

Gazprom Reduces Export Target Due to Europe Lull

By [The Moscow Times](#)

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Gazprom lowered a target for supplies to Europe this year after missing forecasts for 2011 on a slower than expected recovery.

Gazprom plans to export 154 billion cubic meters to Europe this year, according to a copy of a presentation to analysts. That is about 2.7 percent more than last year's 150 bcm. In November, the company cut that year's estimate from a possible 159 bcm, while targeting shipments of 164 bcm in 2012.

"Gazprom showed itself as a big elephant that walks ahead despite attacks of mosquitoes," said Valery Nesterov, an analyst at Troika Dialog, who attended the meeting Friday at the company's Moscow headquarters. "Despite known difficulties in the gas markets, Gazprom is acting very confidently."

Demand in Europe, Gazprom's biggest market by revenue, is recovering after a two-year

slump when buyers turned to the spot market for cheaper supplies than under Russian contracts. Facing competition and a persistent gap between its long-term oil-linked gas prices and spot rates, the company agreed to lower prices to five customers in recent months.

Gazprom forecasts its average gas price for Europe will jump about 8 percent to \$415 per 1,000 cubic meters this year, from \$384 last year, according to the presentation. Higher prices may help Gazprom boost 2011 profit to a record. The company hasn't reported full-year results.

Contract renegotiations with customers didn't cause losses for Gazprom as rising prices helped boost revenue, Nesterov said, citing Gazprom deputy chief executive Alexander Medvedev's comments at the presentation. Total sales probably rose to \$155 billion in 2011 from \$118.4 billion the previous year, according to the presentation.

Total supplies this year may still reach 164 bcm, including volumes delivered outside Gazprom's export unit, according to the presentation.

Gazprom held 27 percent of Europe's gas market last year, on the way to rise to 30 percent by 2020, according to the presentation. The producer had a 23 percent share in 2010, CEO Alexei Miller said in June.

Cargoes of liquefied natural gas, which kept Europe oversupplied in 2010, were diverted to Asia to counter a shortfall created by idled nuclear capacity in Japan last year. Japan boosted imports of LNG to a record in 2011 after the disaster at the Fukushima Dai-Ichi reactor in March led to the shutdown of most of its atomic plants.

Colder than usual weather in most of Europe earlier this month boosted demand for Russian gas. While rejecting calls for extra gas exports amid freezing weather at home in the run-up to a presidential election in March, Gazprom has said it is supplying gas to Europe at "maximum possible" capacity.

☒Gazprom, faced by pressure to cap its spending after overshooting 2011 investments, said in the presentation that capital expenditure will decline to \$35 billion this year, close to the 2010 level, from \$50 billion last year. That includes spending by its oil unit Gazprom Neft and its power division.

Investments will remain high in coming years as Gazprom reconfirmed plans to develop its major pipeline and gas production projects, Nesterov said.

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