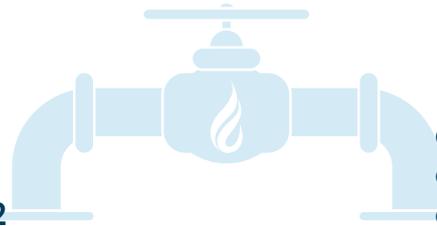


UKRAINE DECREASED NATURAL GAS PRODUCTION BY 17.3%

-17.3%

decrease of daily natural gas production in Ukraine from 23.02.2022 to 15.03.2022



-13.0%

decrease of average daily gas consumption in Ukraine (March 2022 compared to March 2020-2021)

Ukrainian gas companies reduced daily production by 17.3%, since the war beginning. As a result of Russian missile attack a gas treatment plant at the Shebelinka gas field is damaged, that caused a decrease in production by the state-owned company «Ukrgezvydobuvannya» by 8%. Private companies reduced production by 24.7% over the same period.

Production is expected to fall further. Gas companies often don't have possibilities to realize well workover and flow-rate intensification measures due to hostilities. Gas production in Ukraine mainly is carried out at wells that are at the end of their life cycle. It may not be economically viable to restore production from such wells after they have been conserved if hostilities drag on. But, the state operator «Naftogaz of Ukraine» continues drilling in safe areas, despite the hostilities, according to the head of the company.

The shutdown of gas processing plants and LPG production led to overstocking of liquefied gas and oil depots. That's important because liquefied gas and oil are concomitants of natural gas production.

Also, Ukrainian gas companies faced with a lack of methanol, which is necessary for gas production. Methanol previously was imported from Russia and Belarus. Now companies are trying to begin methanol supplies from the EU.

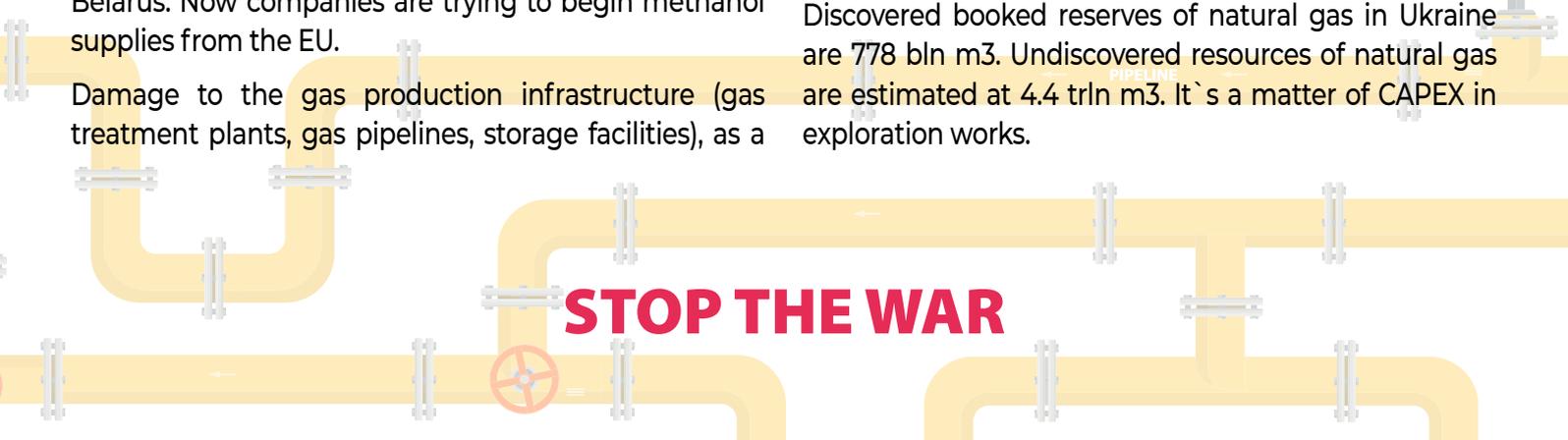
Damage to the gas production infrastructure (gas treatment plants, gas pipelines, storage facilities), as a

result of hostilities, may lead to a significant decrease in gas production. These are objects of high danger, and their damage can create environmental catastrophe.

Daily gas consumption in Ukraine decreased by 13% y-o-y. For example, large industrial enterprises reduced daily gas consumption by 84%. At the same time, residual sector reduced consumption by only 4%. It caused by low temperatures at the beginning of the March and the increase in the number of refugees from cities to private houses with gas heating. Seasonal rise in temperatures should reduce residual gas consumption. So, decrease in production should be offset by even greater decline in consumption.

Export of natural gas from Ukraine is temporary banned. Gas import to Ukraine continues in 3 directions - from Hungary, Slovakia, Poland. Import covers about 10% of domestic gas consumption, production - about 50%. Other provided from gas storing facilities, where inventories are 11% higher than 2015-2018 average. In 2021 domestic needs in gas were met by gas produced in Ukraine by 73.9%. So, the gas supply in Ukraine is stable.

In the future, Ukraine could become a gas exporter and partially replace Russian gas supplies to the EU. Discovered booked reserves of natural gas in Ukraine are 778 bln m³. Undiscovered resources of natural gas are estimated at 4.4 trln m³. It's a matter of CAPEX in exploration works.



STOP THE WAR