UAH 2.13 million under the supply agreement dated December 5, 2019.

In support of its claims the Synergiya referred to the fact that the RTS did not make prepayments under the agreement concluded between the companies, as a result of which Synergiya suffered lost profits.

According to the agreement, the Synergiya should have supplied to RTS a well head OKK2-210 (178/245/324) at the price of UAH 500 000, 3 well heads OKK1-210 (178/245) at the price of UAH 320,000 per piece, 5 assemblies of X-mass tree AFK 6-65 / 210 5 at a price of UAH 544 520 per set. The total value of the goods under the agreement was UAH 4.18 million (incl 20 % VAT).

Under the terms of the agreement, the RTS had to make a 100% prepayment for the equipment sets by December 27, 2019, and deliver them until December 30, 2019. Later, the parties extended the delivery period until February 29, 2020

To fulfill the agreement, the Synergiya purchased the bespoke equipment sets from Kvant Plus LLC for the total amount of UAH 1.69 million. As the RTS did not make a prepayment for the goods, on April 20, 2020, the Synergiya sold the goods to Alfa Trade Prom LLC for a total amount of UAH 2.05 million.

According to the Synergiya, it suffered losses of UAH 2.13 million due to the RTS's failure to comply with the agreement, and that led to a lawsuit.

The court finds that due to the violation of the terms of the agreement and non-fulfillment by the RTS of its obligation to pay 100% due for the equipment sets, the Synergiya was forced to sell the equipment sets to Alfa Trade Prom at a lower price than bespoke with the RTS.

Taking into account the above, the court con-

cluded that the claim of the Synergiya was fully substantiated to collect from RTS the UAH 2.13 million to redress losses (lost profits) suffered by the the Synergiya.

Disagreeing with the court's decision, the RTS appealed to the Skhidniy Commercial Court of Appeal, asking it to overturn the previous court's decision. However, the court dismissed the appeal due to its improper compilation and gave the company 10 days to remedy the deficiencies in the appeal.

Dniprogas asks the court to oblige UTG to bring gas accounting in 2016-2019 in line with the agreement

The regional gas distribution network operator JSC Dniprogas appealed to the Commercial Court of Dnipropetrovsk region with a claim to the JSC Ukrtransgaz (UTG), asking to recognize as non-commercial the accounting under the contract from December 17, 2015, for the 2016-2019 transmission of natural gas conducted by the UTG.

In addition, the JSC Dniprogas asks the court to oblige the UTG to bring gas accounting for the specified period in line with the terms of the natural gas transmission contract.

The claims were substantiated by the fact that the parties did not concluded Annex №3 on the distribution volumes of the natural gas for each gas metering units (GMU) specified in the contract. The absence of specified volumes for each GMU indicated to the absence of proper commercial accounting under the contract, which made it impossible to determine the exact volumes of natural gas transmitted. The Dniprogas noted that the volumes accounting of natural gas transmitted by UTG breached the terms of the contract and the GTS Code.

The UTG objected to the lawsuit and stated that there existed a clear subject under transmission contract, namely the notion of services in transmission of natural gas. According to the UTG, when signing the acts of acceptance and transfer of natural gas, the parties never had any objections or comments

on the volumes of natural gas transferred from the GTS to regional gas distribution network operator JSC Dniprogas or commercial gas metering units and their locations.

At the same time, the Resolution #621 of March 17, 2020, of the National Energy and Utilities Regulation Commission (NEURC) amended the template of standard contract for transmission of natural gas, according to which the former obligatory Annex #3 was excluded. Also, the UTG suggested that Annex #3 to the contract for transmission of natural gas signed by the parties should be outlawed. The preparatory hearing of the case is scheduled for September 29, 2020.

Court to collect from Boryspilteplomerezh UAH 568 000 in favor of Naftogaz

The NJSC Naftogaz of Ukraine appealed to the Commercial Court of Kyiv region to recover UAH 1.15 million debt from the Boryspilteplomerezh Communal Enterprise of District Heating Networks (CEDHN Boryspilteplomerezh) operator of the town of Boryspil. The amount under the claim consists of UAH 614 000 as penalty, UAH 147 000 as 3% per annum interest, and UAH 391 000 as inflation losses.

The Naftogaz referred to the fact that the Boryspilteplomerezh breached the gas supply contract and did not timely pay off the cost of the gas transferred by the Naftogaz during October-December 2016 and January-March 2017. Naftogaz as the supplier transferred to the Boryspilteplomerezh as consumer during October 01- March 31, 2016, the 13.304 mcm of natural gas priced at 5 930.4 UAH/tcm (incl. 20 % VAT).

During October-December 2016, January-March 2017, the Naftogaz transferred to the Boryspilteplomerezh the gas for UAH 76 million (incl. 20 % VAT). The Naftogaz noted that Boryspilteplomerezh belatedly paid, which was the reason for the Naftogaz to go to court. The court decided to partially satisfy the claims of the Naftogaz and to collect from the Boryspilteplomerezh the UAH 568 000.

INTERNATIONAL NEWS

Energy Minister announces gas extraction in the Black Sea in 2021

Starting next year, investors will extract 10% of Romania's gas from the Black Sea, Deputy Minister of Economy, Energy and Business Environment Nicolae Havrileț said while taking the floor at FOREN 2020, the Eastern and Central European Renewable Energy Conference held every two years.

The Romanian official did not specify the name of the company, although Black Sea Oil & Gas is rumored to be the company-in question, which announced that it will start production at the offshore Midia plot in the first half of 2021. Romania consumes about 10-11 billion cubic meters of gas annually.

Havrileț also stressed that, despite the Covid-19 crisis, investment continues and referred to the interest of many energy producers in offshore wind farms. As he explained, a World Bank report states that on the Romanian side of the Black Sea there is a possibility of producing 80,000 MW of wind energy, which could help the country achieve the goal of renewable energy consumption by 30.7% in 2030, from today's 24%.

MOL is looking to break into the UAE's energy market

Peter Szijjártó paid a visit to Abu Dhabi where he held talks with the foreign minister, the minister of industry and advanced technology, the minister of energy and infrastructure, the minister of state for food and water security and the minister of state for foreign trade. He said that Hungarian oil and gas company MOL was looking to break into the UAE's energy market with unique technology. Demand for the technology would be guaranteed, Szijjártó said, noting that the UAE was looking

to increase the efficiency of the extraction of oil fields. Also, the UAE has recently discovered the world's fourth largest gas field which it expects to start extracting soon, he added.

On another subject, Szijjártó noted that the UAE last month started up the Arab world's first nuclear power plant, saying that Hungary's more than 30 years of experience with nuclear power and safety would provide a sound basis for advancing energy cooperation between the two countries.

Shell Becomes the First Western Firm to Sell LNG to Hungary

Royal Dutch Shell plc RDSA recently inked a deal with Hungary whereby it will supply 250 million cubic metres of liquefied natural gas (LNG) annually for six years to the country. The gas will be delivered through an LNG terminal on the island of Krk in Croatia. The terminal is planned to commence operations in the next few months.

This is the first time that Hungary entered into a long-term gas supply pact with a Western energy company. As a bold attempt in the country's energy diversification, the country will obtain 10% of its gas supply from the West.

By and large, Hungary has been dependent on Russia for its gas supply and has never been in any long-standing supply agreement with any gas seller except Russia's Gazprom. Gazprom Export signed four long-term contracts with the Hungarian gas importer Panrusgas for a total of 4.2 billion cubic meters per year. Of the four, two contracts ended last year while the remaining two are scheduled to conclude next year.

