Can Ukraine secure enough gas for the winter 2015/16?

A scenario analysis

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1. Key Data

Gas situation 2015 less tense than 2014:

- Consumption dropped by 25% from 1Q2014 to 1Q2015
- Reverse flow capacity was increased from 16 mcm/d to 61 mcm/d
- Russia restarted gas deliveries

Planned annual balance 2015

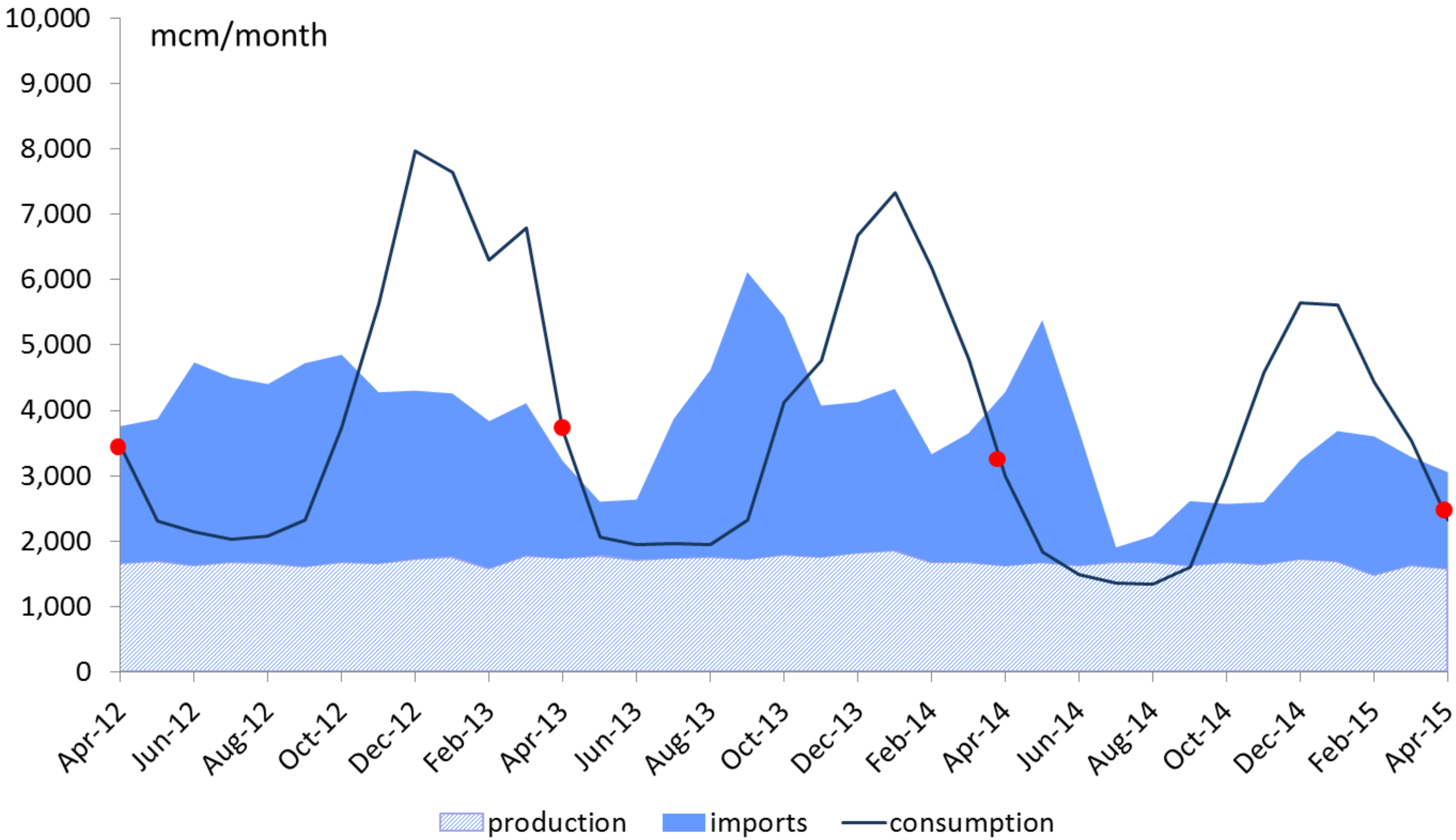
Storage level 01.01.2015	**11.4 bcm**
Planed imports 2015	+ 26 bcm
Slovakia	*~ 15 bcm*
Hungary + Poland	*~ 1.6 bcm*
Russia	*~ 9.4 bcm*
Expected domestic production in 2015	+ 20 bcm
Planed consumption in 2015	- 40 bcm
Storage level by 31.12.2015	**17.4 bcm**

