



Association
of Gas Producers
of Ukraine

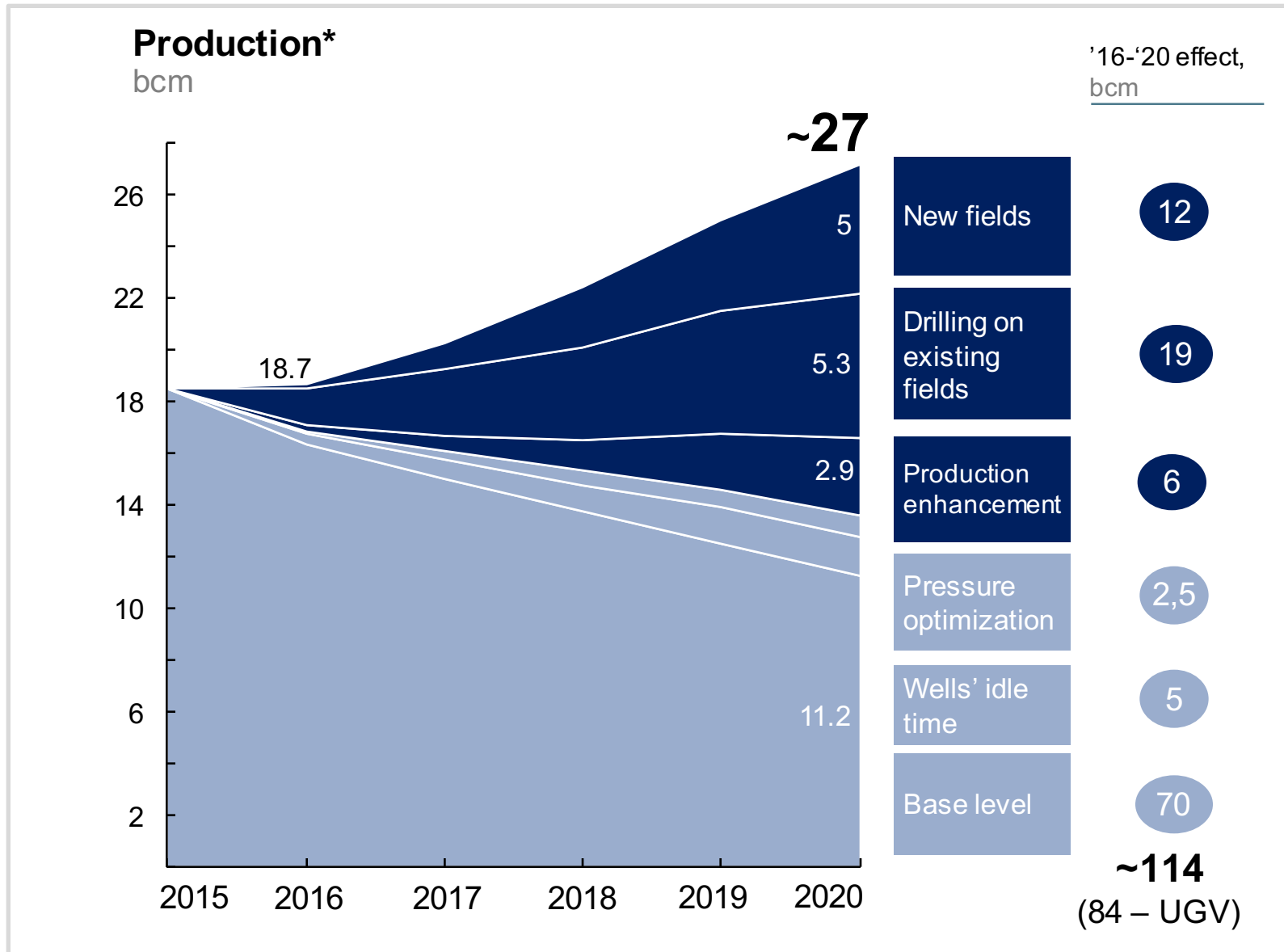
Subsoil Use Rules:
issues on the natural gas
production industry's agenda

September 28
2016





Joint efforts of the state and business can facilitate Ukraine's energy independence by 2020