Notably, Hungary settled on a 6.2-billion cubic metre pact with Gazprom and is intended to have a flexible long-term agreement with the company.

Rystad Energy: Giant Tuna-1 discovery could save Turkey \$21 billion

If Turkey develops the giant Tuna-1 (Danube-1) gas discovery, it could potentially save the country up to \$21 billion in import costs, Rystad Energy estimates.

«The prospect of a new competitive source of gas, and the confidence that Turkey will be less reliant on imports in the future, will increase the country's bargaining power concerning its current suppliers. Turkish buyers will likely be keen to move away from oil-indexed contracts and instead use a European price benchmark, such as TTF, to which they can index their contracts.», Rystad said

Actual savings could be even higher as global gas prices and import costs are expected to rise in coming years.

Turkey in talks to secure Libyan oil and gas exploration rights

Turkey is in talks over oil and gas exploration in Libya, as President Recep Tayyip Erdogan's administration seeks business opportunities in the conflict-ridden North African country.

Turkey and Libya's United Nations-recognized government, which controls the capital Tripoli and other parts of the west, are discussing onshore and offshore energy blocks, according to a Turkish energy official, who asked not to be identified because the information isn't public.

Turkish officials also held talks with Libya's National Oil Corp. about power generation and pipeline operations, the person said. The official did not specify whether the NOC was included in negotiations about energy exploration.

GAS MARKET

Trade

The reporting week was marked by a decline in natural gas prices on the Ukrainian market, and a gradual increase in trade activity, in particular in the October resource.

Domestic Market.

Natural gas in the Ukrainian market during the reporting week gradually became cheaper, after its rise in price during the recent weeks. Thus, prices on the domestic market completely repeat the dynamics of the quotations at the European hubs.

Trading activity in the first half of the week was relatively low, but as the end of the first decade of the month approached, the activity gradually increased. Increased trade also contributed to the decline in prices.

September resource at the beginning of the week was traded at UAH 5,350-5,500 per tcm, and during the week it fell by about UAH 200 (4%). On Friday September resource was traded at UAH 5,150-5,300 per tcm

At the same time, a significant part of market participants notes that they have already sold the main volumes of the September resource, and the end consumers have purchased the planned volumes in August.

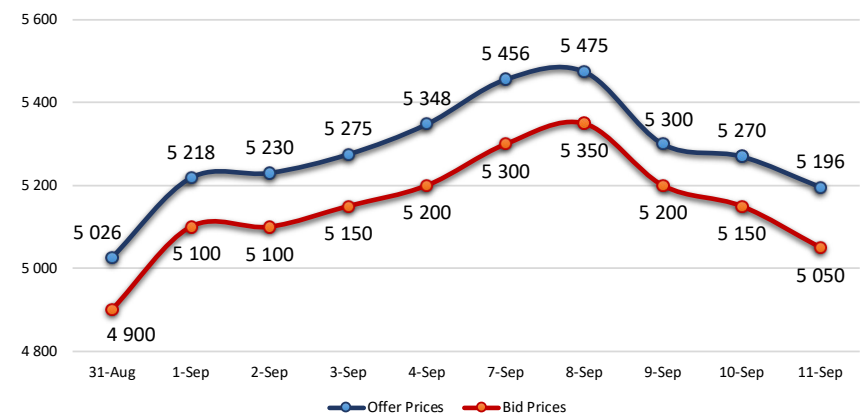
Gas in UGS at the beginning of the week was traded at UAH 5,370-5,540 per tcm, and at the end of the week - at UAH 5,200-5,350 per tcm. Thus, gas in storages fell in price by 3% (UAH 170-190).

The activity of trading in the **October resource** is growing. Prices for the October resource at the beginning of the week were in the range UAH 5,450-5,750 per tcm. By the end of the week, they dropped to UAH 5,170-5,320 per tcm, 6% (UAH 280-430) lower than at the beginning of the week.

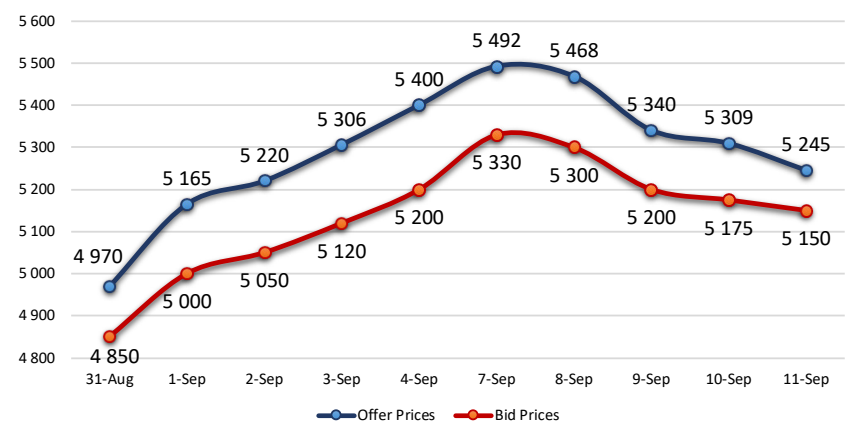
According to the market participants, a further decline in prices for October