⇒ Without Russian imports storage in Jan16 would be 8 bcm

⇒ In 1Q2015 storage withdrawals were 3.5 bcm despite warm weather -> Russian imports can be pivotal (min. level ~5 bcm)

We are already in June 2015 and interested in 1Q2016-> require scenario analysis on daily/monthly basis.

Monthly gas supply and consumption



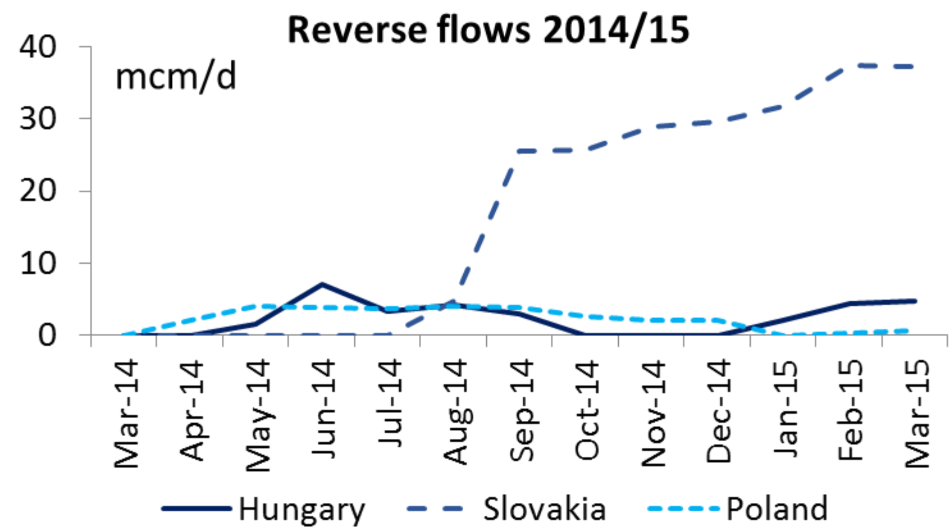
Source: Own illustration based on Ministry of Energy and Coal

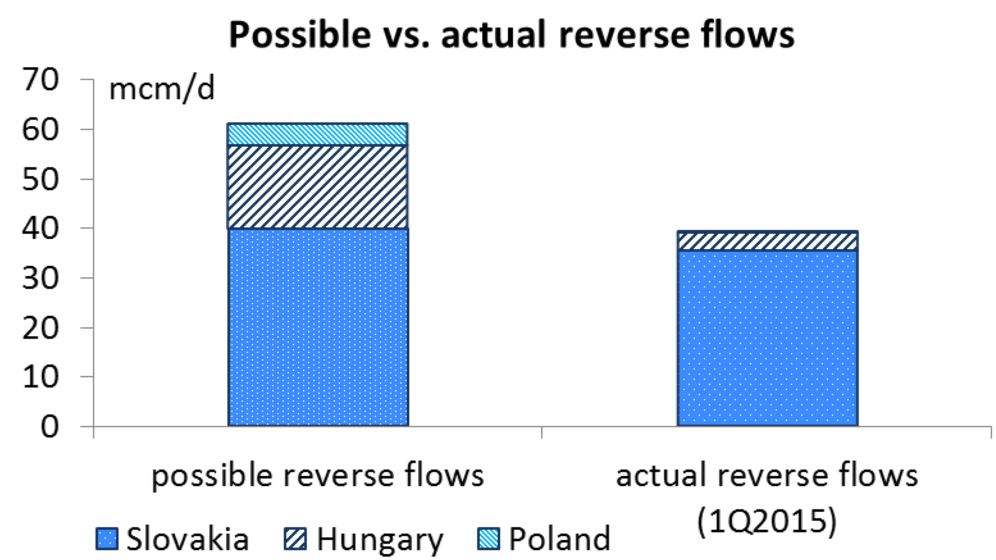
How much gas can be imported from the West?