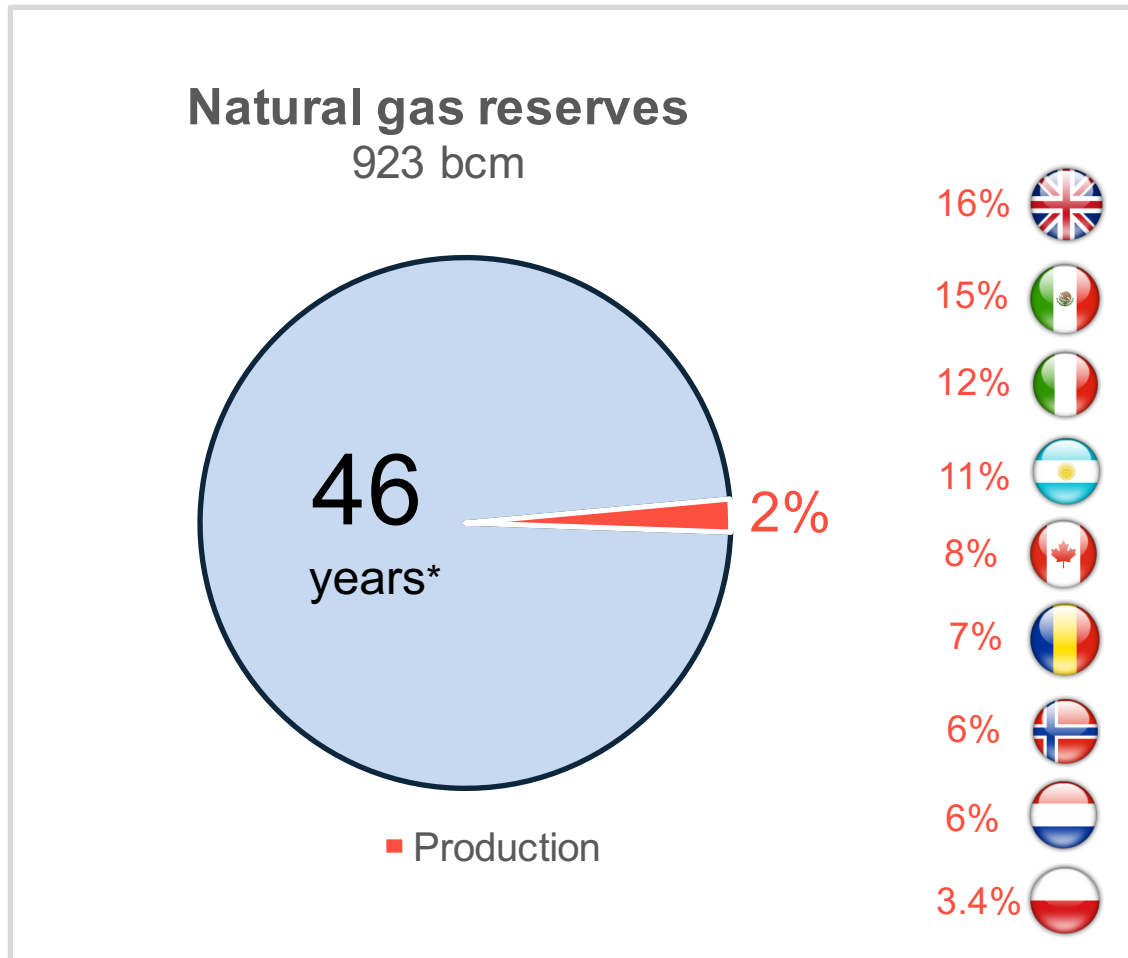


* – not including projected production levels of PJSC Ukrnafta (~1.3 bcm in 2015)

Sources: AGPU, Concept of natural gas production development by 2020 data



The size of reserves allows to at least double the production via more intensive extraction