Natural Gas Prices in Ukraine, UAH/tcm

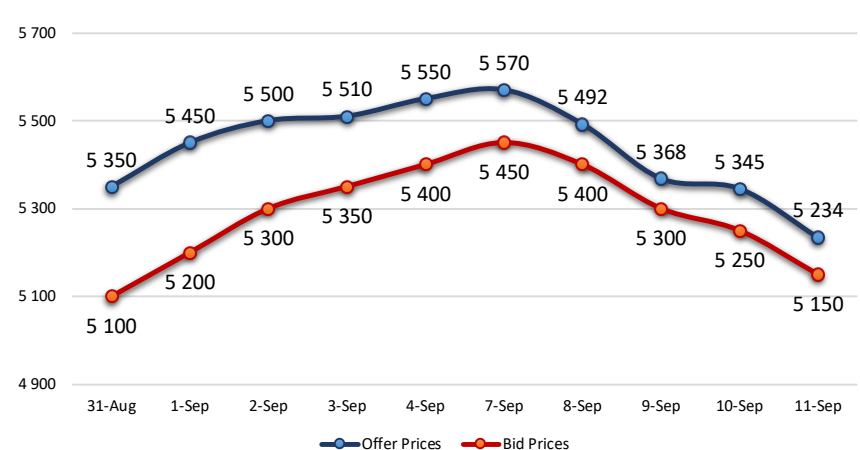
September booked resource



UGS booked resource



October booked resource



07-13.09.2020

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

№	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	September	07.09.2020	500	5 500	Prepayment	-	-	-
2	Craft Energy	selling	UGS (September)	07.09.2020	500	5 550	Prepayment	-	-	-
3	Craft Energy	selling	October	07.09.2020	500	5 650	25% - until 08.09.2020, 75% - until 21.09.2020	-	-	-
4	Naftogas Trading	selling	September	07.09.2020	1 000	5 460	Prepayment	1 100	5 472 - 5 484	5 473,09
5	Naftogas Trading	selling	UGS (September)	07.09.2020	1 000	5 520	Prepayment	1 500	5 520 - 5 538	5 531,87
6	Naftogas Trading	selling	October	07.09.2020	1 000	5 694*		-	-	-
7	Naftogas Trading	selling	UGS (October)	07.09.2020	1 000	5 754*		-	-	-
8	Naftogas Trading	selling	November	07.09.2020	1 000	6 474*		-	-	-
9	Naftogas Trading	selling	UGS (November)	07.09.2020	1 000	6 534*		-	-	-
10	DE Trading	purchase	UGS (September)	07.09.2020	2 500	4 500	Prepayment	-	-	-
11	Centreenergy	selling	September	07.09.2020	250	5 500	Prepayment	-	-	-
12	Centreenergy	selling	October	07.09.2020	250	5 750	Prepayment	-	-	-
13	Centreenergy	selling	UGS (September)	07.09.2020	250	5 600	Prepayment	-	-	-
14	Energy 365	selling	November	07.09.2020	1 000	6 400*		-	-	-
15	Gas-Oil Harant	selling	September	07.09.2020	1 000	5 400	Prepayment	-	-	-
16	Naftogas Trading	selling	September	08.09.2020	1 000	5 610	Prepayment	-	-	-
17	Naftogas Trading	selling	UGS (September)	08.09.2020	1 000	5 658	Prepayment	-	-	-
18	Naftogas Trading	selling	October	08.09.2020	1 000	5 532*		-	-	-
19	Naftogas Trading	selling	UGS (October)	08.09.2020	1 000	5 580*		-	-	-
20	Naftogas Trading	selling	November	08.09.2020	1 000	6 330*		-	-	-
21	Naftogas Trading	selling	UGS (November)	08.09.2020	1 000	6 366*		-	-	-
22	Craft Energy	selling	September	08.09.2020	500	5 540	Prepayment	-	-	-
23	Craft Energy	selling	UGS (September)	08.09.2020	500	5 500	Prepayment	-	-	-
24	Craft Energy	selling	October	08.09.2020	500	5 600	Prepayment	-	-	-
25	Gas-Oil Harant	selling	September	08.09.2020	1 000	5 400	Prepayment	-	-	-
26	LNZ	selling	October	08.09.2020	1 000	5 450	Prepayment	-	-	-
27	DE Trading	purchase	UGS (September)	08.09.2020	2 500	4 500	Prepayment	-	-	-
28	Energy 365	selling	September	08.09.2020	800	5 470	Prepayment	-	-	-
29	Energy 365	selling	November	08.09.2020	1 000	6 400*		-	-	-
30	Craft Energy	selling	September	09.09.2020	500	5 350	Prepayment	-	-	-
31	Craft Energy	selling	UGS (September)	09.09.2020	500	5 360	Prepayment	-	-	-
32	Craft Energy	selling	October	09.09.2020	500	5 450	25% - until 10.09.2020, 75% - until 21.09.2020	-	-	-
33	Naftogas Trading	selling	September	09.09.2020	1 000	5 286	Prepayment	2 020	5 286 - 5 322	5 308
34	Naftogas Trading	selling	UGS (September)	09.09.2020	1 000	5 346	Prepayment	-	-	-
35	Naftogas Trading	selling	October	09.09.2020	1 000	5 370*		2 750	5 370 - 5 430	5 418
36	Naftogas Trading	selling	UGS (October)	09.09.2020	1 000	5 430*		-	-	-
37	Naftogas Trading	selling	November	09.09.2020	1 000	6 252*		-	-	-
38	Naftogas Trading	selling	UGS (November)	09.09.2020	1 000	6 312*		-	-	-
39	DE Trading	purchase	UGS (September)	09.09.2020	2 500	4 500	Prepayment	-	-	-
40	Gas-Oil Harant	selling	September	09.09.2020	1 000	5 400	Prepayment	-	-	-
41	LNZ	selling	October	09.09.2020	990	5 400	Prepayment	-	-	-
42	Naftogas Trading	selling	September	10.09.2020	1 000	5 262	Prepayment	20	5 262	5 262
43	Naftogas Trading	selling	UGS (September)	10.09.2020	1 000	5 310	Prepayment	-	-	-

07-13.09.2020

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
44	Naftogas Trading	selling	October	10.09.2020	1 000	5 382*		-	-	-
45	Naftogas Trading	selling	UGS (October)	10.09.2020	1 000	5 436*		-	-	-
46	Naftogas Trading	selling	November	10.09.2020	1 000	6 258*		-	-	-
47	Naftogas Trading	selling	UGS (November)	10.09.2020	1 000	6 312*		-	-	-
48	Craft Energy	selling	September	10.09.2020	500	5 340	Prepayment	-	-	-
49	Craft Energy	selling	UGS (September)	10.09.2020	500	5 300	Prepayment	-	-	-
50	Craft Energy	selling	October	10.09.2020	500	5 390	25% - until 11.09.2020, 75% - until 21.09.2020	-	-	-
51	Gas-Oil Harant	selling	September	10.09.2020	1 000	5 400	Prepayment	-	-	-
52	DE Trading	purchase	UGS (September)	10.09.2020	2 500	4 500	Prepayment	-	-	-
53	Centreenergy	selling	September	10.09.2020	250	5 350	Prepayment	-	-	-
54	Centreenergy	selling	UGS (September)	10.09.2020	250	5 350	Prepayment	-	-	-
55	Centreenergy	selling	October	10.09.2020	250	5 450	Prepayment	-	-	-
56	LNZ	selling	October	10.09.2020	990	5 320	Prepayment	-	-	-
57	Craft Energy	selling	September	11.09.2020	500	5 250	Prepayment	-	-	-
58	Craft Energy	selling	UGS (September)	11.09.2020	500	5 250	Prepayment	-	-	-
59	Craft Energy	selling	October	11.09.2020	500	5 350	25% - until 14.09.2020, 75% - until 21.09.2020	-	-	-
60	Naftogas Trading	selling	September	11.09.2020	1 000	5 184	Prepayment	2 720	5 184 - 5 196	5 194
61	Naftogas Trading	selling	UGS (September)	11.09.2020	1 000	5 232	Prepayment	-	-	-
62	Naftogas Trading	selling	October	11.09.2020	1 000	5 286*		4 750	5 298 - 5 334	5 313
63	Naftogas Trading	selling	UGS (October)	11.09.2020	1 000	5 322*		-	-	-
64	Naftogas Trading	selling	November	11.09.2020	1 000	6 234*		-	-	-
65	Naftogas Trading	selling	UGS (November)	11.09.2020	1 000	6 282*		-	-	-
66	Gas-Oil Harant	selling	September	11.09.2020	1 000	5 400	Prepayment	-	-	-
67	DE Trading	purchase	UGS (September)	11.09.2020	2 500	4 500	Prepayment	-	-	-
68	Ukrfingas	purchase	September	11.09.2020	1 000	5 250	Prepayment	-	-	-
69	LNZ	selling	October	11.09.2020	990	5 200	Prepayment	-	-	-

* Payment terms for Naftogas Trading and Energy 365: 75% of the contract value - 1 business day before the trade notice is submitted

Auctions Held on Smarttender over the past week

No	Purchaser/Seller	Proposition	Start accepting proposals	End of receipt of proposals	Delivery time	Volume, tcm	Initial price, UAH/tcm VAT included
1	Cheese club	purchase	10.09.2020	14.09.2020	01-31.10.2020	825	

resource should encourage the end consumers to buy it more actively next week. "We are waiting for an increase in demand for the October resource starting next week. Lower prices should be a signal for the buyers," the trader says. "Producers should enter the market closer to the 15th, and after them, the end consumers will become more

active, due to which trade activity will increase," another trader said.

