

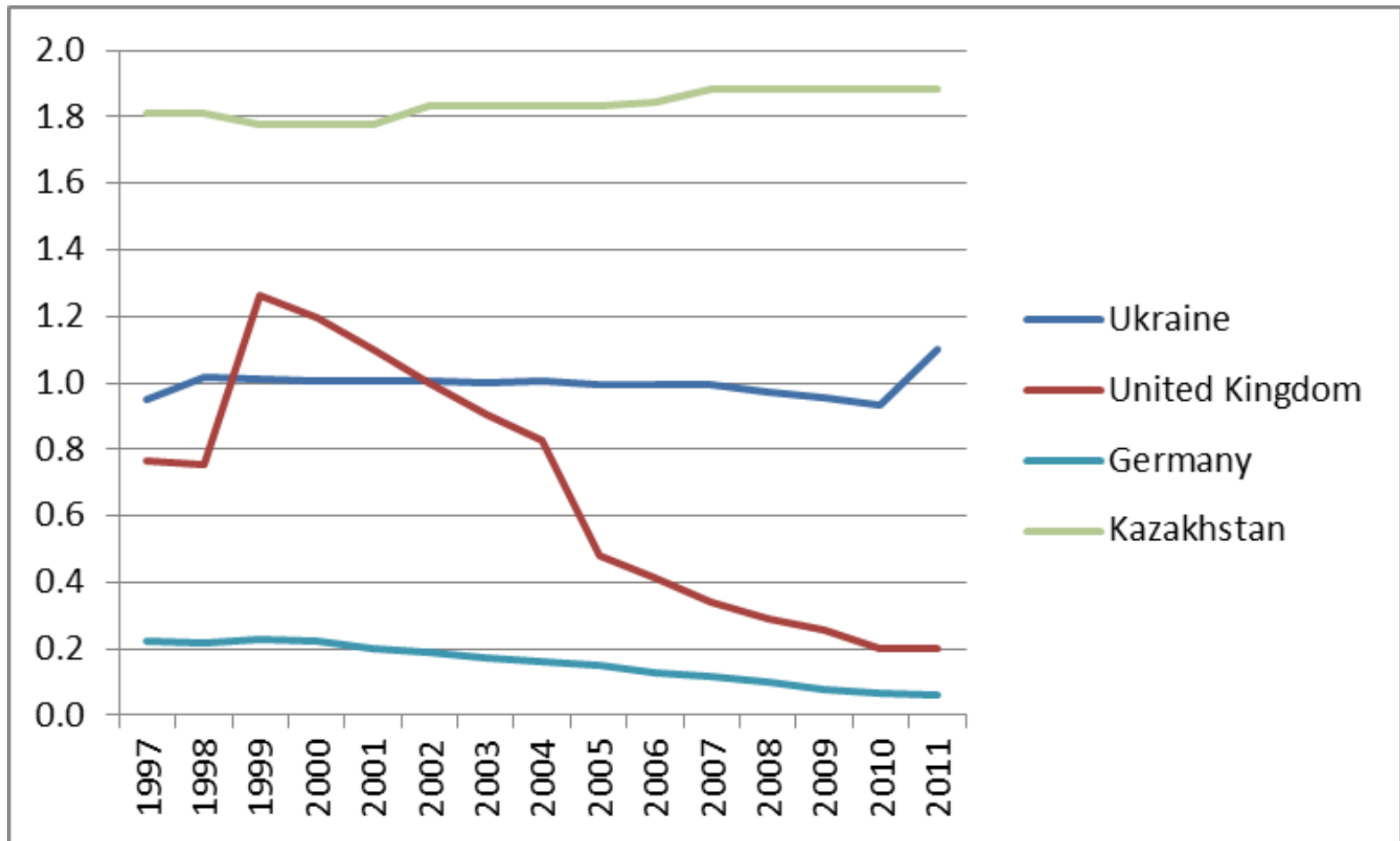
Ukrainian conventional resources - fuelling independence?

US-Ukraine Energy Dialogue IV: Aiming for an Energy Self Sufficient Ukraine by 2030

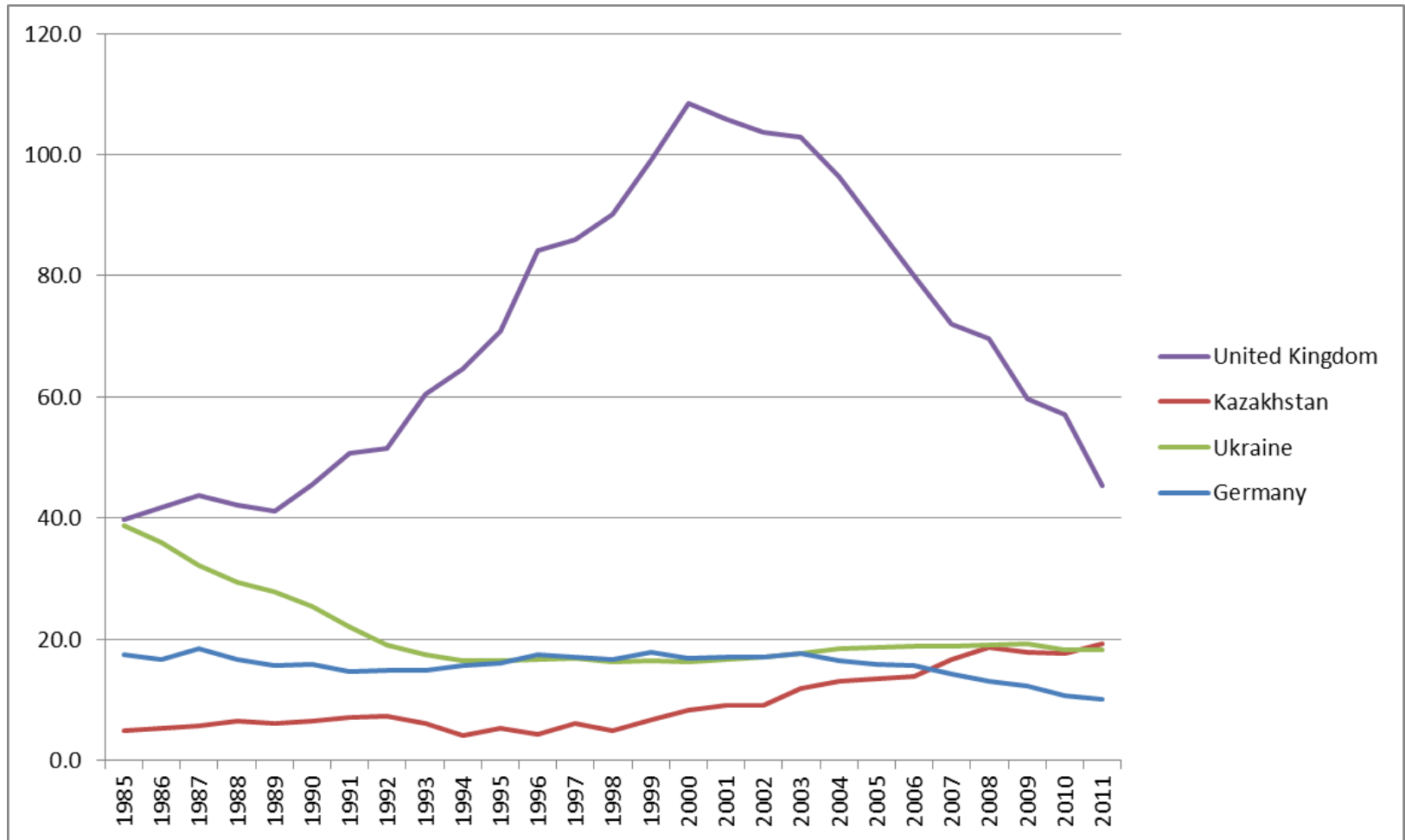
American Chamber of Commerce in Ukraine, Kyiv, December 11th, 2012