Import capacity:

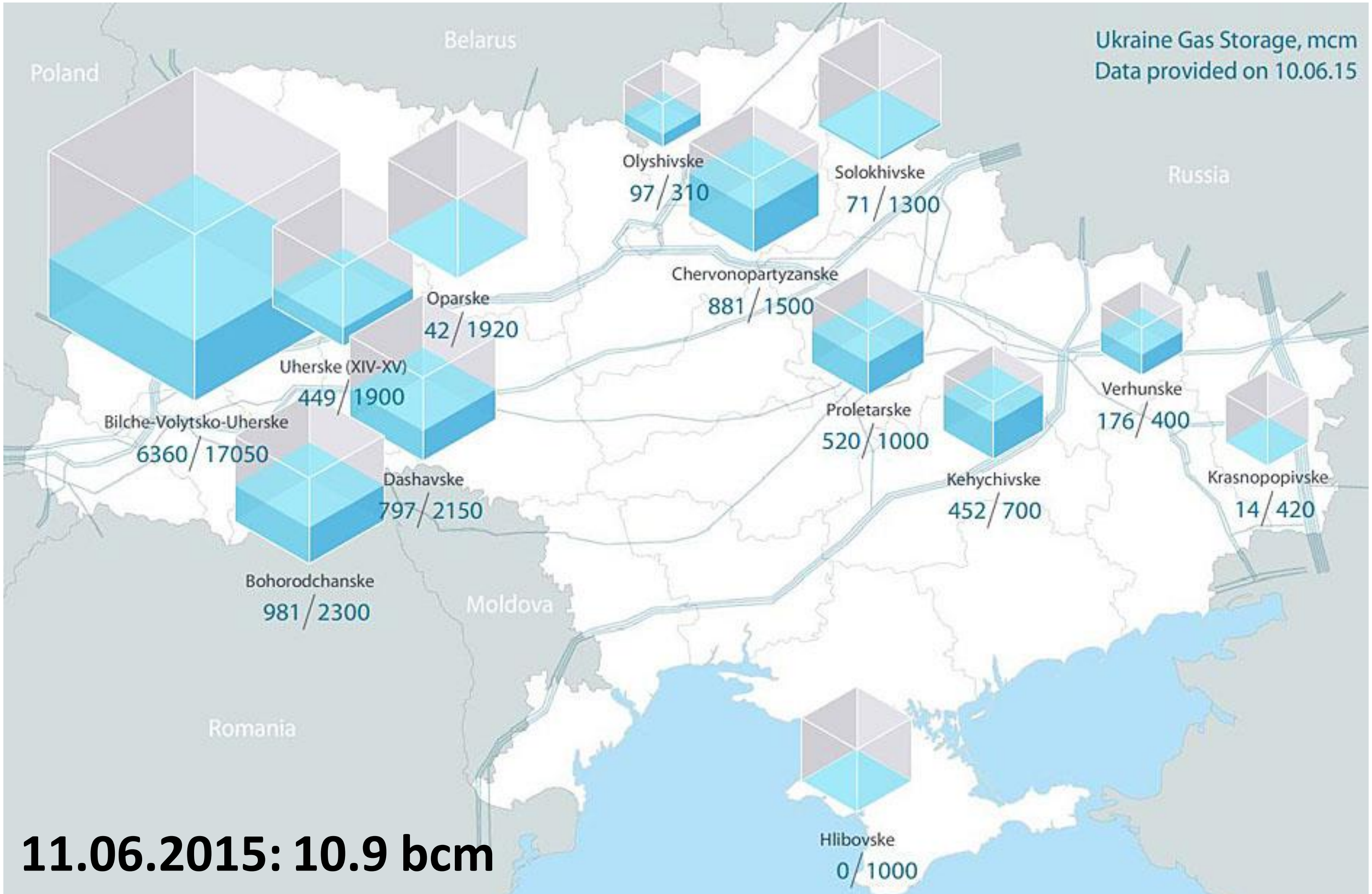
- HU: 16.8 mcm/d
- PL: 4.3 mcm/d
- SK: 40 mcm/d

⇒61 mcm/d [~22 bcm/y]





How much gas is accumulated in the storages?