Also on the market there were offers for the sale of the **November resource** from UAH 5,700 per tcm, but the demand for it remains minimal.

Some of the traders surveyed by ExPro expect a reduction in the price of natural gas on the domestic market to UAH

5,000 per tcm next week. "If prices continue to decline in Europe, in Ukraine they will fall below UAH 5,000 per tcm," the trader says.

The **activity of natural gas trading** on the **Ukrainian Energy Exchange** remained stable during the week. During the week, six companies offered for

07-13.09.2020

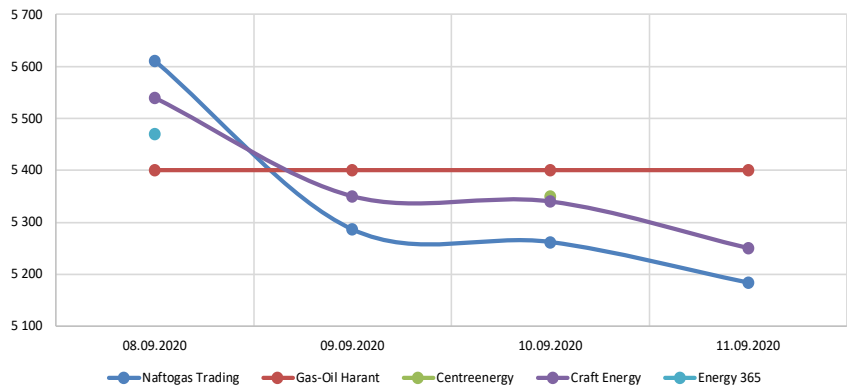
sale the resource of September, October, November and gas in UGS, and two companies (DE Trading LLC and Ukringaz LLC) held auctions for the purchase of natural gas, but did not find suppliers.

Among the sellers, the only company that sold gas at its own auctions was Naftogaz Trading LLC. It sold during the reporting week 5.86 mcm of September gas at prices of UAH 5,184-5,484 per tcm (weighted average was UAH 5,286 per tcm) and 1.5 mcm of gas in UGS with transfer in September at UAH 5,520-5,538 per tcm (weighted average was UAH 5,532 per tcm).

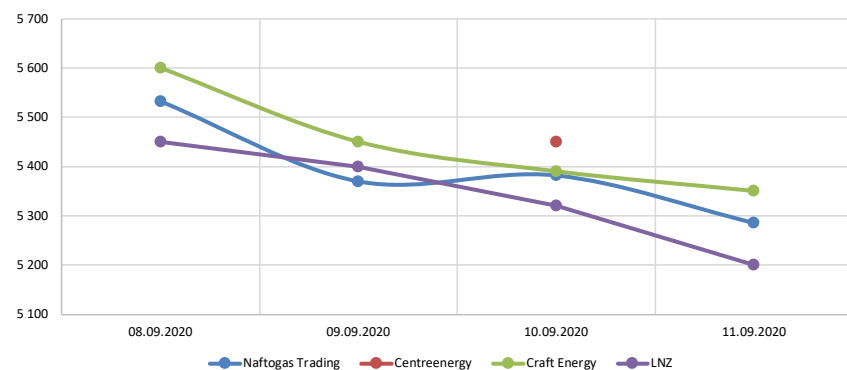
The company also sold 7.5 mcm of the October resource at UAH 5,298-5,430 per tcm (the weighted average was UAH 5,352 per tcm). Thus, Naftogaz Trading during the reporting week sold 14.86 mcm of gas at the exchange for a total of UAH 79 million (including VAT), 56% more than in the previous week (UAH 51 million).

Gas Customs Clearance. During the first half of September, five Ukrainian companies cleared 43 mcm of natural gas, twice as much as during the same period in August. All gas is cleared after its import to Ukraine. Most of the

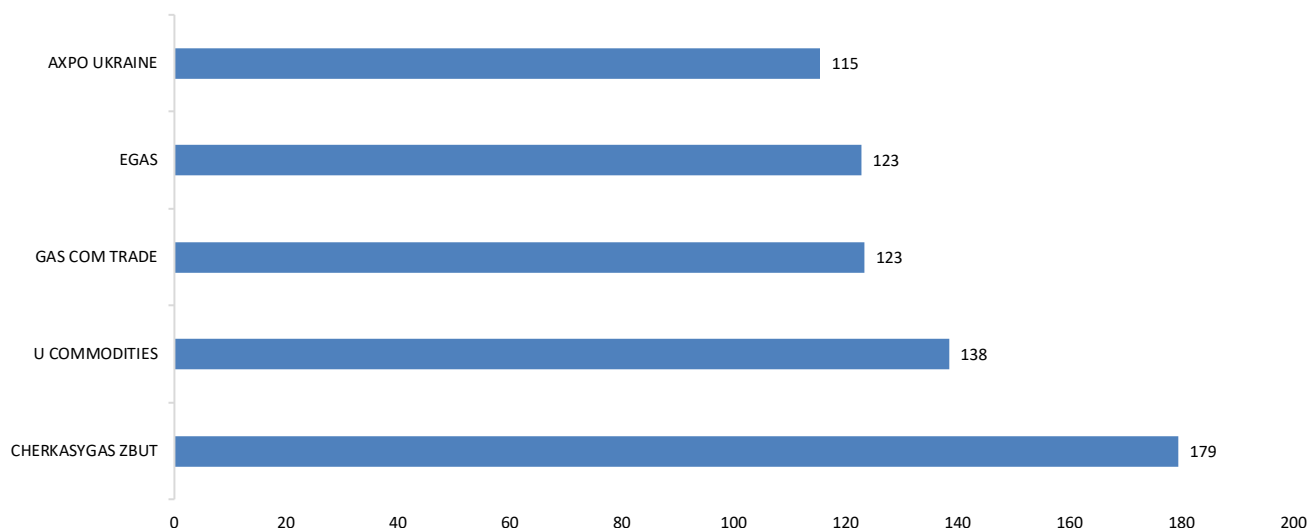
Dynamics of starting prices for September booked resource on UEEEX, UAH/tcm



Dynamics of starting prices for October booked resource on UEEEX, UAH/tcm



Weighted average costs for customs cleared imported, September 1 - 10, \$/tcm



gas was cleared by U Commodities LLC - 20 mcm, which the company purchased from GHG Emissions Traders&Consultants.

Gaz Com Trade LLC has cleared 12 mcm of natural gas, which the company also purchased from GHG Emissions Traders and Consultants. Both companies cleared gas they imported in August.

The resource delivered in September was cleared only by Cherkassygazbut LLC in the first decade of the month - over 4 mcm, which the company purchased from Sangaz.

The weighted average price of customs clearance of natural gas for the specified period was \$136 per tcm, 56% higher than in the same period last month.