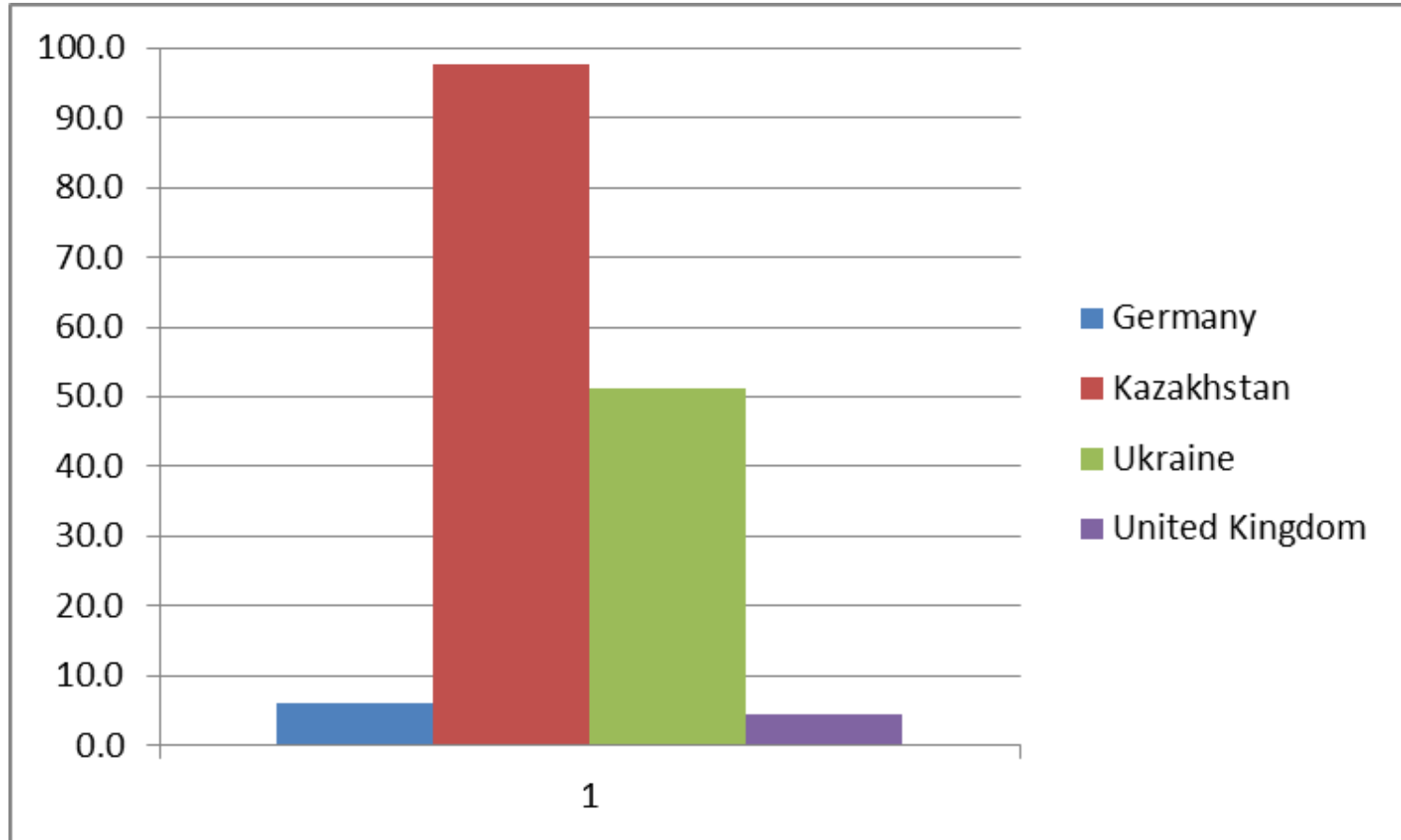
Jonas Grätz, Center for Security Studies, ETH Zurich