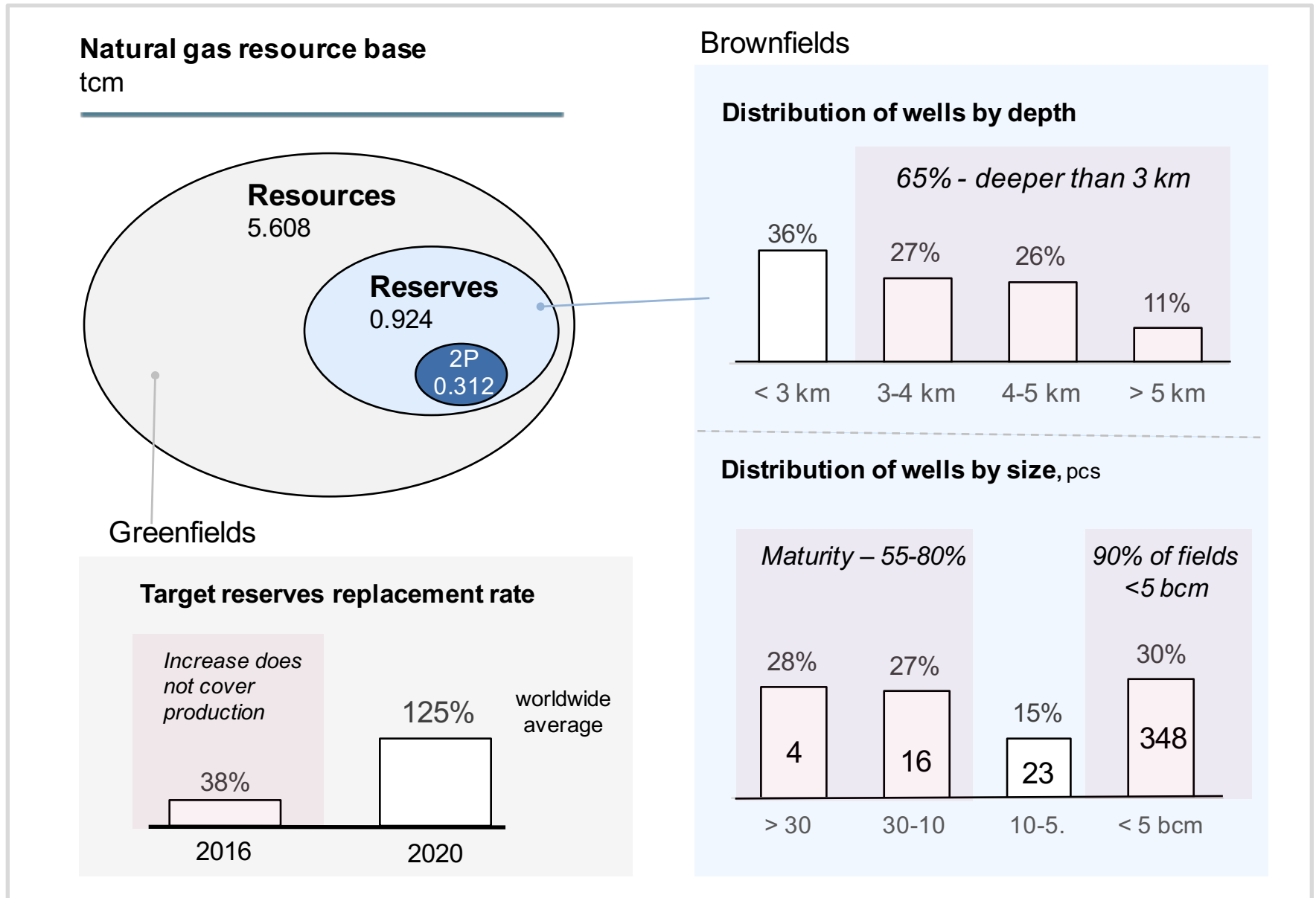


*R/P – reserves-to-production ratio

- Ukraine is among top-3 countries in Europe by natural gas reserves
- At the same time, extraction rate is significantly lower than the worldwide average – only 2%

