

# DIGEST

4<sup>TH</sup> QUARTER OF 2021



Association  
of Gas Producers  
of Ukraine

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The year 2021 was quite successful for the gas industry all around the world. After a record fall in natural gas prices during the pandemic 2020 year, they have shown confident growth and broke historical highs in 2021. Natural gas is constantly enhancing its strategic value for the global economy.

Within the country, the domestic industry passed the 2021 year with outstanding success. Private companies for the first time in the history of Ukraine have produced a record 5 bcm of natural gas and with great reassurance got their share in total production at 25%.



**Daniel Maydanik**

Honorary President

Association of Gas Producers of Ukraine

## Ukraine has signed 2 PSAs with international investor

Two production sharing agreements were officially signed with an international investor – the company EP Ukraine B.V., which is a part of Central European Energy Holding EPH. It includes more than 70 companies in the Czech Republic, Slovakia, Germany and other countries.

According to the signed agreements, EP Ukraine B.V. will develop Okhtyrська and Grunivska fields. According to the tender conditions, the minimum amount of investment in the development of two blocks for the first five years will amount to about UAH 1 bln. During this time, 9 exploration wells will be drilled and 3D seismic will be carried out on an area of 500 sq. km.

## Two oil and gas blocks were sold for almost UAH 395 mln

During the online e-auctions on the ProZorro.Sale two oil and gas fields (blocks) were realized for almost UAH 395 mln. The duration of granted licenses is 20 years.

Zhukivska field was purchased by Goryzonty company, which is a part of the group of companies Zakhidnadraserivis. The block is located in Poltava and its acreage amounts to 57.7 sq. km. During the auction, the final price increased in 17 times to UAH 90 mln.

South-Rusaniv field (Sumska oblast and Poltavaska oblast) was purchased by JSC Ukrgasvydobuvannya for almost UAH 304 mln. The acreage of the field amounts to 317.2 sq. km. The field contains 16 liquidated oil and gas wells.



## SPE section has opened in Kyiv for the first time

Society of Petroleum Engineers (SPE) is the largest oil and gas community, members of which amount to almost 140 000 professionals from 144 countries all around the world. By the effort of the SPE experts the hydrocarbon reserves and resources assessment system PRMS were created, which is widely and successfully used by the leading countries. AGPU together with state bodies and deputies actively working on the implementation of the PRMS in Ukraine.

The opening of the SPE section in Kyiv will allow Ukrainian oil and gas workers to get new experience, update their skills and find out more about the newest technologies used in the industry, and speed up Ukraine's transition to the international evaluation of resource base standards.

The Verkhovna Rada of Ukraine has supported in the second reading and in general draft law **No. 3790 on improving the transparency mechanism in the extractive industries.**

From May 1, 2022, **Ukraine starts using energy units** of accounting natural gas in KWh.

The NERC **postponed the introduction of payment for neutrality balancing** for 1 year and extended period of first stage activity for 2021/2022 years.

Ukrgasvydobuvannya begins **the second stage of involvement partners for augmentation gas production** on 35 exhausted fields according to PEC projects.

DTEK Oil&Gas have reached **a new record in daily gas production among independent companies** increasing numbers to 6.4 mln cm.



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Source: GTSOU operational data