Natural gas reserves, tcm

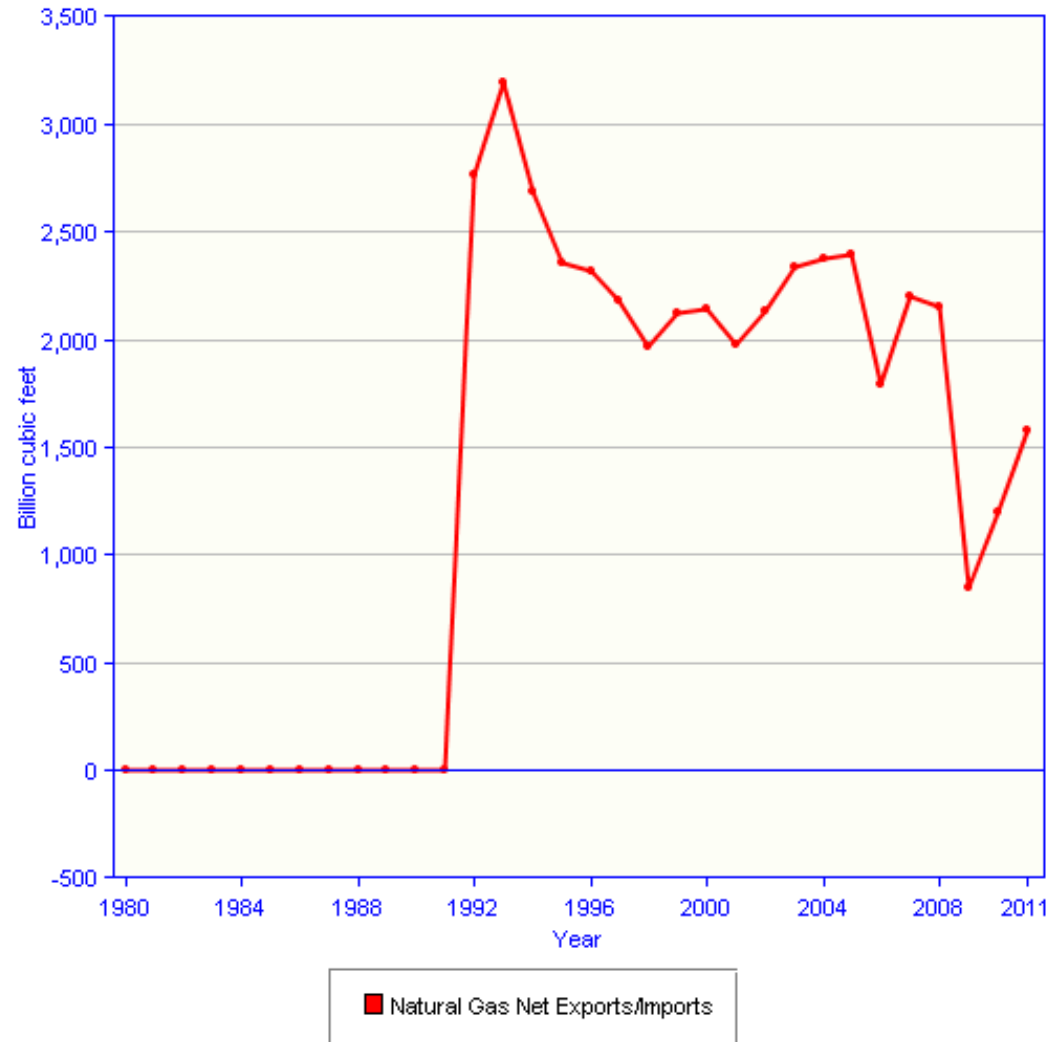


Natural gas production, bcm

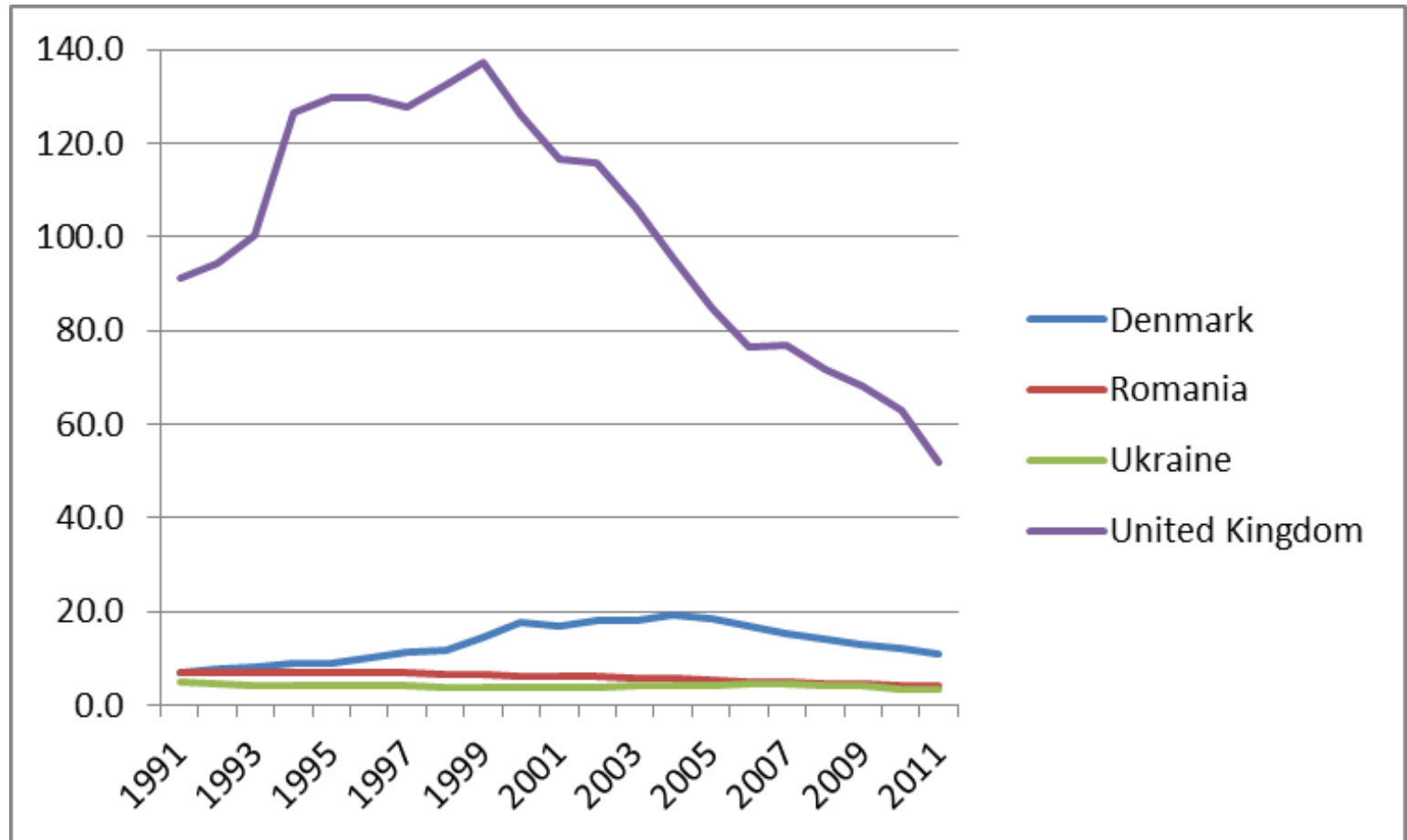




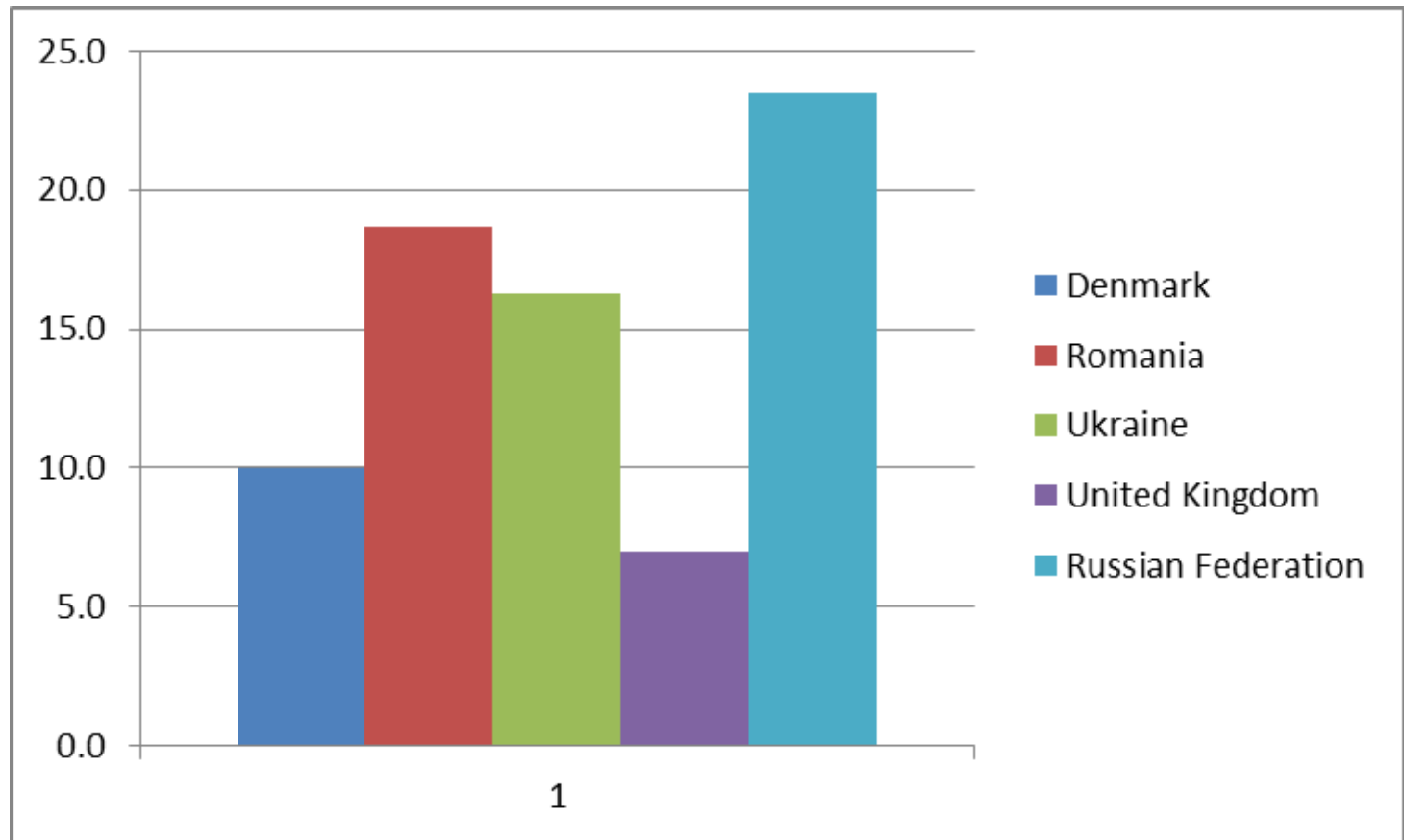
Natural gas imports



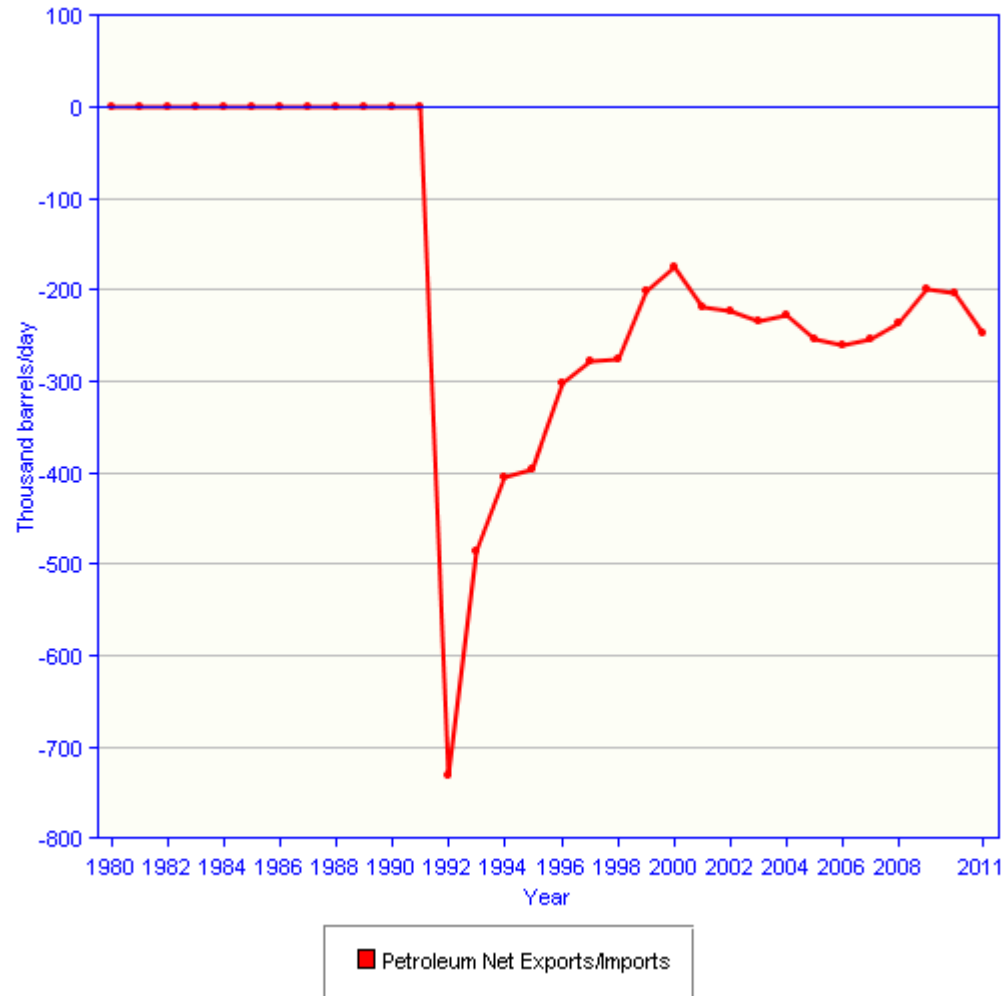
Oil production, million tons