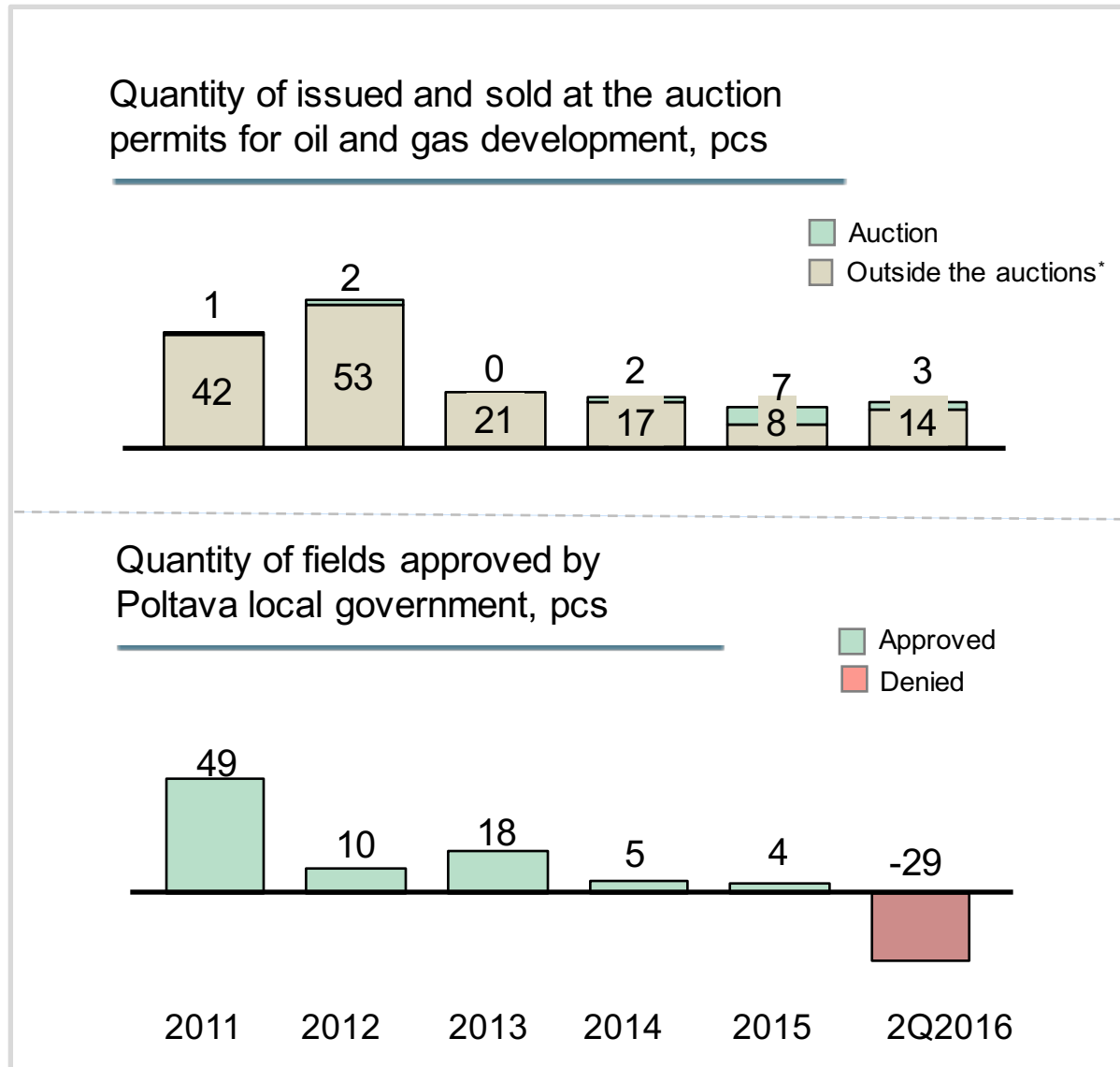


At the same time, resource base exploration is a technologically challenging process





The Government issues very few new special permits – this slows down the industry’s development



Reasons:

- **Selective allocation** of the right to use subsoil
- **Delay of approvals** of new land by local authorities
- **Overvalued prices** of the auctioned land and geological information

*Із урахуванням продовження терміну дії дозволів та переведення їх призначення з розвідки на видобуток



Current regulatory climate is not friendly for the subsoil user

Complicated and costly permits system
(19 authorities, >66 approvals = 36 months)

Outdated base legislative norms

Sophisticated land
legislation

State Commission of Ukraine on
Mineral Resources
forced reevaluation of reserves

CCD*
approval of changes to the
work plans

*Central Commission on Development of Oil, Gas and Gas Condensate Fields under the Ministry of Energy and Coal Industry of Ukraine