ProZorro Public Procurement

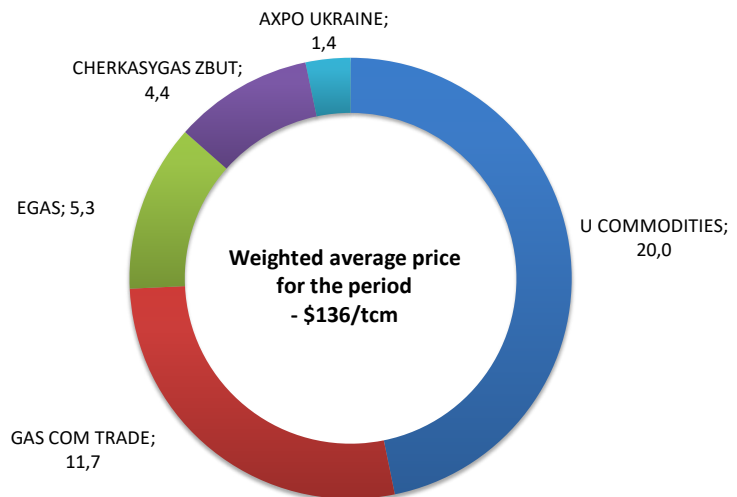
Within a week, thirty-one new tender was announced in the ProZorro system for the purchase of 7.35 mcm of gas UAH 39 million (including VAT) worth. Expected prices range from UAH 3,222 to UAH 10,000 per tcm (with VAT). The average level is about UAH 5,309 per tcm (with VAT).

The largest tender was announced by the Oles Honchar Dnipro National University, which is looking for a supplier of 2.6 mcm of gas by the end of 2020 for UAH 8.5 million (including VAT) at an expected gas price of UAH 3,222 per tcm (including VAT) on the staged payment terms. Clarifications on the tender can be requested until October 1 and the procurement terms can be disputed before October 7. The bidding deadline is October 11, 2020. The auction is scheduled on November 16, 2020.

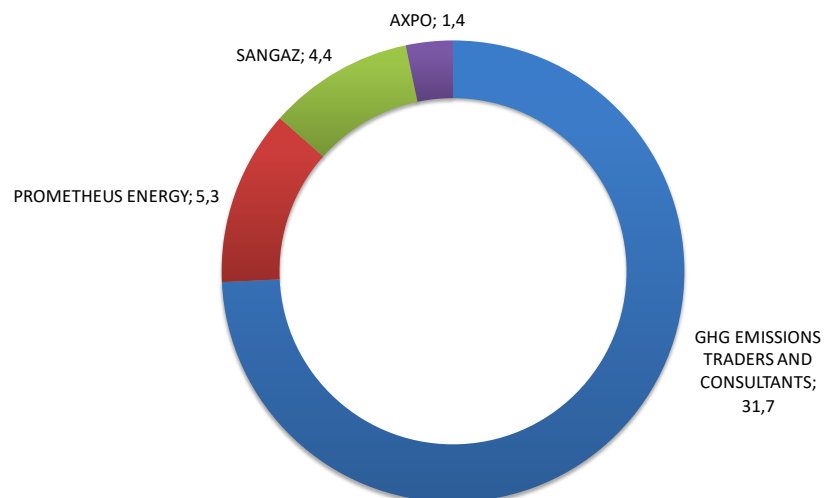
The results of twenty-six tenders for the purchase of 160 mcm of gas at UAH 733 million (including VAT) were also announced. Price range was from UAH 2,950 to UAH 8,150 per tcm (with VAT) and the average level was UAH 4,581 per tcm (with VAT).

Yug-GAZ LLC will supply 25 mcm of gas to Ukrainian Railway JSC at UAH

Customs clearance of natural gas, September 1 - 10, mcm



Natural gas sellers at the Ukrainian border, September 1 - 10, mcm



TOP 10 Prozorro tenders winners, September 7 - 11, 2020

Nº	Procuer	Price UAH (including VAT)	Volume Mm³	Amount of tenders
1	Naftogaz Trading Gas Company LLC	581 760 744	132 254,0	3
2	Ug-Gaz LLC	142 347 378	25 406,0	4
3	Energy 365 LLC	2 654 999	900,0	1
4	Ekotehnoinvest LLC	1 182 124	274,0	3
5	Kastum LLC	1 140 000	180,0	1
6	Servic Group LTD LLC	899 460	202,6	1
7	Gazpromservice LLC	869 400	210,0	1
8	Lvivgaz zbut LLC	630 000	150,0	1
9	Ivano-Frankivskgas zbut LLC	572 488	150,0	1
10	Zhytomirgaz zbut LLC	375 084	90,0	1

5,635 per tcm (including VAT) before April 30, 2021 on a decade payment terms. Investservice GC LLC, Naftogaz Trading LLC, Blahogaszbut LLC and Tech Prom Gas LLC also participated in the auction.

The lowest gas price during the reporting week was offered by Energy 365 LLC - UAH 2,950 per tcm (including VAT). The company will supply 900 tcm of gas to the Kyiv Housing Maintenance Directorate. The highest price was offered by Kyivoblgaz LLC - UAH 8,150 per tcm (including VAT). The company will supply 8.6 tcm to the Fire and Rescue Detachment No. 3 in the Kyiv region.

Victory in the greatest number of tenders was won by Yug-Gas LLC. The company won 4 tenders for the supply of 25.4 mcm of gas at a weighted average price of UAH 4,063 per tcm (with VAT).

Currency Market

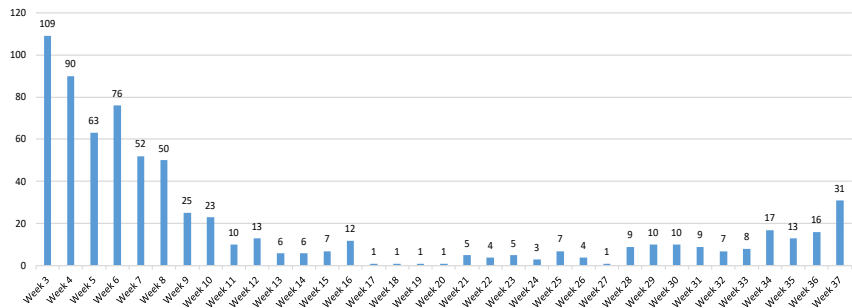
During the reporting week, the hryvnia lost an average of 35-36 kopecs against Euro and lost 20 kopecs against USD. As of the end of the week on the interbank foreign exchange market Euro was bought for UAH 33.0719 and sold for UAH 33.1046; USD was bought for UAH 27.93, and sold for UAH 27.96. Currency trading activity on Monday (September 7) was weak due to the weekend in the United States, but since Tuesday, activity has increased sharply and remained at a high level until the end of the week.

The exchange rate was influenced by the quotes of the USD and Euro on the world markets, and the domestic factors. A significant part of the foreign exchange market participants note that the National Bank artificially does not allow hryvnia to strengthen. On Friday, Ukrgasbank sold USD at UAH 27.9.

