

# A REPORT FROM THE FRONTLINES OF GEOPOLITICS AND UNCERTAINTY

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### Exploration and production

- **1.3 Bcf** – daily gas production (2021)
- **35** drilling rigs – the biggest fleet in Central and Eastern Europe
- **11.8 Tcf** of 2P reserves, **204** gas licenses
- Large unconventional resource potential



### Gas Storage

- **1.1 Tcf** – gas storage facilities (80% capacity in W. Ukraine)
- **100** companies from **26** countries use gas storages of Naftogaz



### Trading and retail

- **586 Bcf** of gas was supplied in 2021
- **15%** of gas supplies for households



### Oil

- Europe's 2nd largest oil transmission operator
- Manufacturer of high-quality fuels
- **2,7 mln t** – annual fuels production (**98%** of Ukraine's fuels production)

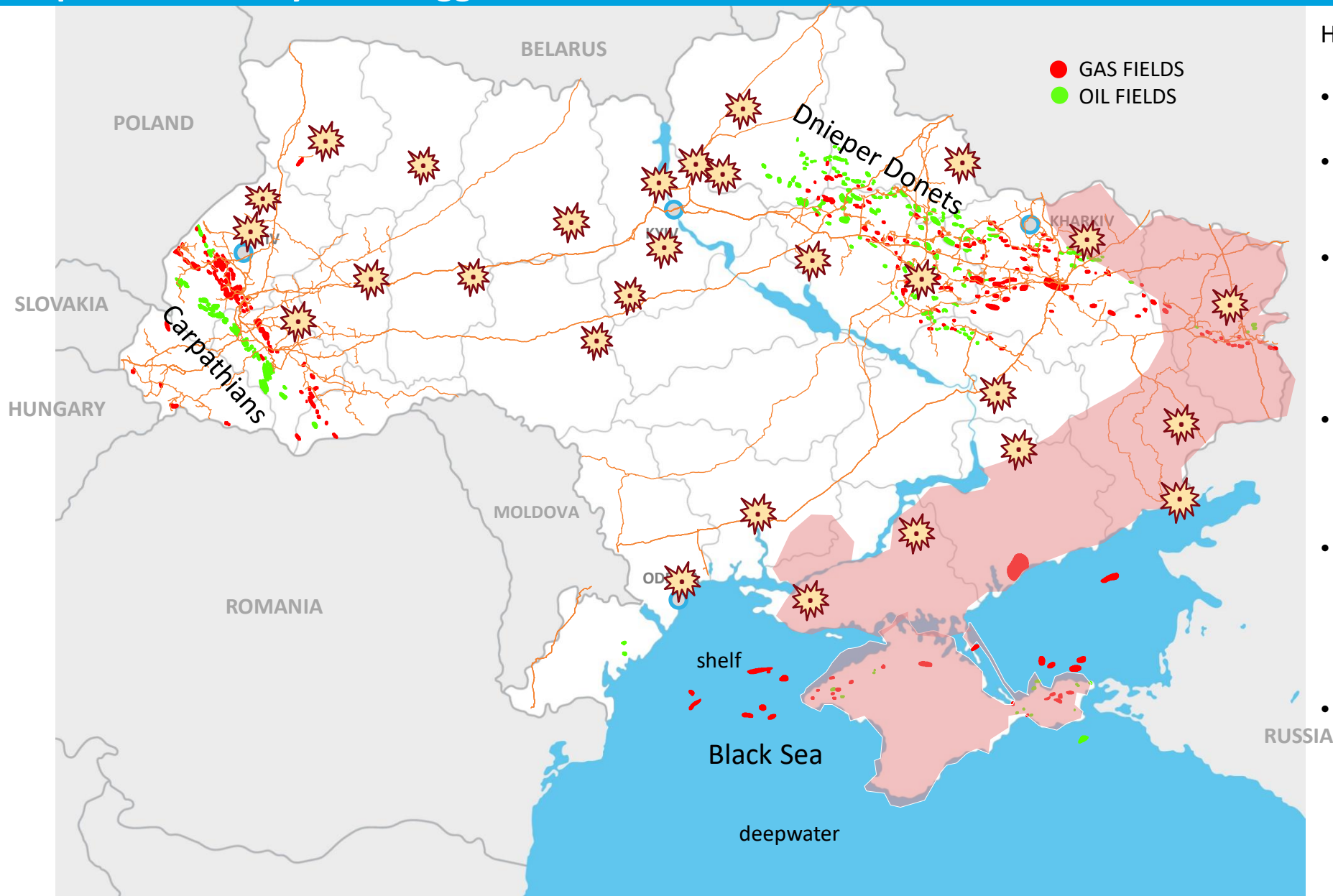


### Other activities

- solar, wind, bio gas and hydrogen projects
- electric car charging stations
- combined heat and power plants

- Russia's war on Ukraine is having a **devastating impact on the domestic natural gas market**, which is compounding an already growing humanitarian crisis.
- **On the supply side**, domestic gas production is dropping due to proximity of military hostilities; gas transmission infrastructure in some cities is destroyed or heavily damaged; costs of maintenance and repairs growing rapidly; market costs for energy at all-time high.
- **On the demand side**, mass migration causing decrease in household subscribers; significant economic and business decline; inability of business and households to pay; growing past and current arrears.
- Together this is leading to a **gas market players liquidity problem** preventing Naftogaz from purchasing natural gas and fulfilling its role of keeping homes heating in the 2022/23 heating season.
- **Naftogaz needs the humanitarian assistance** of the international donor community to help it purchase between **3-5 bcm** natural gas for the 2022/23 heating season.
- To facilitate the purchase of gas as humanitarian assistance, a special **State Budget Resilience Fund** will be created by Parliament **to solve the gas market players liquidity crisis and to purchase natural gas** that will be injected into underground storage for the 2022/23 season.

## Current Situation: 94% of daily UGV production is exposed to high risk, the production may halt if aggression on the Eastern flank continues



### Historical facts for Ukrainian oil & gas:

- The first oil production – 1771 year
- The first patent for oil refining (kerosene) – 1853 year
- The biggest yearly gas production – 68,7 Bcm in 1975 (through gas pipeline “Dashavsk gas field (Western Ukraine) – Kyiv- Moscow”)
- Among the largest gas fields in Europe – Shebelinske (GIIP=529 Bcm, on production since 1950’s)
- 1945-1977 years – produced gas distributed to Poland, Baltic countries, Moldova, Austria, Romania, Bulgaria and other
- In 1970’s– Soviet Union focused oil & gas investments into Western Siberia



## Current Situation: Damaged and lost infrastructure and equipment



➤ **Critical supplies of:**

- Gas (~4 bcm for 22/23), petroleum products (diesel, gasoline, methanol)

➤ **Technological cooperation:**

- Supply of O&G equipment (to rebuild Ukraine) and technology – especially for unconventional resources, horizontal drilling, offshore projects

➤ **Financial cooperation:**

- Partnership with the world energy companies, CAPEX ~\$2 bln/yr for 3 years as a co-investment in joint projects

➤ **Human capital cooperation:**

- Jobs and internship for Ukrainians temporarily escaped from war (especially women in O&G sector)
- Academia support for Ukrainian universities for curriculum update, professional standards update and scientific collaboration

GLORY TO UKRAINE!  
СЛАВА УКРАЇНІ!

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