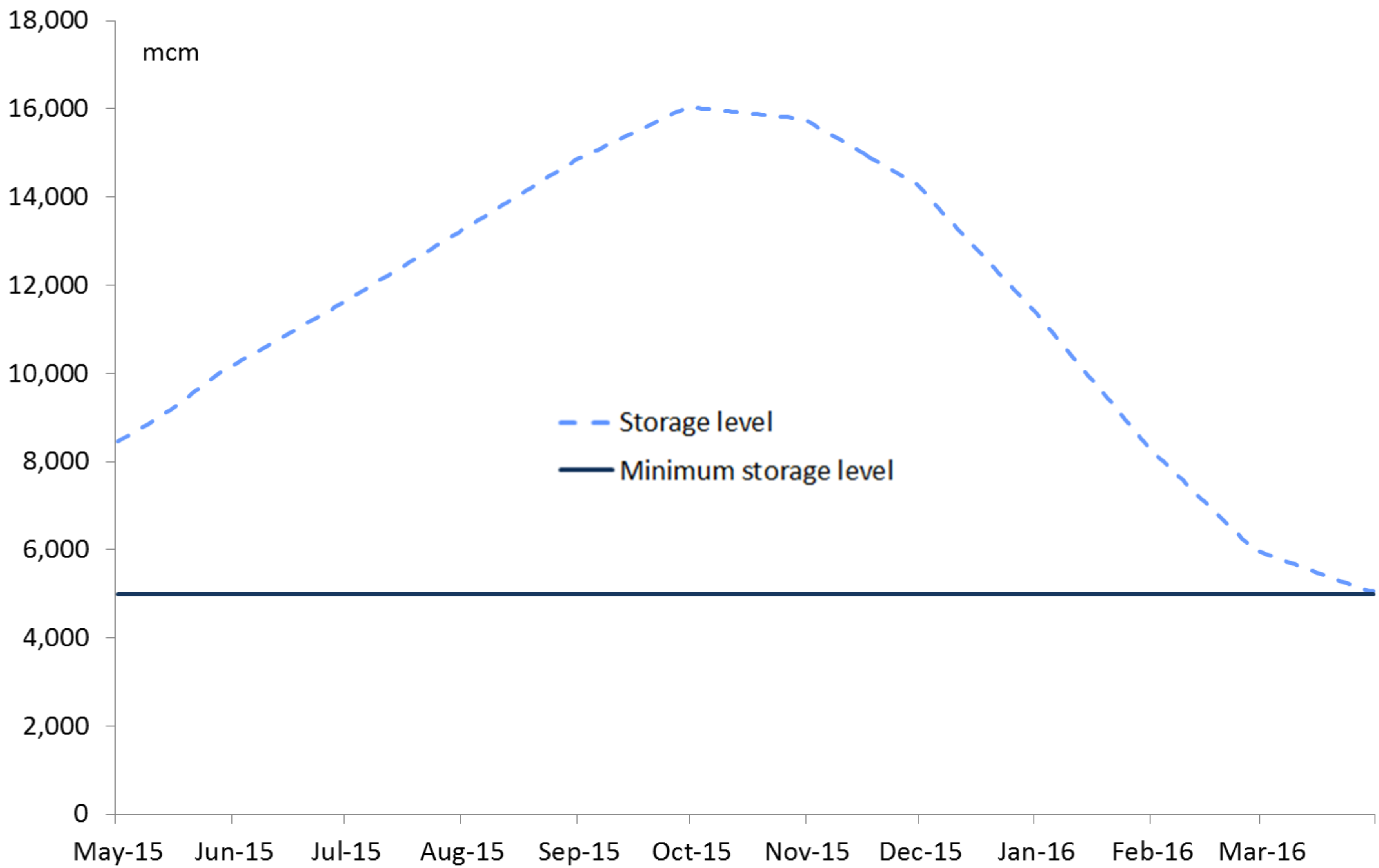


Source: http://naftogaz-europe.com/article/en/englstorage

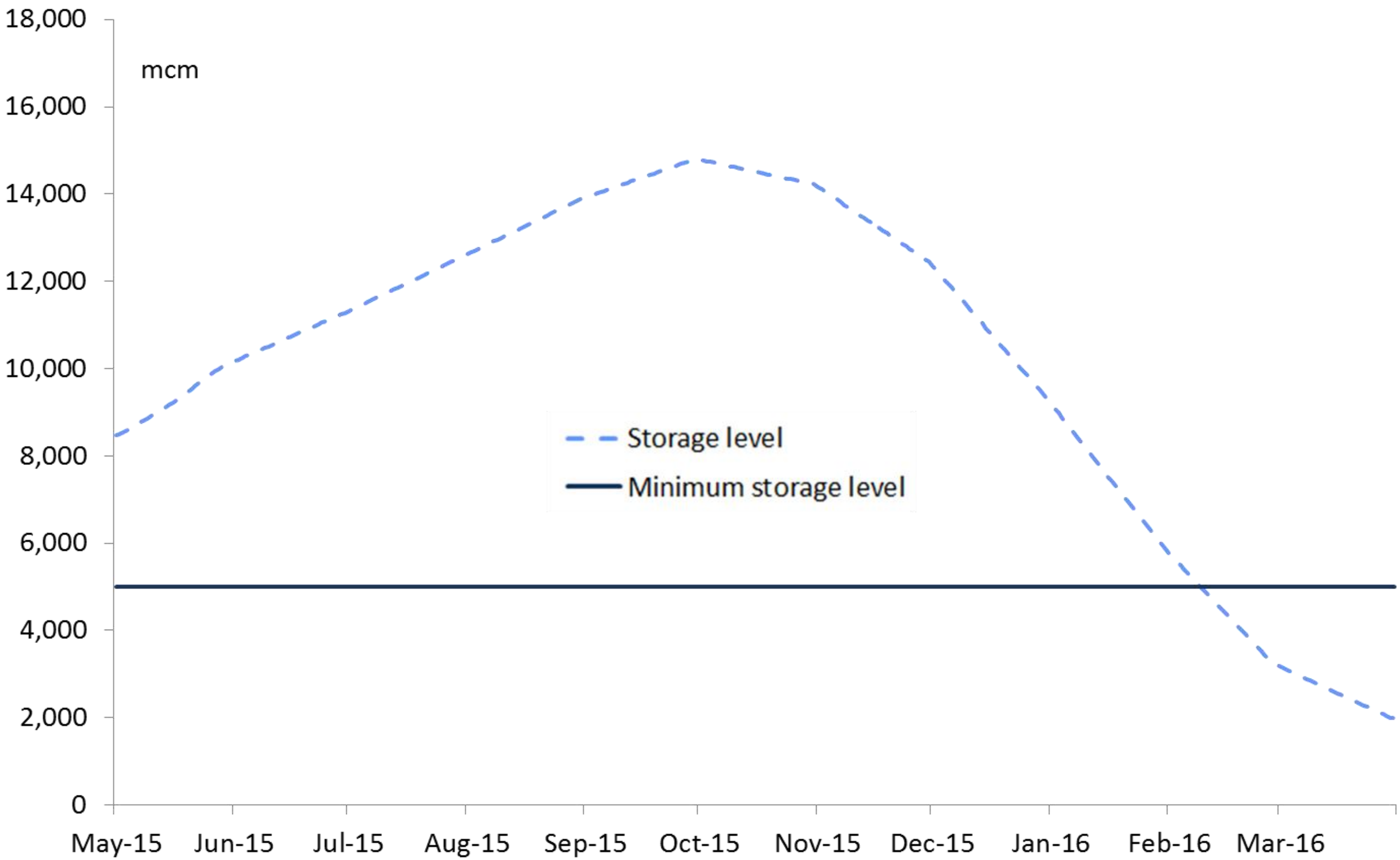
2. Scenario Analysis

- Construct five scenarios
- Under which assumptions will there be enough gas for the winter 2015/16?
- Three factors:
  - Consumption
  - Production
  - Imports
    - Russia
    - Reverse flows