## Average daily gas production in 2021, mcm

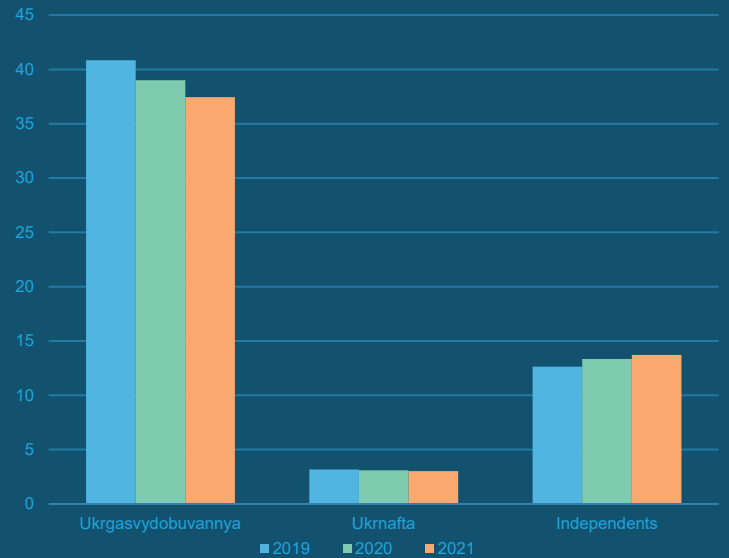
Ukraine produced 19.8 bcm of natural gas in 2021, which is 2% less than the last year.

The crisis in the energy industry continues due to abnormal jumps in hydrocarbon prices.

The record low price of natural gas in 2020 stopped the investment activity, which directly affected the overall decrease in production.

Independent gas producers were able to increase production to a record 5 bcm per year.

State-owned companies have been working to discourage the decline: Ukrnafta has been growing for the past seven months, and Ukgasvydobuvannya reversed the negative trend in December.



## Wholesale gas price in 2020, \$/thousand cm, net of VAT

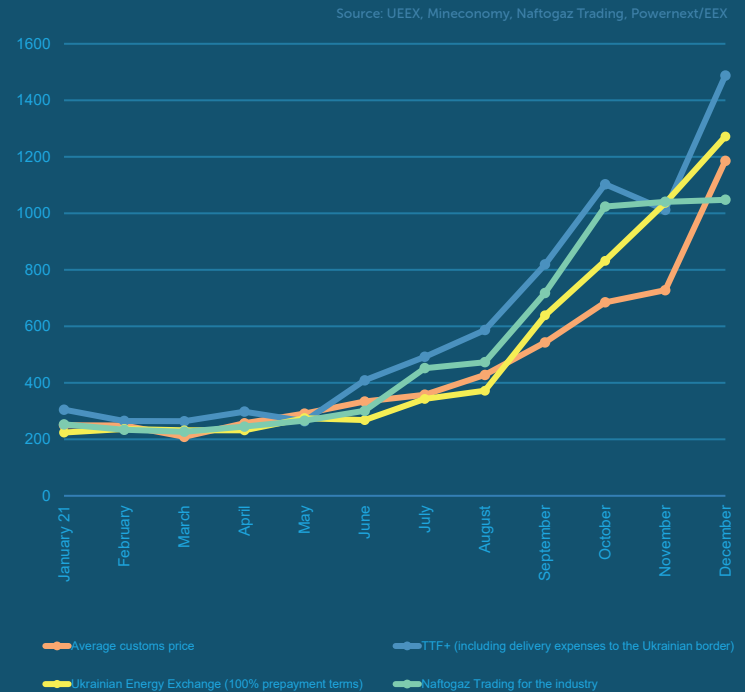
For the first time in history the industry faced such an unpredictable and unstable market situation.

Low UGS filling levels, high LNG prices in Asia, news of the launch of Nord Stream – 2, restriction on coal use and economic recovery have led to record price increases.

In 2021, the wholesale average price at the European TTF hub, including the cost of transportation, amounted to UAH 16 685 (\$617), which is 310% more than last year.

The average customs value of imported gas amounted to UAH 12 449 (\$460), an increase of 220%.

UEEX's price for natural gas on a 100% prepayment basis, increased by 265% compared to last year and amounted to UAH 13 426 (\$497).



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

Favourable price conjecture has become the main reason for intensifying activity in the service market both in Ukraine and in the world.

In Ukraine, the total number of rigs involved in the drilling new wells increased by 11 pcs. (+38%) since the beginning of the year.

The rest of Europe increased by 7 pcs. (+16%) compared with the peak number on November 21.

The trend of increasing capital investments in the sector remains the principal in 2022.

Bearing in mind the world is abandoning coal – natural gas, as a cleaner resource, will be in great demand in the next 15-20 years.

