

DIGEST

2ND QUARTER OF 2021



Association
of Gas Producers
of Ukraine

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8 production sharing agreements were signed six months ago, and most of the companies have already received licenses for subsoil use. Theoretically, it means that since the announcement, they can begin to develop oil and gas fields (blocks). However, in fact, things are different: due to legislative gaps, gas producers cannot fully carry out activities on the fields (blocks), because of the approval of a number of documents, that signed agreements require to be adopted.

I'd like to point out, that it is incredibly important to urgently introduce legislative changes and to develop new documents for the start of projects, as Ukraine has to be interested to develop new oil and gas fields (blocks).



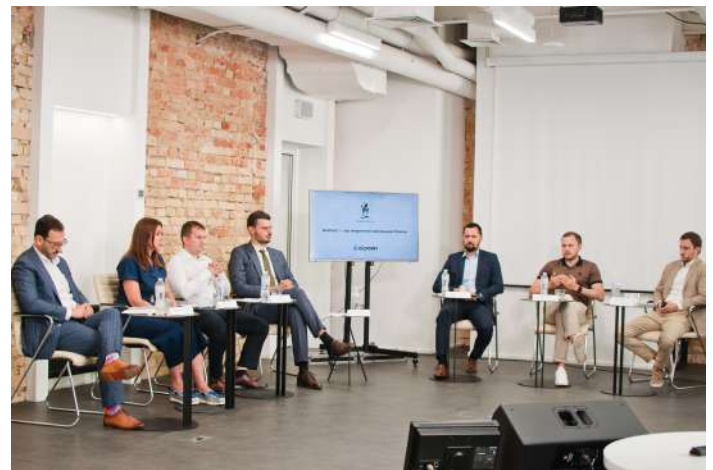
Artem Petrenko,
Executive Director
Association of Gas Producers of
Ukraine

Gas producers urge eliminating existing legislative weaknesses that impede the realization of PSAs

A number of legislative issues need to be resolved in order to start work on PSAs oil and gas fields (blocks).

It concerns the improvement of reporting and administration of PSA projects, modernization of Law of Ukraine "On Production Sharing Agreements" and tax, banking, currency legislation.

It was emphasized by the participants of a round-table discussion on the topic: "PSAs – a way to the investments and energy independence of Ukraine". The event was organized by "Ukrayinska Pravda" together with the UIA "Federation of Employers of the Oil and Gas Industry", and the "OilPoint" agency with the participation of the Association.



Improving the relevant legislation

The Verkhovna Rada supported in the first reading the revised draft law No. 4187 on improving the legislation in the field of subsoil use. The document envisages liberalization of circulation of licenses, modernization of e-auctions, simplification and acceleration of obtaining licenses for subsoil use, assessment of mineral reserves according to international standards, etc. Before the second reading, the law still needs to be finalized in order to eliminate possible risks and negative impact on bona fide subsoil users.

The Verkhovna Rada Committee on Economic Development supported draft law No. 4344 on stimulation of the development of the oil and gas sector. Among the main provisions of the document is the improvement of the procedure for conducting tenders for the conclusion of PSA, as well as the process of signing and implementing these agreements.

Technical Regulation of LPG is postponed until 5th of November

The Cabinet of Ministers of Ukraine postponed the entry into force of the Technical Regulation on the quality of liquified gas for six months (until the 5th of November). Bearing in mind, that reschedule has already taken place twice, gas producers are appealing to the National Accreditation Agency of Ukraine to intensify work on the approval of the conformity assessment body. Without proper assessment, the supply of LPG to the market is prohibited.

A group of companies "**Zakhidnadraservis**", that operates in **Western Ukraine**, joined the **Association** of Gas Producers of Ukraine.

The Association became **an associate member of the UIA "Federation of Employers of the Oil and Gas Industry"**. The parties signed a memorandum of understanding and cooperation.

According to the results of 2020, **enterprises of AGPU are in the TOP-200 the largest companies of Ukraine in the number of tax payments** based on data from the State Tax Service of Ukraine.

The gas industry **does not support draft law No. 5390**, which contains a number of negative amendments that could create legal inconsistencies and lead to potential abuses in selecting winners of tenders and concluding PSAs.

Naftogaz Exploration and Production **purchased a license** for subsoil use of Yuliivske field (Zolochiv block) **for over UAH 120 mln**.