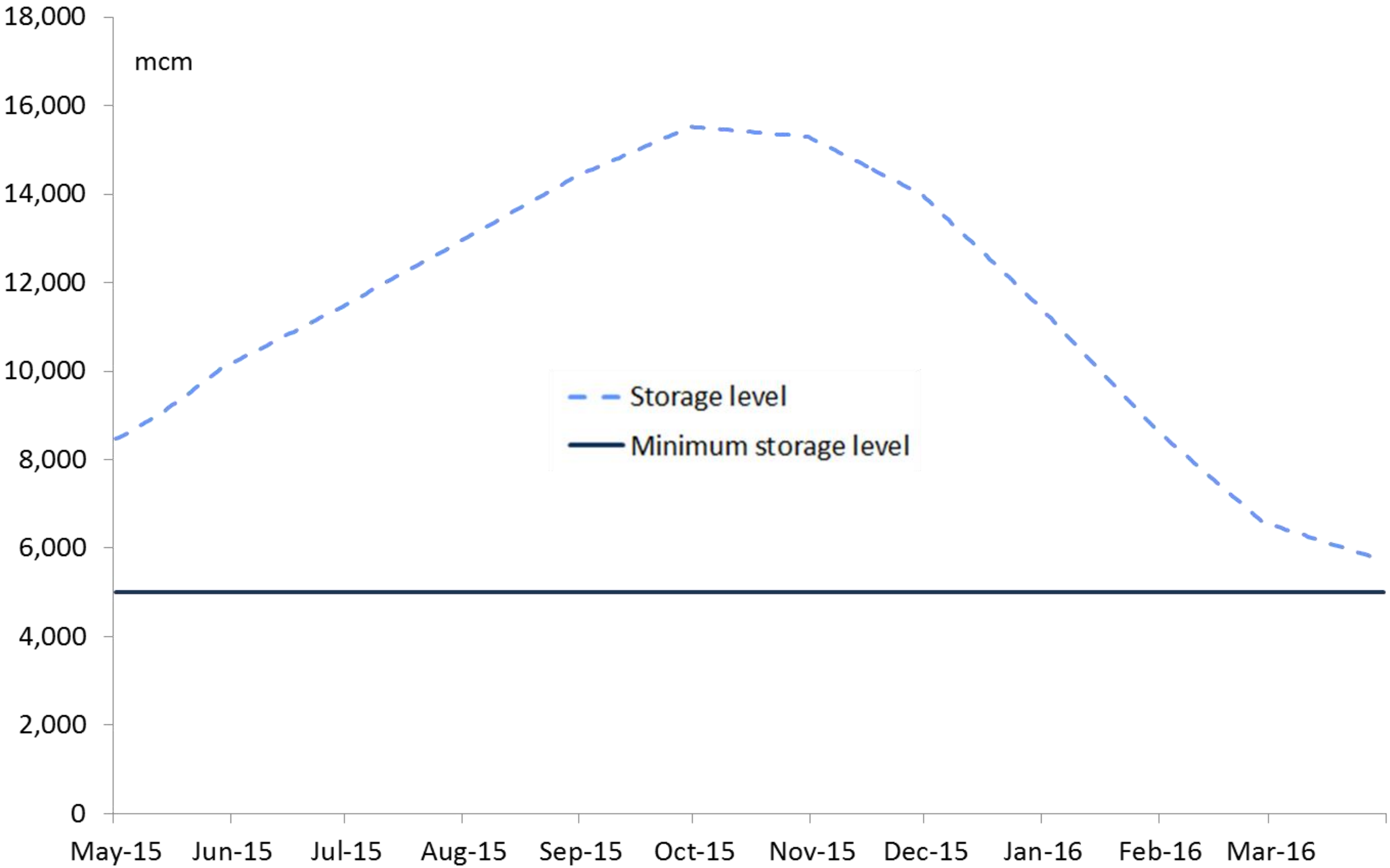
Scenario 1: High imports (50 mcm/d)