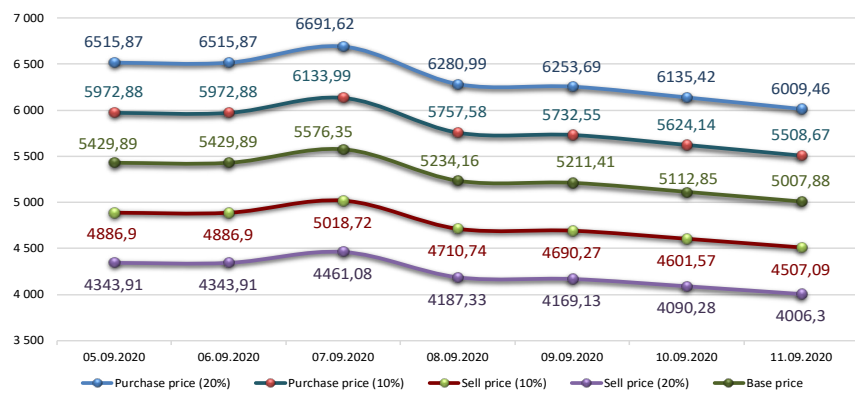
European Market

In contrast to the previous week, the European markets showed a downward trend in spot prices for natural

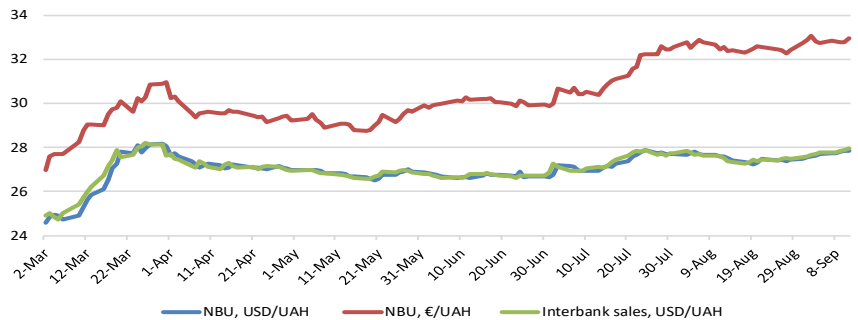
Announcement tenders of natural gas on Prozorro, weekly 2020



Imbalabce prices, UAH/tcm (including VAT)



Exchange rates, 2020



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

Delivery date	07.09.2020	08.09.2020	09.09.2020	10.09.2020	11.09.2020
CEGH	12,052	11,618	11,250	11,191	10,935
GPL	11,679	11,280	10,681	10,655	10,473
NCG	11,160	10,700	10,082	10,120	9,880
TTF	11,582	11,249	10,792	10,780	10,548
Price at the border (in the Ukrainian GTS), UAN/Mm ³	6 018,0	5 806,0	5 580,2	5 637,3	5 526,7

* - 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 (1,2), the official exchange rates and VAT.

07-13.09.2020

gas. At the beginning of the week, the Day Ahead prices at the hubs were in the range of €11.2-12.2 per MWh and by the end of the week they decline to €9.8-10.9 per MWh. Thus, the prices fell by about 11% during the week.

The main reason for the decline in prices during the week was the excess gas in Europe due to increased supplies from Norway after the completion of scheduled repairs and technical inspections. On the other hand, demand for natural gas remains stable.

Since September 11, production at the Norwegian Troll field has decreased, followed by gas supplies to Europe. The shutdown is expected to last 6 days – until September 17. However, foreign traders note that the shutdown may not significantly affect the prices, since the air temperature and wind strength increase are expected at the weekend (September 12-13), which will result in reduced demand for gas.

Futures prices for the October resource on the Dutch TTF rose by about 7.5% during the week - from €11.2 per MWh at the beginning of the week to €10.45 per MWh at the end of Friday.

Gas Balance

Gas production in Ukraine on September 4-9 gradually decreased by 400 tcm, to 54.5 mcm, the lowest value since mid-June. In the first nine days of September, Ukraine produced 492 mcm of gas, 1% (1 mcm) less than in the same period in August.

Gas imports from the European destinations remained relatively stable during the reporting week – at the level of 77-78 mcm per day. However, on September 9, deliveries totalled to 70 mcm, which is 9% lower than during the previous and next day. The decrease was due to a 10% reduction in deliveries from Slovakia to 48.9 mcm and an 8% reduction in deliveries from Hungary to 16.7 mcm.

In the first ten days of September, Ukraine imported 776 mcm of natural gas, which is 28% less than last month,

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 September 11, 2020

Country	Gas in storage, TWh	Full, %
Germany	213,63	93,59
Italy	188,31	95,65
France	126,18	96,82
Netherlands	120,52	86,22
Austria	84,17	88,13
Hungary	66,07	94,88
Slovakia	38,53	90,55
Poland	35,01	98,45
Czech Republic	34,52	96,80
Spain	31,94	93,26
Romania	29,39	89,08

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



due to the suspension of imports via Budince due to scheduled repairs that will last until September 21. Since the beginning of the year as of September 10, Ukraine has imported a record in the recent years 13.36 bcm of gas.

Daily **gas consumption** in Ukraine, according to ExPro calculations, in the reporting week was in the range of 46-47.5 mcm per day.

Gas injection in UGS during the reporting week was in the range of 78-88 mcm per day. Gas withdrawal from the UGS also remained at a minimum level of about 1-11 thousand cubic metres per day. In the first 9 days, 768 mcm of gas were pumped into Ukrainian UGS, which is 24% less than in August, due to the volume of imports. As of September 10, 26.486 bcm of natural gas were stored in Ukrainian UGS. Thus, the storage facilities are 85.6% filled, which is a record value.

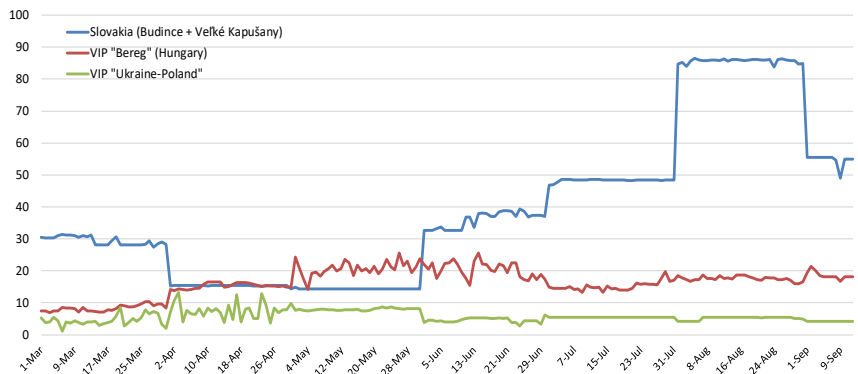
Gas transit from Russia remained relatively stable during the reporting week – at the level of 152-154 mcm per day. At the same time, the volume of physical supplies to Europe and Moldova was in a relatively wide range – 75-83 mcm per day, which is explained by the fluctuations in import supplies to Ukraine under the virtual reverse mechanism.

Oil Market

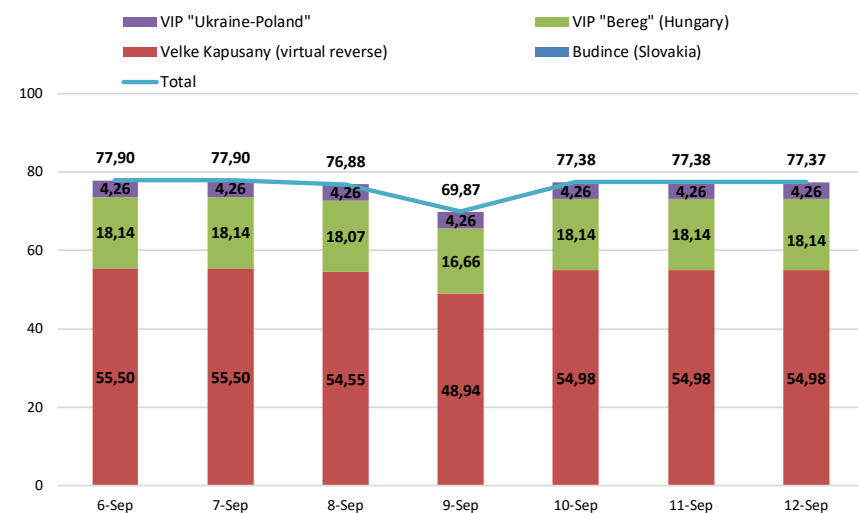
Domestic Market. Last week, Ukrnaf-toburinnya PC PJSC sold 450 tonnes of oil at UAH 13,550 per tonne (including VAT), 9% lower than at the previous auction (UAH 14,850 per tonne). The auction was attended by 11 participants, of which three became the winners. Since the beginning of August, the sale price of UNB oil has decreased by 20% - from UAH 16,900 per tonne (including VAT) to UAH 13,550 per tonne (including VAT).