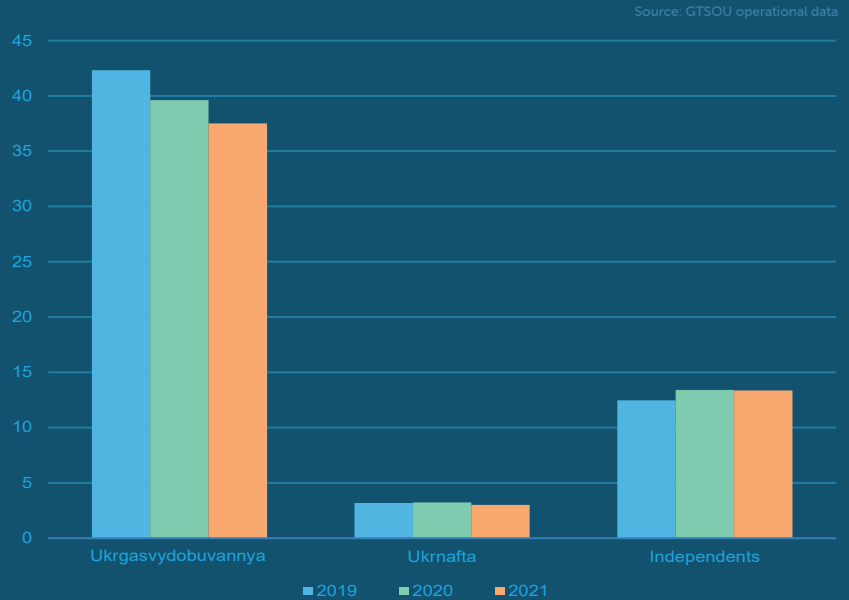
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Average daily gas production in the 1st half of 2021, million m³

In the first half of the year, Ukraine produced 9.75 bcm of natural gas, which is 4% less compared to the previous year.

Both public and private companies reduced production.

The decrease in production is a global tendency and a natural consequence of the sharp drop in prices and the economic crisis during 2019-2020.

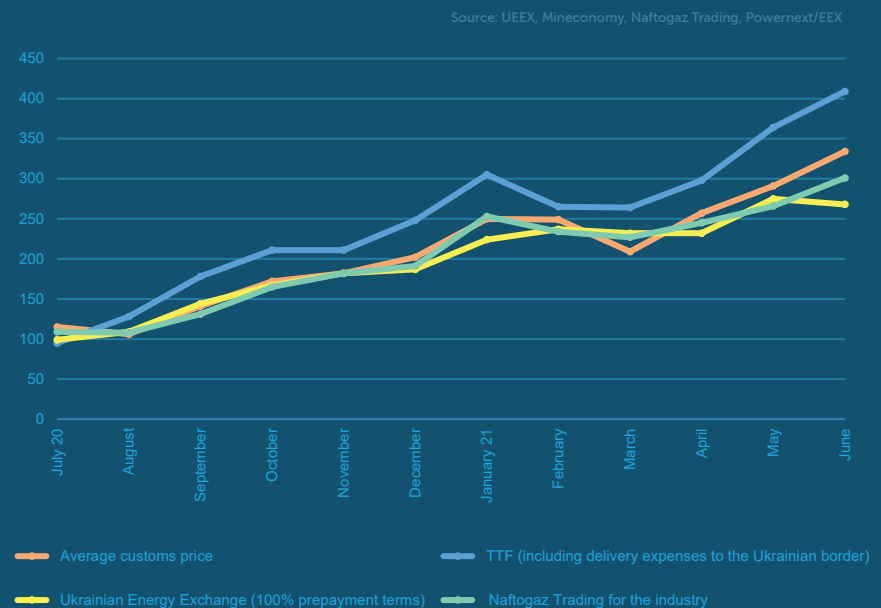


Wholesale gas price for the 1st half of 2021, \$/thousand m³, net of VAT

Since April 2021, prices for hydrocarbons both in Ukraine and the world began to rise sharply and reached a record levels over the past few years.

Thus, the average price of UEEX increased by 78% and amounted to UAH 6 793 (\$245).

The average price at European Hub TTF, including the cost of the delivery to Ukrainian border was UAH 8 809 (\$318), which means an increase of 169%. The average customs value of thousand m³ of imported gas also increased by 112% and amounted to UAH 7 351 (\$265).



Number of active drilling rigs in Ukraine and Europe, pcs.

According to the Baker Hughes Rig Count, both in Ukraine and Europe in the first half of the year the industry experienced a trend of gradual increase of the number of active drilling rigs.

Although, it is a bit too early to foresee a significant growth, as investment in drilling is possible only if the prices are stable.

That is why maintaining favorable hydrocarbon prices will be the main reason for increasing drilling volumes at the end of the year.