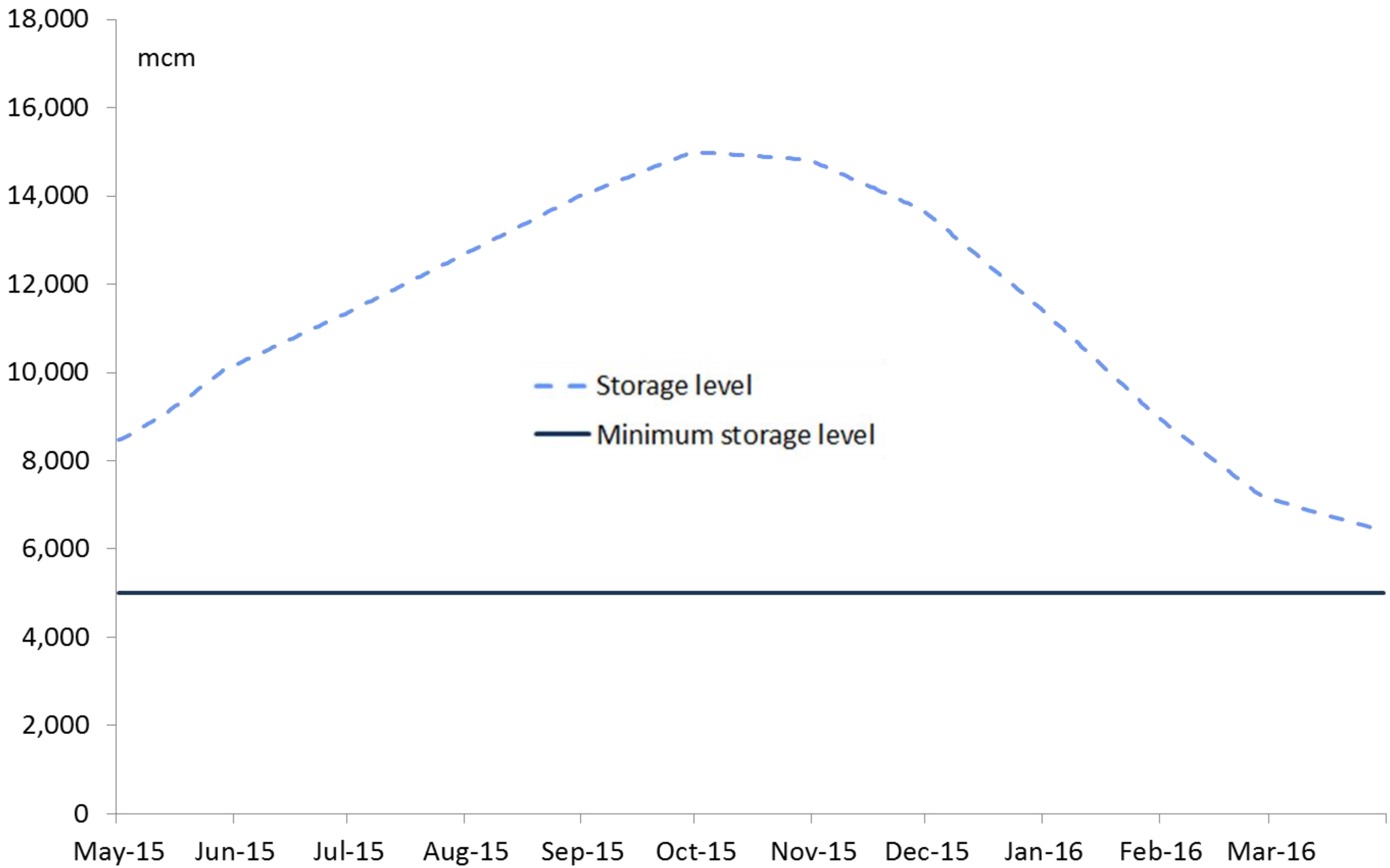
Scenario 2: Medium imports (40 mcm/d) alone will not be enough