UNB also sold 500 tonnes of condensate at three auctions. In total, 60 tonnes of Sakhalinka condensate were sold at UAH 13,800 per tonne (including VAT), 10% lower than last time

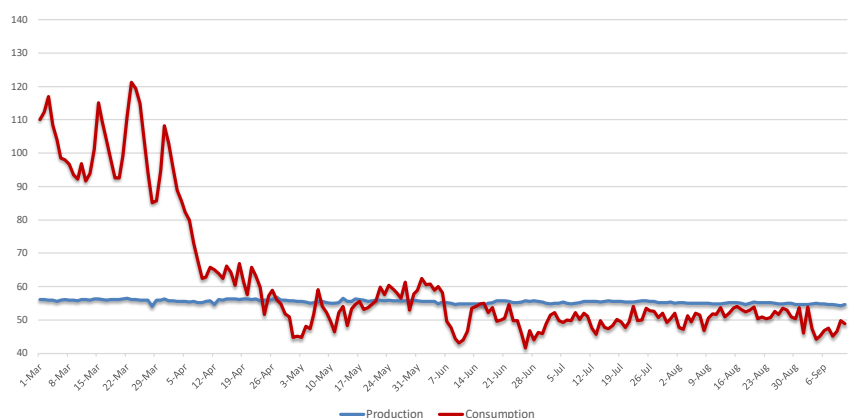
Natural Gas Import from EU to Ukraine, mcm



Natural Gas Import from EU to Ukraine, mcm



Natural gas production and consumption in Ukraine, mcm



(UAH 15,300 per tonne). The company sold 440 tonnes of GCLHC (gas condensate of light hydrocarbons) at 2 auctions at UAH 10,800 per tonne (including VAT) and UAH 10,500 per tonne (including VAT), on average 9% lower than at the previous auction (UAH 11,500 per tonne). All condensate auctions were attended by 15 participants, of which 5 were the winners.

At the SmartTender platform, Ukrainian Drilling Company LLC put up for sale 40 tonnes of oil. Since the beginning of August, UDC starting oil sales prices have decreased from UAH 14,500 per tonne (including VAT) to UAH 13,500 per tonne (including VAT).

Cadogan Group put up for sale 75 tonnes of oil at the starting price of UAH 8,700 per tonne (including VAT). At two previous Cadogan Group auctions, the Company also offered its oil at the price of UAH 8,700 per tonne (including VAT).

World Markets. Oil prices last week fell to their lowest levels since mid-June, below \$40 per barrel. Among the reasons are the decline in Saudi Aramco's own selling prices for October, concerns about a decline in demand due to the high number Covid-19 cases, and an increase in US crude oil reserves. Futures prices (November resource) for Brent crude at the end of the week were \$39.8 per barrel, which is 7% lower than at the end of the last week. WTI crude (October futures) at the end of the week was traded at \$37.2 per barrel, which is 6% lower than during the last week.

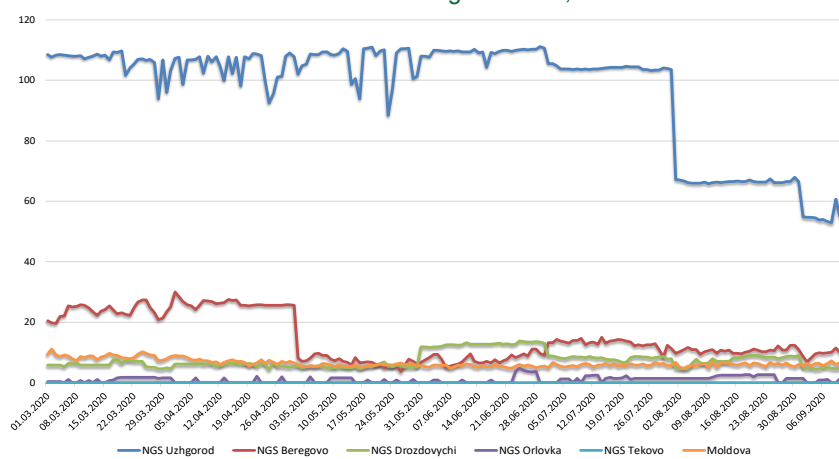
NEWS BRIEFS

GTSOU sold 0.68 mcm/day booking of Ukrainian-Hungarian gas interconnection capacity

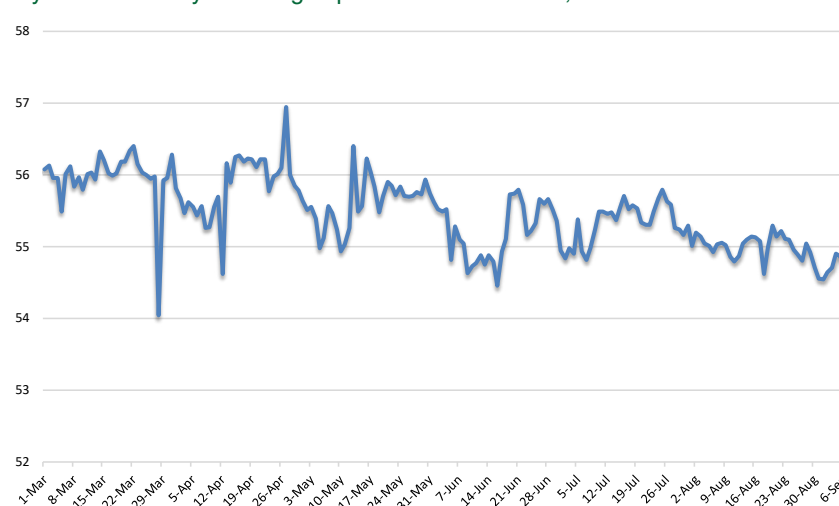
The Gas TSO of Ukraine LLC(GT-SOU) sold 0.68 mcm/day booking of Ukrainian-Hungarian Bereg virtual interconnection capacity at an auction on September 7, 2020.

