



560

DAYS

without oil and gas
licensing round

1

BILLION UAH

paid to local communities
in 1H 2018



«The Government has started the preparation for the international oil and gas licensing rounds. We strongly support this initiative, which should increase the interest to the industry and allow to raise capital and bring high-end technology in domestic E&P sector. Together with leading geologists, experts of the

State Geological Survey, and the office of Vice-Prime-Minister, the Association works dynamically on to design the list of promising blocks. It is critical to conduct an auction to facilitate the equal access to the geological data, set the interactive map with proposed blocks on it, and get the international support from the countries partners. The industry expects the first licensing round will be announced in October, drawing the interest of domestic and foreign energy companies».

Daniel Maydanik
Honorary President
Association of gas producers of Ukraine

UKRNAFTOBURINNYA HAS JOINED THE ASSOCIATION OF GAS PRODUCERS OF UKRAINE

UNB has become the eighth member of the AGPU. Together the companies of the Association produce 92% of Ukrainian natural gas, creating 26 thousand jobs, and ensuring 8% of the revenues in the national budget.

Since 2010 UNB has been developing Sakhalinske oil, gas and condensate field in Kharkiv region. Currently the company operates 24 gas condensate and oil wells.

UKRAINE INVITES INTERNATIONAL ENERGY COMPANIES TO INVEST IN THE PRODUCTION OF NATURAL GAS

May was full of top-level international energy events. Promoting the investment attractiveness of the domestic gas production industry, the Association was represented as the speaker on 49th Scout meeting of Central-Eastern Europe and Caspian Scout Group (Poland), on the round table on Ukraine's energy sector reforms in the Royal Institute of international affairs (Chatham House, the UK), on a couple of energy forums, held in Hungary, Monaco, and Lviv.

State Geological Survey has published [online the data on over 8 thousand hydrocarbons wells](#). Among them, over 5 thousand are the natural gas wells, over 1 thousand are condensate wells, and around 3 thousand are oil wells.

The President of Ukraine has signed the [new Currency Law](#) to facilitate currency transactions in Ukraine. The bill abolished the currency control for over 40 percent of various transactions, the registration of non-resident credits as well as the licensing of abroad investment.

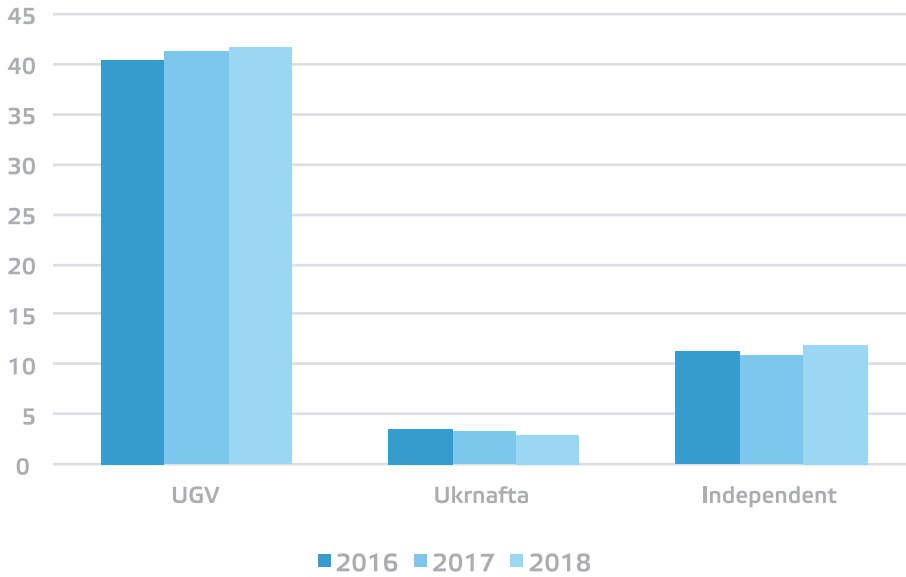
The 3rd [Extractive industries transparency initiative report has been published](#) and covered the year of 2016. All companies of the Association have been submitting the information to annual EITI reports since the introduction of EITI international standards in Ukraine.

THE AMENDMENTS TO THE GOVERNMENT DECREE №615 TOOK EFFECT

The following important changes in the process of granting and turnover of hydrocarbons licenses have been made:

- The abolishment of approbation of geological data as the tool to obtain the license on new acreages without the auction;
- The introduction of the single hydrocarbons charge for granting the license (signature bonus);
- The introduction of the transition period to obtain the environment impact assessment to prolong the license;
- The determination that the awarding of offshore licenses does not require the approval of regional councils;
- The introduction of limited rights to manage the extracted resources by producer in case of the tax arrears;
- The allowance for private companies to transfer their licenses to affiliated entities (by the end of 2018).