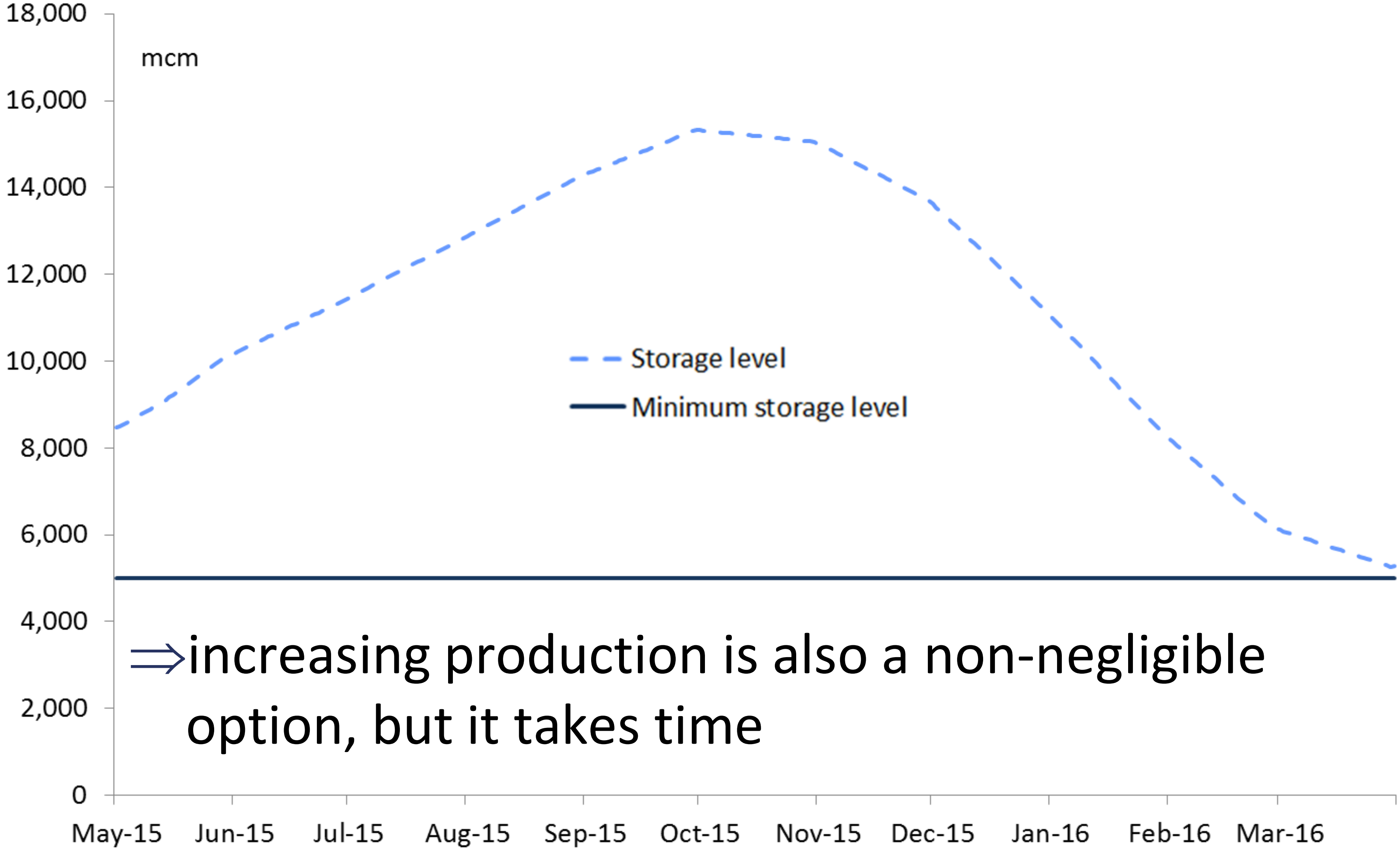
What other options work? Scenario 3: Medium imports (40 mcm/d) and less consumption (-10%)



Scenario 4: Low imports (30 mcm/d) can be compensated by very low consumption (-20%)



Scenario 5: Low imports (30 mcm/d) can also be compensated by less consumption (-10%) and increasing production (+15%)



⇒increasing production is also a non-negligible option, but it takes time

Conclusion

- Situation more comfortable than last year
  - Consumption dropped (-25%; 1Q15 vs. 1Q14)
  - Russia delivers some gas
  - Reverse flow deliveries (40 mcm/d) & capacity (61 mcm/d) increased significantly
- No room for complacency
- Imports, consumption & production not fully foreseeable
- So steady imports of >50 mcm/d
  - can be from Russia as long as it works
  - is a question of security, not price

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