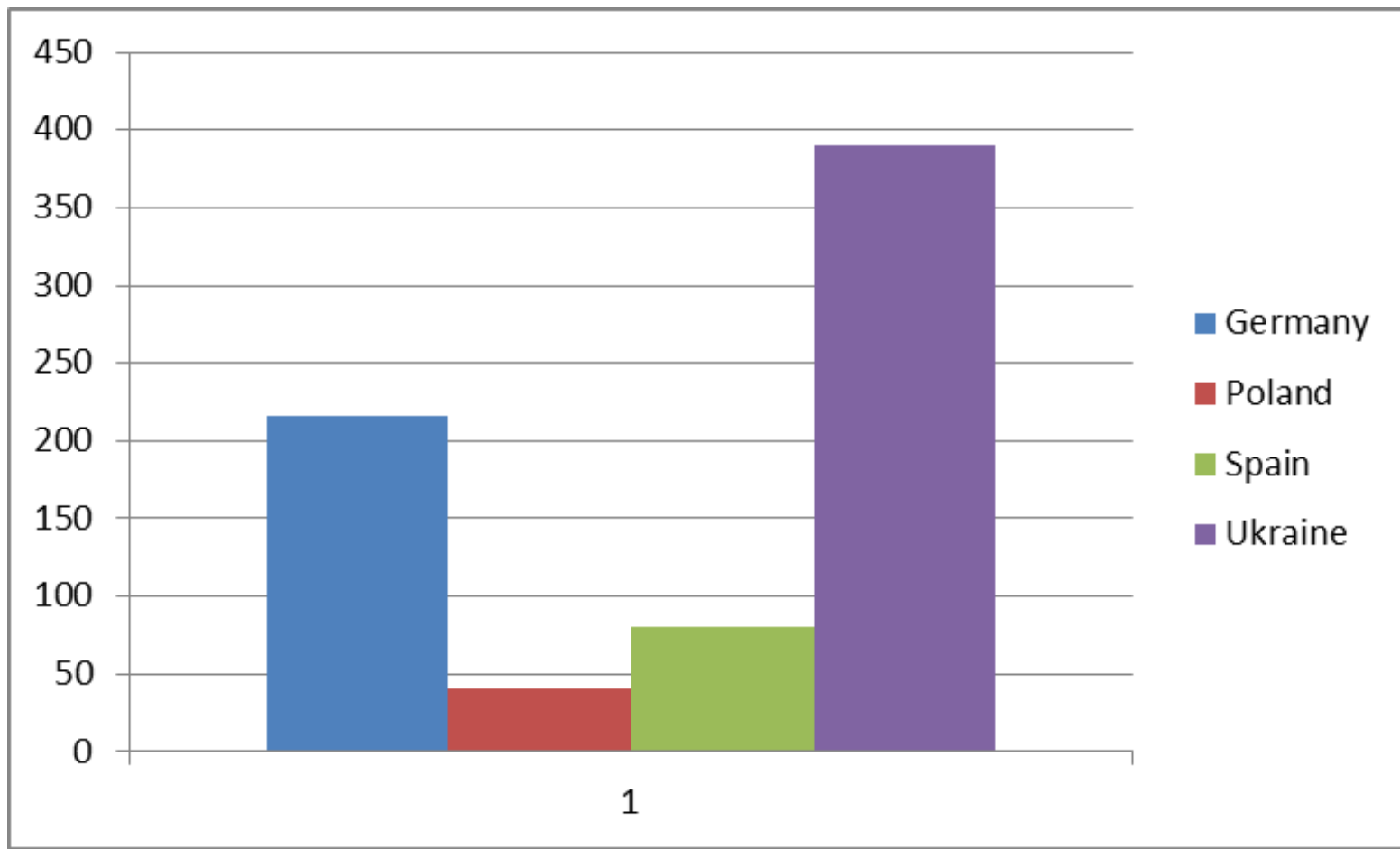


Oil R/P ratio, years



Net oil imports

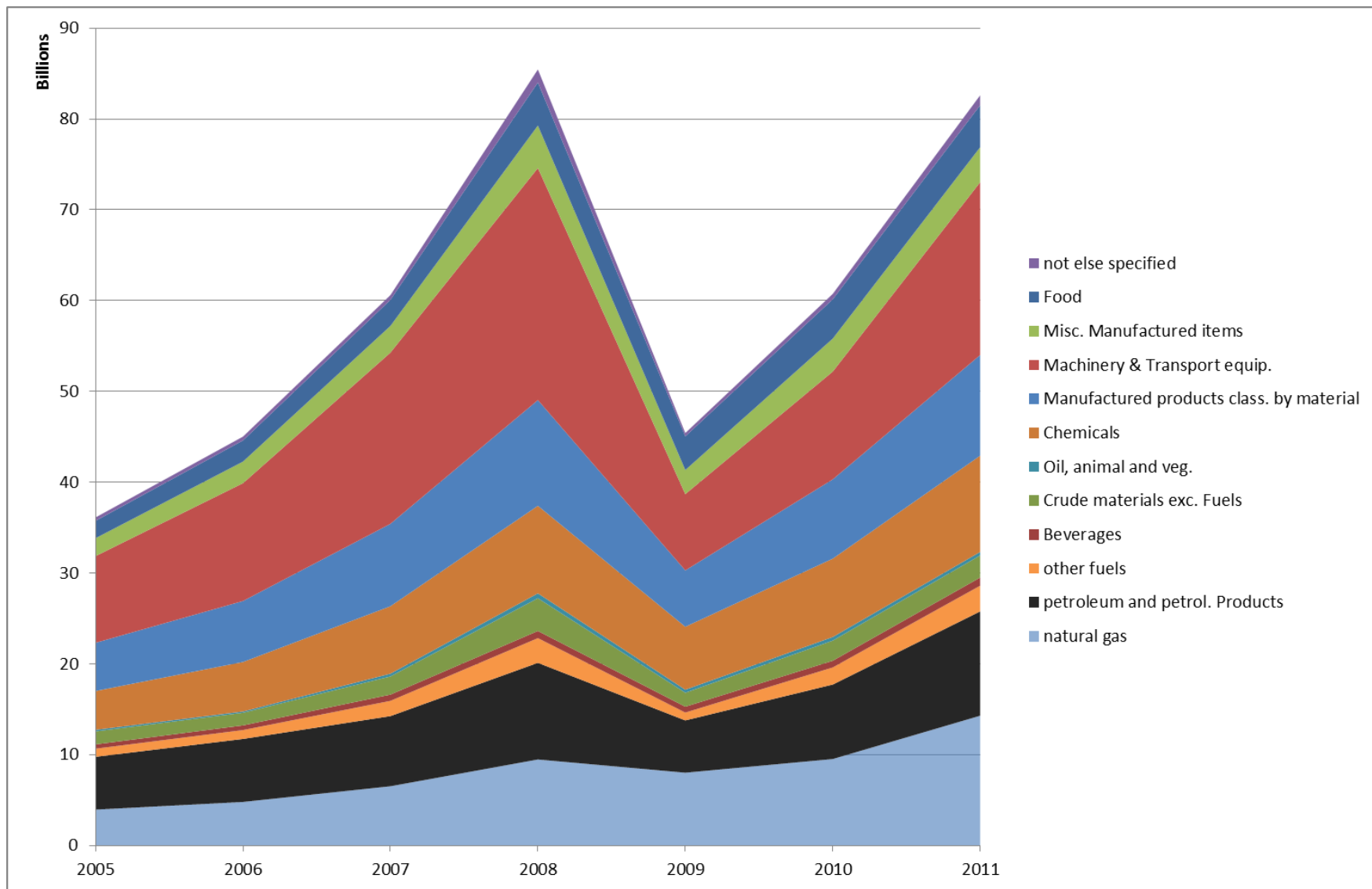




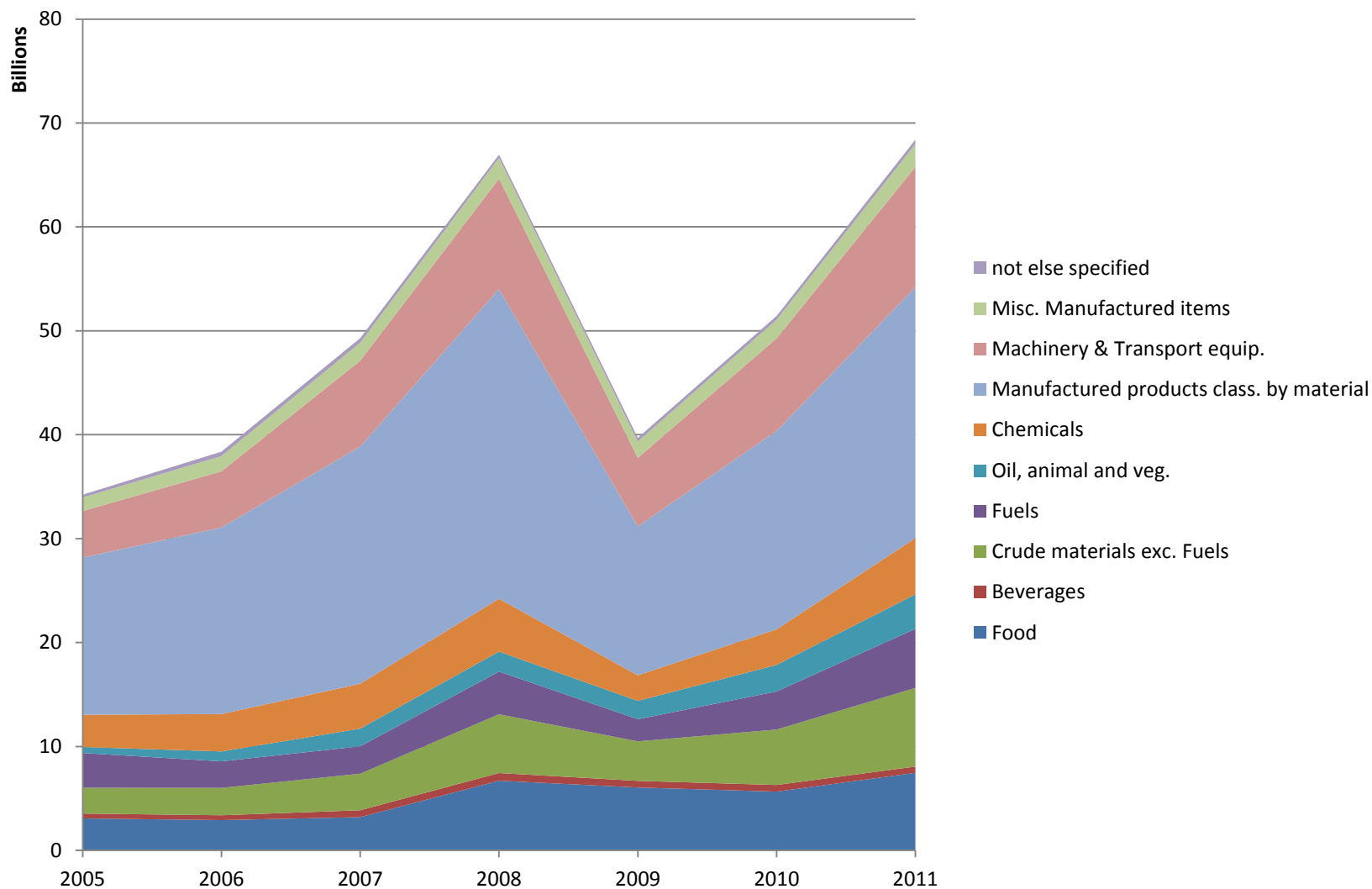
- ! Reserves are estimated to be sufficient for 100 years of consumption
- ! But dependent on Russia for enrichment and fuel rod assembly
- ! Russia promised to build nuclear fuel factory in Ukraine as a joint venture between TVEL and Nuclear Fuel company
 - / Groundbreaking ceremony took place in October 2012
 - / Ukraine and Russia quarreling over Ukrainian contribution to corporate capital