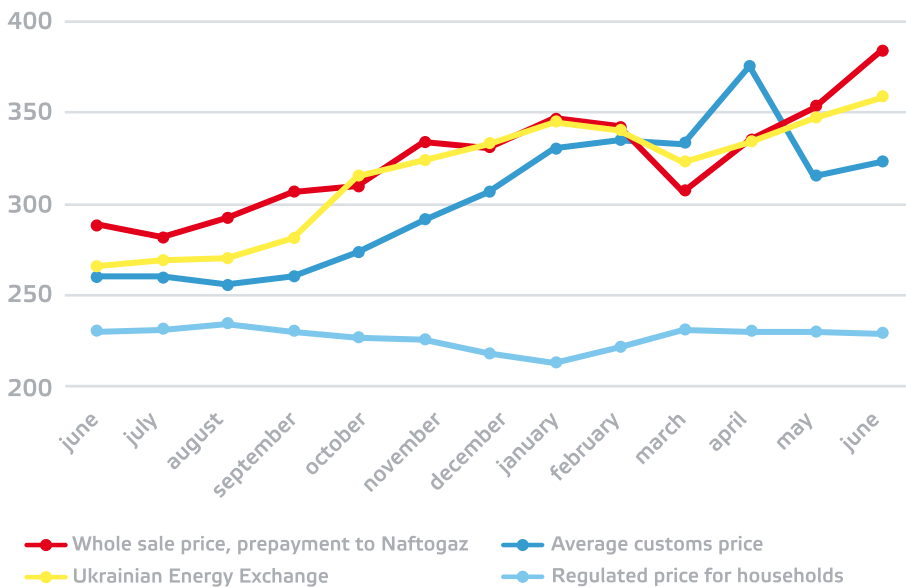
Average daily production of natural gas 1H, MMcm

In first half of 2018 Ukraine produced almost the same volume of gas as in 1H of last year – 10,2 Bcm.

The stagnation of private producers was stopped, two months in a row their production is steadily growing up – over 2.5 percent per month

The industry has to compensate the falling gas output of Ukrnafta, which reached 15% drop (91 million cm) during 1H of the year.

Source: UTG data.

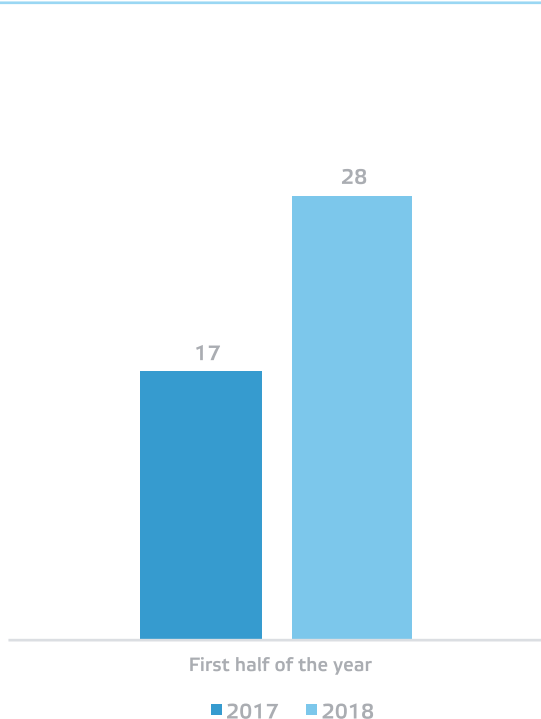


Wholesale gas price for the last year \$/Tcm, with VAT

Traded natural gas is delivered in future month for fixed price. Daily balancing market is absent so far.

Average custom price of one thousand cm of imported gas accounted for \$332, average wholesale price was \$338 (\$11.2 MBTU).

Source: Naftogaz, METD, UEE.



Number of new gas wells launched by the independent producers in 1H

The drilling activity was drastically increased – by 65 percent more new gas wells were started.

The speed of commercial drilling of private companies in the East region varies from 20 to 50 meters per day for well with average depth of 4.8 km, in the West region it accounts for 20 to 40 m/d for well with average depth of 1.3 km.

As of July 1, the number of active heavy rigs drilling for gas was 17 units with over 450 ton lifting capacity, other 140 drilling units are also available for request.

Source: AGPU, Newfolk.