Capacity booking was sold for the Q1 and Q2 of 2021, while for the Q3 and Q4

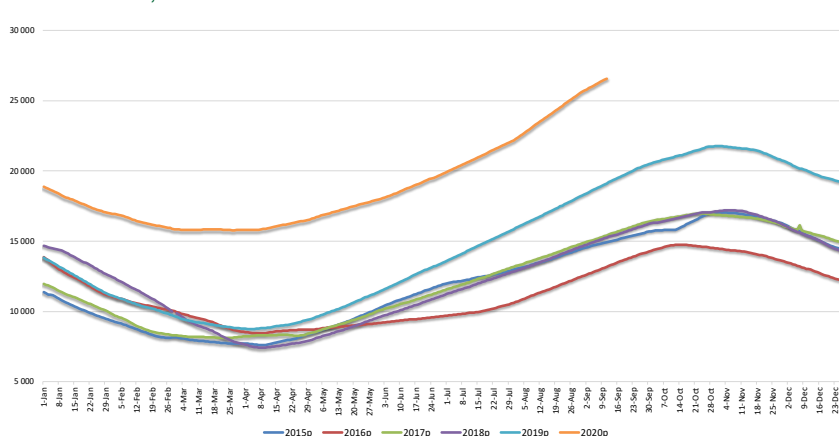
Transit of Natural Gas from Russia through Ukraine, mcm



Dynamics of daily natural gas production in Ukraine, mcm



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



07-13.09.2020

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
09.09.2020	UNB	Crude Oil	11	3	450	13 550	0,7675	49,56
08.09.2020	UNB	Wide Spread of Light Hydrocarbons	3	2	200	10 800	0,5765	29,73
10.09.2020	UNB	Wide Spread of Light Hydrocarbons	3	2	240	10 500	0,5765	28,82
10.09.2020	Sahalinka	Gas condensate	9	1	60	13 800	0,7710	50,65
08.09.2020	Cadogan Group	Crude Oil	-	-	75	-	-	-
09.09.2020	Ukrainian drilling company	Crude Oil	-	-	40	-	0,7864	-

Import of Crude oil in Ukraine, September 7 - 10, 2020

Types of raw	Country of origin	Importer	Volume, th t	Weighted average cost on the border, \$/t
Crude oil (WTI)	USA	Ukratnafta	25,0	315,0

quarters the capacity was not purchased through an auction. Auctions were held on GSA Platform (Poland) and RBP Platform (Hungary).

The interconnection capacity booking was sold at the starting price 4.45 \$/tcm for Q1 of 2021 the 1st quarter and 4,895 \$/tcm for Q2 of 202. At other natural gas interstate interconnections there were no companies interested in booking them so far.

Naftogaz Group joined Gas Traders of Ukraine Association

The Gas Supply Company Naftogaz Trading LLC and Gas Traders of Ukraine Association (AGTU) have signed an agreement on membership in the association. This was reported by the press service of AGTU. The AGTU was established in 2003. Today, the Association has more than 30 member-companies. The Gas Supply Company Naftogaz Trading LLC is a subsidiary of the Naftogaz Group, which retails natural gas to the public, private, household, and residential consumers.

Average price of imported natural gas in August 2020 decreased by 15%, down to 106 \$/tcm

The Ministry of Economic Development (MEDT) has published the aver-

age customs value of imported natural gas, which was formed in the process of its customs clearance in Ukraine in August 2020. According to the Ministry of Economic Development and Trade, the weighted average declared value of customs clearance of natural gas imports in August 2020 was at 2 918.1317 UAH/tcm, or estimated 106.11 \$/tcm.

Compared to July 2020, the customs clearance declared value decreased by UAH 230 on a tcm (-7%), or by \$ 18 on a tcm (-15%).

Naftogaz has announced new natural gas tariffs for businesses, households, and residents.

The NJSC Naftogaz of Ukraine has announced new tariffs for natural gas for businesses, households, and residents "monthly", "quarterly" and "annual". This was reported by the press service of the Naftogaz.

Tariffs were developed taking into account the consumption profile of customers. According to the Naftogaz, the "annual" tariff is best suited for gas supply companies (gas distribution network operators-companies). The "annual" tariff takes into account the average profile for five years, prices are pegged to daily quotes on the German NCG, and

different payment terms are available (prepayment, postpayment, 10-day afterpayment).

The "quarterly" tariff will be available for Q4 of 2020 and for Q1 of 2021 in lots of up to 150 tcm within the framework of trading on the Ukrainian Energy Exchange (UEEX).

The price of gas will be fixed at the time of concluding of an agreement on the UEEX, and will remain unchanged throughout the quarter, with natural gas volumes delivered evenly throughout the quarter.

The "monthly" tariff is available in the form of a lot of up to 50 tcm traded on the UEEX, with a fixed price during the month. On can order gas under the "monthly" tariff with delivery during the current month, one month in advance, and two months in advance options.

Two natural gas tariffs, "monthly" and "annual", are available for household and residential consumers to be serviced by the Gas Supply Company Naftogaz Trading LLC.

Under the terms of the "monthly" tariff, the price of natural gas changes monthly, depending on market price fluctuations. Consumed volumes of natural gas are to be paid next month after their delivery (afterpayment).

Under the terms of the “annual” tariff, the price and estimated volumes of natural gas consumption is fixed at the conclusion of the contract. The consumer pays a fixed amount for gas every month during the year, and if he uses less than the planned amount of gas, at the end of the year the saved amount will be returned to his account.

Naftogaz Trading to supply 132 mcm of natural gas to Ukrtransgaz

The the Gas Supply Company Naftogaz Trading LLC won three auctions of the JSC Ukrtransgaz for the supply of 132 mcm of natural gas by the end of 2020 at a weighted average price of 4 430 UAH/tcm (incl. 20% VAT) and 10-day deferred payments. The results of the auctions were published on September 8, 2020 on Prozorro e-procurement portal.

The two largest tenders for procurement of 71 mcm and 59.5 mcm were contested by the Gas Supply Company Naftogaz Trading LLC and the ERU Trading LLC. The Gas Supply Company Naftogaz Trading LLC won both auctions with its lowest bid proposals of UAH 334 million (incl. 20% VAT) at the first auction and UAH 239 million (incl. 20% VAT) at the second auction.

In addition, the Gas Supply Company Naftogaz Trading LLC was recognized the winner of the smallest auction for the supply of 1.75 mcm of natural gas valued at UAH 8 million (incl. 20% VAT). The Ug-Gas Ltd, the OKKO Contract PE and SOCAR Ukraine Trading House LLC also took part in the bidding, however caved to the the Gas Supply Company Naftogaz Trading LLC.


Shell to supply annually 250 mcm of natural gas to Hungary via LNG terminal in Croatia
Shell has signed a long-term contract with Hungary for the supply of LNG, about 250 million cubic meters per year through the LNG terminal in Croatia. This was reported by S&P Global Platts with reference to the Minister of Foreign Affairs and Trade Péter Szijjártó.

The Hungarian state-owned company MVM, through its trading subsidiary MFGK, has reserved 1 bcm per year of regasification capacity at the 2.6 bcm capacity LNG terminal in Croatia, which should start operating in January 2021. MFGK plans to buy gas only from Western European companies to reduce its dependence on Russian gas.

According to Minister of Foreign Affairs and Trade Péter Szijjártó, LNG has become more attractive to Hungary from a commercial point of view. “When we decide on gas supplies to Hungary, we take into account two aspects: the reliability of supplies and the price,” he said.

Gas prices in Europe can be negative

The European Energy Exchange (EEX) will allow negative spot prices for natural gas on its own platform starting October 1, 2020. Relevant notifications were sent by the EEX to market participants. According to the EEX, this step will allow the EEX to cope with any price scenario that may arise in future.




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Suite 37, 59/5 Kostyantynivska St.
Kyiv, 04080, Ukraine

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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EDITORIAL OFFICE EXPRO

GENNADII KOBAL, Director and Founder of the project

+38 097 233 90 65, e-mail: info@expro.com.ua

+38 067 208 76 16 info@expro.com.ua [ExPro Gas&Oil](#)
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