- ! Yes, Ukraine has substantial reserves (even conventional), especially gas, coal, and nuclear
- ! But the question is, whether Ukraine has enough time to realise its potential
 - ! ...after waiting for 20 years...
- ! Russia hopes that time will not be enough
 - ! Exports are highly dependent on Russia and world economy
 - ! Current account balance is worsening
 - ! Budget deficit growing
 - ! IMF assistance?

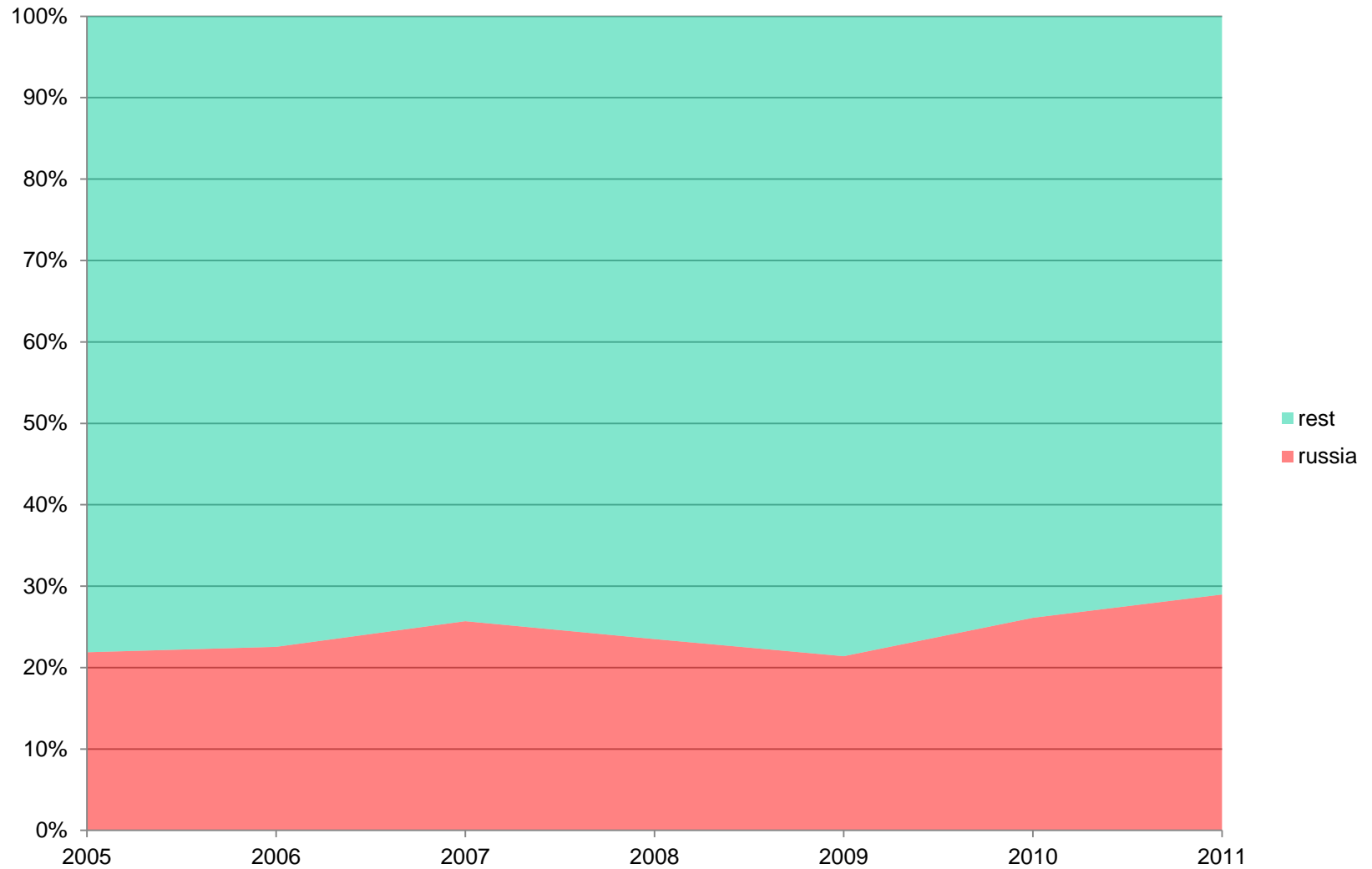
Imports



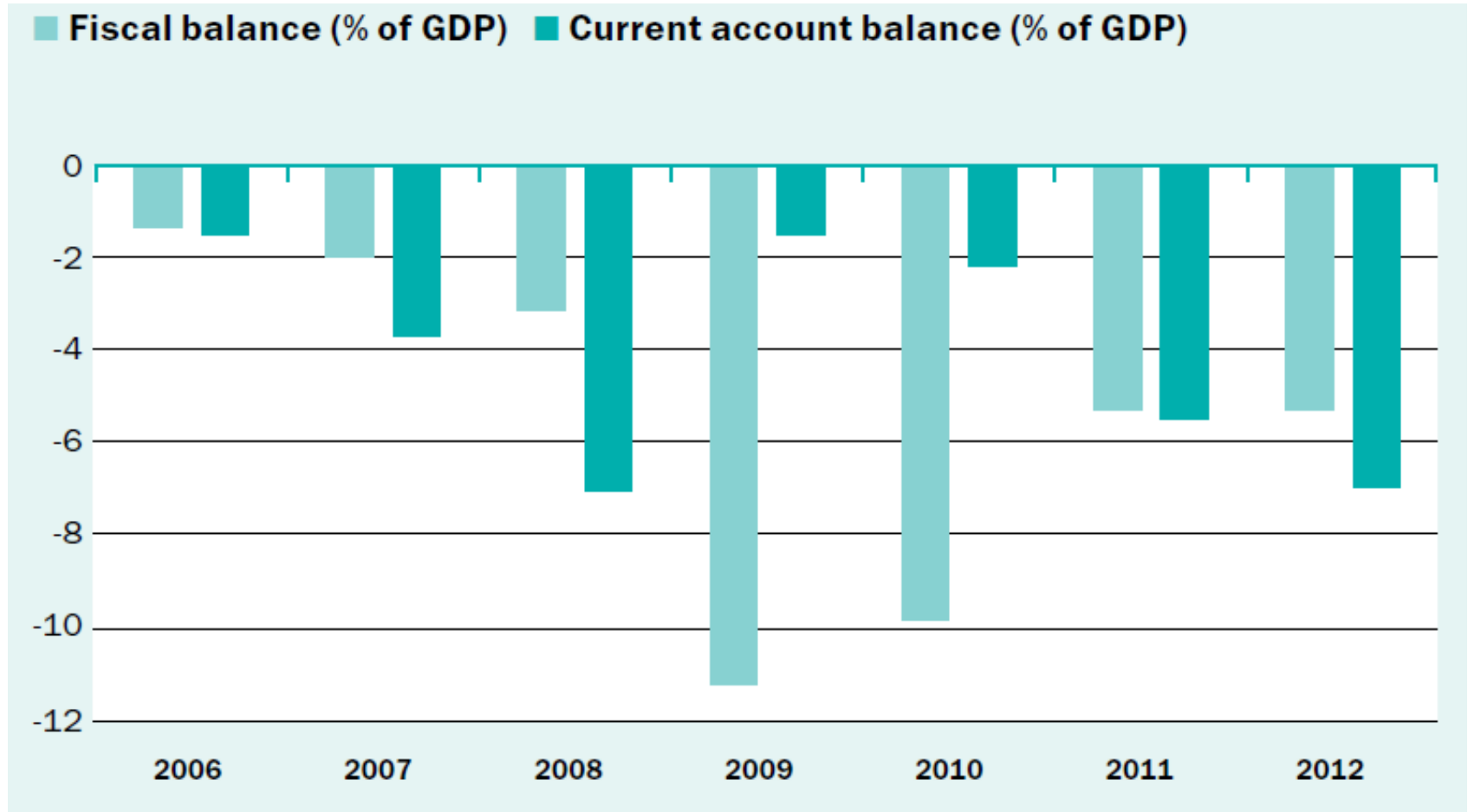
Exports



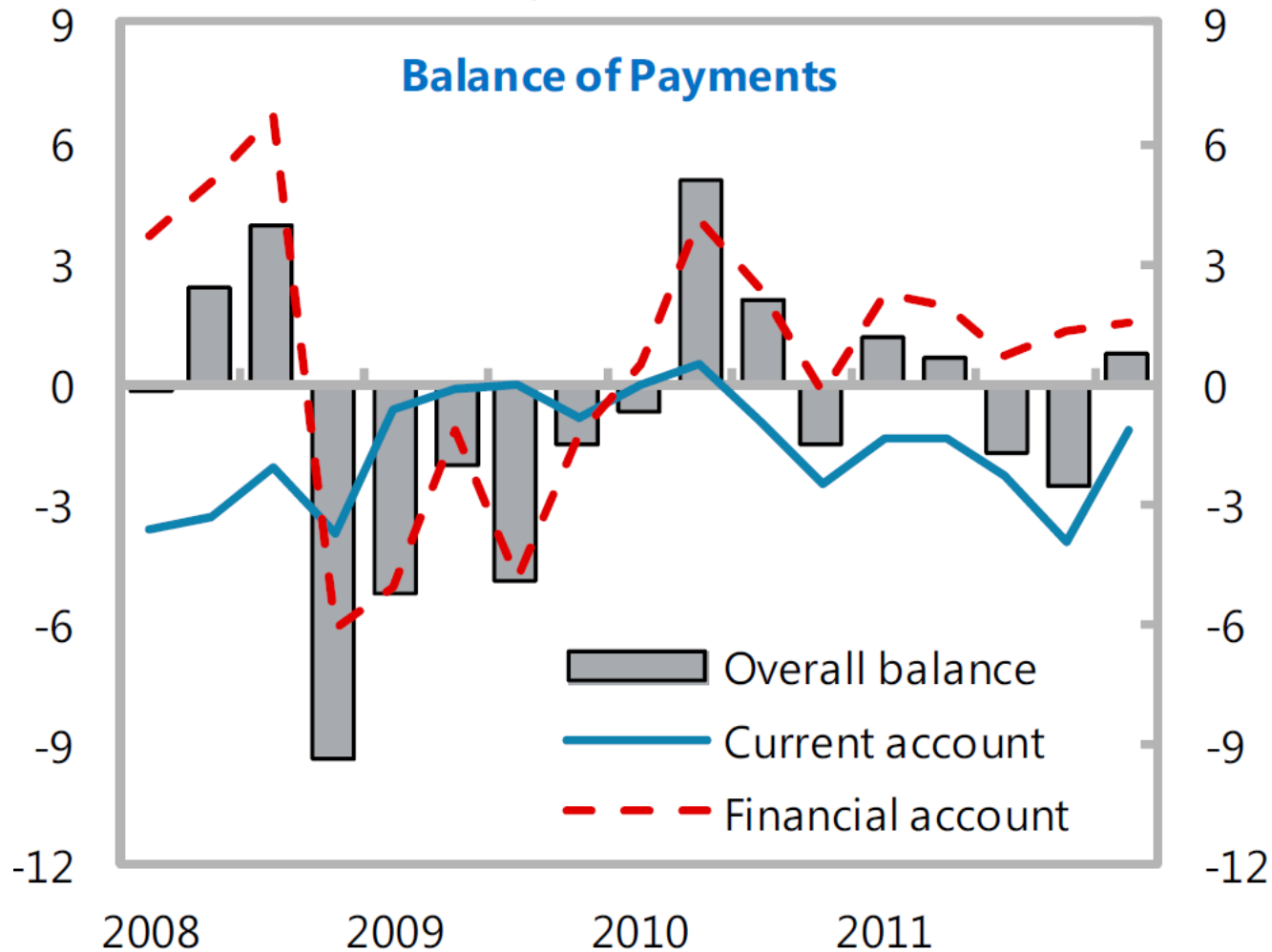
Export destinations



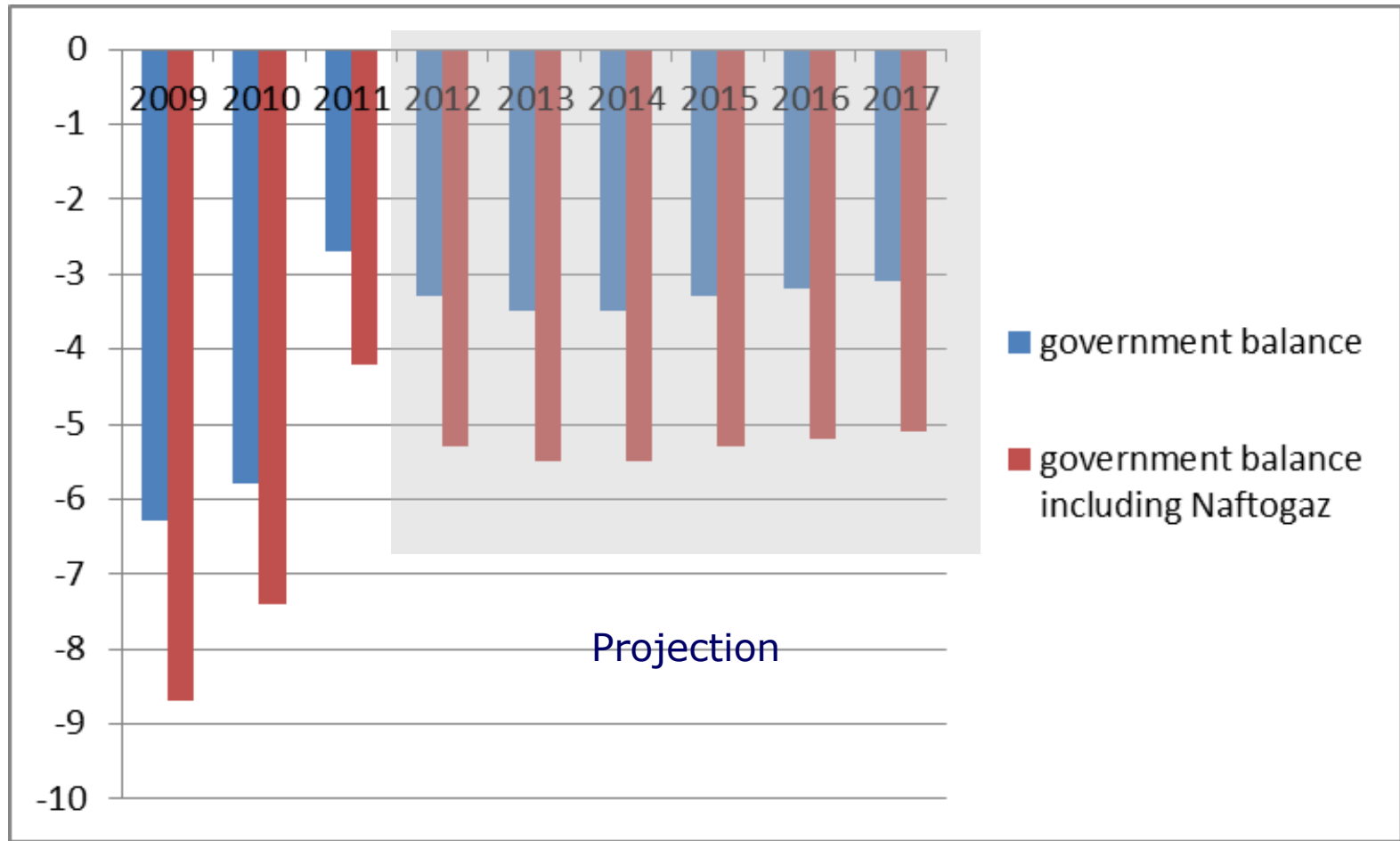
Fiscal and current account balances



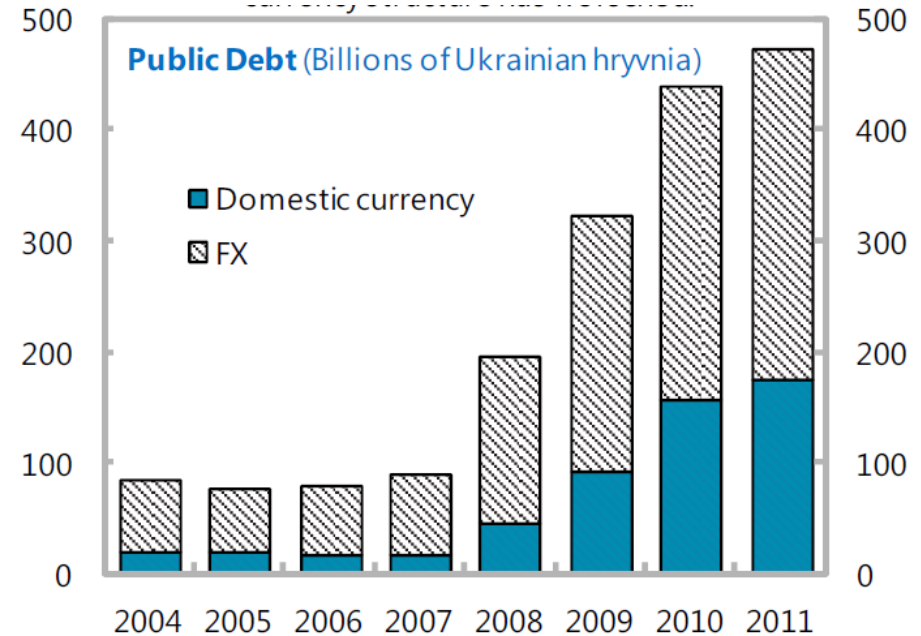
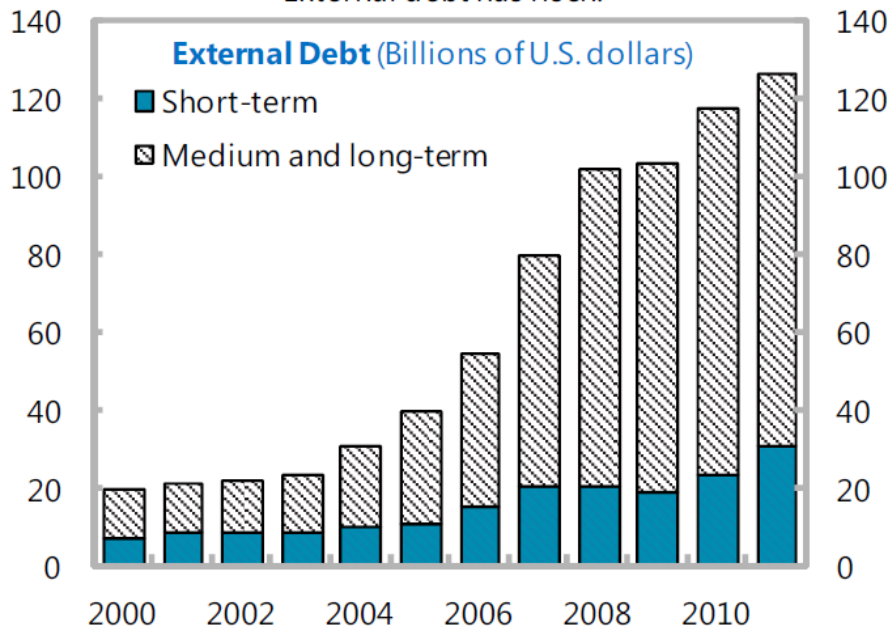
Balance of payment remains weak



Naftogaz (Gazprom) still burns a hole in the budget



Public and total debt rises (in absolute terms)



Some words on South Stream



! For Russia:

- ! Political: circumventing Ukraine as transit state and gaining influence in the (non-EU) Balkans
- ! Strategic: deterring Nabucco or other competitor project – avoiding diversification
- ! Market design: Pushing back EU's marketization agenda
- ! Regime stabilization: nice contracts for regime-connected construction firms, steel producers and pipe-rolling mills (huge investments in Russia needed, about US-\$ 30 bn)





Severstal

! For transit / consumer states


- ! Security: threats from Gazprom will subside when cooperating
- ! Economic: Lower gas price for Russian gas, boost of economic activity in times of crisis, future transit revenues
- ! Political: Better political relationship with Russia – better market access

Ukraine: The economic push and pull of the South Stream project

Economic push

-  Additional shortfall of transit revenues of about 1 bn US-\$ per year
-  Worsening bargaining position vis-à-vis Russia

Economic pull

-  So far no contracts for Ukrainian steelmakers visible, but this may change in case Ukraine does what Russia wants – like in 2010 after the Sevastopol deal (260.000 t of steel pipe annually)

- /** Ukraine has a great potential even in conventional resources
- /** However, chances were not taken up for quite some time
- /** The sorry state of the economy and of public finances demands a much improved governance
 - /** More foreign capital needs to be brought in quickly
 - /** Diversify economy and trade partners
 - /** Energy independence strategy should be thoroughly followed
- /** IMF programme, as well as World Bank and EC budget support should be unfrozen if necessary to provide life support
 - /** Raise internal gas prices somewhat, especially for big domestic consumers (concession to IMF)

Thank you for your attention!

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